KUB MALAYSIA BERHAD
Registration No. 196501000205 (6022-D)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

(I) **PROPOSED ACQUISITION OF 45,924,632 ORDINARY SHARES IN CENTRAL CABLES BERHAD ("CCB"), REPRESENTING APPROXIMATELY 86.65% EQUITY INTEREST IN CCB, BY KUB MALAYSIA BERHAD ("KUB" OR "COMPANY") FROM JAG CAPITAL HOLDINGS SDN BHD ("JAG" OR "VENDOR") FOR A PURCHASE CONSIDERATION OF RM119.42 MILLION TO BE SATISFIED WHOLLY VIA THE ISSUANCE OF 199,035,059 NEW REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN KUB ("RCPS") AT AN ISSUE PRICE OF RM0.60 PER RCPS ("PROPOSED ACQUISITION");**

(II) **PROPOSED DIVERSIFICATION IN OPERATIONS CARRIED OUT BY KUB AND ITS SUBSIDIARIES INTO THE CABLES MANUFACTURING BUSINESS (AS DEFINED HEREIN) PURSUANT TO THE PROPOSED ACQUISITION IN ACCORDANCE WITH PARAGRAPH 10.13 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES;**

(III) **PROPOSED AMENDMENTS TO THE CONSTITUTION OF KUB TO FACILITATE THE ISSUANCE OF THE RCPS PURSUANT TO THE PROPOSED ACQUISITION AND THE PROPOSED CCB MGO (AS DEFINED BELOW); AND**

(IV) **PROPOSED MANDATORY TAKE-OVER OFFER BY KUB FOR ALL THE REMAINING ORDINARY SHARES IN CCB NOT ALREADY OWNED BY KUB AFTER THE PROPOSED ACQUISITION PURSUANT TO SUBPARAGRAPH 4.01(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS OF THE SECURITIES COMMISSION MALAYSIA ("PROPOSED CCB MGO")**

PART B

INDEPENDENT ADVICE LETTER FROM AFFIN HWANG INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF KUB IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

Maybank Investment Bank
Company Registration No. 197301002412
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

AFFIN HWANG INVESTMENT BANK
(Registration No.: 197301000792 (14389-U))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") of KUB and the Proxy Form are enclosed in this Circular. This Circular together with the Administrative Details for the EGM are available at our Company's corporate website at www.kub.com and Bursa Securities' website at www.bursamalaysia.com under our Company's announcements. The EGM is to be held virtually through live streaming from the Board Room, KUB Malaysia Berhad, Suite A-22-1, Level 22, Hampshire Place Office, 157 Hampshire, No. 1, Jalan Mayang Sari, 50450 Kuala Lumpur on Wednesday, 28 February 2024 or any adjournment thereof where shareholders are to attend, speak (including posing questions to the Board of Directors of KUB via real time submission of typed text(s)) and vote remotely at the EGM via Remote Participation and Electronic Voting ("**RPEV**") facilities provided by Boardroom Share Registrars Sdn Bhd ("**Share Registrar**"). Please follow the procedures of RPEV as stated in the Administrative Details for the EGM.

The Proxy Form should be completed and deposited at the office of the Share Registrar at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan by hand or by fax to +603 7890 4670 or by email to bsr.helpdesk@boardroomlimited.com or lodge electronically at https://investor.boardroomlimited.com. As the voting at the EGM will be conducted on a poll, the Proxy Form must be lodged on or before the following date and time:

Last date and time for deposit of the Proxy Form	:	10.00 a.m. on Monday, 26 February 2024
Date and time of the EGM	:	10.00 a.m. on Wednesday, 28 February 2024

For further information on the electronic lodgement of the Proxy Form, kindly refer to the Administrative Details for the EGM.

This Circular is dated 6 February 2024

DEFINITIONS

The following definitions shall apply throughout this Circular unless the context requires otherwise:

12MP	:	Twelfth Malaysia Plan, 2021 - 2025
Act	:	Companies Act 2016
Acquisition Shares	:	Being 45,924,632 CCB Shares
Affin Hwang IB or **Independent Adviser**	:	Affin Hwang Investment Bank Berhad (Registration No. 197301000792 (14389-U))
Agricultural Business	:	Cultivation of oil palm and management of oil palm estates
Board	:	Board of Directors of KUB
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Cables Manufacturing Business	:	Business of manufacturing and distribution of power cables and wires
CCB	:	Central Cables Berhad (Registration No. 196701000235 (7169-A))
CCB Group	:	Collectively, CCB and its subsidiaries
CCB Offer Price	:	RM2.60037 per CCB Offer Share
CCB Offer Shares	:	Being the remaining 7,075,368 CCB Shares not already owned by KUB after the Proposed Acquisition
CCB Shares	:	Ordinary shares in CCB
CGU	:	Cash generating unit
Circular	:	This circular to the shareholders of our Company in relation to the Proposals dated 6 February 2024
CMSA	:	Capital Markets and Services Act, 2007
Comparable Companies	:	Profitable public companies that are listed on stock exchanges in South-East Asia for more than 2 years and principally involved in the manufacturing of power cables and wire industry (contributing over 51% of total revenue), with market capitalisation below RM500 million for purposes of the RVA
Completion	:	Completion of the SPA
Completion Date	:	The date falling seven (7) business days from the day upon which all the Conditions Precedent have been satisfied or waived in accordance with the SPA, or at such other date as the parties may agree in writing
Conditions Precedent	:	Conditions precedent of the SPA as set out in Appendix I of this Circular
Consideration RCPS	:	Being 199,035,059 new RCPS to be issued to the Vendor pursuant to the variation in the mode of settlement for the Proposed Acquisition
Constitution	:	Constitution of our Company
Conversion Ratio	:	1 RCPS for 1 KUB Share
COVID-19	:	An infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
DSJ	:	Datuk Seri Johari Bin Abdul Ghani
DZH	:	Datin Seri Zurwati Haslinda Binti Zainal Bahry
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EGM	:	Extraordinary general meeting of our Company
EPS	:	Earnings per share
EV	:	Enterprise value

FCFE	:	Free cash flow to equity
FHCA	:	FHMH Corporate Advisory Sdn Bhd (Registration No. 200701016946 (774955-D))
First Announcement	:	Our Company's announcement in relation to the Original Proposals dated 21 November 2023
FPE	:	Financial period ended / financial period ending
FYE	:	Financial year ended / financial year ending
Independent Advice Letter	:	The independent advice letter from Affin Hwang IB to the Non-Interested Shareholders in relation to the Proposed Acquisition as set out in Part B of this Circular
Interested Director	:	Megat Joha Bin Megat Abdul Rahman
Interested Major Shareholders	:	Collectively, JAG and DSJ
Issue Price	:	RM0.60 per Consideration RCPS
JAG or **Vendor**	:	JAG Capital Holdings Sdn Bhd (Registration No. 200401007748 (646252-M))
JAG Shares	:	Ordinary shares in JAG
KM	:	Kilometre
KUB or **Company**	:	KUB Malaysia Berhad (Registration No. 196501000205 (6022-D)
KUB Group or **Group**	:	Collectively, our Company and our subsidiaries
KUB MGO	:	Conditional MGO by JAG for the KUB Offer Securities for a cash offer price of RM0.60 per KUB Offer Share and RM0.60 per KUB Offer RCPS pursuant to subparagraph 4.01(a) of the Rules
KUB Offer RCPS	:	All the RCPS that may be issued to the holders of the CCB Offer Shares who opt for the Securities Option under the Proposed CCB MGO prior to the closing of the KUB MGO
KUB Offer Securities	:	Collectively, the KUB Offer Shares and the KUB Offer RCPS
KUB Offer Shares	:	All the remaining KUB Shares not already owned by JAG, Ultimate Offerors and the PACs with JAG and the Ultimate Offerors and such new KUB Shares that may be issued pursuant to the conversion of the RCPS by the holders of the CCB Offer Shares who opt for the Securities Option under the Proposed CCB MGO prior to the closing of the KUB MGO
KUB Power	:	KUB Power Sdn Bhd (Registration No. 199201004834 (236338-P))
KUB Shares	:	Ordinary shares in KUB
KUB VGO	:	Conditional VGO by JAG for the KUB Offer Securities for a cash offer price of RM0.60 per KUB Offer Share and RM0.60 per KUB Offer RCPS in accordance with paragraph 5.01 of the Rules
KUB VGO Notice	:	Notice of the KUB VGO dated 8 January 2024
KV	:	Kilovolts, a measure of the potential energy in thousands of a unit charge at any given point in a circuit relative to a reference point (ground)
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	15 January 2024, being the latest practicable date prior to the date of this Circular
LPG Business	:	The business of importation, bottling and trading of liquefied petroleum gas

LTD	:	20 November 2023, being the last trading day prior to the date of the SPA
Market Day	:	Any day on which Bursa Securities is open for trading of securities
Maybank IB or **Principal Adviser**	:	Maybank Investment Bank Berhad (Registration No. 197301002412)
MGO	:	Mandatory take-over offer
NA	:	Net assets
NETR	:	National Energy Transition Roadmap
NIMP 2030	:	Chemical Industry Roadmap 2030, National Energy Transition Roadmap and New Industrial Master Plan 2030
Non-Interested Shareholders	:	Shareholders of our Company who do not have any interest, direct and/or indirect, in the Proposed Acquisition
Notice	:	Notice of the Proposed CCB MGO
Offer Document	:	Offer document outlining the terms and conditions of the Proposed CCB MGO
Opinion Date	:	31 October 2023, being the opinion date used for the Valuation Letter
Original Proposals	:	Collectively: (i) proposed acquisition of 45,924,632 CCB Shares, representing approximately 86.65% equity interest in CCB, by KUB from JAG for a purchase consideration of RM119.42 million to be satisfied wholly via the issuance of 199,035,059 new KUB Shares at an issue price of RM0.60 per new KUB Share; (ii) Proposed Diversification; and (iii) Proposed CCB MGO
Other Businesses	:	Other businesses comprising infrastructure solutions, supply, maintenance and ancillary services in information, communications and technology, power business, property management services, investment holding and provision of management services
PAC	:	Person acting in concert
PAT	:	Profit after tax
PB	:	Price-to-book
PBT	:	Profit before tax
PE	:	Price-to-earnings
Power Business	:	General building works and civil engineering services within the power industry, including substation and transmission line construction, supply and installation of electrical infrastructure, and electrical maintenance contracts
Proposals	:	Collectively, the Proposed Acquisition, the Proposed Diversification, the Proposed Amendments and the Proposed CCB MGO
Proposed Acquisition	:	Proposed acquisition of 45,924,632 CCB Shares, representing approximately 86.65% equity interest in CCB, by KUB from JAG for the Purchase Consideration to be satisfied wholly via the issuance of the Consideration RCPS at the RCPS Issue Price
Proposed Amendments	:	Proposed amendments to the Constitution to facilitate the issuance of the RCPS pursuant to the Proposed Acquisition and the Proposed CCB MGO

Proposed CCB MGO	:	Proposed unconditional MGO for all the CCB Offer Shares by KUB after the Proposed Acquisition pursuant to subparagraph 4.01(a) of the Rules
Proposed Diversification	:	Proposed diversification in operations carried out by our Group into the Cables Manufacturing Business pursuant to the Proposed Acquisition in accordance with Paragraph 10.13 of the Listing Requirements
Public Spread Requirement	:	The requirement whereby a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders to ensure its continued listing on the Main Market of Bursa Securities pursuant to Paragraph 8.02(1) of the Listing Requirements
Purchase Consideration	:	Being RM119.42 million in relation to the Proposed Acquisition
RCPS	:	Redeemable convertible preference shares in KUB
RCPS Issue Price	:	RM0.60 per RCPS
RE	:	Renewable energy
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
RVA	:	Relative valuation analysis
SC	:	Securities Commission Malaysia
Securities Option	:	New RCPS based on an exchange ratio of 4.33395 new RCPS to be issued for every 1 CCB Offer Share surrendered pursuant to the Proposed CCB MGO
SPA	:	Conditional sale and purchase agreement in relation to the Proposed Acquisition between our Company and JAG dated 21 November 2023, together with the Supplemental SPA
Supplemental SPA	:	Supplemental agreement to the SPA between our Company and JAG in relation to the variation in the mode of settlement of the Purchase Consideration dated 8 January 2024
Ultimate Offerors	:	Collectively, DSJ and DZH
US	:	United States of America
Valuation Letter	:	The letter from FHCA, the independent business valuer appointed by our Company, on the valuation of the entire equity interest of CCB dated 31 January 2024 as set out in Appendix VI of this Circular
VGO	:	Voluntary take-over offer
VWAMP	:	Volume weighted average market price
XLPE	:	Ariel bundled cross-linked polyethylene plastic

CURRENCIES

RM and sen	:	Ringgit Malaysia and sen
USD	:	United States Dollar

All references to "**we**", "**us**" and "**our**" are to our Company, and where the context requires otherwise, shall include our Group.

All references to "**you**" and "**your**" in this Circular are to our shareholders.

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

Any reference to any act, rules, written law, ordinance, enactment or guideline in this Circular is a reference to that act, rules, written law, ordinance, enactment or guideline as amended or re-enacted from time to time.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding.

This Circular includes forward-looking statements. All statements other than statements of historical facts included in this Circular including, without limitation, those regarding our Group's financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

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THIS EXECUTIVE SUMMARY SETS OUT THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

Key Information	Summary	Reference to Circular
Details of the Proposals	The Proposals entail the following: **(i) Proposed Acquisition** The proposed acquisition of the Acquisition Shares, representing approximately 86.65% equity interest in CCB, by our Company from JAG for the Purchase Consideration to be satisfied wholly via the issuance of the Consideration RCPS at the RCPS Issue Price. Our Company will, upon completion of the Proposed Acquisition, hold approximately 86.65% equity interest in CCB such that CCB will become our subsidiary. However, our final shareholding in CCB will depend on the acceptance level of the Proposed CCB MGO. **(ii) Proposed Diversification** The proposed diversification in operations carried out by our Group into the Cables Manufacturing Business pursuant to the Proposed Acquisition in accordance with Paragraph 10.13 of the Listing Requirements. **(iii) Proposed Amendments** The proposed amendments to the Constitution to facilitate the issuance of the RCPS pursuant to the Proposed Acquisition and the Proposed CCB MGO. **(iv) Proposed CCB MGO** The proposed unconditional MGO by our Company for all the CCB Offer Shares as a consequence of the Proposed Acquisition, pursuant to subparagraph 4.01(a) of the Rules.	Section 2 of Part A
Rationale and benefits of the Proposals	**(i) Proposed Acquisition** The Proposed Acquisition will: (a) enable our Group to venture into the Cables Manufacturing Business while mitigating the risk associated with market fluctuations associated with the Power Business; (b) enable our Group to enhance our operational efficiencies, bidding strategies, financial position and prospects;	Section 3 of Part A

Key Information	Summary	Reference to Circular
	(c) provide an opportunity to our Group to diversify and bolster our revenue and income stream; (d) expand and diversify our Group's product offerings; and (e) reduce our Group's dependency on the LPG Business while increasing the market share of our Group as a solution provider in the power industry. **(ii) Proposed Diversification** The Proposed Diversification is undertaken in accordance with Paragraph 10.13 of the Listing Requirements which will in turn facilitate the implementation of the Proposed Acquisition with the aim of enabling our Group to venture into a new area of business which will be beneficial to our Group's financial performance and prospects, reduce our Group's reliance on the LPG Business and be the catalyst for the growth of the Power Business. **(iii) Proposed Amendments** The Proposed Amendments serves to facilitate the creation and issuance of the new RCPS. **(iv) Proposed CCB MGO** As our shareholding in CCB, being a code company for the purposes of Division 2 Part VI of the CMSA, will increase from nil to approximately 86.65% after the Proposed Acquisition, we will be obliged to extend an MGO for all the CCB Offer Shares pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules.	
Basis and justification for the Purchase Consideration	The Purchase Consideration was arrived at based on a willing-buyer willing-seller basis and after taking into consideration the following: (i) the fair market valuation undertaken by FHCA, the details of which are set out in the Valuation Letter; (ii) consolidated PAT of CCB of RM11.65 million based on the audited consolidated financial statements of CCB for the FYE 30 June 2023; (iii) rationale and benefits of the Proposed Acquisition as set out in **Section 3** of Part A of this Circular; and (iv) the industry outlook for the manufacturing sector for power cables and wires in Malaysia and prospects and future plans of CCB as set out in **Section 4** of Part A of this Circular.	Section 2.1.4 of Part A

Key Information	Summary	Reference to Circular
Basis and justification for the RCPS Issue Price and Conversion Ratio	The RCPS Issue Price was arrived at after taking into consideration the issue price of the new KUB Shares of RM0.60, which was originally proposed to be issued as the mode of settlement of the Purchase Consideration as announced via the First Announcement. The RCPS Issue Price is viewed as **justifiable** after taking into consideration the following: (i) the RCPS Issue Price represents a premium of 8.10% over the closing price of KUB Shares as at the LTD of RM0.555 and a premium of 8.70% over the 5-day VWAMP of KUB Shares up to and including the LTD of RM0.552; (ii) the Conversion Ratio and the effective conversion price of RM0.60 for each new KUB Share; and (iii) the issuance of the Consideration RCPS allows our Company to conserve our cash resources as opposed to being fully settled in cash via internally generated funds or borrowings. In addition, we are also able to redeem the Consideration RCPS as and when it is beneficial to us from a financial standpoint. Based on the Conversion Ratio, a total of 199,035,059 new KUB Shares will be issued upon conversion of the Consideration RCPS.	Section 2.1.5.1 of Part A
Risks of the Proposals	The risks associated with the Proposals are as follows: (i) Completion risk; (ii) Acquisition risk; (iii) Integration risk; (iv) Business risk; (v) Competition risk; (vi) Dependency on key management personnel risk; and (vii) Goodwill and impairment risk.	Section 5 of Part A
Interests of Directors, major shareholders, chief executive and/or persons connected to them	The following persons are deemed interested in the Proposals: **(i) Proposed Acquisition** (a) JAG is an Interested Major Shareholder as JAG is a major shareholder of KUB and the Vendor; (b) DSJ is an Interested Major Shareholder by virtue of his indirect interest of 33.28% in KUB through his interest in JAG pursuant to Section 8 of the Act;	Section 11 of Part A

Key Information	Summary	Reference to Circular
	(c) DSJ was an interested director as at the date of the SPA up until his resignation as Chairman and Non-Independent Non-Executive Director of KUB on 12 December 2023 and was a nominee director of JAG on our Board. He is also the controlling shareholder of JAG; and (d) Megat Joha Bin Megat Abdul Rahman is an Interested Director by virtue of him being a nominee director of JAG on our Board and a former director of Fumori Industries Sdn. Bhd. (currently dormant) as well as Atlas Wire & Cable Sdn. Bhd. (currently dormant) which are subsidiaries of CCB. **(ii) Proposed CCB MGO** (a) JAG is deemed interested in the Proposed CCB MGO as the Proposed CCB MGO will be extended to Amir Nashrin Bin Johari and Amir Rasyidi Bin Johari who are persons connected to JAG by virtue of them being directors of JAG; and (b) DSJ is deemed interested in the Proposed CCB MGO as the Proposed CCB MGO will be extended to Amir Nashrin Bin Johari and Amir Rasyidi bin Johari who are persons connected to him by virtue of them being his sons. **(ii) Persons connected** Amir Nashrin Bin Johari and Amir Rasyidi Bin Johari who are both persons connected to JAG and DSJ are directors of JAG with each of them holding 1 CCB Share. Amir Nashrin Bin Johari is also a director of CCB.	
Audit, Risk and Sustainability Committee's statement	Our Audit, Risk and Sustainability Committee (save for the Interested Director who has abstained and will continue to abstain from all deliberations and voting at our Board meetings in relation to the Proposals), after having considered all relevant aspects of the Proposals (including but not limited to the terms and conditions of the SPA, rationale and benefits of the Proposals, basis and justification for the Purchase Consideration and Issue Price/Conversion Ratio, prospects of CCB and outlook of the cable manufacturing industry, effects of the Proposals, the manner of funding the Proposed Acquisition as well as the views and recommendation of the Independent Adviser on the fairness and reasonableness of the Proposed Acquisition), is of the opinion that the Proposals are: (i) in the best interest of our Company; (ii) fair, reasonable and on normal commercial terms; and	Section 15 of Part A

Key Information	Summary	Reference to Circular
	(iii) not detrimental to the interest of the Non-Interested Shareholders.	
Directors' statement and recommendation	Our Board (save for the Interested Director who has abstained and will continue to abstain from all deliberations and voting at our Board meetings in relation to the Proposals), after having considered all aspects of the Proposals (including but not limited to the terms and conditions of the SPA, basis and justification for the Purchase Consideration and Issue Price/Conversion Ratio, rationale and benefits of the Proposals, prospects of CCB, effects of the Proposals, the advice of the Principal Adviser as well as the views and recommendation of the Independent Adviser on the fairness and reasonableness of the Proposed Acquisition), is of the opinion that the Proposals are **in the best interest** of our Company, and recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.	Section 16 of Part A

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

KUB MALAYSIA BERHAD
Registration No. 196501000205 (6022-D)
(Incorporated in Malaysia)

Registered Office
Suite A-22-1, Level 22
Hampshire Place Office
157 Hampshire
No. 1, Jalan Mayang Sari
50450 Kuala Lumpur

6 February 2024

Board of Directors
Datuk Norliza Binti Abdul Rahim *(Chairman, Independent Non- Executive Director)*
Ahmed Fairuz Bin Abdul Aziz *(Group Managing Director)*
Dato' Ahmad Ibnihajar *(Independent Non-Executive Director)*
Teh Bee Tein *(Independent Non-Executive Director)*
Datuk Haji Mohd Haniff Bin Haji Koslan *(Independent Non-Executive Director)*
Megat Joha Bin Megat Abdul Rahman *(Non-Independent Non-Executive Director)*
Tee Beng Thong *(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/Madam,

(I) PROPOSED ACQUISITION;

(II) PROPOSED DIVERSIFICATION;

(III) PROPOSED AMENDMENTS; AND

(IV) PROPOSED CCB MGO

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1. INTRODUCTION

On 21 November 2023, Maybank IB had, on behalf of our Board, announced that our Company has on even date entered into the SPA with the Vendor for the proposed acquisition of 45,924,632 CCB Shares, representing approximately 86.65% equity interest in CCB, by KUB from JAG for a purchase consideration of RM119.42 million to be satisfied wholly via the issuance of 199,035,059 new KUB Shares at an issue price of RM0.60 per new KUB Share.

In view of the interests of the Interested Major Shareholders and Interested Director as set out in **Section 11** of Part A of this Circular, the Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, we have appointed Affin Hwang IB on 17 November 2023 to act as the independent adviser for the Proposed Acquisition.

In conjunction with the Proposed Acquisition and in accordance with Paragraph 10.13 of the Listing Requirements, our Company is proposing to diversify the operations carried out by our Group to include the Cables Manufacturing Business.

Upon completion of the Proposed Acquisition, our shareholding in CCB will increase from nil to approximately 86.65%. Accordingly, pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules, we will extend an MGO for all the CCB Offer Shares, representing approximately 13.35% equity interest in CCB, for an offer consideration of RM2.60037 per CCB Offer Share in the manner set out in Section 2.4 of Part A of this Circular.

On 4 December 2023, Maybank IB had, on behalf of our Board, announced additional information in relation to the following:

(i) update on the basis and justification for the purchase consideration of RM119.42 million following finalisation of the fair market valuation undertaken by FHCA of the entire equity interest of CCB post the First Announcement;

(ii) clarification on the basis and justification for the issue price of the Consideration Shares (as defined below);

(iii) implication of the Rules on JAG as a result of the Original Proposals; and

(iv) treatment of fractions under the Proposed CCB MGO.

Subsequently, our Company had, on 8 January 2024, entered into the Supplemental SPA with the Vendor to vary the mode of settlement of the Purchase Consideration from the issuance of 199,035,059 new KUB Shares ("**Consideration Shares**") at an issue price of RM0.60 per Consideration Share to the issuance of 199,035,059 new RCPS at an issue price of RM0.60 per RCPS and in conjunction therewith, our Company also proposed to undertake the Proposed Amendments.

Following consultation with our Company's advisers and relevant parties as well as further negotiations with the Vendor, our Board (save for the Interested Director) had resolved to proceed to vary the mode of settlement of the Purchase Consideration, after taking into consideration the following:

(i) the issuance of the Consideration RCPS avoids any immediate dilution to the shareholding of the Non-Interested Shareholders such that the shareholding of the Non-Interested Shareholders remains unchanged upon completion of the Proposed Acquisition;

(ii) the salient terms of the Consideration RCPS which were negotiated with the Vendor are viewed by our Board (save for the Interested Director) to be in the best interest of our Company including the redemption of the Consideration RCPS being at the sole discretion of our Company, the dividend being non-cumulative and the preferential dividend rate being identical to the dividend rate to be declared on the KUB Shares, if any;

(iii) the Consideration RCPS would still allow our Company to implement and complete the Proposed Acquisition expeditiously which is now targeted by end February 2024, instead of first half of 2024 as announced via the First Announcement; and

(iv) the Proposed Acquisition remains earnings accretive as CCB is profitable and already income-generating.

The table below sets out a comparison between the Consideration Shares and the Consideration RCPS:

	Consideration Shares	Consideration RCPS
Dividend	Such dividends for Consideration Shares shall be paid out of our Company's profits and our Board must be satisfied that our Company will be solvent post-distribution of dividends, as and when declared by our Board.	Non-cumulative dividend, with the preferential dividend rate being identical to the dividend rate to be declared on the KUB Shares. The Consideration RCPS shall rank equally (and not in priority) with existing KUB Shares insofar as the rights to receive dividends. In addition, the consolidated PAT of CCB for the financial year preceding the declaration of the preferential dividend as shown in CCB's audited consolidated financial statements for that financial year must be higher than the amount of preferential dividend to be declared. Therefore, our Company will ring-fence any dividends received from CCB in the future for purposes of funding the preferential dividend to be paid on the Consideration RCPS, if any, without impacting the amount of funds that can be allocated for dividends to be declared and paid to our ordinary shareholders.
Dilution to shareholding	Immediate dilution to the shareholding of the Non-Interested Shareholders upon completion of the Proposed Acquisition. The shareholding of the Non-Interested Shareholders may be further diluted following the issuance of new KUB Shares pursuant to one of the consideration options under the Proposed CCB MGO as announced via the First Announcement.	No immediate dilution to the shareholding of the Non-Interested Shareholders upon completion of the Proposed Acquisition. Dilution to the Non-Interested Shareholders will occur as and when the Consideration RCPS holders opt to convert their Consideration RCPS into new KUB Shares based on the Conversion Ratio over the Conversion Period.

	Consideration Shares	Consideration RCPS
Redemption	Not applicable as there will be no redemption of the Consideration Shares which have no redemption feature.	Our Company may, subject to and in accordance with Section 72 of the Act, at any time during the redemption period, redeem the Consideration RCPS in whole or part thereof the outstanding Consideration RCPS held by the Vendor, at the Issue Price in cash by giving the Vendor no less than twelve (12) business days' written notice prior to the date of the redemption. As such, there is no fixed redemption schedule in respect of the Consideration RCPS.
Conversion	Not applicable as there will be no conversion of the Consideration Shares.	The Vendor may, at any time from the issuance date of the Consideration RCPS up to the maturity date, convert the Consideration RCPS into such number of new KUB Shares as is determined based on the Conversion Ratio.
Ranking in terms of repayment of capital in the event of liquidation, dissolution or winding-up	The Consideration Shares shall rank equally with the KUB Shares in any repayment of capital in the event of liquidation, dissolution or winding-up of KUB.	The Consideration RCPS shall rank in priority to the KUB Shares in any repayment of capital in the event of liquidation, dissolution or winding-up of KUB, provided that the Consideration RCPS shall not be entitled to participate in any surplus capital, assets or profits of KUB.
Transferability	The Consideration Shares are tradeable and transferable.	The Consideration RCPS shall not be transferable, save and except for transfers between the holders of the RCPS, subject to the applicable laws, regulations and rules that would apply to the securities of KUB.
Listing status	The Consideration Shares will be listed on the Main Market of Bursa Securities.	The Consideration RCPS will not be listed, quoted or traded on Bursa Securities or any stock exchange. The new KUB Shares to be issued upon conversion of the Consideration RCPS will be listed on the Main Market of Bursa Securities.

The salient terms of the Consideration RCPS and the RCPS to be issued to the holders of the CCB Offer Shares who opt for the Securities Option under the Proposed CCB MGO are set out in **Appendix II** of this Circular.

On 18 January 2024, Maybank IB had, on behalf of our Board, announced that the SC has, vide its letter dated 16 January 2024, granted its approval pursuant to paragraph 19.03 of the Rules in respect of the issuance of the Consideration RCPS pursuant to the Proposed Acquisition.

On 30 January 2024, Maybank IB had, on behalf of our Board, announced that the SC has, vide its letter dated 30 January 2024, granted its approval pursuant to subsection 212(5) of the CMSA in relation to the Securities Option for the Proposed CCB MGO which is being undertaken in compliance with subparagraph 6.04(3) of the Rules.

On 31 January 2024, Maybank IB had, on behalf of our Board, announced that Bursa Securities has, vide its letter dated 30 January 2024, granted its approval for the listing and quotation of up to 229,699,350 new KUB Shares to be issued upon conversion of the RCPS (including the Consideration RCPS) on the Main Market of Bursa Securities, subject to the conditions as set out in **Section 8** of Part A of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER AS SET OUT IN PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

PURSUANT TO CLAUSE 57 OF THE CONSTITUTION READ TOGETHER WITH SUBSECTION 85(1) OF THE ACT, YOU HAVE PRE-EMPTIVE RIGHTS OVER ALL UNISSUED AND NEW KUB SHARES WHICH SHALL FIRST BE OFFERED TO YOU UNLESS OTHERWISE DETERMINED BY OUR COMPANY IN GENERAL MEETING.

BY VOTING IN FAVOUR OF THE RESOLUTIONS PERTAINING TO THE PROPOSALS, YOU WILL IN EFFECT BE WAIVING YOUR PRE-EMPTIVE RIGHTS WHICH YOU ARE ENTITLED TO IN A GENERAL MEETING PURSUANT TO THE CONSTITUTION, READ TOGETHER WITH SUBSECTION 85(1) OF THE ACT AND AGREEING TO OUR ISSUE OF THE CONSIDERATION RCPS TO JAG IN ACCORDANCE WITH THE SPA, THE NEW RCPS TO BE ISSUED PURSUANT TO THE PROPOSED CCB MGO AND THE NEW KUB SHARES TO BE ISSUED UPON CONVERSION OF THE RCPS. PLEASE REFER TO SECTION 2.1.9 OF PART A OF THIS CIRCULAR FOR FURTHER DETAILS ON THE PRE-EMPTIVE RIGHTS PURSUANT TO THE CONSTITUTION AND SUBSECTION 85(1) OF THE ACT.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Acquisition

The Proposed Acquisition entails the acquisition of 45,924,632 CCB Shares, representing approximately 86.65% equity interest in CCB, by KUB from JAG for a purchase consideration of RM119.42 million to be satisfied wholly via the issuance of 199,035,059 new RCPS at an issue price of RM0.60 per Consideration RCPS.

Pursuant to the SPA, the Vendor has agreed to sell and we have agreed to purchase the Acquisition Shares free from all claims, liens, charges and encumbrances and with full legal and beneficial title, together with all rights attaching thereto (including all dividends and distributions, whether declared or undeclared, in respect thereof), with effect from the Completion, in accordance with and subject to the terms and conditions contained in the SPA. The salient terms of the SPA are set out in **Appendix I** of this Circular.

Upon Completion, we will hold approximately 86.65% equity interest in CCB such that CCB will become our subsidiary. However, our final shareholding in CCB will depend on the acceptance level of the Proposed CCB MGO.

2.1.1 Information on CCB

CCB was incorporated under the name of Sharikat Central Cables Sendirian Berhad on 6 June 1967 in Malaysia under the Companies Act, 1965 and is deemed registered under the Act as a private limited company. CCB was converted into a public company on 25 August 1980 and assumed its present name. CCB is not listed on Bursa Securities or any other stock exchange. CCB commenced its business operations in 1967.

The principal place of business of CCB is at 7862, Batu Berendam, 75350 Melaka.

CCB is principally involved in investment holding and the manufacturing of power cables and wires. As at the LPD, CCB has 3 wholly-owned subsidiaries which are currently dormant, namely CCB Cables & Wires Trading Sdn. Bhd., Atlas Wire & Cable Sdn. Bhd. and Fumori Industries Sdn. Bhd. As at the LPD, CCB does not have any associated companies.

As at the LPD, the total issued share capital of CCB is RM53,000,000 comprising of 53,000,000 CCB Shares.

Further information on CCB is set out in **Appendix IV** of this Circular.

2.1.2 Information on the Vendor

JAG was incorporated on 22 March 2004 in Malaysia under the Companies Act, 1965 and is deemed registered under the Act as an exempt private company limited by shares. JAG is principally involved in investment holding.

As at the LPD, the total issued share capital of JAG is RM320,000,000 comprising 100,000,000 ordinary shares and 220,000,000 preference shares.

As at the LPD, the shareholders and directors of JAG as well as their respective holding of JAG Shares are as follows:

		Direct		Indirect	
Name	**Nationality**	**No. of JAG Shares**	**%**	**No. of JAG Shares**	**%**
Shareholder					
DSJ	Malaysia	96,000,000	96.00	-	-
Shareholder and Director					
DZH	Malaysia	4,000,000	4.00	-	-
Directors					
Amir Rasyidi Bin Johari	Malaysia	-	-	-	-
Amir Nashrin Bin Johari	Malaysia	-	-	-	-

As at the LPD, all the preference shares in JAG are held by DSJ.

2.1.3 Original cost and date of investment

The original cost and date of investment by JAG in CCB are as follows:

Date of investment	No. of CCB Shares	Amount (RM)
2 June 2008	178,668	416,892
8 January 2009	5,363,600	12,515,068
14 December 2011	219,999	300,187
14 December 2011	13,012,902	17,756,036
15 May 2012	2,700,000	3,672,000
29 March 2013	900,000	903,790
26 August 2014	11,266,960	11,266,960
16 November 2018	2,503,130	5,840,638
24 October 2023	9,779,373	25,430,000
Total	**45,924,632**	**78,101,571**

2.1.4 Basis and justification for the Purchase Consideration

The Purchase Consideration, which is equivalent to approximately RM2.60037 per Acquisition Share, was arrived at based on a willing-buyer willing-seller basis and after taking into consideration the following:

(i) the fair market valuation undertaken by FHCA, the independent business valuer appointed by our Company for the Proposed Acquisition, based on the RVA as the primary approach and the discounted FCFE method as the secondary approach to evaluate the fair market value of the entire equity interest of CCB as follows:

(a) RVA

Based on the fair market valuation performed using the RVA as the primary approach, the implied entire equity value of CCB of RM137.82 million based on the Purchase Consideration which falls within the fair market value of the entire equity interest of CCB of between RM115.81 million and RM144.99 million as at the Opinion Date.

RVA involves the use of median of the PE multiples as well as the EV/EBITDA multiples. RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth, and is more likely to reflect the current sentiment of the market or expectations on the company from a valuation standpoint. Under the RVA, reference was made to the valuation statistics of the Comparable Companies to get an indication of the current market expectation with regards to the implied value of the equity interest of CCB and compared the implied trading multiples to determine the firm's financial worth.

The general description of the valuation multiples are as follows:

Valuation multiple	General description
EV/EBITDA	EV is the sum of a company's market capitalisation, preferred equity, minority interest, short and long-term debt less its cash and cash equivalents. The EV/EBITDA multiple illustrates the market value of a company's business relative to its historical and forecast pre-tax operational cash flow performance, taking into consideration the company's debt and cash levels in addition to its market capitalisation. The exclusion of non-cash items such as depreciation and amortisation from the calculation of EBITDA will allow this method to be more reflective of the company's pre-tax operating cash flow. In addition, the exclusion of taxation will eliminate the effects of differing taxation policies of the countries in which the Comparable Companies operate in.

FHCA had also considered using the PB multiple and has concluded that this valuation multiple is not suitable as PB multiple values a company based on the value of its assets, net of all liabilities at a specific point in time and does not take into consideration the future income stream of a company.

FHCA had identified and selected the Comparable Companies to get an indication of the current market expectation with regards to the implied value of the equity interest of CCB. A summary of the information on the Comparable Companies and their respective PE and EV/EBITDA multiples are as follows:

Company name (1)	**Country**	**Revenue contributed from power cable** (2) **(%)**	**Market capitalisation** **(RM million)**	**PE multiple** (3) **(times)**	**EV/ EBITDA multiple**(3) **(times)**
Southern Cable Group Berhad	Malaysia	85.5	296.0	16.0	10.4
PT Jembo Cable Company Tbk	Indonesia	84.8	135.6	14.9	12.0
PT Kabelindo Murni Tbk	Indonesia	98.7	91.0	8.6	6.2
PT KMI Wire and Cable Tbk	Indonesia	97.4	392.8	16.2	6.4
PT Sumi Indo Kabel Tbk	Indonesia	96.8	197.5	7.2	4.8
Taya Viet Nam Electric Wire and Cable Joint Stock Company	Vietnam	100.0	59.5	26.4	7.9
Average				**14.9**	**8.0**

Company name (1)	Country	Revenue contributed from power cable (2) (%)	Market capitalisation (RM million)	PE multiple (3) (times)	EV/ EBITDA multiple(3) (times)
Median				**15.5**	**7.2**
Quartile 1 (4)				**10.2**	**6.3**
Quartile 3 (5)				**16.2**	**9.8**

***Notes**:*

(1) The Comparable Companies are by no means exhaustive and may differ from CCB in terms of, inter alia, composition of business activities, scale of operations, geographical location of operations, profit track record, financial profile, risk profile, future prospects, capital structure, marketability of their securities and other criteria.

(2) Based on the latest 12-months financial information as at the Opinion Date as extracted from S&P Capital IQ.

(3) Calculated based on the closing market prices and the trailing 12-months financial results as at the Opinion Date as extracted from S&P Capital IQ.

(4) Represents the value at the 25th percentile of a dataset.

(5) Represents the value at the 75th percentile of a dataset.

FHCA had also considered the companies operating in the same industry as CCB which are listed on Bursa Securities, namely Sarawak Cable Berhad ("**SCB**"), Ho Wah Genting Berhad (**"Ho Wah")** and Ta Win Holdings Berhad ("**Ta Win**"). However, SCB and Ho Wah were not selected as part of the Comparable Companies as these companies were loss-making rendering them not appropriate as a comparable to CCB, whereas Ta Win was not considered as comparable to CCB as Ta Win is principally involved in manufacturing of copper, and not cables which is CCB's principal activity.

Details on the fair market valuation of the entire equity interest of CCB derived from the above PE multiples and EV/EBITDA multiples are as follows:

		Average	Median	Quartile 1	Quartile 3
<u>PE multiple</u>					
PE multiple (1)	(times)	14.9	15.5	10.2	16.2
Adjusted PE multiple (2)	(times)	11.9	12.4	8.2	13.0
PAT (3)	(RM'000)	11,692	11,692	11,692	11,692
Fair market value (7)	(RM'000)	**139,374**	**144,986**	**95,410**	**151,534**
<u>EV/EBITDA multiple</u>					
EV/EBITDA multiple (1)	(times)	8.0	7.2	6.3	9.8
Adjusted EV/EBITDA multiple (2)	(times)	6.4	5.8	5.0	7.8
EBITDA (3)(4)	(RM'000)	18,815	18,815	18,815	18,815

		Average	Median	Quartile 1	Quartile 3
EV (7)	(RM'000)	**120,417**	**108,375**	**94,828**	**147,511**
Add: Cash(3)	(RM'000)	33,026	33,026	33,026	33,026
Less: Total debt(3)(5)	(RM'000)	(43,096)	(43,096)	(43,096)	(43,096)
Add: Surplus asset / liabilities (3)(6)	(RM'000)	17,507	17,507	17,507	17,507
Fair market value (7)	(RM'000)	**127,855**	**115,813**	**102,266**	**154,949**

***Notes**:*

(1) Calculated based on the closing market prices and the trailing 12-months financial results as at the Opinion Date as extracted from S&P Capital IQ.

(2) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran which suggests the application of discount for lack of marketability of 20% - 30% to reflect the illiquidity of shares of non-listed companies which are not freely tradeable as compared to public listed companies. As CCB is a non-listed entity, FHCA has applied a discount rate of 20% to the multiple of the Comparable Companies to derive a fair market valuation of the entire equity interest of CCB, taking into consideration CCB's track record of over 40 years, which indicates the company's operational stability.

(3) Extracted from the audited consolidated financial statements of CCB for the FYE 30 June 2023.

(4) EBITDA was calculated as follows:

	RM'000
Consolidated PBT of CCB for the FYE 30 June 2023	*14,659*
Less: Interest income for the FYE 30 June 2023	*(922)*
Add: Interest expense for the FYE 30 June 2023	*1,860*
Add: Depreciation and amortisation expenses for the FYE 30 June 2023	*3,219*
***EBITDA** (7)*	***18,815***

(5) Including group level borrowings of RM42.8 million and lease liabilities of RM0.35 million.

(6) Surplus assets/liabilities are represented by any assets/liabilities that are held by a business that are not core to its underlying operations and do not support the business in any way. In this instance they include (i) investment properties owned by Fumori Industries Sdn Bhd, a subsidiary of CCB, which are not used in the CCB Group's operations having a net book value of RM15.3 million; and (ii) short-term funds of RM2.2 million refers to investments in trust fund in Malaysia which represent investments in highly liquid money market instruments (being surplus funds to operational requirements).

(7) The discrepancy in figures shown between the amount stated and the total thereof is due to rounding adjustments.

(b) **Discounted FCFE**

FHCA had adopted the discounted FCFE method as the secondary approach to evaluate the fair market value of the entire equity interest of CCB given that CCB is expected to continue to be income generating and profitable based on the 5-year financial forecast of CCB and projections for the FYE 30 June 2024 to the FYE 30 June 2029 together with the underlying bases and assumptions, which includes, among others, the following:

(i) the projection for the FYE 30 June 2024 is based on recurring and new sales orders from existing customers for existing products with the mix of low voltage, medium voltage cable, house wire and sale of scrap cable;

(ii) revenues for the 5-year period from the FYE 30 June 2024 to the FYE 30 June 2029 are projected based on the same recurring sales order for the FYE 30 June 2023 plus 5.5% year-on-year increase for power cables product and scrap cable; and

(iii) sales of scrap cable is projected at 1.6% over the total revenue contributed by CCB's major customer (Malaysia's primary electricity generation enterprise transmitting and distributing all the electricity in Peninsular Malaysia, Sabah and the Federal Territory of Labuan), original equipment manufacturers and open market customers.

Please refer to Section 6.0 of the Valuation Letter as set out in **Appendix VI** of this Circular for further information on the underlying bases and assumptions for the discounted FCFE method adopted.

Discounted FCFE is a valuation method which considers both the time value of money and the projected net cash flow generated discounted at a specified discount rate to derive at the valuation of the subject matter. It is based on discounted cash flows, involving the application of an appropriately selected discount rate applied on the projected future cash flows to be earned by the equity holders of a company.

The basis for adopting the discounted FCFE method is because the underlying value of CCB is likely to be derived from its future business operations. The reliability of future revenue generated by CCB is validated through an examination of its historical operating performance track record and an assessment of the nature of contracts secured.

Based on the discounted FCFE method, the fair market value of the entire equity interest of CCB is between RM129.89 million and RM160.82 million;

(ii) consolidated PAT of CCB of RM11.65 million based on the audited consolidated financial statements of CCB for the FYE 30 June 2023;

(iii) rationale and benefits of the Proposed Acquisition as set out in **Section 3** of Part A of this Circular; and

(iv) industry outlook for the manufacturing sector of power cables and wires in Malaysia and prospects of CCB as set out in **Section 4** of Part A of this Circular.

Based on the above, our Board (save for the Interested Director) is of the view that the Purchase Consideration is **justifiable**.

2.1.5 Mode of settlement for the Purchase Consideration

The Purchase Consideration will be satisfied entirely via the issuance of the Consideration RCPS to JAG at the RCPS Issue Price.

2.1.5.1 Basis and justification for the RCPS Issue Price and Conversion Ratio

The RCPS is convertible at the option of the RCPS holders at any time during the Conversion Period into such number of new KUB Shares as is determined based on the Conversion Ratio.

The RCPS Issue Price was arrived at after taking into consideration the issue price of RM0.60 per Consideration Share as announced via the First Announcement.

Based on the RCPS Issue Price and Conversion Ratio, the effective conversion price is RM0.60 for each new KUB Share.

The RCPS Issue Price represents the following premium over the closing price of KUB Shares as at the LTD and 5-day VWAMP of KUB Shares up to and including the LTD as follows:

	Share Price	Premium	
	(RM)	(RM)	(%)
Closing price as at the LTD	0.555	0.045	8.10
5-day VWAMP up to and including the LTD	0.552	0.048	8.70

(Source: Bloomberg)

Our Board (save for the Interested Director) is of the view that the RCPS Issue Price is **justifiable** after taking into consideration the following:

(i) the RCPS Issue Price represents a premium of 8.10% over the closing price of KUB Shares as at the LTD of RM0.555 and a premium of 8.70% over the 5-day VWAMP of KUB Shares up to and including the LTD of RM0.552; and

(ii) the issuance of the Consideration RCPS allows our Company to conserve our cash resources as opposed to being fully settled in cash via internally generated funds or borrowings.

In addition, our Company is also able to redeem the Consideration RCPS as and when it is beneficial to us from a financial standpoint.

Based on the Conversion Ratio, a total of 199,035,059 new KUB Shares will be issued upon conversion of the Consideration RCPS.

2.1.5.2 Ranking of the Consideration RCPS and the new KUB Shares to be issued arising from the conversion of the Consideration RCPS

The RCPS (including the Consideration RCPS) are unsecured and shall rank equally in all respects among themselves.

The RCPS (including the Consideration RCPS) shall rank behind all secured and unsecured debt obligations of KUB.

The RCPS shall rank equally (and not in priority) with existing KUB Shares insofar as the right to receive dividends.

However, the RCPS (including the Consideration RCPS) shall rank in priority to the KUB Shares in any repayment of capital in the event of liquidation, dissolution or winding-up of KUB, provided that the RCPS (including the Consideration RCPS) shall not be entitled to participate in any surplus capital, assets or profits of KUB.

The new KUB Shares to be issued upon conversion of the Consideration RCPS shall, upon allotment and issuance, rank equally in all respects with the existing KUB Shares, save and except that the new KUB Shares issued from the conversion of the Consideration RCPS shall not be entitled to any dividends, rights, allotments and/or any other forms of distributions which may be declared, made or paid to our shareholders, the entitlement date of which is prior to the date of allotment of such new KUB Shares.

2.1.5.3 Listing and quotation of the Consideration RCPS and the new KUB Shares to be issued arising from the conversion of the Consideration RCPS

The RCPS (including the Consideration RCPS) will not be listed, quoted or traded on Bursa Securities or any stock exchange.

Bursa Securities has, vide its letter dated 30 January 2024, approved the listing and quotation of up to 229,699,350 new KUB Shares to be issued upon conversion of the RCPS (including the Consideration RCPS) on the Main Market of Bursa Securities, subject to the conditions as set out in **Section 8** of Part A of this Circular.

2.1.6 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by our Company arising from the Proposed Acquisition.

2.1.7 Additional financial commitment required

Our Company does not expect to incur any additional material financial commitment to put the business of CCB on-stream as CCB is already in operations and income-generating.

2.1.8 Implication of the Rules on JAG as a result of the Proposed Acquisition

The Purchase Consideration will be wholly settled via the issuance of the Consideration RCPS to the Vendor. As a result, JAG will not be obliged to undertake a mandatory take-over offer upon completion of the Proposed Acquisition as its shareholding in our Company will remain unchanged since the issuance of the Consideration RCPS will not have any immediate effect on the shareholding of JAG in our Company.

Nonetheless, on 8 January 2024, Maybank IB, on behalf of JAG, had served the KUB VGO Notice on our Board in accordance with subparagraph 9.10(1) of the Rules to acquire the KUB Offer Securities. Subsequently, on 9 January 2024, Maybank IB had, on behalf of JAG, notified our Board that following an open market purchase of 1,787,100 existing KUB Shares by JAG on even date, the shareholding of JAG in KUB has exceeded 33.00% of the total number of KUB Shares in issue as at 9 January 2024 and pursuant thereto, the KUB VGO became a conditional MGO on 9 January 2024 in accordance with Note 14 to paragraph 4.01 of the Rules.

On 29 January 2024, the offer document in relation to the KUB MGO was despatched to our Board and the holders of the KUB Offer Shares, in accordance with subparagraph 11.02(1) of the Rules ("**KUB MGO Offer Document**").

As disclosed in Section 4.1 of the KUB MGO Offer Document, in the event that JAG and its associates hold in aggregate 90% or more of the total KUB Shares in issue (excluding treasury shares, if any) pursuant to the KUB MGO, JAG and the Ultimate Offerors do not intend to maintain the listing status of our Company on the Main Market of Bursa Securities and will procure our Company to take the requisite steps to withdraw our listing status from the Official List of Bursa Securities in accordance with Paragraph 16.07 of the Listing Requirements. In this regard, Bursa Securities will suspend the trading of the securities of our Company immediately upon the expiry of five (5) Market Days from the closing date of the KUB MGO. Thereafter, JAG will procure our Company to take the requisite steps to withdraw our listing status from the Official List of Bursa Securities in accordance with Paragraph 16.07 of the Listing Requirements. Bursa Securities may at its discretion impose additional conditions for the withdrawal of our Company's listing status from the Official List of Bursa Securities. If our Company is delisted from the Official List of Bursa Securities, our Shares will no longer be traded on the Main Market of Bursa Securities.

However, in the event that JAG and its associates hold in aggregate over 75% but not more than 90% of the total KUB Shares in issue (excluding treasury shares, if any) pursuant to the KUB MGO, JAG and the Ultimate Offerors intend to maintain the listing status of our Company on the Main Market of Bursa Securities.

Any action taken to address the Public Spread Requirement may require the approvals of the relevant authorities and/or the approval of our shareholders. The actual course of action to be taken will depend on, among others, the circumstances as well as the prevailing market conditions at the relevant time. Therefore, while the JAG and the Ultimate Offerors will work together with our Company to rectify any shortfall in the Public Spread Requirement, there can be no assurance that the Public Spread Requirement can be rectified within the stipulated time frame. In the event our Company does not meet the Public Spread Requirement within the stipulated time frame, JAG and the Ultimate Offerors may request our Company to seek an extension of time from the authorities. However, Bursa Securities reserves the absolute right to grant an extension or suspend the trading of KUB Shares.

Please refer to the KUB MGO Offer Document and the independent advice circular to be issued in connection with the KUB MGO, respectively, for further details on the KUB MGO.

2.1.9 Pre-emptive rights pursuant to the Constitution and subsection 85(1) of the Act

Subsection 85(1) of the Act which is subject to the Constitution, provides as follows:

*"**85**. Pre-emptive rights to new shares*

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

Pursuant to Clause 57 of the Constitution read together with subsection 85(1) of the Act, you have pre-emptive rights over all unissued and new RCPS and subsequently, any new KUB Shares to be issued upon conversion of the RCPS which shall first be offered to you unless otherwise determined by our Company in general meeting.

By voting in favour of the resolutions pertaining to the Proposals, you will in effect be determining in a general meeting (in accordance with Clause 57 of the Constitution, read together with subsection 85(1) of the Act):

(i) to waive your pre-emptive rights (under Clause 57 of the Constitution read together with subsection 85(1) of the Act) to be first offered the new RCPS to be issued pursuant to the Proposed Acquisition and the Proposed CCB MGO (if any) and subsequently, any new KUB Shares to be issued upon conversion of the RCPS, in proportion, as nearly as may be, to the number of KUB Shares held by you; and

(ii) that the new RCPS to be issued pursuant to the Proposed Acquisition and the Proposed CCB MGO (if any), and subsequently, any new KUB Shares to be issued upon conversion of the RCPS, are not required to be offered or issued proportionately to you first before our Company issues the same to JAG or to the holders of the CCB Offer Shares who opt for the Securities Option under the Proposed CCB MGO, as described in **Section 2.1** and **Section 2.4.1** of Part A of this Circular respectively.

In summary, by voting in favour of the resolutions pertaining to the Proposals, you will be effectively waiving your pre-emptive rights which you are entitled to pursuant to the Constitution, read together with subsection 85(1) of the Act.

2.2 Proposed Diversification

As at the LPD, our Group is principally involved in the following businesses:

(i) the LPG Business; and

(ii) the Other Businesses.

The segmental revenue and selected financial information of our Group based on our audited consolidated financial statements for the FPE 30 June 2021 and the past 2 FYEs 30 June 2022 and FYE 30 June 2023 are as follows:

	FPE 30 June 2021[(i)]	FYE 30 June 2022	FYE 30 June 2023
	RM'000	**RM'000**	**RM'000**
Revenue:			
▪ LPG Business	451,026	483,198	472,761
▪ Agricultural Business (as defined below)	82,756	44,233	-[(ii)]
▪ Other Businesses	50,255	20,532	16,128
Consolidated PBT	167,791	33,173	38,879
Consolidated PAT attributable to the owners of our Company	155,562	18,284	33,811

Notes:

(i) Due to the change of FYE from 31 December to 30 June, our Group's financial results for the FPE 30 June 2021 covers a period of 18 months.

(ii) Due to the deconsolidation of KUB Sepadu Sdn Bhd, one of our subsidiaries, the financial results of the Agricultural Business in the FYE 30 June 2023 has been classified under "Other Businesses".

As can be seen from the table, our Group is highly dependent on the LPG Business with this business segment being the main contributor to our Group’s revenue, accounting for more than 75% of our Group’s revenue for the 18-month FPE 30 June 2021 and the past 2 FYEs 30 June 2022 and FYE 30 June 2023. Accordingly, the Proposed Acquisition provides our Group with an opportunity to expand and diversify our product offering, earnings base and to reduce our reliance on the LPG Business and at the same time, marking our strategic move to enhance our involvement in the Power Business under KUB Power. Although our Group has no prior experience in the manufacturing of power cables and wires, our Board believes that our Group is able to leverage on the capability, competency and experience of the key management personnel of CCB who will oversee the management and operation of the manufacturing activities.

As at the LPD, our Group has not entered into any management agreement with the key management personnel of CCB who are spearheading the Cables Manufacturing Business. Any resignation of key management personnel without timely replacement may adversely affect the Cables Manufacturing Business, which in turn may negatively impact the financial performance of our enlarged Group. As such, our Group will strive to adopt appropriate measures to retain CCB’s key management personnel and attract qualified personnel, including providing competitive remuneration, requisite training, career advancement opportunities and other employment benefits. If the need arises, we will recruit qualified and competent personnel with knowledge and expertise of the Cables Manufacturing Business to enhance its business and operations. The profiles of the key management personnel of CCB are set out in Section 5 of **Appendix IV** of this Circular.

According to Paragraph 10.13(1) of the Listing Requirements, a listed issuer must obtain its shareholders’ approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:

(i) the diversion of 25% or more of NA of the listed issuer to an operation which differs widely from those operations previously carried on by the listed issuer; or

(ii) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

Barring any unforeseen circumstances and subject to the Proposed Acquisition being approved by our shareholders and completed in accordance with the terms of the SPA, our Board anticipates that the new business under CCB in the form of the Cables Manufacturing Business may contribute 25% or more of the net profits of our Group and/or result in a diversion of more than 25% of the NA of our Group going forward. Accordingly, our Board proposes to seek the approval from our shareholders for the Proposed Diversification at the forthcoming EGM.

Notwithstanding the Proposed Diversification, our Board intends to continue with our Group's existing core business, being the LPG Business. Our Board will also continuously review our Group's business operations from time to time with the intention to further improve our Group's financial performance.

2.3 Proposed Amendments

The Proposed Amendments entail the consequential amendments to the existing Constitution to facilitate the creation and issuance of the new RCPS pursuant to the Proposed Acquisition and the Proposed CCB MGO.

Further information on the Proposed Amendments is set out in **Appendix III** of this Circular.

2.4 Proposed CCB MGO

In view that our shareholding in CCB will increase from nil to approximately 86.65% after the Proposed Acquisition, we will extend an MGO for all the CCB Offer Shares pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules.

For the avoidance of doubt, the Proposed CCB MGO will be extended to our PACs, as allowed under the Rules. Our PACs as at the LPD, namely, Amir Rasyidi Bin Johari and Amir Nashrin Bin Johari, who each hold 1 CCB Share, have each provided an irrevocable and unconditional undertaking that should the Proposed CCB MGO materialise in accordance with the terms and conditions of the Proposed CCB MGO, any acceptance by them of the Proposed CCB MGO will be satisfied wholly in cash.

We will serve the Notice on the board of directors of CCB upon the SPA becoming unconditional and the Offer Document will be despatched to the board of directors of CCB and the holders of the CCB Offer Shares within 21 days from the date of the Notice.

The CCB Offer Shares to be acquired by us under the Proposed CCB MGO shall be transferred to us:

(i) free from any moratorium, claim, charge, lien, pledge, option, rights of pre-emption, third party right and other security interest and/or encumbrance and/or equity whatsoever from the date of valid acceptance; and

(ii) with all attached rights, benefits and entitlements, including the right to receive all dividends and/or other distributions declared, made and/or paid on or after the date of the Notice, subject to the adjustments to the CCB Offer Price referred to in Section 2.4.1 below.

2.4.1 Offer price and nature of consideration for the Proposed CCB MGO

The offer price of RM2.60037 per CCB Offer Share is equivalent to the price paid by our Company for each Acquisition Share of RM2.60037 per CCB Share. The CCB Offer Price will not be lower than any price (excluding stamp duty and commission) paid by our Company and our PACs for the purchase of CCB Shares within 6 months prior to the beginning of the offer period for the Proposed CCB MGO which commenced on 21 November 2023, in accordance with subparagraph 6.03(1) of the Rules.

If CCB declares, makes and/or pays any dividend and/or other distributions on or after the date of the Notice but prior to the closing date of the Proposed CCB MGO, and the holders of the CCB Offer Shares are entitled to retain such dividend and/or distributions declared, made and/or paid, the offer price for the Proposed CCB MGO shall be reduced by an amount equivalent to the net dividend and/or distribution for each CCB Share which such holder is entitled to.

Notwithstanding the above, if our Company or our PACs purchase or agree to purchase the CCB Offer Shares during the offer period at a consideration that is higher than the CCB Offer Price, in accordance with subparagraph 6.03(1) of the Rules, our Company must increase the CCB Offer Price to an amount not less than the highest price (excluding stamp duty and commission) paid or agreed to be paid by our Company or our PACs for the CCB Offer Shares during the offer period.

As the Proposed Acquisition is to be wholly settled in exchange for the Consideration RCPS in the 6 months prior to the commencement of and during the offer period for the Proposed CCB MGO and since we will not pay fractions of a sen and/or will not allot and issue fractions of a RCPS pursuant to the settlement of the consideration under the Proposed CCB MGO, the CCB Offer Price will be satisfied via:

(i) wholly cash consideration of RM2.60037 per CCB Offer Share ("**Cash Option**") where fractions of a sen will be rounded up to the nearest whole sen; or

(ii) RCPS consideration based on an exchange ratio of 4.33395 new RCPS to be issued for every 1 CCB Offer Share ("**Exchange Ratio**") surrendered where fractions of a RCPS will be rounded down to the nearest whole RCPS and we will pay the holders of the CCB Offer Shares cash (rounded up to the nearest whole sen) for the balance fractional entitlement to the new RCPS based on the issue price of RM0.60 per RCPS.

(items (i) and (ii) to be referred to as "**Fractional Treatment**")

An illustration of the consideration receivable by a holder of the CCB Offer Shares, assuming he/she holds only 100 CCB Offer Shares, based on the Fractional Treatment is as follows:

Elected consideration		**Consideration to be received**
Cash Option	:	RM260.037 Since fractions of a sen will be rounded up to the nearest whole sen, such holder of 100 CCB Offer Shares will receive RM260.04.
Securities Option	:	Total consideration value to be satisfied by way of: (i) 433 new RCPS; and (ii) RM0.24 in cash (which was arrived from 433.395 RCPS less 433 RCPS = 0.395 RCPS multiplied by the issue price of RM0.60 per RCPS and rounded up to the nearest whole sen). Therefore, the total value of the consideration to be received by the said holder of the 100 CCB Offer Shares will be RM260.04 based on the total sum of the value of 433 new RCPS to be issued at the issue price of RM0.60 per RCPS of RM259.80 and cash payment of RM0.24.

Assuming all the holders of the CCB Offer Shares accept the Proposed CCB MGO and elect for the Cash Option, our Company will be required to pay a total cash consideration of approximately RM18.40 million for all the CCB Offer Shares. On the other hand, assuming all the holders of the CCB Offer Shares accept the Proposed CCB MGO and elect for the Securities Option, the maximum number of new RCPS to be issued pursuant to the Proposed CCB MGO is 30,664,291 RCPS at the issue price of RM0.60 per RCPS.

The actual total cash outlay for the Proposed CCB MGO and/or the maximum number of new RCPS to be issued pursuant to the Proposed CCB MGO will depend on the total number of CCB Offer Shares tendered by the respective shareholder of CCB and the option he/she elects as mode of settlement.

2.4.2 Condition of the Proposed CCB MGO

The Proposed CCB MGO will not be conditional upon any minimum level of acceptances of the CCB Offer Shares as our Company and our PACs will hold more than 50% of the voting shares in CCB after the Proposed Acquisition.

2.4.3 Compulsory acquisition by KUB

In the event our Company receives valid acceptances of not less than nine-tenths (9/10) in the nominal value of the CCB Offer Shares (excluding CCB Shares already held by our Company and our PACs as at the date of the Proposed CCB MGO) on or prior to the closing date of the Proposed CCB MGO, our Company intends to invoke the provisions of subsection 222(1) of the CMSA to compulsorily acquire any remaining CCB Offer Shares from the dissenting shareholders of CCB. In such instance, all the CCB Offer Shares that are compulsorily acquired will, subject to subsection 224(1) of the CMSA, be acquired on the same terms and conditions of the Offer Document and in accordance with subsection 222(1) of the CMSA.

Notwithstanding the above and subject to section 224 of the CMSA, section 223 of the CMSA provides that if our Company has, by virtue of valid acceptances from the holders of the CCB Offer Shares, acquired some (but not all) of the CCB Offer Shares resulting in our Company holding not less than nine-tenths (9/10) in the value of the CCB Shares (including CCB Shares already held by our Company and our PACs as at the date of the Proposed CCB MGO) on or prior to the closing date of the Proposed CCB MGO, a dissenting shareholder of CCB may exercise his/her/its rights under subsection 223(1) of the CMSA, by serving a notice on our Company to require our Company to acquire his/her/its CCB Offer Shares on the same terms asset out in the Offer Document or such other terms as may be agreed between our Company and the dissenting shareholder concerned.

In accordance with subsection 224(3) of the CMSA, when a dissenting shareholder exercises his/her/its rights under subsection 223(1) of the CMSA, the court may, on an application made by such dissenting shareholder or by our Company, order that the terms on which our Company shall acquire such CCB Offer Shares shall be as the court thinks fit.

2.4.4 Ranking of the RCPS to be issued under the Proposed CCB MGO and the new KUB Shares to be issued pursuant to the conversion of the RCPS

Details of the ranking of the RCPS (including the RCPS to be issued under the Proposed CCB MGO) and the new KUB Shares to be issued pursuant to the conversion of the RCPS are set out in **Section 2.1.5.2** of Part A of this Circular.

2.4.5 Listing and quotation of the RCPS to be issued under the Proposed CCB MGO and the new KUB Shares to be issued pursuant to the conversion of the RCPS

Details of the listing and quotation of the RCPS (including the RCPS to be issued under the Proposed CCB MGO) and the new KUB Shares to be issued pursuant to the conversion of the RCPS are set out in **Section 2.1.5.3** of Part A of this Circular.

2.4.6 Source of funding

The cash consideration for the Proposed CCB MGO will be wholly funded via our internally generated funds.

3. RATIONALE AND BENEFITS OF THE PROPOSALS

3.1 Proposed Acquisition

Our Group, through our wholly-owned subsidiary, KUB Power is involved in the Power Business. The revenue contribution from the Power Business has remained minimal as all the projects undertaken by KUB Power have reached their tail end over the last 3 financial years. Nonetheless, our Group has continuously bid for new viable projects that would enable our Group to leverage on our core competencies. Our Group has been seeking to capitalise on opportunities to tender for projects that have a need for our diverse capabilities, all while accelerating the various operational improvement and strategic cost management initiatives which have been earmarked.

In view of the foregoing and in line with the objectives and strategy of our Group to deliver sustainable growth and create value for our shareholders via strategic alignment of our portfolio in the Power Business, the Proposed Acquisition will enable our Group to:

(i) venture into the Cables Manufacturing Business which is an upstream activity within the value chain of the power industry and evolve into a holistic power solutions provider via the integration of the Cables Manufacturing Business with the Power Business. This strategic diversification also mitigates risks associated with market fluctuations associated with the Power Business and is expected to complement KUB Power's strategic move as an integrated power solutions provider;

(ii) capitalise on the resources, expertise and strength of CCB in securing new projects for the Power Business, thereby enhancing its operational efficiencies, bidding strategies, financial position and prospects of our enlarged Group;

(iii) provide an opportunity for our Group to diversify and bolster our revenue and income stream as the Proposed Acquisition is expected to contribute positively to the future earnings of our enlarged Group and further strengthens our Group's future financial performance;

(iv) expand and diversify our Group's product offerings; and

(v) reduce our Group's dependency on the LPG Business while increasing the market share of our Group as a solution provider in the power industry.

Further, the issuance of the Consideration RCPS allows our Company to conserve our cash resources, thus allowing our Group to enhance the Power Business without any immediate impact on the cash flow and gearing level of our Group as opposed to being fully settled in cash via internally generated funds or borrowings.

Based on our Group's audited financial statements for the FYE 30 June 2023, our Group has cash and bank balances (including short-term deposits) of RM405.57 million.

3.2 Proposed Diversification

While the proposed diversification into the manufacturing and distribution of power cable and wires is reasonably expected to contribute more than 25% of our Group's net profits and may result in a diversion of more than 25% of our Group's NA going forward, the Proposed Diversification is undertaken in accordance with Paragraph 10.13 of the Listing Requirements which will in turn facilitate the implementation of the Proposed Acquisition with the aim of enabling our Group to venture into a new area of business. This is consistent with our Group's plan to diversify our revenue and income stream so as to mitigate the risk of over-dependence on the LPG Business and to reap the synergistic benefits from the Proposed Acquisition as set out in **Section 3.1** of Part A of this Circular.

Our Board (save for the Interested Director) is of the view that the Proposed Diversification will be beneficial to our Group's financial performance and prospects, reduce our Group's reliance on the LPG Business and be the catalyst for the growth of the Power Business.

3.3 Proposed Amendments

The Proposed Amendments serves to facilitate the creation and issuance of the new RCPS to the Vendor pursuant to the Proposed Acquisition and the holders of the CCB Offer Shares who opt for the Securities Option under the Proposed CCB MGO. The Proposed Amendments is also necessary to incorporate the requisite new provisions to set out the new terms, rights, privileges and restrictions attached to the new RCPS to be issued.

3.4 Proposed CCB MGO

As stipulated under subparagraph 1.09(a) of the Rules, CCB is a code company for the purposes of Division 2 Part VI of the CMSA as it is an unlisted public company with more than 50 shareholders and NA of more than RM15 million.

As our Company's shareholding in CCB will increase from approximately nil to approximately 86.65% after the Proposed Acquisition, our Company is obliged to extend an MGO pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules.

4. INDUSTRY OUTLOOK, PROSPECTS AND FUTURE PLANS OF CCB

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 3.3% in the third quarter of 2023 (2Q 2023: 2.9%). Growth was anchored by resilient domestic demand. Household spending remained supported by continued growth in employment and wages. Meanwhile, investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms. Exports remained soft amid prolonged weakness in external demand. This, however, was partially offset by the recovery in inbound tourism. On the supply side, the services, construction and agriculture sectors remained supportive of growth. This was partly offset by the decline in production in the manufacturing sector given the weakness in demand for electrical and electronic (E&E) products and lower production of refined petroleum products. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 2.6% (2Q 2023: 1.5%). Overall, the Malaysian economy expanded by 3.9% in the first 3 quarters of 2023.

Headline inflation continued to moderate to 2% (2Q 2023: 2.8%) during the quarter. The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation declined further to 2.5% (2Q 2023: 3.4%) but remained above its long-term average (2011-2019 average: 2%). The moderation in core inflation was largely contributed by selected services, including food away from home, expenditure in restaurants and cafés, and personal transport repair and maintenance. Inflation pervasiveness declined as the share of Consumer Price Index items recording monthly price increases moderated to 40.8% during the quarter (2Q 2023: 42.7%), below the third quarter long-term (2011-2019) average of 44.5%.

Domestic financial conditions were driven mainly by evolving expectations over the global monetary policy path. In particular, the strength of the US job markets has prompted expectations for a tighter-for-longer policy stance by the US Federal Reserve and subsequently higher US and global interest rates. In contrast, the People's Bank of China undertook further monetary policy easing to address weaker-than-expected growth in China, which dampened investor sentiments towards the region.

Against this backdrop, the US dollar appreciation extended into the quarter, and the Malaysian ringgit ended up depreciating by 0.2% alongside other regional currencies. However, the ringgit appreciated by 1.4% against a basket of major trading partner currencies, as indicated by the ringgit nominal effective exchange rate.

(Source: Quarterly Bulletin, Third Quarter 2023, Bank Negara Malaysia)

4.2 Industry overview and outlook of the manufacturing sector for power cables and wires in Malaysia

CCB manufactures medium and low voltage power cables and wires in Malaysia. Power cables and wires are used to transmit and distribute electricity from power generating facilities to end-users via national or state-wide power grid. The power grid comprises an interconnected network of transmission and distribution cables, which carry electricity to industries, commerce, buildings, amenities, and infrastructures. As such, the industry growth of the manufacturing of power cables and wires industry is expected to grow in line with the growth in the construction sector in Malaysia.

(Source: Management of CCB)

The manufacturing sector is forecasted to expand by 4.2% in 2024 driven by better performance in both export and domestic-oriented industries. The export-oriented industries are expected to benefit from the recovery of external demand with electrical and electronics segment projected to surge, primarily driven by memory products. This is in line with the rebound in demand for technologically advanced products. Similarly, domestic oriented industries are anticipated to grow steadily backed by higher output in transport and construction related segments, in tandem with better consumer spending and business activities. In addition, the implementation of initiatives under the NIMP 2030 will further strengthen the sector's growth.

The construction sector is forecasted to increase by 6.8% in 2024 following better performance in all subsectors. Civil engineering subsector continues to be bolstered by strategic infrastructure and utilities projects which include ongoing projects such as the Central Spine Road, the Pan Borneo Sabah Highway and acceleration of projects under the 12MP. Furthermore, a new solar power plant project under the Corporate Green Power Programme will support the subsector's growth. The implementation of NIMP 2030 is expected to further strengthen the performance of non-residential buildings subsector as the plan will provide a platform to attract more investments into the country. In addition, the residential buildings subsector is projected to improve further in line with the Government's effort to increase more affordable houses as outlined under the mid-term review of the 12MP and the MADANI Neighbourhood (a township development targeting those in the middle 40% (M40), B40 and hardcore poor in the capital city) scheme, as well as new launching by the private sector.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

4.3 Prospects and future plans of CCB

CCB is principally involved in the Cables Manufacturing Business, an upstream activity within the value chain of the power industry for the supply of underground power cables or overhead power cables for transmission and distribution of electricity, and has been operating for more than 50 years in Malaysia since its commencement of business operations in 1967.

Within the 12MP, the Government has outlined 17 Big Bolds (being key measures identified and introduced under the mid-term review of the 12MP) and 71 strategies to guide the nation towards its goals including initiatives focusing on the development of high-growth high-value ("**HGHV**") industries, enhancement of energy sustainability, improvements to housing for the Rakyat, and streamlining of public transport networks.

The 12MP also articulates the government's commitment to achieve net-zero greenhouse gas emissions by 2050. Concurrently, the National Energy Policy 2022-2040 lays the foundation for an equitable energy transition that is fair and inclusive. Both policy frameworks lay the groundwork while the NETR, launched in September 2023, aims to accelerate Malaysia's green and sustainable growth agenda by comprehensively charting the nation's trajectory towards a brighter, cleaner and more resilient energy sector.

The NETR aims to transform Malaysia as a regional leader in the energy transition and RE industry with an estimated RM1.2 trillion to RM1.3 trillion investments until 2050. In this current decade, the NETR expects investments to total between RM210 billion to RM240 billion by 2029 for crucial projects including the expansion of public transport infrastructure, strengthening the electrical grid system, and reskilling human capital.

As of 2022, RE sources account for 24.3% of total installed capacity and are targeted to reach 31% in 2025, 40% in 2040, and 70% in 2050. This is in-line with the Big Bold HGHV Industry in the 12MP Mid-Term Review.

The expansion of RE power generation, including Hydrogen, Solar, and Bioenergy, with anticipated investments of RM260 billion to RM270 billion between 2023 and 2050, as estimated by the NETR, while an estimated RM170 billion to RM175 billion is allocated for the RE grid network between 2023 and 2050.

The NETR also estimates substantial investment of between RM330 billion to RM335 billion is required for energy transition initiatives in land transport. This includes the expansion of green mobility, covering electronic vehicles, public transport electrification, and the integration of solar photovoltaic with rail operations to achieve the NETR's vision of installing 10,000 electronic vehicles charging stations by 2025 and electrifying public transport.

Malaysia is also committed to rural electrification by enhancing energy access and bridging the electricity divide in rural areas with a target of achieving 99% electricity coverage by 2025, from 98.27% in 2022.

The above bodes well for CCB given its established track record in the industry and long term relationship with Malaysia's primary electricity generation enterprise.

(Source: Management of CCB)

We intend to preserve, grow and continue with the operations of CCB subsequent to the completion of the Proposed Acquisition whilst retaining the key management personnel of CCB. We anticipate that CCB will remain profitable in view of the industry outlook and prospects of CCB as set out in **Sections 4.2** and **4.3** of Part A of this Circular due to increased spending for infrastructure projects, grid modernization efforts, growing electricity consumption and a strong push towards RE enabling us to explore further opportunities for CCB in the Cables Manufacturing Business.

Our Group also intends to collaborate and integrate our existing Power Business with CCB's Cables Manufacturing Business, resulting in our enlarged Group becoming a more integrated power solutions provider in Malaysia when bidding for civil engineering works relating to the power sector.

We do not anticipate additional financial resources to be committed for the above future plans as CCB is already in operations and has been generating income over the years and we do not expect any work or costs required to integrate the Power Business with CCB's business to be material.

5. RISKS OF THE PROPOSALS

5.1 Completion risk

The completion of the Proposed Acquisition is conditional upon the Conditions Precedent as set out in **Appendix I** of this Circular being fulfilled and/or waived. There can be no assurance that all the Conditions Precedent can be fulfilled on or before the Cut-Off Date (as defined in **Appendix I** of this Circular) to our satisfaction and/or the Vendor's satisfaction. In the event that any or all the Conditions Precedent are not fulfilled and/or waived in accordance with the SPA and extension of time to fulfill the Conditions Precedent cannot be mutually agreed between the Vendor and us and/or the Vendor and us are unable to perform our respective obligations in accordance with the terms and conditions of the SPA, the Proposed Acquisition will not be able to be completed.

Our Company will monitor the status and progress of the Proposed Acquisition and endeavours, to the extent possible, to fulfil all the terms and conditions of the SPA which is within our control.

5.2 Acquisition risk

There can be no assurance that the anticipated benefits of the Proposed Acquisition and the Proposed CCB MGO will be realised or that our Group will be able to generate sufficient returns from the Proposed Acquisition and the Proposed CCB MGO to offset the associated acquisition costs incurred. These include changes in the cash flow profile arising from the potential capital or operational expenditure to be committed to the Cables Manufacturing Business in the future.

5.3 Integration risk

Our enlarged Group's business operations and financial position could be materially affected if the existing businesses of our Group and CCB are not integrated effectively or in a timely manner. This may result in the lower realisation of benefits and synergies arising from the Proposed Acquisition and the Proposed CCB MGO where failure to achieve the expected benefits and synergies may impact our enlarged Group's future financial performance.

Potential factors that may adversely affect a successful integration exercise include:

(i) disruption to business continuity and ongoing operations which could affect our enlarged Group's ability to deliver its products and services to its customers, timeliness in responding to competition and ability to maintain its market position;

(ii) higher than anticipated integration complexities and costs, for example related to integration of information technology platforms and systems;

(iii) unintended loss of key personnel or skilled or technical personnel or reduced employee effectiveness and productivity due to uncertainties during the integration phase; and

(iv) unexpected challenges or issues that may lead to integration execution taking longer time or costing more than anticipated.

At the appropriate time, our enlarged Group may undertake the necessary steps, including undertaking proper studies to formulate and implement integration initiatives, and if necessary, establish a management team to oversee and ensure at successful integration exercise.

5.4 Business risk

The Proposed Acquisition and the Proposed CCB MGO may expose our Group to certain new business risks inherent in the Cables Manufacturing Business that could have material adverse effect on its financial performance, including but not limited to the following:

(i) failure of machinery and disruption in the operations;

(ii) failure to obtain the necessary operating permits, licences, certificates and/or regulatory approvals;

(iii) availability and fluctuation of raw materials (metal and foreign currency exchange rates) and labour costs; and

(iv) changes in the regulatory framework in the cables manufacturing industry.

Copper and aluminium are the main raw materials that CCB uses to manufacture CCB's cables and wires, and they contribute to the majority of CCB's total purchases. Copper and aluminium represented approximately 72.24%, 70.70% and 72.16% of CCB's total purchases for the past 3 FYEs up to 30 June 2023 respectively. Copper and aluminium are globally and actively traded commodity metals. The prices of copper and aluminium are affected by numerous factors beyond our control, including global economic and political conditions, supply and demand, inventory levels maintained by suppliers, potential disruptions in the supply chains and currency exchange rates. Any unfavourable and material fluctuations in the prices of copper and aluminium may affect CCB's margins and profitability, especially if CCB is unable to pass on the cost increments to its customers on a timely basis.

Furthermore, CCB's major customer (Malaysia's primary electricity generation enterprise transmitting and distributing all the electricity in Peninsular Malaysia, Sabah and the Federal Territory of Labuan) with whom it has maintained a long-standing business relationship for more than 33 years contributed to more than 50% of its revenue based on the audited consolidated financial statements of CCB for the past 3 FYEs 30 June 2021, 30 June 2022 and 30 June 2023. The loss of the said major customer or any significant decline in its demand may adversely affect CCB's business, results of operations and financial condition.

Nevertheless, our Group will seek to mitigate this risk by leveraging on the experience, network and expertise of the key management personnel of CCB. Our Group will also seek to limit the risk through, among others, diligently monitoring the performance and changes within the cable manufacturing industry, careful planning and periodic review of operations.

However, there can be no assurance the aforementioned risks may be adequately addressed and any changes to the operating conditions of the CCB Group may have an adverse effect on our Group's financial performance.

5.5 Competition risk

The wires and cables industry is highly competitive due to the presence of various wires and cables manufacturers who sell their products in the Malaysian market, some of whom have greater manufacturing, sales, development and financial resources than others. Additionally, the wires and cables manufacturers that are able to provide competitive pricing solutions may be better positioned among their competitors to secure new product orders. Aggressive pricing competition may lead to lower product selling prices, which in turn, may result in lower profit margins. The wires and cables manufacturers that are more adept in providing customer-centric sales, marketing, technical support and customer services may be better positioned among their competitors to secure new orders.

The impact of competition from new entrants into the wires and cables industry, to a certain extent, is minimised by the numerous barriers of entry to the industry including the importance of having an established track record in manufacturing quality wires and cables, market acceptance and reputable brand name, strong business relationships with customers, technical know-how, and high capital expenditure required to set up manufacturing facilities.

Although our Group (via the Cables Manufacturing Business) seeks to continue to adopt appropriate strategies to improve our competitiveness and as a result, increase the market share in this particular industry, there can be no assurance that competition from existing competitors and/ or new entrants will not have a material adverse effect on our performance/ market share in the future.

5.6 Dependency on key management personnel risk

The business growth and success in the Cables Manufacturing Business is largely attributable to the skill, experience, competency and continued efforts of CCB's key management personnel as well as our Group's ability to attract more qualified personnel who have the relevant experience in the Cables Manufacturing Business. The loss of any key management personnel without timely replacement or our Group's inability to attract and/or retain qualified personnel may adversely affect the Cables Manufacturing Business which would in turn negatively impact the financial performance of our enlarged Group.

As such, our Group will strive to adopt appropriate measures to retain CCB's key management personnel and attract qualified personnel, including providing attractive remuneration, requisite training, career advancement opportunities and other employment benefits. Our Group may also reduce our reliance on any key management personnel by regularly reviewing our staff strength and policies (including succession planning) to ensure that we will be able to effectively address human resource risks.

Notwithstanding, there can be no assurance that these measures will enable our Group to retain our key management personnel or address the loss of our key management personnel effectively or that a smooth transition will occur during any staff replacement exercise.

5.7 Goodwill and impairment risk

According to the Malaysian Financial Reporting Standards 3 Business Combinations issued by the Malaysian Accounting Standards Board, our enlarged Group is expected to recognise goodwill arising from the Proposed Acquisition and the Proposed CCB MGO. Goodwill represents the excess of the consideration over our Group's share of the fair value of the identifiable NA acquired.

Goodwill is tested for impairment annually or if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, goodwill is allocated to each of the CGUs, or groups of CGUs, that are expected to benefit from the Proposed Acquisition and the Proposed CCB MGO. Accordingly, to arrive at the impairment amount, the carrying amount of the CGU including the goodwill of the CGU is compared with the recoverable amount of the CGU, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Whilst our management expects the goodwill to be supported by the post-acquisition performance of CCB, any material changes or events arising that may adversely affect the business prospects and/or assets of CCB, may result in an impairment of the goodwill. Any fair value adjustments allocated to the identifiable assets and liabilities of CCB, and the effects of amortisation of the fair value adjustments if any, from the Proposed Acquisition and Proposed CCB MGO may materially and adversely affect our Group's financial position and that may have a corresponding effect on shareholders' value.

6. EFFECTS OF THE PROPOSALS

The Proposed Diversification and Proposed Amendments will not have any effect on our share capital and substantial shareholders' shareholding, our Group's NA, gearing and earnings as well as EPS.

For illustrative purposes only, the effects of the Proposed Acquisition and the Proposed CCB MGO have been prepared based on the following scenarios:

Scenario 1	:	Assuming our Company does not receive any valid acceptances under the Proposed CCB MGO and JAG fully converts all the Consideration RCPS.
Scenario 2	:	Assuming our Company receives full acceptances under the Proposed CCB MGO where all the holders of the CCB Offer Shares opt for the Securities Option and all the RCPS issued are fully converted.
Scenario 3	:	Assuming our Company receives full acceptances under the Proposed CCB MGO where all the holders of the CCB Offer Shares opt for the Cash Option and JAG fully converts the Consideration RCPS.

6.1 Issued share capital

The effects of the Proposed Acquisition and the Proposed CCB MGO on the issued share capital of our Company are as follows:

	Scenarios 1 & 3		**Scenario 2**	
	No. of KUB Shares	**RM**	**No. of KUB Shares**	**RM**
As at the LPD	556,464,690	228,862,797	556,464,690	228,862,797
New KUB Shares to be issued assuming full conversion of the Consideration RCPS	199,035,059	119,421,035	199,035,059	119,421,035
New KUB Shares to be issued assuming full conversion of the RCPS to be issued pursuant to the Proposed CCB MGO	-	-	30,664,291[(1)]	18,398,575
Enlarged number of KUB Shares and issued share capital	**755,499,749**	**348,283,832**	**786,164,040**	**366,682,407**

***Note**:*

(1) Based on the maximum new KUB Shares to be issued for every CCB Offer Share surrendered per the Exchange Ratio with the balance of the fractional entitlement to the new RCPS to be settled in cash (rounded up to the nearest whole sen) based on the issue price of RM0.60 per RCPS.

Under Scenario 3, the Proposed CCB MGO will not have any effect on our issued share capital as the Proposed CCB MGO will not involve any issuance of RCPS that may be converted into new KUB Shares, similar to Scenario 1.

6.2 Substantial shareholders' shareholding

The effects of the Proposed Acquisition and the Proposed CCB MGO on the substantial shareholders' shareholding in our Company are as follows:

	As at the LPD				(A) After the Proposed Acquisition				After (A) and assuming full conversion of the RCPS to be issued based on Scenarios 1 and 3[(2)]				After (A) and assuming full conversion of the RCPS to be issued based on Scenario 2[(2)]			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of KUB Shares ('000)	%	No. of KUB Shares ('000)	%	No. of KUB Shares ('000)	%	No. of KUB Shares ('000)	%	No. of KUB Shares ('000)	[(3)] %	No. of KUB Shares ('000)	[(3)] %	No. of KUB Shares ('000)	[(4)] %	No. of KUB Shares ('000)	[(4)] %
JAG	185,187	33.28	-	-	185,187	33.28	-	-	384,222	50.86	-	-	384,222	48.87	-	-
DSJ	-	-	[(1)]185,187	33.28	-	-	[(1)]185,187	33.28	-	-	[(1)]384,222	50.86	-	-	[(1)]384,222	48.87
Leasing Corporation Sdn Bhd	100,000	17.97	-	-	100,000	17.97	-	-	100,000	13.24	-	-	100,000	12.72	-	-

Notes:

(1) Deemed interest by virtue of his interest in JAG pursuant to Section 8 of the Act.

(2) The RCPS, after conversion into new KUB Shares, will be cancelled by KUB.

(3) Based on the enlarged number of KUB Shares of 755,499,749 assuming only JAG converts the Consideration RCPS after the Proposed Acquisition.

(4) Based on the enlarged number of KUB Shares of 786,164,040 assuming JAG and all the holders of the CCB Offer Shares who opt for the Securities Option convert their RCPS respectively.

Under Scenarios 1 and 3, the Proposed CCB MGO will not have any effect on the shareholding of the substantial shareholders of our Company as it will not involve any issuance of RCPS. The effect on the shareholding of the substantial shareholders of our Company under Scenarios 1, 2 and 3 have not taken into account any potential changes in the shareholding of JAG pursuant to the KUB MGO.

As at the LPD, the proforma public shareholding spread of our Company based on Scenarios 1, 2 and 3 are as follows:

	[1] **As at the LPD**	[1] **After the Proposed Acquisition**	[2] **Scenarios 1 & 3**	[3] **Scenario 2**
	(%)	**(%)**	**(%)**	**(%)**
Substantial shareholders	51.25	51.25	64.09	61.59
Public shareholders	48.75	48.75	35.91	38.41
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**

Notes:

(1) Based on the total number of KUB Shares in issue of 556,464,690.

(2) Based on the enlarged number of KUB Shares of 755,499,749, assuming only JAG converts the Consideration RCPS after the Proposed Acquisition.

(3) Based on the enlarged number of KUB Shares of 786,164,040 assuming JAG and all the holders of the CCB Offer Shares who opt for the Securities Option convert their RCPS respectively.

6.3 NA and gearing

For illustrative purposes only, based on the latest audited consolidated statements of financial position of our Company as at 30 June 2023 and assuming that the Proposals had been effected on that date, the pro forma effects of the Proposed Acquisition and the Proposed CCB MGO on the NA per KUB Share and gearing of our Group are as follows:

	Audited as at 30 June 2023	(A) After the Proposed Acquisition	After (A) and assuming full conversion of the RCPS to be issued based on Scenario 1	After (A) and assuming full conversion of the RCPS to be issued based on Scenario 2	After (A) and assuming full conversion of the RCPS to be issued based on Scenario 3
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Share capital	228,863	228,863	346,714	(6) 364,547	346,714
RCPS (1)	-	(4)117,851	-	-	-
Reserve	36,723	36,723	36,723	36,723	36,723
Retained earnings	251,459	251,459	(5) 250,961	251,459	(5) 250,961
Equity attributable to owners of our Company	517,045	634,896	634,398	652,729	634,398
Non-controlling interests	(14,743)	(7) (4,006)	(7) (4,006)	(14,743)	(14,743)
Total equity	502,302	630,890	630,392	637,986	619,655
Number of KUB Shares in issue ('000)	556,465	556,465	755,500	786,164	755,500
NA per KUB Share (RM)(2)	0.93	1.14	0.84	0.83	0.84
Interest-bearing borrowings (excluding lease liabilities) (RM'000)	41,114	83,859	83,859	83,859	83,859
Gearing (times) (3)	0.08	0.13	0.13	0.13	0.13

Notes:

(1) The RCPS, after conversion into new KUB Shares, will be cancelled by KUB.

(2) Calculated based on equity attributable to owners of our Company over number of KUB Shares in issue.

(3) Calculated based on total interest-bearing borrowings (excluding lease liabilities) over total equity.

*(4) After taking into account the capitalised estimated expenses relating to the Proposed Acquisition of RM1.57 million in accordance with Malaysian Financial Reporting Standards 132 on Financial Instruments: Presentation ("**MFRS 132**"), which consist of professional fees, fees payable to the relevant authorities, printing cost and cost to despatch this Circular and other incidental expenses relating to the Proposed Acquisition.*

(5) After taking into account the expensed estimated expenses relating to the Proposed CCB MGO of RM0.50 million (assuming no issuance of RCPS to the holders of the CCB Offer Shares under Scenarios 1 and 3), which consist of professional fees, fees payable to the relevant authorities, printing and cost to despatch the Offer Document to the board of directors of CCB and the holders of the CCB Offer Shares as well as other incidental expenses relating to the Proposed CCB MGO.

(6) After taking into account the capitalised estimated expenses relating to the Proposed CCB MGO of RM0.57 million (assuming all the RCPS issued under Scenario 2 are fully converted into new KUB Shares) in accordance with MFRS 132, which consist of professional fees, fees payable to the relevant authorities, printing and cost to despatch the Offer Document to the board of directors of CCB and the holders of the CCB Offer Shares as well as other incidental expenses relating to the Proposed CCB MGO.

(7) Does not take into account the effects of the purchase price allocation exercise and assuming the audited consolidated NA to equity owners of CCB as at 30 June 2023 is the fair value of the NA acquired on completion of the Proposed Acquisition.

6.4 EPS

The Proposals are expected to contribute positively to the future earnings of our Group, primarily from the consolidation of the results of the CCB Group.

For illustrative purposes only, based on the latest audited consolidated statement of comprehensive income of our Company for the FYE 30 June 2023 and assuming that the Proposed Acquisition and the Proposed CCB MGO had been effected on 1 July 2022, being the beginning of the FYE 30 June 2023, the pro forma effects of the Proposed Acquisition and the Proposed CCB MGO on the earnings of our Group and EPS are as follows:

	Scenario 1	**Scenario 2**	**Scenario 3**
	RM'000	**RM'000**	**RM'000**
Normalised consolidated PAT attributable to the owners of our Company (1)	14,650	14,650	14,650
Add : CCB's audited consolidated PAT for the FYE 30 June 2023	(2) 10,092	(3) 11,647	(3) 11,647
Less : Estimated expenses relating to the Proposed CCB MGO (4)	(498)	(5) -	(498)
Pro forma consolidated PAT attributable to the owners of our Company after the Proposals	24,244	26,297	25,799
Number of KUB Shares in issue ('000):			
- Before the Proposals	556,465	556,465	556,465
- After the Proposals and assuming none of the RCPS are converted	556,465	556,465	556,465
- After the Proposals and assuming full conversion of the RCPS	755,500	786,164	755,500
EPS (sen):			
- Before the Proposals	2.63	2.63	2.63
- After the Proposals assuming none of the RCPS are converted	4.36	4.73	4.64
- After the Proposals and assuming immediate full conversion of the RCPS	3.21	3.34	3.41

Notes:

(1) Normalised consolidated PAT attributable to the owners of our Company is computed as follows:

	RM'000
Audited consolidated PAT attributable to the owners of our Company for the FYE 30 June 2023	*33,811*
Less: Gain on fair value on investment in KUB Sepadu Sdn Bhd	*(13,409)*

	RM'000
Less: Reversal of impairment of trade and other receivables	*(3,205)*
Less: Reversal of provision for liquidated ascertained damages	*(1,293)*
Less: Gain on disposal of property, plant and equipment	*(1,254)*
	14,650

(2) *This represents approximately 86.65% of the audited consolidated PAT of CCB for the FYE 30 June 2023.*

(3) *This represents the entire 100.00% of the audited consolidated PAT of CCB for the FYE 30 June 2023.*

(4) *Consist of professional fees, fees payable to the relevant authorities, printing cost and cost to despatch the Offer Document to the board of directors of CCB and the holders of the CCB Offer Shares as well as other incidental expenses relating to the Proposed CCB MGO.*

(5) *The estimated expenses relating to the Proposed Acquisition of RM1.57 million and the estimated expenses relating to the Proposed CCB MGO of RM0.57 million would be capitalised in accordance with MFRS 132.*

6.5 Convertible securities

As at the LPD, our Company does not have any convertible securities in issue.

7. HISTORICAL SHARE PRICES

The monthly high and low market prices of KUB Shares as traded on the Main Market of Bursa Securities for the past 12 months from February 2023 to January 2024 are as follows:

	High	**Low**
	RM	**RM**
<u>2023</u>		
February	0.540	0.515
March	0.525	0.460
April	0.560	0.485
May	0.520	0.460
June	0.520	0.480
July	0.560	0.500
August	0.545	0.515
September	0.590	0.540
October	0.570	0.520
November	0.580	0.530
December	0.605	0.570
<u>2024</u>		
January	0.600	0.575
Closing price of KUB Shares as at the LTD (RM)		0.555
Closing price of KUB Shares as at the LPD (RM)		0.590

(Source: Bloomberg)

8. APPROVALS AND CONSENT REQUIRED

The Proposals are subject to the following:

(a) approval of the Non-Interested Shareholders at the forthcoming EGM;

(b) approval of Bursa Securities for the listing and quotation of up to 229,699,350 new KUB Shares to be issued upon conversion of the RCPS on the Main Market of Bursa Securities which was obtained vide its letter dated 30 January 2024, subject to, inter-alia, the following conditions:

No.	Condition imposed	Status of compliance
(i)	Our Company and Maybank IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied
(ii)	Maybank IB to inform Bursa Securities upon the completion of the Proposals;	To be complied
(iii)	Our Company/Maybank IB to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders at the general meeting approving the Proposals;	To be complied
(iv)	Our Company/Maybank IB to furnish Bursa Securities with the letter of compliance in relation to the amended Constitution pursuant to Paragraph 2.12 of the Listing Requirements together with a copy of the duly executed amended Constitution;	To be complied
(v)	Maybank IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed; and	To be complied
(vi)	Our Company to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the conversion of the RCPS at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

(c) approval of the SC pursuant to subsection 212(5) of the CMSA, in relation to the Securities Option for the Proposed CCB MGO which is being undertaken in compliance with subparagraph 6.04(3) of the Rules, which was obtained vide its letter dated 30 January 2024;

(d) consent of the SC pursuant to paragraph 19.03 of the Rules in respect of the issuance of the Consideration RCPS pursuant to the Proposed Acquisition which was obtained vide its letter dated 16 January 2024; and

(e) approval/consent of any relevant regulatory authorities and/or parties, if required.

9. CONDITIONALITY OF THE PROPOSALS

The Proposed Acquisition and the Proposed Diversification are conditional upon each other. In addition, the Proposed Acquisition and the Proposed Amendments are also conditional upon each other. The Proposed Acquisition is not conditional upon the Proposed CCB MGO. However, the Proposed CCB MGO is conditional upon the SPA becoming unconditional.

The Proposals are not conditional upon any other corporate exercise/scheme of our Company which has been announced but pending completion.

10. OUTSTANDING CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there are no other corporate exercise/scheme which have been announced by our Company that are pending completion prior to the printing of this Circular.

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

Save as disclosed below, none of our directors, major shareholders, chief executive and/or persons connected to them have any interest, direct or indirect, in the Proposals:

11.1 Interested Major Shareholders

JAG is a major shareholder of KUB and the vendor for the Proposed Acquisition.

DSJ is an indirect major shareholder of KUB by virtue of his indirect shareholding of 33.28% in KUB through his interest in JAG pursuant to Section 8 of the Act.

The Interested Major Shareholders are deemed interested in the Proposed CCB MGO as the Proposed CCB MGO will be extended to our PACs who are also persons connected to JAG and DSJ, namely Amir Nashrin Bin Johari and Amir Rasyidi Bin Johari. They are persons connected to the Interested Major Shareholders by virtue of them being directors of JAG and the sons of DSJ. Amir Nashrin Bin Johari is also a director of CCB.

Accordingly, the Interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholding in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM. Further, the Interested Major Shareholders have also undertaken to ensure that persons connected to them will also abstain from voting in respect of their direct and/or indirect shareholding in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

11.2 Interested directors

DSJ, who was our Chairman and a Non-Independent Non-Executive Director on the date of the SPA, is the controlling shareholder of JAG and was a nominee director of JAG on our Board. DSJ had, on 12 December 2023, resigned as our Non-Independent Non-Executive Director. DSJ had abstained from all Board deliberations and voting at our Board meetings pertaining to the Original Proposals up until his resignation from our Board.

Megat Joha Bin Megat Abdul Rahman, being a nominee director of JAG on our Board and former director of Fumori Industries Sdn. Bhd. (currently dormant) and Atlas Wire & Cable Sdn. Bhd (currently dormant) which are subsidiaries of CCB. Accordingly, Megat Joha bin Megat Abdul Rahman has abstained and will continue to abstain from all Board deliberations and voting at our Board meetings pertaining to the Proposals.

Both DSJ and Megat Joha Bin Megat Abdul Rahman will also abstain from voting in respect of their direct and/or indirect shareholding in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM. Further, they have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholding in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

11.3 Direct and indirect shareholdings of the Interested Major Shareholders and Interested Director in KUB

As at the LPD, the direct and indirect shareholdings of the Interested Major Shareholders and the Interested Director in KUB are as follows:

	Direct		**Indirect**	
	No. of KUB Shares ('000)	**%**	**No. of KUB Shares ('000)**	**%**
Interested Major Shareholders				
JAG	185,187	33.28	-	-
DSJ	-	-	[(1)]185,187	33.28
Interested Director				
Megat Joha Bin Megat Abdul Rahman	-	-	-	-

Note:

(1) Deemed interest by virtue of his shareholding in JAG pursuant to Section 8 of the Act.

11.4 Persons connected

Amir Rasyidi Bin Johari and Amir Nashrin Bin Johari, who are persons connected to the Interested Major Shareholders, namely JAG and DSJ, each holds 1 CCB Share. Amir Rasyidi Bin Johari and Amir Nashrin Bin Johari are also directors of JAG. Additionally, Amir Nashrin Bin Johari is also a director of CCB.

12. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition and the Proposed CCB MGO, collectively, pursuant to Paragraph 10.02(g) of the Listing Requirements. is 44.90%, computed based on the aggregate value of the consideration given in relation to the Proposed Acquisition and the Proposed CCB MGO of RM137.82 million, compared with the market value of all the KUB Shares (excluding treasury shares) based on the 5-day VWAMP up to and including the LTD.

13. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

In view of the interests disclosed in **Section 11** of Part A of this Circular, the Proposed Acquisition is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements.

On 22 December 2020, JAG and our Company had entered into a management services agreement for JAG to provide management services to our Group, commencing from 1 January 2021, where the nature of the services to be rendered mainly comprises of advisory and consultancy services in matters relating to, among others, the funding for our Company and liaison with relevant government and foreign entities.

Save for the Proposed Acquisition and the management fee of approximately RM40,000 per month charged by JAG to our Company, our Group has not entered into any transaction with the Interested Major Shareholders, the Interested Director and/or persons connected with them for the past 12 months preceding the LPD.

14. ADVISERS

14.1 Principal Adviser

Maybank IB has been appointed as Principal Adviser to KUB for the Proposals.

14.2 Independent Adviser

As the Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements, Affin Hwang IB has been appointed to undertake the following:

(i) to comment as to whether the Proposed Acquisition is:

(a) fair and reasonable so far as the Non-Interested Shareholders are concerned; and

(b) to the detriment of the Non-Interested Shareholders,

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

(ii) to advise the Non-Interested Shareholders on whether they should vote in favour of the Proposed Acquisition; and

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

Please refer to Part B of this Circular for the independent advice letter to the Non-Interested Shareholders in relation to the Proposed Acquisition issued by Affin Hwang IB.

15. AUDIT, RISK AND SUSTAINABILITY COMMITTEE'S STATEMENT

Our Audit, Risk and Sustainability Committee (save for the Interested Director who has abstained and will continue to abstain from all deliberations and voting at our Board meetings in relation to the Proposals), after having considered all relevant aspects of the Proposals (including but not limited to the to the terms and conditions of the SPA (and the Supplemental SPA), rationale and benefits of the Proposals, basis and justification for the Purchase Consideration and Issue Price/Conversion Ratio, prospects of CCB and outlook of the cable manufacturing industry, effects of the Proposals, the manner of funding the Proposed Acquisition as well as the views and recommendation of the Independent Adviser on the fairness and reasonableness of the Proposed Acquisition), is of the opinion that the Proposals are:

(i) in the best interest of our Company;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of the Non-Interested Shareholders.

16. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Director who has abstained and will continue to abstain from all deliberations and voting at our Board meetings in relation to the Proposals), after having considered all aspects of the Proposals (including but not limited to the terms and conditions of the SPA (and the Supplemental SPA), the basis and justification for the Purchase Consideration, Issue Price/Conversion Ratio, rationale and benefits of the Proposals, prospects of CCB, effects of the Proposals as well as the advice of the Principal Adviser and the views and recommendation of the Independent Adviser on the fairness and reasonableness of the Proposed Acquisition), is of the opinion that the Proposals are **in the best interest** of our Company and recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

17. TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring unforeseen circumstances, the Proposals are expected to be completed in the first half of 2024.

The tentative timetable for the implementation of the Proposals is as follows:

Tentative Timing	Event
End February 2024	• EGM • The SPA becomes unconditional • Serving of the Notice on the board of directors of CCB • Completion of the Proposed Acquisition
Mid to late March 2024	• Despatch of the Offer Document to the board of directors of CCB and all the holders of the CCB Offer Shares
Mid April 2024	• Closing date of the Proposed CCB MGO[(1)]

***Note**:*

(1) Being the first closing date of the Proposed CCB MGO which is at least 21 days from the date of posting of the Offer Document, unless extended or revised in accordance with the Rules and the terms and conditions of the Offer Document as our Company may decide and announce at least 2 days before the first closing date of the Proposed CCB MGO.

18. EGM

The resolutions pertaining to the Proposals will be tabled at the forthcoming EGM. The notice convening the EGM and the Proxy Form are enclosed in this Circular. This Circular together with the Administrative Details for the EGM is available at our Company's corporate website at www.kub.com and Bursa Securities' website at www.bursamalaysia.com under our Company's announcements.

The EGM will be held on a virtual basis and conducted entirely through live streaming via remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its website at https://meeting.boardroomlimited.my on Wednesday, 28 February 2024 or any adjournment thereof for purpose of considering, and, if thought fit, passing the resolutions to give effect to the Proposals.

The voting of the EGM will be conducted by poll. If you are unable to attend and vote by yourself at the EGM, please complete, execute and deposit the Proxy Form, in accordance with the instructions therein, to the Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan no later than **10.00 a.m.** on **Monday, 26 February 2024**. The proxy appointment may also be lodged electronically via Boardroom Share Registrars Sdn Bhd's website at https://investor.boardroomlimited.com no later than **10.00 a.m.** on **Monday, 26 February 2024**. For further information on the electronic lodgement of Proxy Form, please refer to the Administrative Details for the EGM.

You may attend and vote by yourself at the forthcoming EGM if you wish to do so even after you have completed and returned the Proxy Form so long as you revoke the appointment of your proxy prior to the EGM.

19. FURTHER INFORMATION

Please refer to the appendices of this Circular for more information.

Yours faithfully
For and on behalf of the Board of
KUB MALAYSIA BERHAD

DATUK NORLIZA BINTI ABDUL RAHIM
Chairman, Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM AFFIN HWANG IB

TO THE NON-INTERESTED SHAREHOLDERS

IN RELATION TO THE PROPOSED ACQUISITION

EXECUTIVE SUMMARY

Definitions or defined terms used in this Executive Summary have the same meaning as defined in the "Definitions" section of Part A of the Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this Executive Summary are to Affin Hwang IB, being the independent adviser for the Proposed Acquisition.

This Executive Summary highlights the salient information of the Proposed Acquisition. We advise all Non-Interested Shareholders to read and understand this Independent Advice Letter in its entirety, together with Part A of the Circular and the appendices thereto. Non-Interested Shareholders are not to rely solely on this Executive Summary before forming an opinion on the Proposed Acquisition. You are also advised to consider carefully the recommendation contained herein before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

1. INTRODUCTION

On 21 November 2023, Maybank IB on behalf of the Board, announced that the Company is proposing to undertake the Proposed Acquisition. In conjunction with the Proposed Acquisition and in accordance with Paragraph 10.13 of the Listing Requirements, the Company is proposing to diversify the operations carried out by the Group to include the Cables Manufacturing Business.

On 4 December 2023, Maybank IB, on behalf of the Board, announced further information in relation to the Proposed Acquisition, Proposed Diversification and Proposed CCB MGO.

On 8 January 2024, Maybank IB, on behalf of the Board, announced that the Company entered into the Supplemental SPA with the Vendor to vary the mode of settlement of the Purchase Consideration from the issuance of 199,035,059 new KUB Shares at an issue price of RM0.60 per Consideration Share to the issuance of 199,035,059 new RCPS at the RCPS Issue Price. In conjunction with the variation of the mode of the settlement, the Company is proposing to undertake the Proposed Amendments.

On 18 January 2024, Maybank IB, on behalf of the Board, announced that the SC has, vide its letter dated 16 January 2024, granted its approval pursuant to paragraph 19.03 of the Rules in respect of the issuance of the new RCPS pursuant to the Proposed Acquisition.

On 30 January 2024, Maybank IB, on behalf of the Board, announced that the SC has, vide its letter dated 30 January 2024, granted its approval pursuant to subsection 212(5) of the CMSA for making available the RCPS under the Proposed CCB MGO.

On 31 January 2024, Maybank IB, on behalf of the Board, announced that Bursa Securities has, vide its letter dated 30 January 2024, granted its approval for the listing of and quotation of up to 229,699,350 new KUB Shares to be issued by the Company upon conversion of the RCPS (including the Consideration RCPS) on the Main Market of Bursa Securities, subject to the conditions as set out in Section 8 of Part A of the Circular.

The Proposed Acquisition is deemed a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Major Shareholders and Interested Director as set out in Section 11 of Part A of the Circular.

In compliance with Paragraph 10.08(2)(c) of the Listing Requirements, Affin Hwang IB has been appointed by the Board (save for the Interested Director) on 17 November 2023 to act as the independent adviser to provide an independent evaluation of the Proposed Acquisition. As the Proposed Acquisition and Proposed Diversification are conditional upon each other, we have also commented on the Proposed Diversification. In addition, the Proposed Acquisition and the Proposed Amendments are also conditional upon each other. We note that the sole purpose of the Proposed Amendments is to facilitate the issuance of the new RCPS arising from the variation in the mode of settlement for the Proposed Acquisition.

2. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following:

Section in this Independent Advice Letter	Section of evaluation	Affin Hwang IB's comments
6.1	Rationale and benefits of the Proposed Acquisition	The Proposed Acquisition will: (i) enable the Group to venture into the Cables Manufacturing Business and expand and diversify the Group's product offerings; (ii) enable the Group to capitalise on the resources, expertise and strength of CCB and enhance the Group's prospects; and (iii) reduce the Group's dependency on the LPG Business and provide an opportunity to the Group to diversify and bolster its revenue and income stream. Premised on the above, we are of the view that the rationale for the Proposed Acquisition is reasonable. The Proposed Diversification is undertaken in compliance with Paragraph 10.13 of the Listing Requirements given that the Proposed Acquisition will result in the Group diversifying its operations to include the Cables Manufacturing Business. The Proposed Amendments is to facilitate the issuance of the new RCPS.
6.2	Basis and justifications for the Purchase Consideration	The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following: (i) fair value market valuation undertaken by FHCA as set out in the Valuation Letter; (ii) PAT of RM11.65 million based on the audited consolidated financial statements of CCB for the FYE 30 June 2023; (iii) rationale and benefits of the Proposed Acquisition as set out in Section 3 of Part A of the Circular; and (iv) industry outlook for the manufacturing sector of power cables and wires in Malaysia and prospects of CCB as set out in Section 4 of Part A of the Circular. We are of the view that the Purchase Consideration of RM119.42 million is fair as it is: (i) below the implied valuation range based on PE and EV/EBITDA multiples of RM157.34 million and RM169.97 million (based on approximately 86.65% equity interest in CCB); and

Section in this Independent Advice Letter	Section of evaluation	Affin Hwang IB's comments
		(ii) within the implied valuation range based on Discounted FCFE method of RM112.55 million to RM139.35 million (based on approximately 86.65% equity interest in CCB).
6.3	Basis and justifications for the RCPS Issue Price / effective conversion price	We note that the Purchase Consideration will be satisfied by the allotment and issuance of 199,035,059 RCPS at the RCPS Issue Price. Based on the historical market price analysis, we note that as of the LTD: (i) the RCPS Issue Price / effective conversion price represents an 8.11% premium to the last traded market price; and (ii) the RCPS Issue Price / effective conversion price represents a premium ranging between 8.70% and 12.99% over the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of KUB Shares up to and including the LTD. The last traded market price of KUB Shares as at the LPD was RM0.59 which is lower than the RCPS Issue Price / effective conversion price. We wish to highlight that the RCPS Issue Price / effective conversion price is at a discount from the estimated fair value per KUB Share of RM1.26 and NA per KUB Share of RM0.93 as at 30 June 2023. There is no assurance that the KUB Shares will trade at or above the sum-of-parts valuation ("**SOPV**") or the NA per KUB Share and that the KUB Shares can be realised at that value. We note that the KUB Shares have not traded above the NA per KUB Share or SOPV per KUB Share for the last five (5) years from the LTD. Premised on the above, we are of the view that the RCPS Issue Price / effective conversion price is fair.
6.4	Salient terms of the SPA and RCPS	The salient terms of the SPA include: (i) Sale and Purchase of the Sale Shares; (ii) Purchase Consideration; (iii) Conditions Precedent; (iv) Completion; and (v) Termination.

Section in this Independent Advice Letter	Section of evaluation	Affin Hwang IB's comments
		The salient terms of the RCPS include among others, the issue price, tenure and maturity date, preferential dividend, conversion mode, period, rights and ratio, redemption, listing status, transferability and ranking. We are of the view that the salient terms of the SPA and RCPS are reasonable.
6.5	Industry overview and prospects	Government's initiatives and strategies necessitate expansion of the national grid and distribution with the installation of additional transmission lines and cables would foster opportunities for CCB. The acceleration of government infrastructure spending and industrial property development will augur well for the demand of wires and cables. The Group intends to collaborate and integrate its existing Power Business with CCB's Cables Manufacturing Business, resulting in the enlarged Group becoming a more integrated power solutions provider in Malaysia when bidding for civil and electrical engineering works relating to the power sector. Premised on the above, the Proposed Acquisition provides KUB with the opportunity to expand and diversify the Group's product offerings by venturing into the Cables Manufacturing Business, diversity and bolster its revenue and income stream, and enhance the prospects of the Group.
6.6	Risk factors for the Proposed Acquisition	The risk of the Proposed Acquisition are: (i) Completion risk; (ii) Acquisition risk; (iii) Integration risk; (iv) Business risk; (v) Competition risk; (vi) Dependency on key management personnel risk; and (vii) Goodwill and impairment risk. Although KUB Group has sufficient expertise and knowledge to mitigate the risks associated with the Proposed Acquisition and will make the necessary efforts to mitigate the risks identified, no assurance can be given that the risks above will not occur.

Section in this Independent Advice Letter	Section of evaluation	Affin Hwang IB's comments
		CCB had commenced its business operations in 1967 and has an established track record, supported by its experienced and skilled key management team. KUB intends to adopt appropriate measures to retain CCB Group's key management personnel and attract qualified personnel for the Cables Manufacturing Business.
6.7	Effects of the Proposed Acquisition	**<u>Issued share capital</u>** The Proposed Acquisition involves the issuance of approximately 199.04 million RCPS to satisfy the Purchase Consideration. Assuming full conversion of the RCPS into new KUB Shares, this will result in a new issuance of approximately 199.04 million KUB Shares based on the conversion ratio of one (1) RCPS for one (1) new KUB Share, increasing the share capital of KUB from approximately 556.46 million KUB Shares as at the LPD to 755.50 million KUB Shares. **<u>Substantial shareholders' shareholding</u>** (i) The shareholdings of JAG and Leasing Corporation Sdn Bhd in KUB remain unchanged at 33.28% and 17.97% respectively upon completion of the Proposed Acquisition due to the issuance of the Consideration RCPS; and (ii) The shareholding of JAG will increase to between 48.87% to 50.86% assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash. However, it is not expected that there will be major changes to the operation of the Group as JAG has been the largest substantial shareholder of KUB since 2019. Accordingly, while there is no immediate dilution to the Non-Interested Shareholders' shareholdings upon completion of the Proposed Acquisition, dilution to the Non-Interested Shareholders' shareholdings will occur as and when the RCPS holders opt to convert their RCPS into new KUB Shares based on the Conversion Ratio over the Conversion Period.

Section in this Independent Advice Letter	Section of evaluation	Affin Hwang IB's comments
		NA and NA per KUB Share (i) Proforma NA* is expected to increase by approximately RM117.85 million from RM517.05 million to RM634.90 million after the Proposed Acquisition arising from the issuance of the Consideration RCPS; and (ii) Proforma NA per KUB Share will correspondingly increase from RM0.93 to RM1.14 after the Proposed Acquisition. However, despite the increase in proforma NA* and proforma NA per KUB Share after the Proposed Acquisition, there will be a reduction in the proforma NA per KUB Share from RM1.14 up to RM0.83, due to the enlarged share base of KUB, assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash. ***Note:*** * *NA refers to equity attributable to owners of the Company.* **Gearing** Interest-bearing borrowings is expected to increase by approximately RM42.75 million from RM41.11 million to RM83.86 million and gearing will increase marginally by 0.05 times from 0.08 times to 0.13 times arising from the consolidation of the borrowing of CCB but offset by higher proforma total equity arising from the issuance of the Consideration RCPS. **Earnings and EPS** (i) Upon the completion of the Proposed Acquisition, CCB will become a subsidiary of KUB and will consolidate the results of CCB after the Proposed Acquisition which is earnings accretive to KUB on a proforma basis based on the latest audited financial statements of CCB for FYE 30 June 2023; and (ii) The EPS calculated based on the normalised PAT of the Company for the FYE 30 June 2023 is expected to increase from 2.63 sen to 4.36 sen after the Proposed Acquisition but decrease to between 3.21 sen to 3.41 sen on a proforma basis, assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash.

Section in this Independent Advice Letter	Section of evaluation	Affin Hwang IB's comments
		We are of the view that the effects of the Proposed Acquisition are consequential to the mode of settlement of the Proposed Acquisition in the form of Consideration RCPS. There will be no immediate dilution to the Non-Interested Shareholders' shareholdings upon completion of the Proposed Acquisition. Dilution to the Non-Interested Shareholders' shareholdings will occur as and when the RCPS holders opt to convert their RCPS into new KUB Shares based on the Conversion Ratio over the Conversion Period. We note that the Proposed Diversification and Proposed Amendments will not have any effect on KUB's share capital, substantial shareholders' shareholding, NA, gearing, earnings and EPS.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and have set out our evaluation in Section 6 of this Independent Advice Letter, which is summarised in Section 8 of this Independent Advice Letter. Non-Interested Shareholders should consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors including those and other considerations as set out in this Independent Advice Letter, Part A of the Circular and other publicly available information before making a decision to vote on the resolution pertaining to the Proposed Acquisition.

Premised on our overall assessment and evaluation of the Proposed Acquisition based on the information available to us up to the LPD, we are of the view that the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the Non-Interested Shareholders.

Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the Company's forthcoming EGM.

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AFFIN HWANG
INVESTMENT BANK

6 February 2024

To: The Non-Interested Shareholders

Dear Sir/Madam,

KUB MALAYSIA BERHAD

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION

This Independent Advice Letter has been prepared to accompany Part A of the Circular. Definitions or defined terms used in this Independent Advice Letter have the same meaning as defined in the "Definitions" section of Part A of the Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this Independent Advice Letter are to Affin Hwang IB, being the independent adviser for the Proposed Acquisition.

1. INTRODUCTION

On 21 November 2023, Maybank IB on behalf of the Board, announced that the Company is proposing to undertake the Proposed Acquisition. In conjunction with the Proposed Acquisition and in accordance with Paragraph 10.13 of the Listing Requirements, the Company is proposing to diversify the operations carried out by the Group to include the Cables Manufacturing Business.

On 4 December 2023, Maybank IB, on behalf of the Board, announced further information in relation to the Proposed Acquisition, Proposed Diversification and Proposed CCB MGO.

On 8 January 2024, Maybank IB, on behalf of the Board, announced that the Company entered into the Supplemental SPA with the Vendor to vary the mode of settlement of the Purchase Consideration from the issuance of 199,035,059 new KUB Shares at an issue price of RM0.60 per Consideration Share to the issuance of 199,035,059 new RCPS at the RCPS Issue Price. In conjunction with the variation of the mode of the settlement, the Company is proposing to undertake the Proposed Amendments.

On 18 January 2024, Maybank IB, on behalf of the Board, announced that the SC has, vide its letter dated 16 January 2024, granted its approval pursuant to paragraph 19.03 of the Rules in respect of the issuance of the new RCPS pursuant to the Proposed Acquisition.

On 30 January 2024, Maybank IB, on behalf of the Board, announced that the SC has, vide its letter dated 30 January 2024, granted its approval pursuant to subsection 212(5) of the CMSA for making available the RCPS under the Proposed CCB MGO.

On 31 January 2024, Maybank IB, on behalf of the Board, announced that Bursa Securities has, vide its letter dated 30 January 2024, granted its approval for the listing of and quotation of up to 229,699,350 new KUB Shares to be issued by the Company upon conversion of the RCPS (including the Consideration RCPS) on the Main Market of Bursa Securities, subject to the conditions as set out in Section 8 of Part A of the Circular.

The Proposed Acquisition is deemed a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Major Shareholders and Interested Director as set out in Section 11 of Part A of the Circular.

In compliance with Paragraph 10.08(2)(c) of the Listing Requirements, Affin Hwang IB has been appointed by the Board (save for the Interested Director) on 17 November 2023 to act as the independent adviser to provide an independent evaluation of the Proposed Acquisition. As the Proposed Acquisition and Proposed Diversification are conditional upon each other, we have also commented on the Proposed Diversification. In addition, the Proposed Acquisition and the Proposed Amendments are also conditional upon each other. We note that the sole purpose of the Proposed Amendments is to facilitate the issuance of the new RCPS arising from the variation in the mode of settlement for the Proposed Acquisition.

The purpose of this Independent Advice Letter is to:

(i) provide the Non-Interested Shareholders with an independent evaluation of the Proposed Acquisition and to form an opinion as to whether the Proposed Acquisition is fair and reasonable in so far as the Non-Interested Shareholders are concerned;

(ii) advise whether the Proposed Acquisition is detrimental to the Non-Interested Shareholders; and

(iii) provide our recommendation in relation to the resolution pertaining to the Proposed Acquisition to be tabled at the Company's forthcoming EGM.

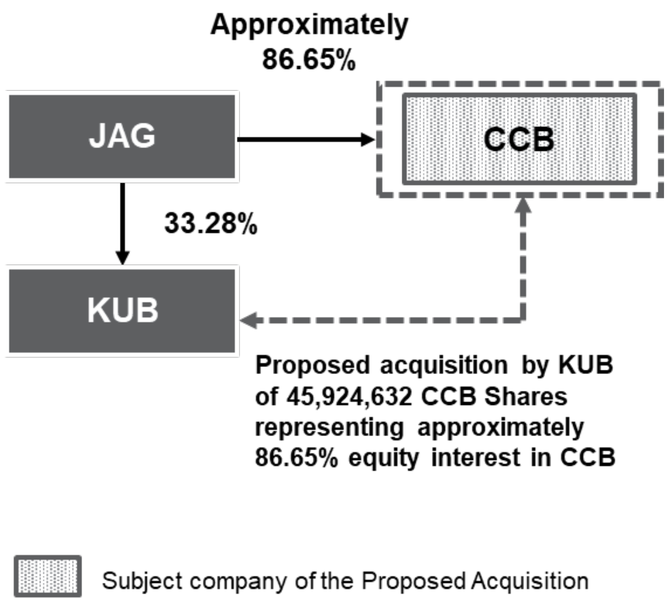
Further information on the Proposed Acquisition is set out in Section 2 of Part A of the Circular.

YOU ARE ADVISED TO READ THIS INDEPENDENT ADVICE LETTER AND PART A OF THE CIRCULAR TOGETHER WITH THE APPENDICES AND CONSIDER CAREFULLY THE EVALUATION AND RECOMMENDATION CONTAINED IN THIS INDEPENDENT ADVICE LETTER BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.

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

2. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

The parties to the Proposed Acquisition and their shareholdings in the respective entities as at the LPD are set out in the diagram below:



Further information on the Interested Major Shareholders and Interested Director are set out in Section 11 of Part A of the Circular.

Interested Major Shareholders

We note from Section 11 of Part A of the Circular that the Interested Major Shareholders comprise:

(i) JAG, being the vendor for the Proposed Acquisition and is also the major shareholder of KUB by virtue of its 33.28% shareholding in KUB as at the LPD; and

(ii) DSJ is an indirect major shareholder of KUB through his interest held in JAG pursuant to Section 8 of the Act.

The Interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in KUB on the resolution pertaining to the Proposed Acquisition to be tabled at the Company's forthcoming EGM. The Interested Major Shareholders have undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholding in KUB, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the Company's forthcoming EGM.

Interested directors

We note from Section 11 of Part A of the Circular the following:

(i) DSJ, who was the Chairman and a Non-Independent Non-Executive Director as at the date of the SPA, is the controlling shareholder of JAG and was a nominee director of JAG on the Board. DSJ had, on 12 December 2023, resigned as the Non-Independent Non-Executive Director. DSJ had abstained from all Board deliberations and voting at the Board meetings pertaining to the Original Proposals up until his resignation from the Board; and

(ii) Megat Joha Bin Megat Abdul Rahman, is a nominee director of JAG on the Board and former director of Fumori Industries Sdn Bhd (currently dormant) and Atlas Wire & Cable Sdn Bhd (currently dormant) which are subsidiaries of CCB. Megat Joha Bin Megat Abdul Rahman is deemed interested in the Proposals. As such, he has abstained and will continue to abstain from all Board deliberations and voting at the Board meetings pertaining to the Proposals (including the Proposed Acquisition).

Both DSJ and Megat Joha Bin Megat Abdul Rahman will also abstain from voting in respect of their direct and/or indirect shareholding in KUB, if any, on the resolution pertaining to the Proposals (including the Proposed Acquisition) to be tabled at the Company's forthcoming EGM. Further, they have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholding in the Company on the resolution pertaining to the Proposals (including the Proposed Acquisition) to be tabled at the Company's forthcoming EGM.

Persons connected with the Interested Major Shareholders

Amir Rasyidi Bin Johari and Amir Nashrin Bin Johari, who are persons connected to the Interested Major Shareholders, namely JAG and DSJ, each holds one (1) unit of share in CCB. Amir Rasyidi Bin Johari and Amir Nashrin Bin Johari are also directors of JAG. Additionally, Amir Nashrin Bin Johari is also a director of CCB.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

We have not been involved in the formulation, deliberation and negotiation of the terms of the Proposed Acquisition. Our scope as independent adviser is limited to expressing an independent opinion on the Proposed Acquisition based on information and documents provided to us or which are available to us, including the following:

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

(ii) the SPA and the Supplemental SPA;

(iii) Valuation Letter;

(iv) other relevant information and documents furnished to us by the Directors and senior management of the KUB Group ("**Management**") or obtained in or derived from our discussions with the Management; and

(v) other publicly available information which we deem relevant.

We have relied on the Board and the Management to take due care to ensure that all the information, documents and representations in respect of the KUB Group and the Proposed Acquisition provided to us by them to facilitate our evaluation of the Proposed Acquisition are accurate, complete and free from material omission. We have not undertaken any independent investigation into the business and affairs of the KUB Group and all relevant parties involved in the Proposed Acquisition. However, after making all reasonable enquiries and to the best of our knowledge and belief, we acknowledge that this Independent Advice Letter constitutes a full and true disclosure of all material facts concerning the Proposed Acquisition, and we are satisfied that the information used is free from material omission and we have no reason to believe that the information used is unreasonable, inaccurate or incomplete as at the LPD. Our advice should be considered in the context of the entirety of this Independent Advice Letter.

In preparing this Independent Advice Letter, we have taken into consideration those factors that we believe are relevant and of general importance to the Non-Interested Shareholders for an assessment of the Proposed Acquisition and which are of concern to the Non-Interested Shareholders as a whole.

Since our evaluation as set out in this Independent Advice Letter is rendered for the benefit of the Non-Interested Shareholders as a whole, we have not taken into consideration any specific investment objectives, financial and tax position, risk profiles, financial situation and particular needs of any individual shareholder or any specific group of shareholders.

If you are in doubt as to the action to be taken or require specific advice in relation to the Proposed Acquisition in the context of your individual investment objectives, financial and tax position, risk profiles, financial situation or particular needs, we recommend that you consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

Our evaluation and opinion as set out in this Independent Advice Letter are based on prevailing equity capital market, economic, industry, regulatory, monetary, socio-political and other conditions (if applicable), and the information/documents made available to us as at the LPD. Such conditions and/or information may change significantly over a short period of time.

The members of the Board have seen and approved the contents of this Independent Advice Letter. The members of the Board collectively and individually accept full responsibility for the accuracy and completeness of all statements and/or information stated in this Independent Advice Letter and after having made all reasonable enquiries and to the best of the Board's knowledge and belief, the Board confirms all statements and/or information in this Independent Advice Letter are free from material omission and:

(a) no statement and/or information in this Independent Advice Letter is inaccurate or incomplete;

(b) there are no other facts and/or information, the omission of which would make any statement or information in this Independent Advice Letter unreasonable, inaccurate or incomplete; and

(c) all relevant material facts and/or information, including those required under the Listing Requirements, have been disclosed in this Independent Advice Letter.

Information pertaining to CCB was extracted from publicly available information and information provided by the management and/or directors of CCB. The responsibility of the Board is restricted to the accurate reproduction of the said information in this Independent Advice Letter.

The responsibility of the Board in respect of the independent advice and expression of opinion by Affin Hwang IB in relation to the Proposed Acquisition as set out in this Independent Advice Letter, is to ensure that all information in relation to the KUB Group and the Proposed Acquisition that is relevant to Affin Hwang IB's evaluation of the Proposed Acquisition has been accurately and completely disclosed to Affin Hwang IB and is free from material omission.

We will notify the Non-Interested Shareholders after the issuance of this Independent Advice Letter up to the date of the Company's forthcoming EGM, if we:

(1) become aware of a significant change affecting the information set out in this Independent Advice Letter;

(2) have reasonable grounds to believe that a material statement in this Independent Advice Letter is misleading or deceptive; or

(3) have reasonable grounds to believe that there is a material omission in this Independent Advice Letter.

If circumstances require, a supplementary Independent Advice Letter will be sent to the Non-Interested Shareholders. We will immediately notify the Non-Interested Shareholders of any material change in circumstances that would affect the consideration or the accuracy or the completeness of the information contained in this Independent Advice Letter.

4. DECLARATION OF CONFLICT OF INTEREST

Affin Hwang IB, being the independent adviser to the Company for the Proposed Acquisition, has given and has not subsequently withdrawn its consent to the inclusion in this Independent Advice Letter of its name and all references thereto in the form and context in which they appear in this Independent Advice Letter and the Circular.

Save for our role as the independent adviser for the Proposed Acquisition, Affin Hwang IB does not have any other professional relationship with KUB in the past 2 years prior to the LPD. Further, Affin Hwang IB confirms that we are not aware of any conflict of interest that exists or is likely to exist in relation to our role as the independent adviser for the Proposed Acquisition.

5. CREDENTIALS AND EXPERIENCE OF AFFIN HWANG IB

Affin Hwang IB is a Participating Organisation of Bursa Securities and provides a range of services including corporate finance advisory, debt capital markets advisory, structured lending, stockbroking and research. Our corporate finance advisory team provides a full range of corporate finance advisory services including mergers and acquisitions, corporate and debt restructuring, initial public offerings, equity fund raisings and independent advisory opinions.

Affin Hwang IB had, over the past 2 years before the date of announcement of the Proposed Acquisition and up to the LPD, issued independent advice opinions in relation to 4 related party transactions which included a major Acquisition under the Listing Requirements and 1 take-over offer under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC with a total transaction value of approximately RM5,439.19 million.

The details of our past experience are as follows:

(i) acquisition of 3 parcels of freehold land with a total net land area measuring approximately 948.826 acres located in Mukim Kapar, District of Klang, Selangor by Sime Darby Property (Bukit Tunku) Sdn Bhd, a wholly-owned subsidiary of Sime Darby Property Berhad, from Sime Darby Plantation Berhad, for a cash consideration of RM618.0 million. Our independent advice letter was issued on 9 May 2023;

(ii) disposal of 50,000,000 ordinary shares representing 100% of the issued and paid-up share capital of HS Credit (Manchester) Ltd by HSC Manchester Holding Pte. Ltd., an indirect wholly-owned subsidiary of Hap Seng Consolidated Berhad to Lei Shing Hong Capital Limited for a cash consideration of Great British Pound ("**GBP**") 152,958,000 (equivalent to RM837,337,979). Our independent advice letter was issued on 27 April 2023;

(iii) disposal of all the securities of:

(a) Lingkaran Trans Kota Sdn Bhd, a wholly-owned subsidiary of Lingkaran Trans Kota Holdings Berhad ("**Litrak Holdings**") by Litrak Holdings for a disposal consideration of RM2,326 million fully satisfied in cash; and

(b) Sistem Penyuraian Trafik KI Barat Sdn Bhd, a wholly-owned subsidiary of Sistem Penyuraian Trafik KI Barat Holdings Sdn Bhd ("**Sprint Holdings**") by Sprint Holdings, which is in turn a 50% associate company of Litrak Holdings, for a disposal consideration of RM904 million fully satisfied in cash.

Our independent advice letter was issued on 14 July 2022;

(iv) acquisition of 50,000,001 ordinary shares representing 100% of the issued and paid-up share capital of HS Credit (Birmingham) Ltd by HSC Birmingham Holding Limited, an indirect wholly-owned subsidiary of Hap Seng Consolidated Berhad to Lei Shing Hong Capital Limited for a cash consideration of GBP127,800,000 (equivalent to RM706,171,680). Our independent advice letter was issued on 5 July 2022; and

(v) settlement of amount owing of RM47.68 million by NBH Service Centre Sdn Bhd to Chin Well Service Centre Sdn Bhd, a wholly-owned subsidiary of Chin Well Holdings Berhad. Our independent advice letter was issued on 12 January 2022.

Based on the above, we are capable and competent in carrying out our role and responsibilities as the independent adviser to advise the Non-Interested Shareholders in relation to the Proposed Acquisition.

6. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following:

Analysis		Section in this Independent Advice Letter
(i)	Rationale and benefits of the Proposed Acquisition	Section 6.1
(ii)	Basis and justifications for the Purchase Consideration	Section 6.2
(iii)	Basis and justifications for the RCPS Issue Price / effective conversion price	Section 6.3
(iv)	Salient terms of the SPA and RCPS	Section 6.4
(v)	Industry overview and prospects	Section 6.5
(vi)	Risk factors for the Proposed Acquisition	Section 6.6
(vii)	Effects of the Proposed Acquisition	Section 6.7

6.1 RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

We note the rationale and benefits of the Proposed Acquisition as set out in Section 3 of Part A of the Circular. The key benefits of the Proposed Acquisition are being summarised below:

(i) The Proposed Acquisition will enable the Group to venture into the Cables Manufacturing Business and expand and diversify the Group's product offerings

The manufacturing of power cables and wires is an upstream activity within the value chain of the power industry. CCB is principally involved in the manufacture of insulated medium and low voltage power and control cables, bare conductors and aerial bundled cables. Cables manufactured by CCB are in use for power distribution, transmission, substations and to end-consumers, including insulated housing wires.

Meanwhile, KUB Group's Power Business is principally involved in general building works and civil engineering works within the power industry, including substation and transmission line construction, supply and installation of electrical infrastructure, and electrical maintenance contracts. To date, all the projects undertaken by KUB Group have since been completed.

The acquisition of the Cables Manufacturing Business is complementary to KUB Group's Power Business and it will enable KUB Group to expand its business by offering such power cables and wires, either as standalone product offering and/or to package the product offering with its bid for civil and electrical engineering works relating to the power industry.

(ii) The Proposed Acquisition will enable the Group to capitalise on the resources, expertise and strength of CCB and enhance the Group's prospects

The Proposed Acquisition is a strategic diversification into a business that complements the Group's existing Power Business. The Proposed Acquisition will enable the Group to leverage on the strength of CCB which can enhance the Group's competitiveness in securing new projects for its Power Business. The Proposed Acquisition will also allow KUB to have access to the customers of CCB. CCB's major customer include Malaysia's primary electricity generation enterprise which transmits and distributes electricity in Peninsular Malaysia, Sabah and Federal Territory of Labuan. CCB's Cables Manufacturing Business is an upstream activity within the value chain of the power industry for the supply of power cables for distribution of electricity and wires, and had commenced its business operations in Malaysia in 1967. As at the LPD, the CCB Group operates as follows:

Location	**Description**	**Land area / Built-up area (square feet)**	**Leasehold /freehold**	**Term of lease**	**Expiry date of lease**	**Principal products manufactured**
Lot 1598, PN 2892, Mukim Pringgit, Melaka Tengah, Melaka	Factory, warehouse and office	297,191.57 / 230,496.78	Leasehold	66-year lease tenure commencing from 31 January 1967 to 30 July 2033 ("**Initial Term**"). The Initial Term was subsequently extended for another 72 years	30 January 2105	Plastic insulated electric power cables, bare aluminium conductors, bare copper wires and strips for electric circuits, XLPE cables, plastic insulated secondary telephone cables, plastic insulated electric power cables such as coaxial cables, feeder wires, plug wires and audio cables and enamelled wires.
Lot 31802, GRN 51000, Pekan Senawang, Seremban, Negeri Sembilan	Factory complex (currently unoccupied)	199,412.00 / 67,296.94	Freehold	Not applicable as the land is freehold	-	-

As stated under Section 1 of Appendix IV of the Circular, the annual production capacity and output of the CCB Group for the past 3 FYEs 30 June 2021, 30 June 2022 and 30 June 2023 are as follows:

	FYE 30 June		
	2021	**2022**	**2023**
Consumption (metric tonnes)	9,850	8,240	9,992
Production capacity (metric tonnes)	17,600	17,600	17,600
Utilisation Rate (%)	55.97	46.82	56.77

Note: *Production capacity is based on the efficiency level, product and customer mix.*

CCB's operation history and product offerings combined with KUB Group's Power Business experience, is expected to enhance the KUB Group's business prospects as it will enable the Group to expand its business by offering such power cables and wires, either as standalone product offering and/or to package the product offering with its bid for civil and electrical engineering works relating to the power industry. Such packaging of product offering will allow the Group's Power Business to offer better or more competitive pricing in its bid for civil and electrical engineering works.

(iii) The Proposed Acquisition will reduce the Group's dependency on the LPG Business and provide an opportunity to the Group to diversify and bolster its revenue and income stream

The KUB Group is highly dependent on the LPG Business which contributes more than 75% of the KUB Group's total revenue for the FPE 30 June 2021 and the past two (2) FYEs 30 June 2022 to 2023. The Proposed Acquisition enables the KUB Group to acquire a business with established production lines, business system and operations that has an established track record. The Proposed Acquisition is expected to reduce KUB's reliance on the LPG Business and at the same time, bolster the KUB Group's involvement in the Power Business under KUB Power.

Upon the completion of the Proposed Acquisition, CCB will become a subsidiary of KUB and KUB will be able to consolidate the revenue and profits of CCB which is expected to be earnings accretive. This will enable the Group to have an additional stream of income apart from its LPG Business.

Premised on the above, we are of the view that the rationale for the Proposed Acquisition is reasonable. The Proposed Diversification is undertaken in compliance with Paragraph 10.13 of the Listing Requirements given that the Proposed Acquisition will result in the Group diversifying its operations to include the Cables Manufacturing Business. The Proposed Amendments is to facilitate the creation and issuance of the new RCPS to incorporate the provisions to set out the terms, rights, privileges and restrictions attached to the new RCPS to be issued as the mode of settlement for the Proposed Acquisition.

6.2 BASIS AND JUSTIFICATIONS FOR THE PURCHASE CONSIDERATION

As stated in Section 2.1.4 of Part A of the Circular, we note that the Purchase Consideration of RM119.42 million for approximately 86.65% of the equity interest in CCB was arrived at based on a willing-buyer willing-seller basis after taking into consideration the following:

(i) fair value market valuation undertaken by FHCA as set out in the Valuation Letter;

(ii) PAT of RM11.65 million based on the audited consolidated financial statements of CCB for the FYE 30 June 2023;

(iii) rationale and benefits of the Proposed Acquisition as set out in Section 3 of Part A of the Circular; and

(iv) industry outlook for the manufacturing sector of power cables and wires in Malaysia and prospects of CCB as set out in Section 4 of Part A of the Circular.

We further note that the valuation undertaken by FHCA, the independent business valuer appointed by the Company, had considered the RVA as the primary approach and the discounted free cash flow to equity ("**FCFE**") method as the secondary approach to evaluate the fair market value of the entire equity interest of CCB. We note that FHCA has adopted RVA as the primary approach in view that the revenue generated by CCB is driven by purchase orders received from customers where market dynamics, competition, and order volumes will affect the fair market value of CCB. RVA captures these market-driven factors and reflects the market values of similar businesses with similar revenue model. Discounted FCFE method takes into consideration both the time value of money and the future cash flows to be generated by CCB over a specified period. Discounted FCFE method requires estimates of future cash flows and the predictability of future cash flows in business which is highly dependent on purchase orders. Acknowledging the inherent uncertainties in forecasting future cash flows in a dynamic environment, the Discounted FCFE method is thus adopted as a secondary approach. The RVA, which is a market-based valuation approach may provide a more current and relevant evaluation of the CCB's Cable Manufacturing Business. We are of the view that the valuation methodologies undertaken by FCHA and the adoption of the RVA as the primary approach are reasonable.

(a) Primary approach - RVA

In our evaluation of the Purchase Consideration based on the RVA as the primary approach, we have undertaken a comparative analysis of the Purchase Consideration with companies selected based on criteria that an investor would regard as similar to CCB. CCB is principally involved in investment holding and the manufacturing of power cables and wires. Accordingly, the companies were selected based on the following criteria ("**Benchmark Companies**"):

	Criteria	**Remarks**
(i)	Listed on Bursa Securities	Only public listed companies were selected due to the availability of share prices and financial statements to the general public. Companies listed on Bursa Securities were selected as CCB is a company incorporated and operates in Malaysia and thus, is expected to share similar political, legal and business environment as these public listed companies.
(ii)	Revenue broadly derived from the manufacturing of cable and wires	100% of CCB's revenue is derived from the manufacturing of power cables and wires. As the public listed companies may be involved in multiple business segments, we have set a minimum of 80% of revenue to be derived from the manufacturing of cable and wires as a proxy to CCB's business.
(iii)	Geographical segment in Malaysia	Different geographical segment have different consumer demographics, consumption culture, legal restrictions, and demand for products. We note that the principal market for CCB's products is in Malaysia. Accordingly, only public listed companies principally operating in Malaysia with more than 80% of their revenues generated in Malaysia were selected.

We wish to highlight that the Benchmark Companies tabulated below are by no means exhaustive and may differ from CCB in terms of, among others, size, marketability and liquidity of shares, size of the operations, composition of business activities, business market segmentation, products offered, existing or other businesses, asset base, financial performance, operating and financial leverage, accounting and taxation policies, risk profile and future prospects.

Further information on the Benchmark Companies is summarised as follows:

Benchmark Companies	Market capitalisation as at the LTD[(1)] (RM'mil)	Principal activities	Revenue segmentation	% revenue derived from Malaysia
Southern Cable Berhad ("**Southern Cable**")	292.00	Manufacturing and sale of cables and wires, and operates in the power cables and wires, communications cables and wires, control and instrumentation cables and wires	Approximately 86% of Southern Cable's revenue is generated from the manufacturing of power cables and wires.	Approximately 97%
Sarawak Cable Berhad ("**Sarawak Cable**")	17.95	Manufacture and sale of power cables, wires, conductors, galvanized and steel products and transmission lines construction	Approximately 85% of Sarawak Cable's revenue is generated from the manufacturing of cables and wires.	100%

(Source: Bloomberg, latest annual reports and announcements of the respective Benchmark Companies available as at the LTD)

Note:

(1) Based on the last price multiplied by the number of shares outstanding (excluding treasury shares, if any) of the respective Benchmark Companies as at the LTD.

We note that there are only two (2) companies listed on Bursa Securities which are operating in business operations that are broadly comparable to CCB, namely Southern Cable and Sarawak Cable. Nonetheless, we note that Sarawak Cable has been classified as an affected issuer under Practice Note 17 (PN17) of the Listing Requirements on 30 September 2022 where its auditors have expressed a disclaimer of opinion in Sarawak Cable's audited financial statements for the 17-month financial period ended 31 May 2022 *(Source: Sarawak Cable's announcement dated 30 September 2022)*. Sarawak Cable has been loss making based on its latest audited financial statements and unaudited 12 months trailing financial results based on its quarterly announcements on financial results on Bursa Securities. Accordingly, we have only considered the valuation multiples of Southern Cable in our evaluation of the Purchase Consideration. Based on the 12 months trailing financial results of Southern Cable, it recorded revenue of RM948.97 million and has a relatively larger scale of operations as compared to CCB's revenue of RM199.15 million based on CCB's audited financial statements for FYE 30 June 2023.

We have not compared CCB against other listed companies in the Southeast Asia countries, in particular Indonesia and Vietnam, as such countries have different consumer demographics and demand for products in respect of the Cables Manufacturing Business. The growth in the cable industry is primarily driven by electrification which are affected by the size of population, urbanisation, demand levels of electricity, industrial development as well as economic development in countries catalysed by infrastructure policies and development efforts.

As CCB is a going-concern, we have adopted the earnings-based methodologies such as PE multiple and EV/EBITDA multiple in evaluating the Purchase Consideration.

We have not adopted the price-to-book ("**PBR**") multiple in evaluating the Purchase Consideration. PBR is a method used in the valuation of companies by comparing the company's market value to its book value. The asset base of a manufacturing company may not accurately or fully reflect the true or hidden value of CCB's Cable Manufacturing Business, as it has not taken into consideration factors such as the earnings potential and future growth of a company. Earnings-based valuation such as PE multiple and EV/EBITDA multiple may be better valuation metrics to be considered in evaluating the Purchase Consideration as the earning-based methodologies take into account the earnings potential and future growth of CCB's Cable Manufacturing Business.

We further note that FHCA has considered PBR and concluded that PBR multiple is not suitable as it values a company based on the value of its assets, net of all liabilities at a specific point in time and does not take into consideration the future income stream of a company and we are of the view that this is reasonable.

PE multiple

PE multiple is a valuation metric which compares a company's share price against its EPS. It is useful to compare the PE multiple of a company to that of its peers to gauge the company's value relative to its peers. A higher PE multiple indicates that investors are willing to pay more for a RM's worth of earnings from the company.

The PE multiples of the Benchmark Companies as at the LTD are as follows:

Company	Closing price as at LTD	Unaudited 12 months trailing	
		EPS (RM)	PER (times)
Southern Cable	0.365	0.0235	15.53
Sarawak Cable*	0.045	* -	N/A

(Source: Latest annual reports and quarterly results announced by the respective companies, Bloomberg and S&P Capital IQ)

** Not available as Sarawak Cable is loss making*
N/A – Not applicable

The implied valuation of CCB based on the PE multiple of the Benchmark Company i.e., Southern Cable is set out below:

	Formula	
PE multiple of the Benchmark Company (times)	(A)	15.53
Audited PAT of CCB for the FYE 30 June 2023 (company level) (RM'000)	(B)	11,692
Implied valuation of CCB based on 100% equity interest (RM'000)	(C) = (A) x (B)	181,577
Equity interest to be acquired under the Proposed Acquisition (%)	(D)	86.65
Implied value of CCB based on approximately 86.65% equity interest (RM'000)	**(C) x (D)**	**157,336**

From the computation above, the implied valuation of approximately 86.65% equity interest in CCB contemplated under the Proposed Acquisition based on PE multiple valuation is RM157.34 million.

EV/EBITDA multiple

EV is the aggregate value of the companies' market capitalisation, minority interest and debts net of any cash and cash equivalents. EV/EBITDA is commonly used in valuation, as it is not affected by different leverage levels and borrowing costs or depreciation and amortisation policies. Also, it eliminates the impact from non-operating items. Hence, EV/EBITDA compares the value of a company relative to its operating earnings.

The EV/EBITDA of the Benchmark Companies as at the LTD are as follows:

Company	EV/EBITDA (times)
	Unaudited 12 months trailing
Southern Cable	10.03
Sarawak Cable	*-

(Source: Latest annual reports and quarterly results announced by the respective companies, Bloomberg and S&P Capital IQ)

** Not available as Sarawak Cable is loss making*

Accordingly, the implied valuation of CCB based on the 12 months trailing EV/EBITDA multiple valuation of the Benchmark Company i.e. Southern Cable is derived as follows:

	Formula	
EBITDA of CCB based on the audited financial statements for FYE 30 June 2023[(1)] (RM'000)	(a)	18,815
EV/EBITDA of the Benchmark Company based on the unaudited 12 months trailing (times)	(b)	10.03
Indicative EV (RM'000)	**I = (a) x (b)**	188,714
Surplus cash (RM'000)	(c)	33,026
Total debt[(2)] (RM'000)	(d)	43,096
Surplus assets[(3)] (RM'000)	(e)	17,507
Implied valuation of CCB based on 100% equity interest (RM'000)	(f) = I+(c)-(d)+(e)	196,151
Equity interest to be acquired under the Proposed Acquisition (%)	(g)	86.65
Implied value of CCB based on approximately 86.65% equity interest (RM'000)	**(h) = (f) x (g)**	**169,965**

Note:

(1) EBITDA was calculated as follows:

	RM'000
PBT (company level)	*14,659*
Less: Interest income	*(922)*
Add: Interest expense	*1,860*
Add: Depreciation and amortisation expense	*3,218*
EBITDA	***18,815***

(2) Total debt was calculated as follows:

	RM'000
Total borrowings	*42,745*
Lease liabilities	*351*
Total debt	***43,096***

(3) Including (i) an investment property owned by Fumori Industries Sdn Bhd, a subsidiary of CCB, with the net book value of RM15.3 million; and (ii) short-term fund of RM2.2 million constituting investments in trust fund in Malaysia and represents investments in highly liquid money market instruments as extracted from CCB's consolidated audited financial statements for the FYE 30 June 2023.

From the computation above, the implied valuation of approximately 86.65% equity interest in CCB contemplated under the Proposed Acquisition based on EV/EBITDA multiple valuation is RM169.97 million.

The Purchase Consideration of RM119.42 million is fair as it is below the implied valuation range based on PE and EV/EBITDA multiples of RM157.34 million and RM169.97 million.

Generally, unlisted companies tend to command a lower valuation range vis-à-vis its listed peers due to factors such as illiquidity and lack of marketability of the securities. The application of a discount for lack of marketability of 20% to 30%[(1)] is to reflect the illiquidity of the shares of non-listed companies which are not freely tradeable as compared to public listed companies. However, it should be noted that illiquidity discounts are subjective in nature and we have, as a general practice, used a discount percentage of 20% to 30% to arrive at the valuation for unlisted companies. In relation to CCB, we have applied an illiquidity discount of 20% to the implied valuation range above after taking into consideration CCB's long operating history, which indicates CCB's resilience in the market that it is operating in, resulting in the implied valuation range of RM125.87 million to RM135.98 million where the Purchase Consideration remains below the implied valuation range based on PE and EV/EBITDA multiples despite applying an illiquidity discount of 20%.

Note:

(1) (Source: "The Cost of Illiquidity" by Aswath Damodaran as extracted from http://people.stern.nyu.edu/adamodar/pdfiles/country/illiquidity.pdf).

(b) Secondary approach - Discounted FCFE method

The Discounted FCFE method takes into consideration both the time value of money and the future cash flows to be generated by CCB over a specified period. The method involves the discounting of future cash flows to be generated from the Cables Manufacturing Business at a specified discount rate to arrive at the value based on the assumptions used in generating such cash flows.

Under the Discounted FCFE method, the free cash flow to equity projected to be generated from the Cables Manufacturing Business is discounted at an appropriate cost of equity to derive the present value of all future cash flows from the Cables Manufacturing Business attributable to the shareholders of CCB. Despite the negative revenue growth from FYE 30 June 2018 to 2021, the Discounted FCFE method has been adopted as the secondary approach as CCB is able to factor in the earnings as well as the timing of such cash flows to be generated given that the projected future revenue for CCB is validated through an examination of its historical operating performance track record and an assessment of the nature of contracts secured.

In assessing the fair value of the CCB using the Discounted FCFE method by FHCA, we have reviewed the key bases and assumptions used to prepare future financial information from the FYE 30 June 2024 until FYE 30 June 2029 ("**Future Financials**"). The Future Financials was prepared based on a set of assumptions made by the management of the CCB. We are satisfied that the bases and assumptions used to prepare the Future Financials are reasonable given the prevailing circumstances and significant factors that are known to us as at the LTD.

Please refer to the Valuation Letter under Appendix VI of the Circular for the key bases and assumptions adopted in the preparation of the Future Financials for the CCB.

To derive the fair value of CCB attributable to the shareholders, we noted that FHCA has discounted the FCFE projected from the Cables Manufacturing Business at a discount rate using cost of equity derived from the Capital Asset Pricing Model ("**CAPM**") to reflect the rate of return expected by CCB's shareholders.

The key assumptions that were used by the management of CCB for the Future Financials are set out below:

<table>
<tr><th>No</th><th>Details</th><th>Affin Hwang IB's comments</th></tr>
<tr><td>(a)</td><td>Revenue

FYE 30 June 2024 projection is based on recurring and new sales orders from existing customers for existing products with the mix of low voltage, medium voltage cable, house wire and sale of scrap cable.

Revenue from FYE 30 June 2024 to 2029 is projected based on the same recurring sales order for FYE 30 June 2023 plus 5.5% year-on-year increase for power cables products and scrap cable.

Sales of scrap cable is projected at 1.6% over the total revenue contributed by one of its major customers, original equipment manufacturers (OEM) and open market customers.</td><td>We have taken note of CCB's historical growth rate for its revenue from FYE 30 June 2017 to 2022 year-on-year from the Valuation Letter as follows:

<table><tr><th>FYE 30 June</th><th>Growth (%)</th></tr><tr><td>2017</td><td>63.5</td></tr><tr><td>2018</td><td>(2.5)</td></tr><tr><td>2019</td><td>(5.6)</td></tr><tr><td>2020</td><td>*(28.0)</td></tr><tr><td>2021</td><td>*(20.7)</td></tr><tr><td>2022</td><td>7.6</td></tr><tr><td>2023</td><td>41.7</td></tr></table>
* The decline in revenue for both FYE 30 June 2020 and FYE 30 June 2021 was primarily attributed to the postponement of construction projects, a direct consequence of the disruptions caused by COVID-19 pandemic.

CCB's historical growth rate for its revenue for the last seven (7) financial years between FYE 30 June 2017 to 2023 has been inconsistent, in particular for FYE 30 June 2020 and 2021 which were primarily affected by the postponement of construction projects, a direct consequence of the disruptions caused by the COVID-19 pandemic.

Post FYE 30 June 2022 and 2023, it is noted that CCB had achieved a growth rate of 7.6% and 41.7% respectively, which was generally driven by the recovery of the economy based on the discussion with the Management.

We are of the view that the projected revenue for FYE 30 June 2024 to 2029 based on the FYE 30 June 2023 recurring sales order plus 5.5% year-on-year increase for power cables products is reasonable taking into account the construction sector for which the growth in the Cables Manufacturing Business is driven by, is forecasted to increase by 6.8% in 2024 following better performance in all subsectors, which is higher than the forecasted 5.5% growth rate of the revenue.

The historical sales margin for scrap cable of CCB ranges from 1.3% to 1.7% over the total revenue from FYE 30 June 2019 to 2023. Hence, we are of the view that the projected 1.6% sale of scrap cable over the total revenue is reasonable which is within the range of the historical trend.</td></tr>
<tr><td>(b)</td><td>Operating costs

Operating costs which includes personnel cost, selling and distribution cost and other administrative expenses are projected to increase at an annual growth rate of between 3.0% (FYE 30 June 2026 to 2029) and 6.0% (FYE 30 June 2024 and 2025).</td><td>We have taken note of some of the key considerations in estimating the operating costs as extracted from the Valuation Letter:

(i) the operating costs are assumed based on historical cost plus inflation rate; and

(ii) annual growth of the historical operating expenses ranges from -53.0% to 37.6% from FYE 30 June 2019 to 2023. However, these included items that were one-off or inconsistent.</td></tr>
</table>

No	Details	Affin Hwang IB's comments
		We are of the view that the operating costs which include personnel cost, selling and distribution cost and other administrative expenses are projected to increase at an annual growth rate of between 3.0% (FYE 30 June 2026 to 2029) and 6.0% (FYE 30 June 2024 and 2025) is reasonable taking into account the following: • higher inflation rate of 6% has been estimated for FYE 30 June 2024 and 2025 to take into consideration the higher service tax, higher freight costs, and launching of the Progressive Wage Model introduced under the MADANI Economy: Rakyat Empowerment framework on 27 July 2023; and • Malaysia's headline inflation slowed further to 2.0% (2Q 2023: 2.8%). The underlying inflation measured by the core inflation further improved to 2.5% in 3Q 2023 (2Q 2023: 3.4%), and, remains elevated relative to the long-term average of 2.0% (2011-2019). *(Source: Quarterly Bulletin 3Q 2023, Bank Negara Malaysia ("**BNM**"))*
(c)	**Gross profit ("GP") margin** The GP margin is projected to be in the range of 8.2% to 9.7% for the Future Financials.	The GP margin of the Cables Manufacturing Business fluctuated between 4.3% to 12.3% over the last five (5) financial years. The projected GP margin of between 8.2% and 9.7% during the projection period is within the range of the historical trend. We noted that the management of CCB has taken into account the following when preparing the Future Financials: (i) an increase in service tax from 6% to 8% as announced in Malaysia's 2024 Budget; (ii) higher freight cost as compared to the pre-COVID-19 level; (iii) adverse effects from fluctuating foreign exchange rates; (iv) volatile commodity prices primarily relating to copper and aluminium which are the main raw materials that CCB uses to manufacture CCB's cables and wires. Any unfavourable and material fluctuations in the prices of copper and aluminium may affect the CCB's margins and profitability, especially if CCB is unable to pass on the cost increments to its customers on a timely basis; and (v) the launch of the Progressive Wage Model introduced under the MADANI Economy: Rakyat Empowerment framework on 27 July 2023 which may have an impact on the labour cost.
(d)	**Capital expenditure** Capital expenditure is projected at RM0.5 million annually over the projection period of FYE 30 June 2024, FYE 30 June 2026 to 2029 and higher capital expenditure of RM2.0 million is being estimated for the FYE 30 June 2025.	We noted that this assumption has been made based on actual historical circumstances and factors that are known as at the Opinion Date (valuation date adopted by FHCA)

<table>
<tr><th>No</th><th>Details</th><th>Affin Hwang IB's comments</th></tr>
<tr><td></td><td>Capital expenditure is projected based on CCB management's best estimate with the historical capital expenditure incurred.</td><td>We are of the view that the projected capital expenditure is reasonable as the historical acquisition of plants and equipment ranges from RM0.3 million to RM2.7 million for the FYE 30 June 2019 to 2023. We understand from the Management that RM2.0 million is being estimated for the FYE 30 June 2025 due to anticipated replacement of machineries.</td></tr>
<tr><td>(e)</td><td>Turnover days

The turnover days are estimated as follows:
- for trade receivables approximately 54 days
- for inventories approximately 64 days
- for trade payables approximately 21 days</td><td>These assumptions are comparable to the past five (5) years trade receivables, inventory and trade payables turnover days with the range summarised for FYE 30 June 2019 to FYE 30 June 2023 as below:

<table><tr><th>Range of turnover days</th><th></th></tr><tr><td>Trade receivables</td><td>28 to 59 days</td></tr><tr><td>Inventories</td><td>40 to 96 days</td></tr><tr><td>Trade payables</td><td>11 to 30 days</td></tr></table>
We have taken note from the Valuation Letter on the following:

(i) based on CCB's audited financial statements, the credit terms given to the customer ranges between 30 to 90 days and the credit terms given by the supplier ranges between 60 to 90 days; and

(ii) assumptions have been made based on historical circumstances and factors that are known as at the Opinion Date (valuation date adopted by FHCA) and the projected revenues and supplies are expected to come from existing customers and existing suppliers. Historically, CCB has not encountered any major disputes with its trade receivables nor payables.

We have further noted that the estimated turnover days for trade receivables of approximately 54 days is longer than the estimated turnover days of trade payables of approximately 21 days, is in line with the historical trend. In the past, certain customers of CCB had settled their invoices after the credit terms of 30 days from the date of the invoices but within the following month whilst payment for trade payables are normally made within 14 days from the date of invoices which are primarily for purchase of commodities with a normal credit term of 14 to 30 days from date of invoice date. Nonetheless, we understand that CCB has adequate level of banking facilities to meet any short-term payments as and when they fall due.

Based on the above, we are of the view that the assumptions adopted for the turnover days are reasonable as they are within the historical trend.</td></tr>
</table>

Following are the key bases and assumptions adopted by FHCA to derive at the valuation based on the Discounted FCFE method for CCB's Cables Manufacturing Business:

No	Key bases and assumptions adopted by FHCA		Affin Hwang IB's comments
(a)	FCFE	Based on the Future Financials	FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movements in working capital, net investing cash flows and net financing cash flows. We have reviewed the key assumptions adopted in the Future Financials prepared by the management of CCB in deriving the FCFE and we are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LTD.
(b)	Cost of equity ("**Ke**")	10.70%	Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Future Financials, FHCA has adopted the CAPM and derived an estimated cost of equity of approximately 10.70% using the following formula: **Ke = Rf + β (Rm – Rf) + α** Our comments on each component used to derived the cost of equity are further elaborated below.
(c)	Risk-free rate of return ("**Rf**")	4.11%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities at 3.86% per annum as at the LTD as extracted from Bloomberg. We note that FHCA adopted the same source of risk-free rate of return, which is the yield of 10-year Malaysian Government Securities as at the Opinion Date (valuation date adopted by FHCA).
(d)	Expected market rate of return ("**Rm**")	9.47%	Expected market rate of return represents the expected rate of return of investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. In our opinion, the historical rate of return of the FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market, we are of the view that a 10-year average historical rate of return of the said index is more appropriate to estimate the expected market rate of returns as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market return in Malaysia of 9.32% per annum for the past 10 years. As a cross check, the expected market rate of return as derived from Bloomberg is 9.88% as at the LTD. The expected market rate of return adopted in the Valuation Letter of 9.47% is within the range between 9.32% to 9.88%.
(e)	Beta ("**β**")	0.48	Beta is the sensitivity of an asset's return to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than one (1) signifies that the asset is riskier than the market and vice versa. In deriving the estimated beta of CCB, we have relied on the two (2)-year historical beta of the Benchmark Company. As the historical beta extracted from Bloomberg is based on the capital structure of the Benchmark Company (i.e. Southern Capital), we have unlevered the beta of such Benchmark Company and then re-levered it based on the expected capital structure of CCB (with debt equity ratio of 0.53 times). Based on our computation, the re-levered beta of CCB is 0.46 times which is marginally lower than the beta computed by FHCA. The difference in the computation of beta adopted by FHCA and us is due to following approach taken:

No	Key bases and assumptions adopted by FHCA		Affin Hwang IB's comments
			- **By FHCA**: FHCA unlevered the beta of the Comparable Companies by adjusting them based on their respective net gearing ratio, and then re-levered them based on the median net gearing ratio of the Comparable Companies. - **By Affin Hwang IB**: We unlevered the beta of the Benchmark Company (i.e. Southern Capital) by adjusting it based on its net debt to equity ratio and then re-levered it based on the expected capital structure of CCB. We have re-levered the beta based on the expected capital structure of CCB as a check to the beta adopted by FHCA.
(f)	Additional discount rate arising from illiquidity discount ("**α**")	4.0%	We noted that an illiquidity premium of 4.0% *(extracted from http://people.stern.nyu.edu/adamodar/pdfiles/country/illiquidity.pdf.)* had been applied to derive the discount rate using CAPM to account for the lack of marketability and unsystematic risk. We are of the view that the above is reasonable as CCB is a private company and not listed on Bursa Securities.
(g)	Perpetuity growth ("**g**')	-	The terminal value is computed based on the following formula: *Terminal value* = $\frac{FCFE \times (1 + g)}{(WACC - g)}$ We note that FHCA has adopted zero perpetuity growth rate on CCB's FCFE, which we view to be reasonable for a prudent approach.
(h)	Fair value of CCB	RM143.23	The formula used to derive the effective fair value of the Cables Manufacturing Business of CCB is as follows: Fair value of CCB = Present value of the projected FCFE based on the Future Financials(1) + Present value of terminal value (computed based on the formula as set out in (g) above with zero perpetuity growth rate) ***Note:*** *(1) Computed based on the following formula* *Present value of FCFE* = $FCFE / (1 + Ke)^n$ *whereby, n represents time, in years in the future.*

From the computation above, a 100% equity interest in CCB has an implied valuation of RM143.23 million based on Discounted FCFE method which translates into an implied valuation of RM124.11 million for approximately 86.65% equity interest in CCB as contemplated under the Proposed Acquisition.

We noted that FHCA has conducted a sensitivity analysis based on the parameters below:

Fair value of CCB (100% equity interest)			
Sensitivity tested	**Parameters**	**Low range RM'000**	**High range RM'000**
Movement in discount rate	+/-0.5%	136.88	150.21
Movement in discount rate and FCFE	+/-0.5% and +/-1%	135.51	151.72
Movement in discount rate and terminal value	+/-0.5% and +/-1%	129.89	160.82

FHCA opined that the fair market valuation of entire equity interest in CCB ranges from RM129.89 million to RM160.82 million with the mid-point of RM143.23 million.

The Purchase Consideration of RM119.42 million is fair as it is within the valuation range of the implied valuation arrived at based on Discounted FCFE method of RM112.55 million to RM139.35 million (based on approximately 86.65% equity interest in CCB).

6.3 BASIS AND JUSTIFICATIONS FOR THE RCPS ISSUE PRICE / EFFECTIVE CONVERSION PRICE

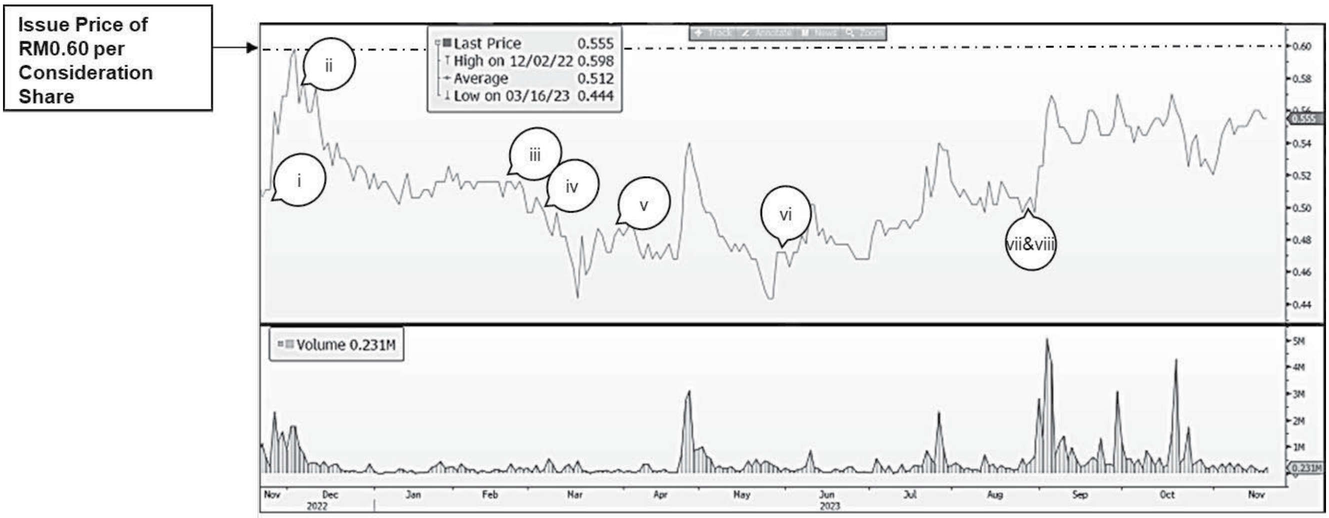
As stated in Section 2.1.5.1 of Part A of the Circular, we note that the RCPS Issue Price was arrived at after taking into consideration the issue price of RM0.60 per KUB Share as announced in the First Announcement. Based on the RCPS Issue Price and the Conversion Ratio, the effective conversion price of the RCPS is RM0.60 for each new KUB Share.

In evaluating the RCPS Issue Price / effective conversion price, we have taken into consideration the following:

(i) Historical market price analysis of KUB Shares

In assessing the historical market price analysis of KUB Shares, we have considered the historical trading prices and trading volume of KUB Shares for the past three (3) years up to the LTD.

The graph below sets out the historical trading prices and trading volume of KUB Shares for the past three (3) years up to the LTD (which have been extracted from Bloomberg and no adjustment has been made as there is no change in principal activities of KUB and/or corporate exercises that may impact the market prices and volume traded of KUB Shares throughout the period).



(Source: Bloomberg)

Based on the above, we note that KUB Shares have consistently traded below the RCPS Issue Price / effective conversion price for the one (1) year prior to the LTD. The highest closing market price of KUB Shares for the past one (1) year up to the LTD was RM0.598, which was transacted on 2 December 2022 which is a date after the announcement on KUB's first quarter consolidated results for the FPE 30 September 2022. The lowest closing market price was RM0.444 on 16 March 2023. The average traded market price for the past one (1) year up to the LTD was RM0.512.

During the period beginning 12 months prior to the LTD, KUB had made the following announcements, among others:

	Date of announcements	Overview of events
(i)	29 November 2022	Announcement on KUB's first quarter consolidated results for the FPE 30 September 2022. KUB recorded a revenue of RM128.41 million and PBT of RM4.40 million for the three (3)-month period ended 30 September 2022, as compared to the revenue of RM106.21 million and PBT of RM7.36 million for the preceding corresponding three (3)-month period ended 30 September 2021.
(ii)	5 December 2022	Announcement on the filing of an application by KUB Agro Holdings Sdn Bhd ("**Subsidiary**") to terminate the winding up pursuant to Section 493 of the Act at the High Court ("**Application**").
(iii)	21 February 2023	Announcement on KUB's second quarter consolidated results for the FPE 31 December 2022. KUB recorded a revenue of RM254.05 million and PBT of RM16.48 million for the six (6)-month period ended 31 December 2022, as compared to the revenue of RM256.29 million and PBT of RM17.89 million for the preceding corresponding 6-month period ended 31 December 2021.
(iv)	3 March 2023	Announcement on the filing of claim by Lembaga Kemajuan Johor Tenggar ("**Kejora**") against KUB, KUB Realty Sdn Bhd ("**KUB Realty**"), KUB Agro Holdings Sdn Bhd (a wholly-owned subsidiary of KUB Ekuiti Sdn Bhd, which in turn is a wholly-owned subsidiary of KUB) ("**KUBAH**") and Beradin Plantation Sdn Bhd ("**BPSB**") on 2 March 2023. Kejora alleged that the parcels of land being disposed of and completed on 2 April 2023 ("**Lands**") were previously registered in its name as registered proprietor under a 99 year lease, and had been leased by Kejora as lessor to Koperasi Usaha Bersatu Malaysia Berhad ("**Koperasi**") as lessee for 95 years. Kejora contends that the Lands had subsequently been wrongfully transferred to KUB Realty by Koperasi and that it remains entitled to the Lands as the original lawful registered proprietor of the Lands under the head lease. Kejora is seeking to set aside the registrations of the transfer of title to the Lands into the name of KUB Realty on 18 December 1997 and subsequently from KUB Realty to KUBAH on 3 August 1999 and finally from KUBAH to BPSB on 15 April 2021 respectively. As per the announcement, the Company, KUB Realty and KUBAH will vigorously defend the claim by Kejora. Please refer to Section 4(ii) of Appendix VII of the Circular for further information on the material litigation.
(v)	30 March 2023	Following the announcement dated 3 March 2023 on the material litigation, this announcement is on the case management held on 29 March 2023 at the Johor Bahru High Court on the claims made by Kejora ("**Plaintiff**"), whereby the High Court had directed KUB, KUB Realty, KUBAH and BPSB ("**Defendants**") to file their defence on or before 1 May 2023. Please refer to Section 4(ii) of Appendix VII of the Circular for further information on the material litigation.
(vi)	30 May 2023	Announcement on KUB's third quarter consolidated results for the FPE 31 March 2023. KUB recorded a revenue of RM384.01 million and PBT of RM26.55 million for the 9-month period ended 31 March 2023, as compared to the revenue of RM397.31 million and PBT of RM25.76 million for the preceding corresponding 9-month period ended 31 March 2022.

	Date of announcements	Overview of events
(vii)	29 August 2023	Announcement on KUB's fourth quarter consolidated results for the FPE 30 June 2023. KUB recorded a revenue of RM488.89 million and PBT of RM38.88 million for the 12-month period ended 30 June 2023, as compared to the revenue of RM547.96 million and PBT of RM33.17 million for the preceding corresponding 12-month period ended 30 June 2022.
(viii)	29 August 2023 and 30 August 2023	Announcement on the first and final dividend of 2.0 sen per ordinary share for the FYE 30 June 2023 and on its notice of book closure.

(Source: Announcements made by KUB on the respective dates on Bursa Securities)

There were also announcements relating to the material litigation between KUB Sepadu Sdn Bhd and the minority shareholders, Medan Sepadu Sdn Bhd and Lembaga Amanah Kebajikan Kaum Melanau Sarawak during the last 12 months before the LTD. Please refer to Section 4(i) of Appendix VII of the Circular for further information.

We note that save for the interim financial results of KUB, announcements in relation to filing of claim by Kejora and dividend, there are no other announcements of material developments affecting KUB for the last 12 months prior to the LTD which could likely contribute to the decrease or increase in market prices of KUB Shares for the last 12 months up to the LTD.

As the RCPS Issue Price was arrived at after taking into consideration the issue price of RM0.60 per KUB Share as announced in the First Announcement and there is no prior market for the RCPS, we have relied on the historical market price analysis of KUB Shares in the evaluation of the RCPS Issue Price. Shareholders are advised to take into consideration the historical market price trend and trading volume of KUB Shares on Bursa Securities.

The RCPS Issue Price / effective conversion price represents the following premiums to the historical closing market prices / VWAMP of KUB Shares (which have been extracted from Bloomberg and no adjustment has been made as there is no corporate exercises that may impact the market prices and volume traded of KUB Shares throughout the period):

	Market price	Premium over market price	
	RM	**RM**	**%**
(i) The relevant market prices of KUB Shares on and up to the LTD:			
(a) Last traded market price on the LTD	0.555	0.045	8.11
(b) 5-day VWAMP up to and including the LTD	0.552	0.048	8.70
(c) 1-month VWAMP up to and including the LTD	0.537	0.063	11.73
(d) 3-month VWAMP up to and including the LTD	0.547	0.053	9.69
(e) 6-month VWAMP up to and including the LTD	0.533	0.067	12.57
(f) 1-year VWAMP up to and including the LTD	0.531	0.069	12.99

(Source: Bloomberg)

Based on the above, we note that as of the LTD:

(a) the RCPS Issue Price / effective conversion price represents an 8.11% premium to the last traded market price; and

(b) the RCPS Issue Price / effective conversion price represents a premium ranging between 8.70% and 12.99% over the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of KUB Shares up to and including the LTD.

The last traded market price of KUB Shares as at the LPD was RM0.59 which is lower than the RCPS Issue Price / effective conversion price.

The above evaluation is based on the historical market prices of KUB Shares as at the specific dates/periods and should not be relied upon as an indication of the future trading performance of KUB Shares. The future market price performance of KUB Shares will depend upon, amongst others, on prevailing stock market conditions, liquidity, performance, prospects and fundamentals of the KUB Group, future dividend payments (if any), and the outlook and prospects of the industry and markets in which the KUB Group operates.

(ii) <u>Sum-of-parts valuation ("**SOPV**") of the KUB Group</u>

We have also considered and derived the fair value of the KUB Shares to assess the fairness of RCPS Issue Price / effective conversion price.

Based on KUB's latest audited consolidated financial statements for the FYE 30 June 2023, KUB is an investment holding company with the following principal activities through its subsidiaries.

(i) LPG Business;
(ii) Agriculture business, which is involved in oil palm plantations and estate management ("**Agro**"); and
(iii) Others, comprising:
  (a) infrastructure solutions, supply, maintenance and ancillary services in information, communications and technology ("**ICT**");
  (b) Power Business;
  (c) property management services ("**Property**");
  (d) investment holding; and
  (e) other assets.

Based on KUB's latest audited consolidated financial statements for the FYE 30 June 2023 the KUB Group's business are organised into two (2) distinct business segments and the revenue contributions before consolidation adjustments of the respective reportable business segments are as set out below:

Business segment			**Revenue** **RM'000**	**Business segment's revenue contribution** **%**
(i)	LPG Business		472,761	93.29
(ii)	Others:			
	-	Agro	443	0.09
	-	ICT	13,669	2.70
	-	Power Business	334	0.07
	-	Property management services	1,799	0.36
	-	Investment holding	17,747	3.50
	-	Other assets	-	-
Total			**506,753**	**100.00**

In estimating the equity value of KUB, we have adopted the SOPV method of valuation in view that the KUB Group has distinct business segments. The SOPV method is a valuation methodology that sums the estimated values of each of the company's business segments as if each business segment were an independent going concern. This method of valuation is commonly used to value a company with segments in different industries that have different valuation characteristics.

The valuation methodologies that we have applied in arriving at the values of the respective business segments of the KUB Group are set out below:

Business segment			**Valuation method**	**Reference in IAL**
(i)	LPG Business		EV/EBITDA	(a)
(ii)	Agro		Fair value through profit or loss	(b)
(iii)	Others:			
	-	ICT	NA	(c)
	-	Power Business	NA	(c)
	-	Property	Realisable net asset value ("**RNAV**")	(d)
	-	Other assets	RNAV	(e)
	-	Investment holding	-	*

* *Operated under company level of KUB. The adjustments have been made in the table under summary of fair value of the KUB Shares.*

(a) LPG Business

KUB's LPG Business is operated under Solar Gas Sdn Bhd ("**Solar Gas**"). Solar Gas is principally engaged in the manufacture (refilling), wholesale, marketing and distribution of LPG and related accessories. The company operates specialised bottling plants for LPG at West Port (Klang), Johor Bahru and Beranang, as well as leveraging on third party bottling suppliers in Pulau Pinang and Perak. In its delivery of cylinders directly to customers, its network of dealers spans the entire Peninsular Malaysia.

Taking into consideration that its LPG Business is undertaken by Solar Gas, we have adopted the EV/EBITDA valuation methodology of Solar Gas' results to arrive at the value of the LPG Business segment.

EV is the aggregate value of the respective companies' market capitalisation, minority interest and debts net of any cash and cash equivalents. EV/EBITDA is commonly used in valuation, as it is not affected by different leverage levels and borrowing costs or depreciation and amortisation policies. Also, it eliminates the impact from non-operating items. Hence, EV/EBITDA compares the value of a company relative to its operating earnings.

We are of the view that EV/EBITDA method, which is capital structure neutral and unaffected by different leverage levels and borrowing costs, is an appropriate method to adopt in arriving at the value of the LPG Business segment as Solar Gas is involved in a business that requires high capital expenditure and borrowings.

To arrive at the value of the LPG Business segment using EV/EBITDA, we have adopted the following selection criteria to select listed companies that, in our view, are broadly comparable to the LPG Business segment:

(i) more than 80% of revenue is derived from utilities businesses which are involved in LPG Business; and

(ii) listed in Malaysia.

We wish to highlight that the selected comparable companies may differ from Solar Gas in terms of marketability and liquidity of shares, size of operations, asset base, financial performance, operating and financial leverage, accounting and taxation policies, risk profile and future prospects.

The comparable companies being selected based on the above selection criteria are:

Name	Principal activities	% of revenue contribution from utilities businesses
Petron Malaysia Refining & Marketing Berhad	Petron Malaysia Refining & Marketing Berhad manufactures and markets petroleum products as well as operates an oil refinery in Port Dickson. The Company also operates retail service station.	100.00%
Petronas Dagangan Berhad	Petronas Dagangan Berhad markets petroleum products and operates service stations domestically. Through its subsidiaries, the company has operations in aviation fueling at Kuala Lumpur International Airport and bunkering facilities at West Port along with marketing and distributing lubricants.	100.00%

(Source: Latest annual reports of the respective companies, Bloomberg and S&P Capital IQ)

The EV/EBITDA of the selected comparable companies as at the LTD are as follows:

Company	EV/EBITDA (times)
	Unaudited 12 months trailing
Petronas Dagangan Berhad	11.16
Petron Malaysia Refining & Marketing Berhad	5.41
Median	8.29

(Source: Latest annual reports and quarterly results announced by the respective companies, Bloomberg and S&P Capital IQ)

Accordingly, the valuation of the LPG Business based on the median unaudited 12 months trailing EV/EBITDA multiple valuation is derived as follows:

	Formula	
EBITDA of Solar Gas based on its audited financial statements for FYE 30 June 2023 (RM'000)	(a)	27,884
EV/EBITDA of the comparable companies based on the unaudited 12 months trailing (times)	(b)	8.29
Implied EV (RM'000)	**(c) = (a) x (b)**	**231,158**
Surplus cash(1) (RM'000)	(d)	89,989
Total borrowings (RM'000)	(e)	41,114
Implied value (RM'000)	**(g) = (c)+(d)-(e)**	**280,033**

Note:
(1) Based on cash and bank balances of Solar Gas Sdn Bhd as at 30 June 2023.

From the computation above, we arrived at a value for KUB's LPG Business of RM280.03 million.

Nonetheless, we wish to highlight that there are differences in the scale of operations and business products as the comparable companies, Petronas Dagangan Berhad offers various products to the retail and commercial segments apart from LPG and has a return on equity ("ROE") of 13.96% whilst, Petron Malaysia Refining & Marketing Berhad offers various petroleum products such gasoline, automotive diesel oil, jet fuel and naphtha apart from LPG and has a ROE of 13.56%. KUB's LPG segment is mainly involved in LPG products and has a lower ROE of 6.20%. Accordingly, KUB's LPG segment is likely to command a lower valuation as compared to these two (2) listed peers.

(Source: Latest annual reports of the respective companies, Bloomberg and S&P Capital IQ)

(b) Agro

The Agro segment formerly held two (2) oil palm estates in Mukah, Sarawak, which totalled 4,616 hectares of land under management by KUB Sepadu Sdn Bhd ("**KUBS**"). KUBS is currently in liquidation due to a dispute between the Group and KUBS minority shareholders. Following the deconsolidation of KUBS accounts in June 2022 and the official handover of the estates' operations to the liquidator on 16 November 2022, the KUB Group no longer consolidates or equity accounts the financial results of KUBS respectively.

The investment in KUBS is now classified as a simple investment fair value through profit or loss ("**FVTPL**") under "Other Investment".

As at 30 June 2023, the fair value of the investment in KUBS was RM62.28 million (60% equity interest).

(c) ICT and Power Business

The ICT segment is involved in infrastructure solutions, supply, maintenance and ancillary services in information, communications and technology and operated under KUB Telekomunikasi Sdn Bhd (60% owned by KUB), while the Power Business of the KUB Group is involved in general building works and civil engineering services within the power industry, including substation and transmission line construction, supply and installation of electrical infrastructure, and electrical maintenance contracts and operated under KUB Power Sdn Bhd (wholly-owned subsidiary of KUB).

In arriving at the value for the ICT segment and Power Business, we have adopted the NA valuation method.

The NA method values an asset based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and non-controlling interests. It is generally used to value loss-making companies or companies with no significant profit and with no material property or investment assets that could appreciate in value significantly over time.

We are of the view that NA method is the most appropriate valuation method to value the contribution of the ICT segment and Power Business segment as the two (2) segments' contribution to the group is immaterial, being 2.70% and 0.07% respectively of the KUB Group's revenue based on the latest audited consolidated financial statements of KUB for the FYE 30 June 2023.

Based on the NA of the ICT and Power Business segments as at 30 June 2023 as provided by the Management, we arrived at a value for the ICT and Power Business segments of RM5.30 million (60% equity interest) and RM5.68 million, respectively.

(d) Property

The Property segment of the KUB Group is operated under Peraharta Sdn Bhd, a wholly-owned subsidiary of KUB and involved in the delivery of property management and building maintenance services, while also providing rental services for the Group's properties in Bangunan Sri Kinta, Ipoh Perak ("**Bangunan Sri Kinta**"). Peraharta Sdn Bhd has completed the sale of a five (5)-storey office building in Wisma Kota Bharu, Kelantan, for RM2.50 million on 12 October 2023. The two (2) remaining properties held under the Property segment are:

(i) Bangunan Sri Kinta; and
(ii) A leasehold land, Serting Negeri Sembilan ("**Serting Land**").

As the Property segment's revenue is primarily driven from its real property assets, we are of the view that the RNAV method, which is an asset-based valuation method, is the most appropriate method to derive the valuation for the Property segment.

The RNAV is the market value of a company's assets that can be expected to be realised by a company upon the sale of the assets on a willing-buyer willing-seller basis. Under the RNAV valuation method, the carrying value or net book value of the properties are adjusted to their market values based on valuation surpluses/deficits (net of relevant provisions of deferred tax) on such properties as derived from the latest valuation of the properties.

To compute the estimated RNAV of this segment, we have relied on the valuation reports and/or certificates on the properties that were made available to us by the Management. The valuers were appointed by KUB Group and the valuations undertaken by the valuers were for financial reporting / internal management purposes of the KUB Group. The dates of valuation of the properties are between 1 November 2023 and 2 November 2023, which we have used to reflect the market value of the properties.

We note that in arriving at the valuation for the properties, the valuers have adopted the comparison and residual methods following methods of valuation, which are two (2) of the generally accepted methods in property valuation.

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The net revaluation surplus of the properties is set out below:

No.	Title/location	Existing use	Date of acquisition	Current valuation date	Tenure	Valuation method	(A) Market value RM'000	(B) Audited NBV as at 30 June 2023 RM'000	(C) = (A) – (B) Revaluation surplus[1] RM'000	(D) Deferred tax[2] RM'000	(E) = (C) – (D) Net revaluation surplus RM'000
1.	Lot 4180N, Bangunan Sri Kinta Jalan Sultan Idris Shah, Ipoh Perak	Commercial / A 4-storey commercial podium with a 9-storey office tower block and a basement carpark	1983	1 November 2023	Strata Title	Income approach (residual method)	13,100	4,435	8,665	867	7,798
2.	Lot 12701, Mukim of Serting Ulu District of Jempol, Negeri Sembilan	Industrial / Vacant development land	1999	2 November 2023	Leasehold (99 years expiring 2086)	Comparison approach	4,300	644	3,656	366	3,290
Total							**17,400**	**5,079**	**12,321**	**1,233**	**11,088**

Note:

(1) The revaluation surplus has not been incorporated into the financial statements of KUB.

(2) Computed based on estimated deferred tax rate of 10% as provided by the Management.

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After considering the valuation updates of the properties by the valuers, the estimated RNAV of this segment is as follows:

		Amount RM'000
Audited NA of Peraharta Sdn Bhd as at 30 June 2023		8,825
Add:	Net revaluation surplus arising from the properties *(Please refer to the table above for the computation)*	11,088
Estimated RNAV of the Property segment		**19,913**

The RNAV of the Property segment is based on prevailing economic, market and other conditions as well as information provided by the Management up to the LPD. Events or circumstances occurring after the LPD may significantly change the bases and assumptions used which may then materially affect the RNAV of the Property segment of the KUB Group, whether favourably or adversely.

Furthermore, there is no assurance that the properties can be realised at their estimated market value due to various factors such as the existence of ready and committed buyers who are willing to pay the market value of each property as well as the payment of incidental costs related to such sale transactions.

Further, we have been informed that KUB's subsidiary, Peraharta Sdn Bhd has disposed of Wisma Kota Bahru, Kelantan at a disposal consideration of RM2.50 million. The disposal was completed on 12 October 2023 and resulted in a gain on disposal of RM1.17 million. Accordingly, the equity value of the Property segment is as follows:

Details	Equity value RM'000
RNAV	19,913
Add: Gain on disposal for the sale of Wisma Kota Bahru, Kelantan	1,170
Equity value of the Property segment	**21,083**

(e) Other assets

Other segment primarily consists of property held under KUB Gas Terminal Sdn Bhd. In view that the company has yet to commence operations and the assets held comprised real property assets, we are of the view that the RNAV method, which is an asset-based valuation method, is the most appropriate method to derive the valuation for this segment.

The RNAV is the market value of a company's assets that can be expected to be realised by a company upon the sale of the assets on a willing-buyer willing-seller basis. Under the RNAV valuation method, the carrying value or net book value of the properties are adjusted to their market values based on valuation surpluses/deficits (net of relevant provisions of deferred tax) on such properties as derived from the latest valuation of the properties.

To compute the estimated RNAV of this segment, we have relied on the valuation report and/or certificate on the property that were made available to us by the Management. The valuer was appointed by KUB Group and the valuation undertaken by the valuer was for financial reporting / internal management purposes of the KUB Group. The date of valuation of the property is 24 July 2023, which in our opinion is current valuation which reflect the market value of the property.

In arriving at the valuation for the property, the valuers have adopted comparison method. Please refer to Section 6.3(ii)(d) of this IAL for further details of comparison method.

The net revaluation surplus of the property is set out below:

No.	Title/location	Existing use	Date of acquisition	Current valuation date	Tenure	Valuation method	(A) Market value RM'000	(B) Audited NBV as at 30 June 2023 RM'000	(C) = (A) – (B) Revaluation surplus [1] RM'000	(D) Deferred tax [2] RM'000	(E) = (C) – (D) Net revaluation surplus RM'000
1.	HS(D) 67801, PT 64539, Mukim of Klang, Klang, Selangor	Industrial / Vacant land	25 September 2018	24 July 2023	Leasehold (99 years expiring 2097)	Comparison approach	28,500	20,949	7,551	755	6,796

Note:

(1) The revaluation surplus has not been incorporated into the financial statements of KUB.
(2) Computed based on estimated deferred tax rate of 10% as provided by the Management.

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After considering the valuation updates of the property by the valuer, the estimated RNAV of this segment is as follows:

		Amount RM'000
Adjusted NA[1] of this segment as at 30 June 2023		20,848
Add:	Net revaluation surplus arising from the property *(Please refer to the table above for the computation)*	6,796
Estimated RNAV of this segment		**27,644**

Note:

(1) Adjusted to take into account consolidation adjustments.

<u>Summary of fair value of the KUB Shares</u>

Based on the valuation of the respective business segments of the KUB as set out in Sections 6.2.2.1 to 6.2.2.5 of this IAL, we derived the estimated SOPV of the KUB Group and estimated fair value of KUB Shares as at the LTD, as follows:

Business segment	**Equity value RM'000**
LPG Business	280,033
Agro	62,278
ICT	5,299
Power Business	5,678
Property	21,083
Other assets	27,644
Total SOPV of the KUB Group	402,015
Adjustments at KUB (company level):	
Add: Cash and bank balances	304,151
Less: Amount due to subsidiaries	(11,043)
Add: Revaluation surplus for properties held under KUB	[1]5,405
Equity value of the KUB Group	**700,528**
No. of KUB Shares outstanding as at LTD	556,465
Estimated fair value per KUB Share (RM)	1.26

Note:

(1) Revaluation surplus is net of deferred tax computed based on estimated deferred tax rate of 10% as provided by the Management.

<u>Comments from Affin Hwang IB on the RCPS Issue Price / effective conversion price</u>

We wish to highlight that the RCPS Issue Price / effective conversion price is at a discount of 52.38% from the estimated fair value per KUB Share of RM1.26. Nonetheless, we have also considered the following factors:

(i) Although the NA per Share and SOPV per KUB Share of RM0.93 and RM1.26 are higher than the RCPS Issue Price / effective conversion price, there is no assurance that the KUB Shares will trade at or above the NA per KUB Share or SOPV per KUB Share and that the KUB Shares can be realised at that value;

(ii) Although the RCPS Issue Price / effective conversion price is at a discount to the NA per KUB Share and SOPV per KUB Share, we note that the KUB Shares have not traded above the NA per KUB Share nor SOPV per KUB Share for the last five (5) years from the LTD;

(iii) The highest traded market price for the KUB Shares during the last five (5) years from the LTD was RM0.72 on 26 October 2021;

(iv) The Purchase Consideration to be satisfied entirely via the issuance of Consideration RCPS will allow KUB to conserve its cash resources thus allowing the KUB Group to enhance its Power Business without any immediate impact on the cash flow and gearing level of the KUB Group as opposed to being fully settled in cash or via new borrowings; and

(v) The issuance of the Consideration RCPS will strengthen KUB Group's financial position as a result of the increase in proforma NA* from RM517.05 million to RM634.90.

Note:

** NA refers to equity attributable to owners of the Company.*

Premised on the above, we are of the view that the RCPS Issue Price / effective conversion price is fair.

6.4 SALIENT TERMS OF THE SPA AND RCPS

(i) SPA

We wish to highlight the following salient terms of the SPA:

Salient terms of the SPA		Affin Hwang IB's comments
Sale and Purchase of Sale Shares		
(1)	Subject to the terms and conditions of the SPA, JAG agrees to sell to KUB and KUB agrees to purchase from JAG the Acquisition Shares. JAG shall transfer legal and beneficial title to the Acquisition Shares, free from all encumbrances whatsoever and together with all rights, benefits, title, interest and advantages attached thereto.	KUB is to acquire the Acquisition Shares free from all encumbrances together with all rights, benefits, title, interest and advantages attached thereto. Upon completion of the Proposed Acquisition, KUB will be entitled to all rights, benefits, title, interest and advantages attached to the Acquisition Shares (including all dividends and distributions, whether declared or undeclared).
Purchase Consideration		
(2)	The Purchase Consideration shall be satisfied by the allotment and issuance of 199,035,059 RCPS at an issue price of RM0.60 per RCPS.	Please refer to our comments on the basis and justifications for the Purchase Consideration as set out under Section 6.2 of this Independent Advice Letter.
Conditions Precedent		
(3)	Completion is conditional upon and subject to the following Conditions Precedent set out below having been fulfilled or waived in accordance with the SPA within the period of three (3) months from the date of the SPA or such other date as may be mutually agreed by JAG and the Company in writing ("**Cut-Off Date**"):	The Cut-Off Date of three (3) months to fulfil the Conditions Precedent is reasonable as it has been agreed upon by the parties and may be extended as may be mutually agreed by the parties in writing. The Conditions Precedent represent the necessary approvals to give effect to the Proposed Acquisition and to ensure that all necessary authority approvals required for the issuance of the RCPS as a mode of settlement for the Proposed Acquisition are obtained.

Salient terms of the SPA		Affin Hwang IB's comments
	(a) the receipt by KUB of the written consent from certain third-party financiers consenting to the change in shareholders, shareholdings, directors or management line-up of CCB and of its subsidiary(ies) (as applicable) and documentary evidence of the same from such third-party financiers; (b) consent of the SC pursuant to paragraph 19.03 of the Rules; (c) approval of the Non-Interested Shareholders for the Proposed Acquisition at the forthcoming EGM; (d) the approval of any governmental authority for the transaction contemplated under the SPA (where required); and (e) approval of the SC pursuant to subsection 212(5) of the CMSA for making available the RCPS under the Proposed CCB MGO.	As a consequence of the Proposed Acquisition, we note that there will be the Proposed CCB MGO where KUB is required to make a mandatory general offer for all the remaining CCB Shares not already owned by KUB after the Proposed Acquisition pursuant to subparagraph 4.01(a) of the Rules. Please refer to Section 2.4 of Part A of the Circular. Accordingly, the consent and approval of the SC are also required on incidental matters pertaining to the Proposed CCB MGO.
Completion		
(4)	Completion shall take place seven (7) business days from the day upon which all the Conditions Precedent have been satisfied or waived ("**Unconditional Date**") or at such other date as the parties may agree in writing.	A completion timeline of seven (7) business days from the Unconditional Date is reasonable to facilitate the issuance of the Consideration RCPS.
Termination		
(5)	The SPA may be terminated: (a) if any of the Conditions Precedent is not fulfilled or waived on or before the Cut-Off Date; or (b) the Company fails to pay the Purchase Consideration to JAG on the Completion Date; or (c) at any time on or prior to the Completion Date, if: (i) JAG is in material breach of any of its undertakings or obligations or the Vendor's warranties given by JAG under the SPA ("**Vendor's Warranties**"); (ii) JAG is in breach of any of the fundamental Vendor's Warranties given by JAG and if such breach is capable of being remedied, JAG fails, refuses or neglects to remedy such breach within 30 days after written notice has been given by us to JAG providing particulars of the breach and requiring such breach to be remedied; or	Each party has the right to terminate the SPA in the event any of the Conditions Precedent is not fulfilled or waived before the expiry of the Cut-Off Date. In the event of any material breach by either JAG or KUB of its warranties, obligations or undertakings on or prior to the Completion Date, the other party is entitled to treat the SPA as being terminated if remedies that are capable of being remedied are not being remedied within 30 days by the relevant parties after written notice from the other party is received. The 30 day period given to KUB to rectify any of its undertakings or obligations upon receiving a notice from JAG is reasonable. The right to terminate accorded to each party is parallel and reciprocal.
	(d) the occurrence of a Material Adverse Effect; or	The right accorded to KUB to terminate the SPA in the event of any Material Adverse Effect is reasonable and to the benefit of KUB.

Salient terms of the SPA		Affin Hwang IB's comments
	(e) the Company is in material breach of any of its undertakings or obligations or the warranties given by the Company under the SPA and if such breach is capable of being remedied, the Company fails, refuses or neglects to remedy such breach within 30 days after written notice has been given by JAG to the Company providing particulars of the breach and requiring such breach to be remedied.	
	In the event the SPA is terminated by either party: (a) the parties shall each return to the other all information, documents and other materials that have been delivered under the SPA; and (b) the Company shall deliver to JAG the completion documents set out under Clause 6.2 of the SPA (if any), with JAG's ownership over the Acquisition Shares intact, the existing company secretary of each of CCB's subsidiaries remaining or re-appointed (as the case may be) as company secretary and the resignation of the additional directors of each of CCB's subsidiaries as may be nominated by us.	In the event the SPA is terminated by either party, all information, documents and materials delivered under the SPA are to be returned to each party to preserve confidentiality. In addition, the Company shall deliver the completion documents to JAG to enable it to restate its position as though the Proposed Acquisition has not taken place if the SPA is terminated. These terms are reasonable and in line with other merger and acquisition transactions.
	For reference, "**Material Adverse Effect**" means any event or events that has / have occurred which (a) results in a contractual value or potential loss or liability in excess of an amount equivalent to RM200,000 or more, or (b) materially and adversely affected, or can most probably be expected to materially adversely affect, CCB and its subsidiaries' assets, liabilities, results of operation or financial condition, taken as a whole, which shall be determined by our Company (acting reasonably).	The threshold that triggers a Material Adverse Effect represents approximately 1.4% of the normalised consolidated PAT attributable to the owners of KUB for the FYE 30 June 2023 of RM14.65 million as set out in Section 6.4 of Part A of the Circular, which is a reasonable threshold and in line with other merger and acquisition transactions.

Based on the salient terms of the SPA and our comments as set out above, we are of the view that the salient terms of the SPA are reasonable.

(ii) RCPS

We wish to highlight the following salient terms of the RCPS:

Salient terms of the RCPS		Affin Hwang IB's comments
Issuer	KUB	This term is reasonable as KUB is the purchaser in the Proposed Acquisition.
Issue Size	Up to 229,699,350 RCPS (comprising 199,035,059 new RCPS to be issued pursuant to the Proposed Acquisition and up to 30,664,291 new RCPS to be issued pursuant to the Proposed CCB MGO).	This term is reasonable as the issue size of 199,035,059 is due to the purchase consideration of RM119.42 mil and the issue price of RM0.60 per RCPS. Please refer to Section 6.3 of this Independent Advice Letter for our evaluation of the RCPS Issue Price. We note that up to 30,664,291 RCPS may be issued to cater for the Proposed CCB MGO.

Salient terms of the RCPS		Affin Hwang IB's comments
Issue Price	RM0.60 per RCPS	The RCPS Issue Price is fair based on our evaluation as set out in Section 6.3 of this Independent Advice Letter.
Tenure	Five (5) years commencing from the Issue Date up to the Maturity Date (both dates inclusive).	A five (5)-year tenure is a common tenure for convertibles issued in the market. It allows KUB sufficient time to redeem the RCPS based on its financial resources and planning as the Company deems fit. The RCPS conversion into new KUB Shares which shall take place over a period of five (5) years mitigates immediate dilution on the Non-Interested Shareholders' shareholdings in KUB.
Maturity Date	The business day immediately before the fifth (5^{th}) anniversary of the Issue Date.	This term is reasonable as it is consistent with the tenure of the RCPS.
Issue Date	Date of issuance of the RCPS	This term refers to the issue date of the RCPS which is relevant as a reference date to ascertain the Maturity Date of the RCPS.
Preferential Dividend	The RCPS shall rank equally (and not in priority) with existing KUB Shares insofar as the right to receive dividends is concerned. As and when dividends (including any special dividends) are declared by the Board in respect of the KUB Shares, each RCPS shall also carry the right to receive such dividends (non-cumulative) declared in respect of one (1) KUB Share, subject however to any adjustment to the Conversion Ratio, provided that the consolidated PAT of CCB for the financial year preceding the declaration of the preferential dividend as shown in CCB's audited consolidated financial statements for that financial year is higher than the amount of preferential dividend to be declared.	This term is reasonable as the preferential dividend is: (i) non-cumulative, where unpaid dividends are not accumulated over time and KUB is not obliged to pay any unpaid dividends declared in previous financial years; (ii) only being declared if ordinary dividend (including special dividends) is being declared by the Board for the ordinary shareholders of KUB, where each RCPS shall carry the right to receive such dividend declared on an equal basis in respect of one (1) KUB Share (subject to adjustment to the Conversion Ratio). This will ensure KUB have sufficient distributable profits and cashflow for both ordinary shareholders and RCPS holders to enjoy any dividend distribution for the relevant financial year; and (iii) only being declared if the consolidated PAT of CCB for the financial year preceding the declaration of the preferential dividend as shown in CCB's audited consolidated financial statements for that financial year being higher than the amount of preferential dividend to be declared. This will ensure that the amount of funds that can be allocated for dividends to be declared and paid to the Company's ordinary shareholders are not impacted.
Conversion Mode	The conversion of the RCPS will not require any cash payment from the RCPS holders. The RCPS holders shall, upon conversion, surrender the requisite number of RCPS for cancellation by the Company.	This term is reasonable as the RPCS is the mode of the settlement for the Proposed Acquisition where the issuance of Consideration RCPS will allow KUB to conserve its cash resources as opposed to being fully settled in cash or via new borrowings. Accordingly, any future conversion of the RCPS into new KUB Shares will not require any cash payment from RCPS holders.

Salient terms of the RCPS		Affin Hwang IB's comments
Conversion Period	At any time from the Issue Date up to the Maturity Date (both dates included) at the option of the RCPS holders. Within eight (8) Market Days from the date of receipt by the Company of a duly completed and signed conversion notice or such other period as may be prescribed or allowed by Bursa Securities or under any applicable laws and regulations, the Company shall: (i) allot and issue such number of new KUB Shares to which the RCPS holder is entitled to receive arising from the exercise of the Conversion Rights and cause the securities account of the said RCPS holder to be credited with such number of new KUB Shares; and (ii) despatch a copy of the notice of allotment to the relevant RCPS holder in respect of the new KUB Shares to be credited into the securities account of the RCPS holder.	The Conversion Period provides flexibility to the RCPS holders to convert the RCPS into KUB Shares over the tenure of the RCPS. The KUB Shares are to be allotted and the notice of allotment is be issued to the RCPS holders within eight (8) Market Days is in line with the prevailing requirements under Paragraph 6.58 of the Listing Requirements.
Conversion Rights	The RCPS shall be convertible at the option of the RCPS holders at any time during the Conversion Period into such number of new KUB Shares as is determined based on the Conversion Ratio.	This term is reasonable for the conversion rights to rest with the RCPS holders over the Conversion Period as it gives them the flexibility to convert their RCPS to new KUB Shares and enable them to exercise their voting rights as ordinary shareholders.
Conversion Ratio	The Conversion Ratio is one (1) RCPS for one (1) new KUB Share, subject to adjustments in the event of any alteration to the share capital of the Company. Accordingly, based on the RCPS Issue Price and the Conversion Ratio, the effective conversion price of each of the RCPS is RM0.60 for each new KUB Share.	The conversion ratio of one (1) RCPS for one (1) new KUB Share implies that the effective conversion price of the RCPS is RM0.60 which is fair. Please refer to our evaluation on the RCPS Issue Price as set out in Section 6.3 of this Independent Advice Letter. Further, we note that the rights of the RCPS holders are not prejudiced due to any alteration to the share capital of KUB.
Rights to receive notices, reports and attend meetings and voting rights	The RCPS holders shall be entitled to the same rights as the ordinary shareholders of the Company with regards to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of the Company, save and except in respect of any resolution made:	The voting rights granted to the RCPS holders under the specific circumstances are reasonable as the resolutions to be passed under the specific circumstances will affect the rights and privileges of the RCPS holders.

Salient terms of the RCPS		Affin Hwang IB's comments
	(i) on a proposal to reduce the Company's share capital; (ii) on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking; (iii) on a proposal to wind up the Company; (iv) during the winding up of the Company; or (v) on any proposal that affects the rights and privileges attached to the RCPS, including the amendments to the Constitution. In any of the aforesaid circumstances, each RCPS holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings, be entitled to one (1) vote for each RCPS held.	
Mandatory conversion on Maturity Date	Unless previously redeemed or converted, all outstanding RCPS will be mandatorily converted into new KUB Shares on the Maturity Date based on the Conversion Ratio.	This term is reasonable as the issuance of Consideration RCPS as well its convertibility into new KUB Shares will allow KUB to conserve its cash resources as opposed to being fully settled in cash or via new borrowings.
Redemption period	The period from and including the Issue Date up to 5.00 p.m. on the business day immediately before the Maturity Date.	This term is reasonable as it allows KUB sufficient time to redeem the RCPS, based on its financial resources and planning as the Company deems fit, within the tenure of five (5) years between the Issue Date and Maturity Date.
Redemption	The Company may, subject to and in accordance with Section 72 of the Act, at any time during the Redemption Period, redeem the RCPS in whole or part thereof the outstanding RCPS held by such RCPS holder, at the Issue Price in cash by giving the RCPS holders no less than 12 business days' written notice prior to the date of the redemption. As such, there is no fixed redemption schedule in respect of the RCPS. The redemption price is equivalent to the Issue Price together with any unpaid preferential dividend up to the redemption date. For the avoidance of doubt, the RCPS holders shall not have the right to require the Company to redeem the RCPS. All RCPS which are redeemed will be cancelled and will not be reissued.	This term is procedural and reasonable. It is also subject to Section 72 of the Act on matters relating to preference shares in respect of redemption of the RCPS to be made by KUB. Accordingly, the RCPS shall be redeemed out of: (i) profits of the Company; (ii) the proceeds of fresh issue of shares; or (iii) capital of the company. If the RCPS are redeemed out of profits which would otherwise have been available for dividend, a sum equal to the amount of the RCPS redeemed shall be transferred into the share capital account. We further note that all the provisions of the Act relating to the redemption of shares shall be duly observed by the Company. The Company shall use its reasonable endeavours to ensure that it has sufficient funds (either from profits or from proceeds from new issue of shares as required under the Act), which can be lawfully applied towards redemption of the RCPS at the relevant time. Based on discussion with the Management, as the preferential dividend is non-cumulative, any unpaid preferential dividend payable up to the redemption date is limited to the dividend which has been declared but unpaid for the applicable current financial year only.

Salient terms of the RCPS		Affin Hwang IB's comments
Listing status	The RCPS will not be listed, quoted or traded on Bursa Securities or any stock exchange. The new KUB Shares to be issued upon conversion of the RCPS shall be listed on the Main Market of Bursa Securities.	No listing will be sought as the public spread for listing of convertibles based on the Listing Requirements is not fulfilled. The absence of listing sought for the RCPS will expedite the completion of the Proposed Acquisition which is expected to be beneficial to KUB.
Transferability	The RCPS shall not be transferable, save and except for transfers between the holders of the RCPS, subject to the applicable laws, regulations and rules that would apply to the securities of the Company.	This term for transferability among RCPS holders is reasonable given that the RCPS are not listed and thus, not tradeable.
Ranking of the RCPS	The RCPS are unsecured and shall rank equally in all respects among themselves. The RCPS shall rank behind all secured and unsecured debt obligations of the Company. The RCPS shall rank in priority to the KUB Shares in any repayment of capital in the event of liquidation, dissolution or winding-up of the Company, provided that the RCPS shall not be entitled to participate in any surplus capital, assets or profits of the Company.	Although the RCPS shall rank in priority in any repayment of capital in the event of liquidation to the KUB Shares, RCPS holders are not entitled to vote and the RCPS shall not be entitled to participate in any surplus capital, assets or profits of the Company.
Ranking of new KUB Shares to be issued upon conversion of the RCPS	The new KUB Shares to be issued upon conversion of the RCPS shall rank equally in all respects with the then existing KUB Shares, save and except that the new KUB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, where the entitlement date is prior to the date of allotment and issuance of such new KUB Shares.	It is common and reasonable for new KUB Shares to be issued pursuant to the conversion of RCPS to rank equally in all respects with the then existing KUB Shares, save and except that the new KUB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, where the entitlement date is before the date of allotment and issuance of such new KUB Shares.
Governing law	The RCPS will be governed under the laws of Malaysia.	This term is reasonable as the RCPS is issued by a company incorporated in Malaysia.

Based on the salient terms of the RCPS and our comments as set out above, we are of the view that the salient terms of the RCPS are fair and reasonable.

6.5 INDUSTRY OVERVIEW AND PROSPECTS

We summarise below some key points for evaluation in relation to the overview and prospects of the Malaysian economy and the cable manufacturing industry as set out in Section 4 of Part A of the Circular.

6.5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 3.3% in the third quarter of 2023 (2Q 2023: 2.9%). Growth was anchored by resilient domestic demand. Household spending remained supported by continued growth in employment and wages. Meanwhile, investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms. Exports remained soft amid prolonged weakness in external demand. This, however, was partially offset by the recovery in inbound tourism. On the supply side, the services, construction and agriculture sectors remained supportive of growth. This was partly offset by the decline in production in the manufacturing sector given the weakness in demand for electrical and electronic ("**E&E**") products and lower production of refined petroleum products. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 2.6% (2Q 2023: 1.5%). Overall, the Malaysian economy expanded by 3.9% in the first 3 quarters of 2023.

Headline inflation continued to moderate to 2% (2Q 2023: 2.8%) during the quarter. The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation declined further to 2.5% (2Q 2023: 3.4%) but remained above its long-term average (2011-2019 average: 2%). The moderation in core inflation was largely contributed by selected services, including food away from home, expenditure in restaurants and cafés, and personal transport repair and maintenance. Inflation pervasiveness declined as the share of Consumer Price Index items recording monthly price increases moderated to 40.8% during the quarter (2Q 2023: 42.7%), below the third quarter long-term (2011-2019) average of 44.5%.

Domestic financial conditions were driven mainly by evolving expectations over the global monetary policy path. In particular, the strength of the US job markets has prompted expectations for a tighter-for-longer policy stance by the US Federal Reserve and subsequently higher US and global interest rates. In contrast, the People's Bank of China undertook further monetary policy easing to address weaker-than-expected growth in China, which dampened investor sentiments towards the region.

Against this backdrop, the US dollar appreciation extended into the quarter, and the Malaysian ringgit ended up depreciating by 0.2% alongside other regional currencies. However, the ringgit appreciated by 1.4% against a basket of major trading partner currencies, as indicated by the ringgit nominal effective exchange rate.

*(Source: Quarterly Bulletin 3Q 2023, Bank Negara Malaysia ("**BNM**"))*

<u>Comments from Affin Hwang IB on the outlook of the Malaysian economy</u>

Given the positive trajectory of the Malaysian economy, particularly with the growth in construction sector and sustained domestic demand, bodes well for the Cables Manufacturing Business as the growth in cable industry is driven by electrification. A higher demand for electrical power is expected to increase the demand for the products under the Cables Manufacturing Business as well as business opportunities for the Power Segment. The resilient domestic spending, coupled with ongoing infrastructure projects and supportive financial conditions, sets a favourable backdrop for the construction sector. However, close monitoring of global economic conditions and external demand remains crucial, and strategic adaptation to potential challenges is required for sustained growth in the power cables and wires industry.

6.5.2 Overview and outlook of the manufacturing and construction sectors for power cables and wires in Malaysia

Manufacturing sector in Malaysia

The overall sales value of the manufacturing sector of RM454.8 billion in the third quarter represents growth of 3.4% from the preceding quarter (2Q 2023: -2.3%). The sales value of export-oriented industries which represented more than two-thirds of total sales are contributed primarily by E&E Products (34.9%), Petroleum, Chemical Rubber & Plastic (25.0%) and Food, Beverages and Tobacco (17.6%). The first half of 2023 was underpinned by resilient domestic-oriented industries amid sluggish external demand. The domestic-oriented industries' steady growth of 4.1% (month-on-month) was backed by increasing demand for consumer goods and construction-related segments. Meanwhile, export-oriented industries expanded by 4.4% (month-on-month) and was weighed down by the lower production of E&E due to cyclical downturn in global semiconductor industry.

Anticipated acceleration and realisation of projects in the construction sector will increase the demand for metal related segments. Meanwhile, within the export-oriented industries, the E&E segment is expected to pivot away from the downcycle trend, in line with gradual improvements in global demand especially for computing devices, electronics and semiconductors as well as growing domestic demand for industrial electronics, electric vehicles (EV) and medical technology devices. Hence, manufacturing sector is anticipated to register a modest growth of 1.4% in 2023.

(Source: Economic Outlook 2024, Ministry of Finance & Manufacturing Statistics Malaysia, September 2023, Department of Statistics Malaysia)

Construction sector in Malaysia

The construction sector is forecasted to increase by 6.8% in 2024 following better performance in all subsectors. Civil engineering subsector continues to be bolstered by strategic infrastructure and utilities projects which include ongoing projects such as the Central Spine Road, the Pan Borneo Sabah Highway and acceleration of projects under the 12MP. Furthermore, a new solar power plant project under the Corporate Green Power Programme will support the subsector's growth. The implementation of NIMP 2030 is expected to further strengthen the performance of non-residential buildings subsector as the plan will provide a platform to attract more investments into the country. In addition, the residential buildings subsector is projected to improve further in line with the Government's effort to increase more affordable houses as outlined under the Mid-Term Review of the 12MP and the MADANI Neighbourhood (a township development targeting those in the middle 40% (M40), B40 and hardcore poor in the capital city) scheme, as well as new launching by the private sector.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

Comments from Affin Hwang IB on the overview and outlook of the manufacturing and construction sectors

CCB manufactures medium and low voltage power cables and wires in Malaysia. As such, the industry growth of the manufacturing of power cables and wires industry is expected to grow in line with the growth in the manufacturing and construction sectors in Malaysia. *(Source: Management of Central Cables Berhad)*

The Malaysian manufacturing sector demonstrates resilience. Export-oriented industries, including E&E wires and cables, demonstrated recovery amid global challenges. The E&E wires and cables segment signals recovery despite semiconductor industry downturns. As construction projects accelerate, demand for metal-related segments is expected to rise. Coupled with the expected improvement in the construction sector which is forecasted to increase by 6.8% in 2024, the power cables and wires industry stands to benefit from the post-pandemic recovery and realisation of projects in the construction sector.

6.5.3 Prospects and future plans of CCB

We note from Section 4.3 of Part A of the Circular, the prospects of CCB are as follows:

(i) with CCB's established track record in the Cables Manufacturing Business and long-term relationship with Malaysia's primary electricity generation enterprise, the Government's strategies and initiatives under the 12MP as set out below will bode well for CCB:

  (a) strategies to guide the nation towards the development of high-growth high-value (HGHV) industries, enhancement of energy sustainability, improvements to housing for the Rakyat, and streamlining of public transport networks; and

  (b) commitment to achieve net-zero greenhouse gas emissions by 2050. Concurrently, the National Energy Policy 2022-2040 lays the foundation for an equitable energy transition that is fair and inclusive.

(ii) In addition, the NETR aims to transform Malaysia as a regional leader in the energy transition and RE industry with an estimated RM1.2 trillion to RM1.3 trillion investments until 2050. In this current decade, the NETR expects investments to total between RM210 billion to RM240 billion by 2029 for crucial projects including the expansion of public transport infrastructure, strengthening the electrical grid system, and reskilling human capital. The expansion of RE power generation, including Hydrogen, Solar and Bioenergy, with anticipated investments of RM260 billion to RM270 billion between 2023 and 2050, as estimated by the NETR, while an estimated RM170 billion to RM175 billion is allocated for the RE grid network between 2023 and 2050.

(iii) Malaysia is also committed to rural electrification by enhancing energy access and bridging the electricity divide in rural areas with a target of achieving 99% electricity coverage by 2025, from 98.27% in 2022.

Further, as set out from Section 4.3 of Part A of the Circular, the future plans of CCB are as follows:

(i) The Group intends to preserve, grow and continue the operations of CCB subsequent to the completion of the Proposed Acquisition whilst retaining the key management personnel of CCB.

(ii) KUB anticipate that CCB will remain profitable in view of the industry outlook and prospect of CCB as set out in Sections 4.2 and 4.3 of Part A of the Circular due to the increased spending for infrastructure projects, grid modernisation efforts, growing electricity consumption and a strong push towards renewable energy enabling the Group to explore further opportunities for CCB in the Cables Manufacturing Business.

(iii) The Group also intends to collaborate and integrate its existing Power Business with CCB's on-going Cables Manufacturing Business, resulting in the enlarged Group becoming a more integrated power solutions provider in Malaysia when bidding for civil and electrical engineering works relating to the power sector.

Comments from Affin Hwang IB on the prospects and future plans of CCB

The 12MP underscores the government's steadfast commitment to achieving net-zero greenhouse gas emissions by 2050. Simultaneously, the National Energy Policy 2022-2040 lays the groundwork for an inclusive and equitable energy transition. In conjunction, the NETR, launched in September 2023, aims to expedite Malaysia's sustainable growth agenda by meticulously charting the nation's course toward a more resilient and environmentally conscious energy sector.

In line with the development of the NETR, the Ministry of Economy has reviewed and updated the existing policies on RE. An increase of 30 percentage point of the installed RE capacity to 70% by 2050. The higher target is expected to generate new economic opportunities by attracting multinational companies, especially RE 100 companies, to operate in Malaysia. The government is also cognisant of the need enhance the national power grid to accommodate higher RE uptake.

(Source: National Energy Transition Roadmap, Ministry of Economy)

Tenaga Nasional Berhad ("**TNB**") is a beneficiary of NETR and will champion 3 projects namely: (1) Solar Park; (2) Hybrid Hydro-Floating Solar PV; and (3) Co-Firing of Hydrogen and Ammonia. Also, TNB is entrusted to upgrade the electricity grid and infrastructures to handle the growth in variable RE and the grid integration with neighbouring countries for cross-border RE trades. It is also expected that high RE will help to attract high-technology manufacturers.

(Source: Thematic Note on RE, Malaysia's New Energy Transition Roadmap in motion dated 28 July 2023, Affin Hwang IB)

The above initiatives would foster opportunities for CCB, as the Government's initiatives and strategies necessitate expansion of the national grid and distribution with the installation of additional transmission lines, substations and cables. In addition, the acceleration of government infrastructure spending and industrial property development will augur well for the demand of cables and wires.

With the Group leveraging on the strength of CCB and its key management, it will enable the Group to expand its business by offering such power cables and wires, either as standalone product offering and/or to package the product offering with its bid for civil and electrical engineering works relating to the power industry. Such packaging of product offering will allow the Group's Power Business to offer better or more competitive pricing in its bid for civil and electrical engineering works.

Premised on the above, the Proposed Acquisition provides KUB with the opportunity to expand and diversify the Group's product offerings by venturing into the Cables Manufacturing Business, diversity and bolster its revenue and income stream, and enhance the prospects of the Group.

6.6 RISK FACTORS FOR THE PROPOSED ACQUISITION

We have taken note of the risk factors associated with the Proposed Acquisition as set out in Section 5 of Part A of the Circular:

(i) Completion risk

The completion of the Proposed Acquisition is conditional upon the Conditions Precedent as set out in Appendix I of the Circular being fulfilled and/or waived. There can be no assurance that all the Conditions Precedent can be fulfilled on or before the Cut-Off Date to the satisfaction of KUB and/or JAG. In the event that any or all the Conditions Precedent are not fulfilled and/or waived in accordance with the SPA and extension of time to fulfil the Conditions Precedent cannot be mutually agreed upon between KUB and JAG and/or the parties are unable to perform their obligations in accordance with the terms and conditions of the SPA, the Proposed Acquisition will not be able to be completed.

The Company will monitor the status and progress of the Proposed Acquisition and endeavours, to the extent possible, to fulfil all the terms and conditions of the SPA which is within its control.

The Management and JAG will use their best endeavours to ensure that the Conditions Precedent will be met before the Cut-Off Date and that every effort will be made to obtain the necessary consent and approvals to complete the Proposed Acquisition.

If Proposed Acquisition is not completed, the potential benefits expected from the Proposed Acquisition as set out in Section 6.1 of this Independent Advice Letter will not be realised.

(ii) Acquisition risk

There can be no assurance that the anticipated benefits of the Proposed Acquisition and the Proposed CCB MGO will be realised or that the Group will be able to generate sufficient returns from the Proposed Acquisition and the Proposed CCB MGO to offset the associated acquisition costs incurred. These include changes in the cash flow profile arising from the potential capital or operational expenditure to be committed to the Cables Manufacturing Business in future.

We note that the Proposed Acquisition is expected to be earnings accretive, primarily from the consolidation of the results of the CCB, and is expected to contribute positively to the earnings of KUB Group. Taking into account that CCB is a business with an established track record with an experienced and skilled key management team, we are of the view that that the KUB Group can capitalise on the resources, expertise and strength of CCB in its efforts to expand and diversify its product offerings and consequently, its revenue and income stream. As set out in Section 2.1.7 of Part A of the Circular, KUB is not expected to incur any additional material financial commitment to put the business of CCB on-stream as CCB is already in operations and income-generating.

(iii) Integration risk

The enlarged Group's business operations and financial position could be materially affected if the existing businesses of the Group and CCB are not integrated effectively or in a timely manner. This may result in the lower realisation of benefits and synergies arising from the Proposed Acquisition and the Proposed CCB MGO where failure to achieve the expected benefits and synergies may impact the enlarged Group's future financial performance.

Potential factors that may adversely affect a successful integration exercise include:

(a) disruption to business continuity and ongoing operations which could affect the enlarged Group's ability to deliver its products and services to its customers, timeliness in responding to competition and ability to maintain its market position;

(b) higher than anticipated integration complexities and costs, for example related to integration of information technology platforms and systems;

(c) unintended loss of key personnel or skilled or technical personnel or reduced employee effectiveness and productivity due to uncertainties during the integration phase; and

(d) unexpected challenges or issues that may lead to integration execution taking longer time or costing more than anticipated.

At the appropriate time, the enlarged Group may undertake the necessary steps, including undertaking proper studies to formulate and implement integration initiatives, and if necessary, establish a management team to oversee and ensure at successful integration exercise.

We note the Group intends to preserve, grow and continue the operations of CCB subsequent to the completion of the Proposed Acquisition whilst retaining the key management personnel of CCB. Further, KUB expects to formulate and implement integration initiatives, and if necessary, establish a management team to oversee and ensure at successful integration exercise.

(iv) Business risk

The Proposed Acquisition and the Proposed CCB MGO may expose the Group to certain new business risks inherent in the Cables Manufacturing Business that could have material adverse effect on its financial performance, including but not limited to the following:

(a) failure of machinery and disruption in the operations;

(b) failure to obtain the necessary operating permits, licences, certificates and/or regulatory approvals;

(c) availability and fluctuation of raw materials (metal and foreign currency exchange rates) and labour costs; and

(d) changes in the regulatory framework in the cables manufacturing industry.

Copper and aluminium are the main raw materials that CCB uses to manufacture CCB's cables and wires, and they contribute to the majority of CCB's total purchases. Copper and aluminium represented of approximately 72.24%, 70.70% and 72.16% of CCB's total purchases for the past three (3) FYEs up to 30 June 2023. Copper and aluminium are globally and actively traded commodity metals. The prices of copper and aluminium are affected by numerous factors beyond the Group's control, including global economic and political conditions, supply and demand, inventory levels maintained by suppliers, potential disruptions in the supply chains and currency exchange rates. Any unfavourable and material fluctuations in the prices of copper and aluminium may affect the CCB's margins and profitability, especially if CCB is unable to pass on the cost increments to its customers on a timely basis.

Furthermore, CCB's major customer (Malaysia's primary electricity generation enterprise transmitting and distributing all the electricity in Peninsular Malaysia, Sabah and the Federal Territory of Labuan) with whom it has maintained a long-standing business relationship for more than 33 years contributed to more than 50% of its revenue based on the audited consolidated financial statements of CCB for the past three (3) FYEs 30 June 2021, 30 June 2022 and 30 June 2023. The loss of the said major customer or any significant decline in its demand may adversely affect CCB's business, results of operations and financial condition.

Nevertheless, the Group will seek to mitigate this risk by leveraging on the experience, network and expertise of the key management personnel of CCB. The Group will also seek to limit the risk through, among others, diligently monitoring the performance and changes within the cable manufacturing industry, careful planning and periodic review of operations.

However, there can be no assurance the aforementioned risks may be adequately addressed and any changes to the operating conditions of the CCB Group may have an adverse effect on the Group's financial performance.

Copper and aluminium are the main raw materials that CCB uses to manufacture CCB's cables and wires, and they contribute to the majority of CCB's total purchases. Based on our discussion with the Management, CCB has mainly focused on mid-sized projects which have a shorter implementation period that would allow CCB to budget the cost of raw materials more accurately. KUB expects to leverage on the network and expertise of the key management personnel of CCB who will be overseeing the management and operation of the Cable Manufacturing Business. The KUB Group also intends to carry out periodic review of CCB's operations and process improvements.

(v) Competition risk

The wires and cables industry is highly competitive due to the presence of various wires and cables manufacturers who sell their products in the Malaysian market, some of whom have greater manufacturing, sales, development and financial resources than others. Additionally, the wires and cables manufacturers that are able to provide competitive pricing solutions may be better positioned among their competitors to secure new product orders. Aggressive pricing competition may lead to lower product selling prices, which in turn, may result in lower profit margins. The wires and cables manufacturers that are more adept in providing customer-centric sales, marketing, technical support and customer services may be better positioned among their competitors to secure new orders.

The impact of competition from new entrants into the wires and cables industry, to a certain extent, is minimised by the numerous barriers of entry to the industry including the importance of having an established track record in manufacturing quality wires and cables, market acceptance and reputable brand name, strong business relationships with customers, technical know-how, and high capital expenditure required to set up manufacturing facilities.

Although the Group (via the Cables Manufacturing Business) seeks to continue to adopt appropriate strategies to improve its competitiveness and as a result, increase the market share in this particular industry, there can be no assurance that competition from existing competitors and/ or new entrants will not have a material adverse effect on the performance / market share of the Group in the future.

We note that the wires and cables industry is highly competitive though the impact of such competition is minimised by the numerous barriers of entry to the industry to a certain extent. However, CCB has been involved in the power industry for the supply of power cables for distribution of electricity and wires since commencement of its business operations in Malaysia in 1967. Its operating history demonstrates its resilience in being able to withstand the competitions in the market that it is operating in. CCB's ability to manage and adapt to changes is essential for maintaining competitiveness and ensuring efficient supply chain operations.

(vi) Dependency on key management personnel risk

The business growth and success in the Cables Manufacturing Business is largely attributable to the skill, experience, competency and continued efforts of CCB’s key management personnel as well as the Group’s ability to attract more qualified personnel who have the relevant experience in the Cables Manufacturing Business. The loss of any key management personnel without timely replacement or the Group’s inability to attract and/or retain qualified personnel may adversely affect the Cables Manufacturing Business which would in turn negatively impact the financial performance of the enlarged Group.

As such, the Group will strive to adopt appropriate measures to retain the CCB’s key management personnel and attract qualified personnel, including providing attractive remuneration, requisite training, career advancement opportunities and other employment benefits. The Group may also reduce its reliance on any key management personnel by regularly reviewing its staff strength and policies (including succession planning) to ensure that it will be able to effectively address human resource risks.

Notwithstanding, there can be no assurance that these measures will enable the Group to retain its key management personnel or address the loss of its key management personnel effectively or that a smooth transition will occur during any staff replacement exercise.

We note that as part of the warranties provided by JAG under the SPA, CCB has in place a succession plan for its senior management and employees who are critical to the business operations CCB. In addition, KUB will adopt appropriate measures to retain CCB’s key management personnel and attract qualified personnel, as well as regularly review its staff strength and policies to be able to effectively address human resource risks.

(vii) Goodwill and impairment risk

According to the Malaysian Financial Reporting Standards 3 Business Combinations issued by the Malaysian Accounting Standards Board, the enlarged Group is expected to recognise goodwill arising from the Proposed Acquisition and the Proposed CCB MGO. Goodwill represents the excess of the consideration over the Group’s share of the fair value of the identifiable net assets acquired.

Goodwill is tested for impairment annually or if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, goodwill is allocated to each of the cash generating units (“**CGU**”), or groups of CGUs, that are expected to benefit from the Proposed Acquisition and the Proposed CCB MGO. Accordingly, to arrive at the impairment amount, the carrying amount of the CGU including the goodwill of the CGU is compared with the recoverable amount of the CGU, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Whilst the management expects the goodwill to be supported by the post-acquisition performance of CCB, any material changes or events arising that may adversely affect the business prospects and/or assets of CCB, may result in an impairment of the goodwill. Any fair value adjustments allocated to the identifiable assets and liabilities of CCB, and the effects of amortisation of the fair value adjustments if any, from the Proposed Acquisition and Proposed CCB MGO may materially and adversely affect the Group’s financial position and that may have a corresponding effect on shareholders’ value.

Goodwill impairment assessment is a common accounting practice for any assets held by the Group. Any impairment arising from the Proposed Acquisition, although will not have an impact on the cashflow of the Group, may affect the profitability of the Group for the affected financial period.

We note that the Management expects the goodwill to be supported by post-acquisition performance of CCB, based on CCB's projected five (5) year financial forecast and projections from FYE 30 June 2024 to 2029.

We wish to highlight that although the Group has sufficient expertise and knowledge to mitigate the risks associated with the Proposed Acquisition and will make the necessary efforts to mitigate the risks identified, no assurance can be given that the risks above will not occur.

CCB had commenced its business operations in 1967 and has an established track record, supported by its experienced and skilled key management team. KUB intends to adopt appropriate measures to retain CCB Group's key management personnel and attract qualified personnel for the Cables Manufacturing Business.

6.7 EFFECTS OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken note of the effects of the Proposed Acquisition as set out Section 6 of Part A of the Circular.

(i) Issued share capital

The Proposed Acquisition involves the issuance of approximately 199.04 million RCPS to satisfy the Purchase Consideration. Assuming full conversion of the RCPS into new KUB Shares, this will result in a new issuance of approximately 199.04 million KUB Shares based on the conversion ratio of one (1) RCPS for one (1) new KUB Share, increasing the share capital of KUB from approximately 556.46 million KUB Shares as at the LPD to 755.50 million KUB Shares.

(ii) Substantial shareholders' shareholding

The effects of the Proposed Acquisition on the substantial shareholders' shareholding in KUB are as follows:

Substantial shareholders	As at the LPD		After the Proposed Acquisition	
	No. of KUB Shares ('000)	%	No. of KUB Shares ('000)	%
JAG	185,187	33.28	185,187	33.28
DSJ	185,187 (Indirect)	33.28	185,187 (Indirect)	33.28
Leasing Corporation Sdn Bhd	100,000	17.97	100,000	17.97

(a) The shareholdings of JAG and Leasing Corporation Sdn Bhd in KUB remain unchanged at 33.28% and 17.97% respectively upon completion of the Proposed Acquisition due to the issuance of the Consideration RCPS; and

(b) The shareholding of JAG will increase to between 48.87% to 50.86% assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash. However, it is not expected that there will be major changes to the operation of the Group as JAG has been the largest substantial shareholder of KUB since 2019.

Accordingly, while there is no immediate dilution to the Non-Interested Shareholders' shareholdings upon completion of the Proposed Acquisition, dilution to the Non-Interested Shareholders' shareholdings will occur as and when the RCPS holders opt to convert their RCPS into new KUB Shares based on the Conversion Ratio over the Conversion Period.

(iii) NA and NA per KUB Share

Based on the latest audited consolidated statements of financial position of KUB as at 30 June 2023 and assuming that the Proposed Acquisition had been effected on that date, the pro forma effects of the Proposed Acquisition on the NA* and NA per KUB Share are as follows:

(a) Proforma NA* is expected to increase by approximately RM117.85 million from RM517.05 million to RM634.90 million after the Proposed Acquisition arising from the issuance of the Consideration RCPS; and

(b) Proforma NA per KUB Share will correspondingly increase from RM0.93 to RM1.14 after the Proposed Acquisition.

However, despite the increase in proforma NA* and proforma NA per KUB Share after the Proposed Acquisition, there will be a reduction in the proforma NA per KUB Share from RM1.14 up to RM0.83, due to the enlarged share base of KUB, assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash.

Note:

** NA refers to equity attributable to owners of the Company.*

(iv) Gearing

Based on the latest audited consolidated statements of financial position of KUB as at 30 June 2023 and assuming that the Proposed Acquisition had been effected on that date, the pro forma effects of the Proposed Acquisition on the gearing of KUB are as follows:

(a) Interest-bearing borrowings is expected to increase by approximately RM42.75 million from RM41.11 million to RM83.86 million arising from the consolidation of the borrowing of CCB; and

(b) Gearing will increase marginally by 0.05 times from 0.08 times to 0.13 times arising from the consolidation of the borrowing of CCB but offset by higher proforma total equity arising from the issuance of the Consideration RCPS.

(v) Earnings and EPS

The pro forma effects of the Proposed Acquisition on the consolidated earnings and EPS are set out in Section 6.4 of Part A of the Circular. We note that the pro forma effects of the Proposed Acquisition on the consolidated earnings and EPS of the Company have been computed based on a normalised PAT of the Company based on the audited consolidated PAT attributable to the owners of KUB for the FYE 30 June 2023 as the Company recorded a number of one-off gains from:

(a) fair value on investment in KUB Sepadu Sdn Bhd;
(b) Reversal of impairment of trade and other receivables;
(c) Reversal of provision for liquidated ascertained damages; and
(d) disposal of property, plant and equipment;

which does not represent the normal operating income of the Group.

Upon the completion of the Proposed Acquisition, CCB will become a subsidiary of KUB and will consolidate the results of CCB, which is earnings accretive to KUB on a proforma basis based on the latest audited financial statements of CCB for FYE 30 June 2023. The EPS calculated based on the normalised PAT of the Company for the FYE 30 June 2023 is expected to increase from 2.63 sen to 4.36 sen after the Proposed Acquisition but decrease to between 3.21 sen to 3.41 sen on a proforma basis, assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash as set out in Section 6.4 of Part A of the Circular.

Based on the above, the Proposed Acquisition is earnings accretive to the Group on a proforma basis, gearing will increase due to the consolidation of the borrowing of CCB, NA will increase due to the issuance of the Consideration RCPS, however NA per share will reduce due to the enlarged share capital base. We are of the view that the effects of the Proposed Acquisition are consequential to the consolidation of CCB and also the mode of settlement of the Proposed Acquisition in the form of RCPS. There will be no immediate dilution to the Non-Interested Shareholders' shareholdings upon completion of the Proposed Acquisition. Dilution to the Non-Interested Shareholders' shareholdings will occur as and when the RCPS holders opt to convert their RCPS into new KUB Shares based on the Conversion Ratio over the Conversion Period.

We note that the Proposed Diversification and Proposed Amendments will not have any effect on KUB's share capital, substantial shareholders' shareholding, NA, gearing, earnings and EPS.

7. EVALUATION OF THE PROPOSED DIVERSIFICATION

The Proposed Diversification is undertaken in compliance with Paragraph 10.13 of the Listing Requirements as the Board anticipates that the new business under CCB which is involved in the Cable Manufacturing Business, may contribute 25% or more of the net profits of the Group and/or result in a diversion of more than 25% of the NA of the Group going forward.

Our analysis and rationale for the Proposed Acquisition as discussed in Section 6.1 of this Independent Advice Letter would also apply to the Proposed Diversification as the Proposed Diversification is a consequence to the Proposed Acquisition. The Proposed Acquisition provides KUB with the opportunity to expand and diversify the Group's product offerings by venturing into the Cables Manufacturing Business, diversity and bolster its revenue and income stream, and enhance the prospects of the Group.

Based on the above, we are of the view that the Proposed Diversification is reasonable and not detrimental to the Non-Interested Shareholders.

8. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the terms of the Proposed Acquisition and have set out our evaluation in Section 6 of this Independent Advice Letter, as summarised in the table below. Non-Interested Shareholders should consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors including those set out below and other considerations as set out in this Independent Advice Letter, Part A of the Circular together with the appendices and other publicly available information before making a decision to vote on the resolution pertaining to the Proposed Acquisition.

Section in this Independent Advice Letter	**Section of evaluation**	**Comments**
6.1	Rationale and benefits of the Proposed Acquisition	The Proposed Acquisition will: (i) enable the Group to venture into the Cables Manufacturing Business and expand and diversify the Group's product offerings; (ii) enable the Group to capitalise on the resources, expertise and strength of CCB and enhance the Group's prospects; and

Section in this Independent Advice Letter	Section of evaluation	Comments
		(iii) reduce the Group's dependency on the LPG Business and provide an opportunity to the Group to diversify and bolster its revenue and income stream. Considering the above factors, we are of the view that the rationale for the Proposed Acquisition is reasonable. Accordingly, the Proposed Diversification which is undertaken in compliance with Paragraph 10.13 of the Listing Requirements which is expected to strengthen the prospects as well as earnings of the enlarged KUB Group is also reasonable. The Proposed Amendments is to facilitate the issuance of the new RCPS as a mode of settlement for the Proposed Acquisition.
6.2	Basis and justifications for the Purchase Consideration	We are of the view that the Purchase Consideration is fair as it is: (i) below the implied valuation range based on PE and EV/EBITDA multiples of RM157.34 million and RM169.97 million; and (ii) within the implied valuation range based on Discounted FCFE method of RM112.55 million to RM139.35 million. The above are based on the valuation for approximately 86.65% equity interest in CCB.
6.3	Basis and justifications for the RCPS Issue Price / effective conversion price	We note that the RCPS Issue Price / effective conversion price is at a discount from the estimated fair value per KUB Share of RM1.26 and NA per KUB Share of RM0.93 as at 30 June 2023. However, there is no assurance that the KUB Shares will trade at or above the SOPV or the NA per KUB Share and that the KUB Shares can be realised at that value. We note that the KUB Shares have not traded above the NA per KUB Share nor SOPV per KUB Share for the last five (5) years from the LTD. Premised on the above, we are of the view that the RCPS Issue Price / effective conversion price is fair.
6.4	Salient terms of the SPA and RCPS	After evaluating the salient terms of the SPA and RCPS, we are of the view that the salient terms of the SPA and RCPS are reasonable.
6.5	Industry overview and prospects	The Government's initiatives and strategies necessitate expansion of the national grid and distribution with the installation of additional transmission lines, substations and cables would foster opportunities for CCB. In addition, the acceleration of government infrastructure spending and industrial property development will augur well for the demand of cables and wires.

Section in this Independent Advice Letter	Section of evaluation	Comments
		The Proposed Acquisition provides KUB with the opportunity to expand and diversify the Group's product offerings by venturing into the Cables Manufacturing Business, diversity and bolster its revenue and income stream, and enhance the prospects of the Group.
6.6	Risk factors for the Proposed Acquisition	Although KUB Group has sufficient expertise and knowledge to mitigate the risks associated with the Proposed Acquisition and will make the necessary efforts to mitigate the risks identified, no assurance can be given that the risks above will not occur. CCB had commenced its business operations in 1967 and has an established track record, supported by its experienced and skilled key management team. KUB intends to adopt appropriate measures to retain CCB Group's key management personnel and attract qualified personnel for the Cables Manufacturing Business.
6.7	Effects of the Proposed Acquisition	**Issued share capital** The Proposed Acquisition involves the issuance of approximately 199.04 million RCPS to satisfy the Purchase Consideration. Assuming full conversion of the RCPS into new KUB Shares, this will result in a new issuance of approximately 199.04 million KUB Shares based on the conversion ratio of one (1) RCPS for one (1) new KUB Share, increasing the share capital of KUB from approximately 556.46 million KUB Shares as at the LPD to 755.50 million KUB Shares. **Substantial shareholders' shareholding** (i) The shareholdings of JAG and Leasing Corporation Sdn Bhd in KUB remain unchanged at 33.28% and 17.97% respectively upon completion of the Proposed Acquisition due to the issuance of the Consideration RCPS; and (ii) The shareholding of JAG will increase to between 48.87% to 50.86% assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash. However, it is not expected that there will be major changes to the operation of the Group as JAG has been the largest substantial shareholder of KUB since 2019. Accordingly, while there is no immediate dilution to the Non-Interested Shareholders' shareholdings upon completion of the Proposed Acquisition, dilution to the Non-Interested Shareholders' shareholdings will occur as and when the RCPS holders opt to convert their RCPS into new KUB Shares based on the Conversion Ratio over the Conversion Period.

Section in this Independent Advice Letter	Section of evaluation	Comments
		<u>**NA and NA per KUB Share**</u> (i) Proforma NA* is expected to increase by approximately RM117.85 million from RM517.05 million to RM634.90 million after the Proposed Acquisition arising from the issuance of the Consideration RCPS; and (ii) Proforma NA per KUB Share will correspondingly increase from RM0.93 to RM1.14 after the Proposed Acquisition. However, despite the increase in proforma NA* and proforma NA per KUB Share after the Proposed Acquisition, there will be a reduction in the proforma NA per KUB Share from RM1.14 up to RM0.83, due to the enlarged share base of KUB, assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash. ***Note:*** ** NA refers to equity attributable to owners of the Company.* <u>**Gearing**</u> Interest-bearing borrowings is expected to increase by approximately RM42.75 million from RM41.11 million to RM83.86 million and gearing will increase marginally by 0.05 times from 0.08 times to 0.13 times arising from the consolidation of the borrowing of CCB but offset by higher proforma total equity arising from the issuance of the Consideration RCPS. <u>**Earnings and EPS**</u> (i) Upon the completion of the Proposed Acquisition, CCB will become a subsidiary of KUB and will consolidate the results of CCB after the Proposed Acquisition which is earnings accretive to KUB on a proforma basis based on the latest audited financial statements of CCB for FYE 30 June 2023; and (ii) The EPS calculated based on the normalised PAT of the Company for the FYE 30 June 2023 is expected to increase from 2.63 sen to 4.36 sen after the Proposed Acquisition but decrease to between 3.21 sen to 3.41 sen on a proforma basis, assuming full conversion of the RCPS into new KUB Shares and depending on the level of acceptance of the Proposed CCB MGO where the holders of the CCB Offer Shares can opt for the Securities Option or cash.

Section in this Independent Advice Letter	Section of evaluation	Comments
		We are of the view that the effects of the Proposed Acquisition are consequential to the mode of settlement of the Proposed Acquisition in the form of Consideration RCPS. There will be no immediate dilution to the Non-Interested Shareholders' shareholdings upon completion of the Proposed Acquisition. Dilution to the Non-Interested Shareholders' shareholdings will occur as and when the RCPS holders opt to convert their RCPS into new KUB Shares based on the Conversion Ratio over the Conversion Period.

After taking into consideration our overall assessment and evaluation of the Proposed Acquisition based on the information available to us up to the LPD, we are of the view that the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the Non-Interested Shareholders.

Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the Company's forthcoming EGM.

Yours faithfully
for and on behalf of
AFFIN HWANG INVESTMENT BANK BERHAD

JOHAN HASHIM
Head
Corporate Finance

STELLA CHOY
Director
Corporate Finance

SALIENT TERMS OF THE SPA

1. SALE AND PURCHASE OF THE SALE SHARES

1.1 Subject to the terms and conditions of the SPA, JAG agrees to sell to our Company and our Company agrees to purchase from JAG the Acquisition Shares. JAG shall transfer legal and beneficial title to the Acquisition Shares, free from all encumbrances whatsoever and together with all rights, benefits, title, interest and advantages attached thereto.

2. PURCHASE CONSIDERATION

2.1 The Purchase Consideration shall be satisfied by the allotment and issuance of 199,035,059 new RCPS at an issue price of RM0.60 per RCPS.

3. CONDITIONS PRECEDENT

3.1 Completion is conditional upon and subject to the following Conditions Precedent having been fulfilled or waived in accordance with the SPA within the period of 3 months from the date of the SPA or such other date as may be mutually agreed by JAG and our Company in writing ("**Cut-Off Date**"):

(a) our receipt of the written consent from certain third-party financiers consenting to the change in shareholders, shareholdings, directors or management line-up of CCB and of its subsidiary(ies) (as applicable) and documentary evidence of the same from such third-party financiers;

(b) consent of the SC pursuant to paragraph 19.03 of the Rules;

(c) approval of the Non-Interested Shareholders for the Proposed Acquisition at the forthcoming EGM;

(d) approval of any governmental authority for the transaction contemplated under the SPA (where required); and

(e) approval of the SC pursuant to subsection 212(5) of the CMSA for making available the RCPS under the Proposed CCB MGO.

4. COMPLETION

4.1 Completion shall take place on the date falling 7 business days from the day upon which all the Conditions Precedent have been satisfied or waived in accordance with the SPA or at such other date as the parties may agree in writing.

5. TERMINATION

5.1 The SPA may be terminated:

(a) if any of the Conditions Precedent is not fulfilled or waived on or before the Cut-Off Date; or

(b) our Company fails to pay the Purchase Consideration to JAG on the Completion Date; or

(c) at any time on or prior to the Completion Date, if:

(i) JAG is in material breach of any of its undertakings or obligations or the Vendor's warranties given by JAG under the SPA ("**Vendor's Warranties**");

(ii) JAG is in breach of any of the fundamental Vendor's Warranties given by JAG and if such breach is capable of being remedied, JAG fails, refuses or neglects to remedy such breach within 30 days after written notice has been given by us to JAG providing particulars of the breach and requiring such breach to be remedied; or

(d) the occurrence of a Material Adverse Effect; or

(e) we are in material breach of any of its undertakings or obligations or the warranties given by us under the SPA and if such breach is capable of being remedied, we fail, refuse or neglect to remedy such breach within 30 days after written notice has been given by JAG to us providing particulars of the breach and requiring such breach to be remedied.

5.2 In the event the SPA is terminated by either party:

(a) the parties shall each return to the other all information, documents and other materials that have been delivered under the SPA; and

(b) we shall deliver to JAG the completion documents set out under Clause 6.2 of the SPA (if any), with JAG's ownership over the Acquisition Shares intact, the existing company secretary of each of CCB's subsidiaries remaining or re-appointed (as the case may be) as company secretary and the resignation of the additional directors of each of CCB's subsidiaries as may be nominated by us.

For reference:

"**Material Adverse Effect**" means any event or events that has / have occurred which (a) results in a contractual value or potential loss or liability in excess of an amount equivalent to RM200,000 or more, or (b) materially and adversely affected, or can most probably be expected to materially adversely affect, CCB and its subsidiaries' assets, liabilities, results of operation or financial condition, taken as a whole, which shall be determined by our Company (acting reasonably).

SALIENT TERMS OF THE RCPS

Issuer	:	KUB
Issue Size	:	Up to 229,699,350 RCPS (comprising 199,035,059 new RCPS to be issued pursuant to the Proposed Acquisition and up to 30,664,291 new RCPS to be issued pursuant to the Proposed CCB MGO).
Issue Price	:	RM0.60 per RCPS
Tenure	:	5 years commencing from the Issue Date up to the Maturity Date (both dates inclusive).
Maturity Date	:	The business day immediately before the 5th anniversary of the Issue Date.
Issue Date	:	Date of issuance of the RCPS
Preferential Dividend	:	The RCPS shall rank equally (and not in priority) with existing KUB Shares insofar as the right to receive dividends is concerned. As and when dividends (including any special dividends) are declared by our Board in respect of the KUB Shares, each RCPS shall also carry the right to receive such dividends (non-cumulative) declared in respect of 1 KUB Share, subject however to any adjustment to the Conversion Ratio, provided that the consolidated PAT of CCB for the financial year preceding the declaration of the preferential dividend as shown in CCB's audited consolidated financial statements for that financial year is higher than the amount of preferential dividend to be declared.
Conversion Mode	:	The conversion of the RCPS will not require any cash payment from the RCPS holders. The RCPS holders shall, upon conversion, surrender the requisite number of RCPS for cancellation by our Company.
Conversion Period	:	At any time from the Issue Date up to the Maturity Date (both dates included) at the option of the RCPS holders. Within 8 Market Days from the date of receipt by our Company of a duly completed and signed conversion notice or such other period as may be prescribed or allowed by Bursa Securities or under any applicable laws and regulations, our Company shall: (i) allot and issue such number of new KUB Shares to which the RCPS holder is entitled to receive arising from the exercise of the Conversion Rights and cause the securities account of the said RCPS holder to be credited with such number of new KUB Shares; and (ii) despatch a copy of the notice of allotment to the relevant RCPS holder in respect of the new KUB Shares to be credited into the securities account of the RCPS holder.
Conversion Rights	:	The RCPS shall be convertible at the option of the RCPS holders at any time during the Conversion Period into such number of KUB Shares as is determined based on the Conversion Ratio.
Conversion Ratio	:	The Conversion Ratio is 1 RCPS for 1 new KUB Share, subject to adjustments in the event of any alteration to the share capital of our Company. Accordingly, based on the Issue Price and the Conversion Ratio, the effective conversion price of each of the RCPS is RM0.60 for each new KUB Share.

SALIENT TERMS OF THE RCPS *(Cont'd)*

Rights to receive notices, reports and attend meetings and voting rights	:	The RCPS holders shall be entitled to the same rights as the ordinary shareholders of our Company with regards to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of our Company, save and except in respect of any resolution made: (i) on a proposal to reduce our Company's share capital; (ii) on a proposal for the disposal of substantially the whole of our Company's property, business and undertaking; (iii) on a proposal to wind up our Company; (iv) during the winding up of our Company; or (v) on any proposal that affects the rights and privileges attached to the RCPS, including the amendments to the Constitution. In any of the aforesaid circumstances, each RCPS holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings, be entitled to 1 vote for each RCPS held.
Mandatory conversion on Maturity Date	:	Unless previously redeemed or converted, all outstanding RCPS will be mandatorily converted into new KUB Shares on the Maturity Date based on the Conversion Ratio.
Redemption period	:	The period from and including the Issue Date up to 5.00 p.m. on the business day immediately before the Maturity Date.
Redemption	:	Our Company may, subject to and in accordance with Section 72 of the Act, at any time during the Redemption Period, redeem the RCPS in whole or part thereof the outstanding RCPS held by such RCPS Holder, at the Issue Price in cash by giving the RCPS holders no less than 12 business days' written notice prior to the date of the redemption. As such, there is no fixed redemption schedule in respect of the RCPS. The redemption price is equivalent to the Issue Price together with any unpaid preferential dividend up to the redemption date. For the avoidance of doubt, the RCPS holders shall not have the right to require our Company to redeem the RCPS. All RCPS which are redeemed will be cancelled and will not be reissued.
Listing status	:	The RCPS will not be listed, quoted or traded on Bursa Securities or any stock exchange. The new KUB Shares to be issued upon conversion of the RCPS shall be listed on the Main Market of Bursa Securities.
Transferability	:	The RCPS shall not be transferable, save and except for transfers between the holders of the RCPS, subject to the applicable laws, regulations and rules that would apply to the securities of our Company.

SALIENT TERMS OF THE RCPS *(Cont'd)*

Ranking of the RCPS	:	The RCPS are unsecured and shall rank equally in all respects among themselves. The RCPS shall rank behind all secured and unsecured debt obligations of our Company. The RCPS shall rank in priority to the KUB Shares in any repayment of capital in the event of liquidation, dissolution or winding-up of our Company, provided that the RCPS shall not be entitled to participate in any surplus capital, assets or profits of our Company.
Ranking of new KUB Shares to be issued upon conversion of the RCPS	:	The new KUB Shares to be issued upon conversion of the RCPS shall rank equally in all respects with the existing KUB Shares, save and except that the new KUB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, where the entitlement date is prior to the date of allotment and issuance of such new KUB Shares.
Governing law	:	The RCPS will be governed under the laws of Malaysia.

FURTHER DETAILS ON THE PROPOSED AMENDMENTS

The Constitution shall be altered, modified or amended in the manner as set out below:

Clauses to be amended	Existing Provisions	Amended Provisions
To insert new definitions in Clause 3	-	**WORDS** / **MEANINGS** CCB — Central Cables Berhad (Registration No. 196701000235 (7169-A)). Conversion Period — means any time from the Issue Date up to the Maturity Date (both dates included) at the option of the RCPS holders. Issue Date — means the date of issuance of the RCPS. Issue Price — means the issue price of RM0.60 per RCPS. Maturity Date — means the Business Day immediately before the 5th anniversary of the Issue Date. RCPS — means the redeemable convertible preference shares in the capital of the Company, each issued at the Issue Price. RCPS holder(s) — means the holder(s) for the time being of the RCPS. RCPS Tenure — five (5) years commencing from the Issue Date up to the Maturity Date (both dates inclusive). Redemption Period — means the period from and including the Issue Date up to 5.00 p.m. on the Business Day immediately before the Maturity Date.
To insert a new Clause 4A after the existing Clause 4	-	**4A. RCPS** The RCPS shall be issued on the following terms and confer on their holders the rights specified below: (a) Preferential Dividends (i) The RCPS shall rank equally (and not in priority) with existing KUB Shares insofar as the right to receive dividends is concerned. (ii) As and when dividends (including any special dividends) are declared by our Board in respect of the KUB Shares, each RCPS shall also carry the right to receive such dividends (non-cumulative) declared in respect of 1 KUB Share, subject however to any adjustment to the Conversion Ratio, provided that the consolidated profit after taxation of CCB for the financial year preceding the declaration of the preferential dividend as shown in CCB's audited consolidated financial statements for that financial year is higher than the amount of preferential dividend to be declared.

(b) Transferability

(i) The RCPS shall not be transferable, save and except for transfers between the RCPS holders, subject to the applicable laws, regulations and rules that would apply to the securities of the Company.

(c) Ranking

(i) The RCPS are unsecured and shall rank equally in all respects among themselves, but shall rank behind all secured and unsecured debt obligations of the Company.

(ii) The RCPS shall rank in priority to the KUB Shares in any repayment of capital in the event of liquidation, dissolution or winding-up of the Company, provided that the RCPS shall not be entitled to participate in any surplus capital, assets or profits of the Company.

(d) Listing Status

(i) The RCPS will not be listed, quoted or traded on the Exchange or any other stock exchange.

(ii) The new KUB Shares to be issued upon conversion of the RCPS shall be listed on the Exchange.

(e) Conversion

(i) 1 RCPS is convertible into 1 new KUB Share ("**Conversion Ratio**"), subject to adjustments in the event of any alteration to the capital of the Company. Accordingly, based on the Issue Price and the Conversion Ratio, the effective conversion price of each of the RCPS is RM0.60 for each new KUB Share.

(ii) The RCPS shall be convertible, at the option of the RCPS holders at any time during the Conversion Period into such number of KUB Shares as is determined based on the Conversion Ratio ("**Conversion Shares**"), either in whole or in part, upon tendering of a valid conversion notice by the RCPS holder ("**RCPS Conversion Notice**"). The conversion of the RCPS will not require any cash payment from the RCPS holders. The RCPS holders shall, upon conversion, surrender the requisite number of RCPS for cancellation by the Company.

(iii) The conversion of the RCPS shall be exercised by the relevant RCPS holder ("**Converting RCPS Holder**") by delivering a duly completed and signed RCPS Conversion Notice to the Registrar of the Company during business hours on any Market Day during the RCPS Tenure. The RCPS Conversion Notice shall be in such form as may be prescribed from time to time by the Company or in accordance with any applicable laws and regulations from time to time and may be requested by or on behalf of the holders of the RCPS from time to time from the Company. The RCPS Conversion Notice shall be irrevocable upon receipt by the Registrar. A Converting RCPS Holder shall also further furnish to the Company such supporting documents or information as may be prescribed by the Company or as may be required under any applicable laws or regulations from time to time. The conversion shall be carried out in accordance with such procedures as may be prescribed by any applicable laws and regulations.

(iv) Once an RCPS Conversion Notice has been submitted to the Company, the Converting RCPS Holder shall not sell, transfer, dispose or otherwise encumber the RCPS in respect of which the conversion right has been exercised.

(v) Within 8 Market Days from the date of receipt by the Company of a duly completed and signed RCPS Conversion Notice or such other period as may be prescribed or allowed by the Exchange or under any applicable laws and regulations, the Company shall:

(1) allot and issue such number of new KUB Shares to which the RCPS holder is entitled to receive arising from the exercise of the Conversion Rights and cause the securities account of the said RCPS holder to be credited with such number of new KUB Shares; and

(2) despatch a copy of the notice of allotment to the relevant RCPS holder in respect of the new KUB Shares to be credited into the securities account of the RCPS holder.

(vi) Once converted, the RCPS shall not be capable of reissue.

(vii) Unless previously redeemed or converted, all outstanding RCPS will be mandatorily converted into new KUB Shares on the Maturity Date based on the Conversion Ratio.

(viii) Any fraction of the Conversion Shares, if any, arising from the conversion of the RCPS shall be disregarded.

(ix) The new KUB Shares to be issued upon conversion of the RCPS shall rank equally in all respects with the existing KUB Shares, save and except that the new KUB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, where the entitlement date is prior to the date of allotment and issuance of such new KUB Shares.

(f) Redemption

(i) The Company may, subject to and in accordance with Section 72 of the Act, at any time during the Redemption Period, redeem the RCPS in whole or part thereof the outstanding RCPS held by such RCPS holders, at the Issue Price in cash by giving the RCPS holders no less than 12 Market Days' written notice ("**Redemption Notice**") prior to the date of the redemption ("**Redemption Date**"). As such, there is no fixed redemption schedule in respect of the RCPS.

(ii) In the event of the Company determining to redeem a part only of the RCPS, those to be redeemed shall be selected by drawings in such manner as the Board shall approve or a rateable proportion (as nearly as practicable without involving fractions of RCPS held by the RCPS holders after the redemption) of each holding of such RCPS on the Redemption Date.

(iii) On the Redemption Date, the Company shall be bound to redeem the RCPS specified in the Redemption Notice at the redemption amount subject to the Redemption Notice.

(iv) The redemption price is equivalent to the Issue Price together with any unpaid preferential dividend carried forward up to the Redemption Date.

(v) For the avoidance of doubt, the RCPS holders shall not have the right to require the Company to redeem the RCPS.

(vi) All RCPS which are redeemed will be cancelled and will not be reissued.

(vii) No RCPS shall be redeemed otherwise than out of profits or the proceeds of fresh issue of shares or capital of the Company, but where any such RCPS are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred into the share capital account, a sum equal to the amount of the RCPS redeemed. All the provisions of the Act relating to the redemption of shares shall be duly observed. The Company shall use its reasonable endeavours to ensure that it has sufficient funds (either from profits or from proceeds from new issue of shares as required under the Act), which can be lawfully applied towards redemption

(g) Voting Rights

(i) The RCPS holders shall be entitled to the same rights as the ordinary shareholders as regards to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of the Company, save and except in respect of any resolution made:

(1) on a proposal to reduce the Company's share capital;

(2) on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking;

(3) on a proposal to wind up the Company;

(4) during the winding up of the Company; or

(5) on any proposal that affects the rights and privileges attached to the RCPS, including the amendments to this Constitution.

(ii) In any of the aforesaid circumstances, each RCPS holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings be entitled to 1 vote for each RCPS held.

INFORMATION ON CCB

1. HISTORY

CCB was incorporated under the name of Sharikat Central Cables Sendirian Berhad on 6 June 1967 in Malaysia under the Companies Act, 1965 and is deemed registered under the Act as a private limited company. CCB was converted into a public company on 25 August 1980 and assumed its present name. CCB is not listed on Bursa Securities or any other stock exchange. CCB commenced its business operations in 1967.

The principal place of business of CCB is at 7862, Batu Berendam, 75350 Melaka.

CCB is principally involved in investment holding and the manufacturing of power cables and wires while its subsidiaries are currently dormant.

CCB's principal products are overhead bear conductor (up to 500kV), XLPE and Thermoplastic Polyethylene cables ranging from 1kV to 33kV, underground medium voltage XLPE cables (11kV to 33kV, 1-core and 3-cores), low voltage power and control XLPE or polyvinyl chloride cable cables (multicores up to 3.3kV, 1 to 4-cores) and housing wires. The principal market for CCB's products is Malaysia where it derived over 99.00% of its revenue in the past 3 financial years.

As at the LPD, the total issued share capital of CCB is RM53,000,000 comprising of 53,000,000 CCB Shares.

Based on the audited consolidated financial statements of CCB for the FYE 30 June 2023, the CCB Group's material assets comprise the following:

Type of asset	Audited net book value as at 30 June 2023
	RM
Non-current assets	
Property, plant and equipment	20,265,870
Right-of-use assets	5,276,670
Investment properties	15,326,271
Current assets	
Inventories	35,864,020
Trade and other receivables	27,502,560
Current tax assets	697,615
Short term fund	2,181,061
Cash and bank balances	33,026,141
Shareholders' equity/NA	80,430,639

As at the LPD, the CCB Group operates the following factories:

Location	Description	Land area / Built-up area (square feet)	Leasehold/ freehold	Term of lease	Expiry date of lease	Principal products manufactured
Lot 1598, PN 2892, Mukim Pringgit, Melaka Tengah, Melaka	Factory, warehouse and office	297,191.57 / 230,496.78	Leasehold	66-year lease tenure commencing from 31 January 1967 to 30 July 2033 ("**Initial Term**"). The Initial Term was subsequently extended for another 72 years.	30 January 2105	Plastic insulated electric power cables, bare aluminium conductors, bare copper wires and strips for electric circuits, XLPE cables, plastic insulated secondary telephone cables, plastic insulated electric power cables such as coaxial cables, feeder wires, plug wires and audio cables and enamelled wires.
Lot 31802, GRN 51000, Pekan Senawang, Seremban, Negeri Sembilan	Factory complex (currently unoccupied)	199,412.00 / 67,296.94	Freehold	Not applicable as the land is freehold	-	-

The annual production capacity and output of the CCB Group for the past 3 FYEs 30 June 2021, 30 June 2022 and 30 June 2023 are as follows:

	FYE 30 June		
	2021	**2022**	**2023**
Consumption (metric tonnes)	9,850	8,240	9,992
Production capacity (metric tonnes)	17,600	17,600	17,600
Utilisation rate (%)	55.97	46.82	56.77

Note:

Production capacity is based on the efficiency level, product and customer mix.

2. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of CCB and their respective shareholding in CCB are as follows:

		Direct		Indirect	
Name	**Nationality / Country of Incorporation**	**No. of CCB Shares**	**%**	**No. of CCB Shares**	**%**
JAG	Malaysia	45,924,632	86.65	-	-
DSJ	Malaysian	-	-	[(1)]45,924,632	86.65

Note:

(1) Deemed interest by virtue of his interest in JAG pursuant to Section 8 of the Act.

3. DIRECTORS

As at the LPD, the directors of CCB and their respective shareholding in CCB are as follows:

			Direct		Indirect	
Name	**Designation**	**Nationality**	**No. of CCB Shares**	**%**	**No. of CCB Shares**	**%**
Dato' Sri Zohari Bin Akob	Director	Malaysian	-	-	-	-
Zakrysham Bin Zainal Bahry	Director	Malaysian	-	-	-	-
Mohd Aizat Bin Mohd Yusoff	Director	Malaysian	-	-		
Amir Nashrin Bin Johari	Director	Malaysian	1	-*	-	-

Note:

* *negligible*

4. SUBSIDIARIES AND ASOCIATED COMPANIES

As at the LPD, the subsidiaries of CCB and their principal activities are as follows:

Name	Country/ Date of incorporation	Total issued share capital (RM)	Effective equity interest (%)	Business commencement date	Principal activities
CCB Cables & Wires Trading Sdn. Bhd.	Malaysia / 7 December 2009	2	100.00	Not applicable, CCB Cables & Wires Trading Sdn. Bhd. has never commenced business operations since incorporation	Trading of cables and wires (*currently dormant*)
Atlas Wire & Cable Sdn. Bhd.	Malaysia / 1 April 2009	5,000,000	100.00	On 1 April 2010	Manufacturing of wire and cables (*currently dormant*)
Fumori Industries Sdn. Bhd.	Malaysia / 4 October 1994	2,000,000	100.00	On 4 October 1994	Letting of property and property holding (*currently dormant*)

As at the LPD, CCB does not have any associated companies.

5. KEY MANAGEMENT

The key management of CCB and their respective profile are as follows:

(i) Zakrysham Bin Zainal Bahry, Chief Executive Officer

Zakrysham Bin Zainal Bahry, a Malaysian, age 56, joined CCB on 12 January 2015. A Chartered Accountant by profession and a member of Malaysian Institute of Accountants, he brings with him diverse industry exposure such as banking and finance, insurance, logistic, construction, manufacturing to consulting and services industry. He offers a breadth of functional experience ranging from finance and audit, information technology, corporate strategy and planning, business development and marketing to learning and development and talent management. Prior to joining CCB, he was General Manager, Group Human Resources at a government-linked company.

He is a member of the Association of Chartered Certified Accountants (ACCA), UK qualification.

(ii) Amir Nashrin Bin Johari, Director of Finance

Amir Nashrin Bin Johari, a Malaysian, age 28, joined CCB on 5 November 2018 where he is responsible for management information systems, finance and accounting, treasury, credit control, legal and secretarial. Prior to joining CCB, he worked in financial assurance departments of Messrs Ernst & Young PLT Malaysia and Messrs. KPMG PLT ("**KPMG**") Malaysia where he was involved in the provision of external financial audit for a diverse range of industries including a large national non-profit organisation, trading enterprises, manufacturing, hospitality, banking and real estate management companies. He also worked as a management consultant under KPMG's Strategy & Operations advisory division.

He holds a Bachelor's degree in Accounting and Finance from Oxford Brookes University, Oxford, United Kingdom.

(iii) Mohd Aizat Mohd Yusoff, Chief Operating Officer

Mohd Aizat Bin Mohd Yusoff, a Malaysian, age 34, joined CCB on 3 September 2018 from TechnipFMC where he was a Subsea Installation Engineer. During his 4-year tenure with TechnipFMC, he was involved in numerous Engineering, Procurement, Construction, Installation and Commissioning projects and tender works within Malaysia and overseas, having also worked in China and South Korea. He was promoted to his current position in 2021, having previously held the position of General Manager for Corporate and Strategy in CCB.

He holds a Bachelor of Engineering (Structural) with honours from University of South Australia.

(iv) Nadiah Binti Musa, General Manager of Business Development

Nadiah Musa, a Malaysian, age 43, joined CCB on 16 May 2006 as an executive in the research and development department. In January 2010, she was transferred to the Production department as Production Planner Executive. During her stint as Production Planner Executive, she was exposed to the sales and marketing function. In 2013 and 2014, she was promoted to Senior Manager and Senior Manager II respectively. In July 2015, she was promoted to General Manager of Business Development, a position which she currently holds.

She has worked in international trading and freight forwarding firms and has in total 17 years of work experience in various industries and departments.

6. SUMMARY FINANCIAL INFORMATION

A summary of the financial information of the CCB Group based on the audited consolidated financial statements of CCB for the past 3 FYEs 30 June 2021, 30 June 2022 and 30 June 2023 as well as the unaudited consolidated results of CCB for the 3-months FPEs 30 September 2022 and 30 September 2023 is as follows:

	Audited FYE 30 June			**Unaudited FPE 30 September**	
	2021	**2022**	**2023**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	130,466	140,553	199,151	60,705	33,233
PBT	2,400	3,649	15,045	7,817	3,167
PAT	1,318	2,034	11,647	5,899	2,671
Share capital	53,000	53,000	53,000	53,000	53,000
Shareholders' equity/NA	119,749	120,194	80,431	126,202	83,102
Dividend paid	4,240	1,590	51,410	-	-
No. of CCB Shares in issue ('000)	53,000	53,000	53,000	53,000	53,000
NA per CCB Share (RM)	2.26	2.27	1.52	2.38	1.57
Net earnings per CCB Share (RM)	0.02	0.04	0.22	0.11	0.05
Current ratio (times)(1)	2.70	2.42	1.87	2.29	2.16
Total borrowings	40,748	45,461	42,745	51,543	29,151
Gearing (times)(2)	0.34	0.38	0.53	0.41	0.35

Notes:

(1) Computed based on total current assets divided by total current liabilities.

(2) Computed based on total borrowings divided by shareholders' equity.

Accounting policies and audit qualification

Based on CCB's audited consolidated financial statements for the past 3 FYEs 30 June 2021, 30 June 2022 and 30 June 2023:

(i) there were no exceptional or extraordinary items;

(ii) there were no accounting policies adopted by the CCB Group which are peculiar to the CCB Group due to the nature of its business or the industry it operates in; and

(iii) there were no audit qualifications for the financial statements of the CCB Group.

Commentaries on financial performance

3-month FPE 30 September 2023 vs. 3-month FPE 30 September 2022

The CCB Group's revenue decreased by RM27.42 million or 45.25% from RM60.71 million for the FPE 30 September 2022 to RM33.23 million for the FPE 30 September 2023 mainly due to the normalisation of business operations post pandemic. The higher revenue in the previous FPE 30 September 2022 were due to backlog of orders arising from the COVID-19 pandemic and a substantial drop in metal prices, such as copper and aluminium, during the period, leading to increased customer demand.

CCB's consolidated PBT declined by RM4.65 million or 59.49% from RM7.82 million for the FPE 30 September 2022 to RM3.17 million for the FPE 30 September 2023 in line with the decline in revenue for the period. This higher PBT for the FPE 30 September 2022 was due to higher revenue and improved margins from better pricing with customers.

CCB's consolidated PAT also declined by RM3.23 million or 54.72% from RM5.90 million for the FPE 30 September 2022 to RM2.67 million for FPE 30 September 2023 in line with the decline in revenue and PBT during the FPE 30 September 2023.

FYE 30 June 2023 vs. FYE 30 June 2022

The CCB Group's revenue increased by RM58.60 million or 41.69% from RM140.55 million for the FYE 30 June 2022 to RM199.15 million for the FYE 30 June 2023 mainly due to an increase in purchase orders received from customers. Customer orders for cables are measured in single core length equivalent in KM, with the total increase of 2,411KM or 35.2% year on year.

The CCB Group benefitted from the domestic market reopening post COVID-19 lockdowns during the FYE 30 June 2023 which allowed employees to return to the workplace, enabling the CCB Group to take advantage of its excess capacity to take up more orders and provide higher level of commitment to fulfil existing customer orders.

CCB's consolidated PBT increased by RM11.40 million or 312.32% from RM3.65 million for the FYE 30 June 2022 to RM15.05 million for the FYE 30 June 2023 in line with the increase in revenue and improved margins as a result of strategic pricing adjustment with customers which was enabled by a sharp drop in metal prices in the first quarter of the FYE 30 June 2023. CCB also benefited from better investment income from short term funds, in line with the increased overnight policy rate throughout the FYE 30 June 2023.

CCB's consolidated PAT also increased by RM9.61 million or 472.61% from RM2.03 million for the FYE 30 June 2022 to RM11.65 million for the FYE 30 June 2023 in line with the increase in revenue and PBT during the financial year.

FYE 30 June 2022 vs. FYE 30 June 2021

The CCB Group's revenue increased by RM10.08 million or 7.73% from RM130.47 million for the FYE 30 June 2021 to RM140.55 million for the FYE 30 June 2022. The increase in revenue was attributed to the gradual recovery from the COVID-19 pandemic, coupled with a consistent influx of purchase orders for cables from the CCB Group's major customer.

The increase in revenue was primarily driven by heightened demand for cables, which was prompted by the resumption of development projects that had been delayed during the lockdowns.

Gross profit decreased from RM6.49 million for the FYE 30 June 2021 to RM6.04 million for the FYE 30 June 2022 mainly attributable to the increase in the cost of aluminium which constitute a significant portion of the cable production by approximately 9.4% from average aluminium price of USD2,473 per metric tonne in year 2021 to USD2,705 per metric tonne in year 2022.

CCB's consolidated PBT increased by RM1.25 million from RM2.40 million for the FYE 30 June 2021 to RM3.65 million for the FYE 30 June 2022 contributed by reversal of allowance for impairment loss on trade receivables in the FYE 30 June 2022 due to repayment made by a debtor.

CCB's consolidated PAT also increased by RM0.71 million or 54.32% from RM1.32 million for the FYE 30 June 2021 to RM2.03 million for the FYE 30 June 2022 in line with the increase in revenue and PBT during the financial year.

7. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

7.1 Material commitments

As at the LPD, save as disclosed below, there are no material commitments incurred or known to be incurred by the CCB Group which may have a material impact on the profits or NA of the CCB Group:

Capital expenditure	**RM'000**
Property, plant and equipment	
- Approved but not contracted for	3,400
	3,400

7.2 Contingent liabilities

As at the LPD, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profits or NA of the CCB Group.

8. MATERIAL CONTRACTS

The CCB Group has not entered into any material contracts (not being a contract entered into in the ordinary course of business) within the 2 years immediately preceding the LPD.

9. MATERIAL LITIGATION

As at the LPD, save as disclosed below, the CCB Group is not involved in any material litigation, claims and/or arbitration, either as plaintiff or defendant, and the board of directors of CCB is not aware of any proceedings, pending or threatened, against the CCB Group or any facts which are likely to give rise to any proceedings which may materially adversely affect the business or financial position of the CCB Group:

(i) **CCB and FEC Cables (M) Sdn Bhd ("FEC"); and**

(ii) **CCB and Haji Rosnizar Bin Abdul Majid, Narihaliza Binti Abdul Rahman, Arzmi Bin Mohd Sharif and Norkamal Bin Zaa ("FEC Directors")**

On 5 June 2020, CCB initiated a legal action against FEC in the High Court of Kuala Lumpur to recover an outstanding amount of RM3,228,833.18 ("**Outstanding Amount**") owed by FEC to CCB for the cables and associated services provided by CCB to FEC. On 5 October 2020, the High Court of Kuala Lumpur issued a summary judgment for FEC to pay CCB the Outstanding Amount ("**Summary Judgment**"). However, FEC failed to settle the Outstanding Amount. As a result, CCB commenced winding-up proceedings against FEC at the High Court of Kuala Lumpur ("**First Legal Action**"). Upon service of the cause papers for the First Legal Action, the FEC Directors submitted a settlement proposal to CCB which sets out the terms of payment of the Outstanding Amount i.e. in different tranches, and includes a personal guarantee provided by the FEC Directors to CCB to pay on demand all sum of money at any time due on any account whatsoever from FEC to CCB together with interest and cost ("**Settlement Proposal**"). Pursuant to the Settlement Proposal, CCB withdrew the First Legal Action against FEC. However, FEC and the FEC Directors then defaulted payment of the balance Outstanding Amount of RM1,528,834.00 ("**Balance Outstanding Amount**") under the Settlement Proposal. Consequently, CCB brought a second winding-up proceedings against FEC in the High Court of Shah Alam and initiated a claim against the FEC Directors in the High Court of Kuala Lumpur to recover the Balance Outstanding Amount ("**Second Legal Action**").

On 21 November 2023, CCB has submitted the proof of debt for the Second Legal Action and is waiting for the liquidators to inform them of the next steps. As at the LPD, there has been no material development pertaining to this litigation.

Company No:
196701000235 (7169 - A)

CENTRAL CABLES BERHAD

196701000235 (7169 - A)

(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

30 JUNE 2023

Company No:
196701000235 (7169 - A)

CENTRAL CABLES BERHAD
(Incorporated in Malaysia)

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Company No:
196701000235 (7169 - A)

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and manufacturing of cables and wires. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	11,646,762	11,692,452
Profit attributable to owners of the parent	11,646,762	11,692,452

DIVIDENDS

Dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	RM
In respect of financial year ended 30 June 2022:	
Interim single tier dividend of 3 sen per ordinary share, paid on 7 October 2022	1,590,000
In respect of financial year ended 30 June 2023:	
Interim single tier special dividend of 94 sen per ordinary share, paid on 23 June 2023	49,820,000
	51,410,000

On 26 September 2023, the Board of Directors declared a final single-tier dividend of 6 sen per ordinary shares amounting to RM3,180,000 in respect of financial year ended 30 June 2023. The dividend is payable on 18 October 2023 to shareholders. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2024.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no issues of new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Central Cables Berhad

Megat Joha bin Megat Abdul Rahman *
Zakrysham bin Zainal Bahry *
Amir Nashrin bin Johari
Dato' Sri Zohari bin Akob
Azlan bin Ahmad (Resigned on 28 October 2022)
Kasinathan a/l Tulasi (Resigned on 1 August 2023)

* These Directors are also the Directors of certain subsidiaries of the Company.

Subsidiaries of Central Cables Berhad

Nadiah binti Musa
Mohd Aizat bin Mohd Yusoff (Appointed on 15 February 2023)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2023 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	[---------------Number of ordinary shares---------------]			
	Balance as at 1.7.2022	**Bought**	**Sold**	**Balance as at 30.6.2023**
Shares in the Company				
Direct interests:				
Amir Nashrin bin Johari	1	-	-	1

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company for the financial year ended 30 June 2023 were as follow:

	Group and Company RM
Fees	175,000
Salaries and bonuses	630,960
Defined contribution plan	75,720
Other benefits	2,239
	883,919

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for Directors or officers and the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) 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 had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

HOLDING COMPANY

The Directors regard JAG Capital Holdings Sdn. Bhd., a company incorporated in Malaysia as immediate and ultimate holding company.

AUDITORS

The auditors, BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 30 June 2023 were as follows:

	Group RM	Company RM
Statutory audit	83,000	72,000

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

Megat Joha bin Megat Abdul Rahman
Director

Zakrysham bin Zainal Bahry
Director

Malacca
26 September 2023

Company No:
196701000235 (7169 - A)

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 11 to 65 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Megat Joha bin Megat Abdul Rahman
Director

Zakrysham bin Zainal Bahry
Director

Malacca
26 September 2023

STATUTORY DECLARATION

I, Zakrysham bin Zainal Bahry, being the officer primarily responsible for the financial management of Central Cables Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 65 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Malacca this)
26 September 2023)

Zakrysham bin Zainal Bahry

Before me:

PESURUHJAYA SUMPAH
No: M 084
Name: SHAHRIZAH BINTI YAHYA
BC/S/1135
01/01/2022 ~ 31/12/2024
MALAYSIA

No. 4, Jalan TMR 32
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Malaysia

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL CABLES BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Cables Berhad, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Company, and the statements of profit or loss and other 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 11 to 65.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the 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.

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 Group and 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 or conclusion thereon.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL CABLES BERHAD (continued)
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

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 other information 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 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 Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CENTRAL CABLES BERHAD (continued)
(Incorporated in Malaysia)

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

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

(a) 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.

(b) 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.

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

(d) 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 Group's or 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.

(e) 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 of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) 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.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CENTRAL CABLES BERHAD (continued)
(Incorporated in Malaysia)

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

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

Other Matters

The financial statements of the Group and of the Company for the financial year ended 30 June 2022 were audited by another firm of Chartered Accountants whose report dated 27 September 2022 expressed an unqualified opinion on those statements.

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.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Sia Yeak Hong
03413/02/2025 J
Chartered Accountant

Johor Bahru
26 September 2023

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		Group		Company	
		2023	**2022**	**2023**	**2022**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	7	20,265,870	22,879,032	21,386,677	23,972,922
Right-of-use assets	8	5,276,670	5,553,076	5,276,670	5,553,076
Investment properties	9	15,326,271	14,239,601	-	-
Investments in subsidiaries	10	-	-	8,963,458	8,963,458
		40,868,811	42,671,709	35,626,805	38,489,456
Current assets					
Inventories	11	35,864,020	36,850,860	35,864,020	36,837,596
Trade and other receivables	12	27,502,560	24,087,929	33,989,267	29,459,706
Current tax assets		697,615	553,817	549,161	438,609
Short term fund	13	2,181,061	46,949,531	2,181,061	46,949,531
Cash and bank balances	14	33,026,141	37,298 421	32,763,430	37,134,716
		99,271,397	145,740,558	105,346,939	150,820,158
TOTAL ASSETS		140,140,208	188,412,267	140,973,744	189,309,614
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	53,000,000	53,000,000	53,000,000	53,000,000
Retained earnings		27,430,639	67,193,877	29,980,948	69,698,496
TOTAL EQUITY		80,430,639	120,193,877	82,980,948	122,698,496

Company No:
196701000235 (7169 - A)

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023 (continued)

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings	16	2,190,457	3,391,825	1,680,000	2,520,000
Lease liabilities	8	195,306	263,692	195,306	263,692
Deferred tax liabilities	17	4,261,146	4,214,929	3,553,991	3,940,000
		6,646,909	7,870,446	5,429,297	6,723,692
Current liabilities					
Trade and other payables	18	10,187,597	16,488,874	10,083,289	16,408,549
Contract liabilities	19	2,165,214	1,559,157	2,165,214	1,559,157
Borrowings	16	40,554,853	42,069,193	40,160,000	41,689,000
Lease liabilities	8	154,996	230,720	154,996	230,720
		53,062,660	60,347,944	52,563,499	59,887,426
TOTAL LIABILITIES		59,709,569	68,218,390	57,992,796	66,611,118
TOTAL EQUITY AND LIABILITIES		140,140,208	188,412,267	140,973,744	189,309,614

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

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Revenue	21	199,151,477	140,552,749	199,151,477	140,552,749
Cost of sales		(179,871,626)	(134,516,793)	(180,015,036)	(134,516,793)
Gross profit		19,279,851	6,035,956	19,136,441	6,035,956
Other income		5,756,840	3,865,231	5,557,278	4,105,231
Net reversal/(impairment losses) on receivables	12(d)	-	1,705,629	(523,000)	1,705,629
Selling and distribution expenses		(1,159,766)	(905,556)	(1,159,766)	(905,556)
Administrative expenses		(6,922,486)	(5,793,807)	(6,491,993)	(5,334,048)
Finance costs	22	(1,909,024)	(1,258,252)	(1,860,081)	(1,204,679)
Profit before tax	23	15,045,415	3,649,201	14,658,879	4,402,533
Tax expense	24	(3,398,653)	(1,614,759)	(2,966,427)	(1,595,659)
Profit for the financial year		11,646,762	2,034,442	11,692,452	2,806,874
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/profit attributable to owners of the parent		11,646,762	2,034,442	11,692,452	2,806,874

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

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Group	**Note**	**Share capital RM**	**Distributable Retained earnings RM**	**Total equity RM**
Balance as at 1 July 2021		53,000,000	66,749,435	119,749,435
Profit for the financial year		-	2,034,442	2,034,442
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	2,034,442	2,034,442
Transaction with owners				
Dividend paid	25	-	(1,590,000)	(1,590,000)
Balance as at 30 June 2022/1 July 2022		53,000,000	67,193,877	120,193,877
Profit for the financial year		-	11,646,762	11,646,762
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	11,646,762	11,646,762
Transaction with owners				
Dividends paid	25	-	(51,410,000)	(51,410,000)
Balance as at 30 June 2023		53,000,000	27,430,639	80,430,639

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

Company	**Note**	**Share capital RM**	**Distributable Retained earnings RM**	**Total equity RM**
Balance as at 1 July 2021		53,000,000	68,481,622	121,481,622
Profit for the financial year		-	2,806,874	2,806,874
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	2,806,874	2,806,874
Transaction with owners				
Dividends paid	25	-	(1,590,000)	(1,590,000)
Balance as at 30 June 2022/1 July 2022		53,000,000	69,698,496	122,698,496
Profit for the financial year		-	11,692,452	11,692,452
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	11,692,452	11,692,452
Transaction with owners				
Dividends paid	25	-	(51,410,000)	(51,410,000)
Balance as at 30 June 2023		53,000,000	29,980,948	82,980,948

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

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		15,045,415	3,649,201	14,658,879	4,402,533
Adjustments for:					
Depreciation					
- Property, plant and equipment	7	2,813,247	3,147,292	2,941,676	3,066,510
- Investment properties	9	88,629	54,166	-	-
- Right-of-use assets	8	276,901	329,321	276,901	329,321
Plant and equipment written off	7	25,833	-	572	-
(Gain)/Loss on disposal of plant and equipment		(192,492)	35,466	(5,926)	(22,195)
Gain on lease termination	8	(764)	-	(764)	-
Impairment on amount owing by subsidiaries	12	-	-	523,000	-
Reversal of impairment loss on trade receivables	12	-	(1,705,629)	-	(1,705,629)
Fair value gain in short term fund		(172,949)	(422,305)	(172,949)	(422,305)
Gain on disposal of short term fund		(1,210,862)	-	(1,210,862)	-
Inventories written down/(back)		102,793	(238,476)	102,793	(238,476)
Inventories written off		13,264	14,123	-	-
Interest expense	22	1,909,024	1,258,252	1,860,081	1,204,679
Interest income	23	(922,387)	(854,554)	(922,387)	(854,554)
Operating profit before changes in working capital		17,775,652	5,266,857	18,051,014	5,759,884
Changes in working capital:					
Inventories		870,783	(2,285,871)	870,783	(2,318,466)
Trade and other receivables		(3,263,730)	(7,970,567)	(5,176,156)	(9,025,953)
Trade and other payables		(5,695,220)	4,961,838	(5,719,203)	4,987,923
Cash generated from/(used in) operations		9,687,485	(27,743)	8,026,438	(596,612)
Tax refunded		-	150,410	-	150,410
Tax paid		(3,496,234)	(1,179,722)	(3,462,988)	(1,156,938)
Net cash from/(used in) operating activities		6,191,251	(1,057,055)	4,563,450	(1,603,140)

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Net placement of deposits with maturity more than 3 months		(1,665,855)	(91,603)	(1,665,855)	(91,603)
Net withdrawal/(placement) of deposits pledged		2,682,798	(1,378,116)	2,682,798	(1,378,116)
Interest received		703,074	359,608	703,074	359,608
Purchase of plant and equipment	7	(274,932)	(227,355)	(276,582)	(239,355)
Proceeds from disposal on plant and equipment		321,179	23,118	6,178	23,118
Net withdrawal and placement of short term fund		46,220,693	1,000,000	46,220,693	1,000,000
Addition of investment properties	9	(1,175,299)	-	-	-
Repayment from related companies		-	-	274,496	-
Net cash from/(used in) investing activities		46,811,658	(314,348)	47,944,802	(326,348)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(1,909,024)	(1,258,252)	(1,860,081)	(1,204,679)
Drawdown of banker acceptances		122,154,000	106,786,400	122,154,000	106,786,400
Repayment:					
- Term loans		(1,186,708)	(1,428,172)	(840,000)	(1,026,726)
- Banker acceptances		(123,683,000)	(99,915,400)	(123,683,000)	(99,915,400)
- Lease liabilities	8	(223,514)	(359,786)	(223,514)	(359,786)
Dividends paid	25	(51,410,000)	(1,590,000)	(51,410,000)	(1,590,000)
Net cash (used in)/from financing activities		(56,258,246)	2,234,790	(55,862,595)	2,689,809
Net (decrease)/increase in cash and cash equivalents		(3,255,337)	863,387	(3,354,343)	760,321
Cash and cash equivalents at beginning of financial year		27,681,822	26,818,435	27,518,117	26,757,796
Cash and cash equivalents at end of financial year	14	24,426,485	27,681,822	24,163,774	27,518,117

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings (Note 16)		**Lease liabilities (Note 8)**	
Group	**2023 RM**	**2022 RM**	**2023 RM**	**2022 RM**
At beginning of financial year	45,461,018	40,018,190	494,412	809,983
Cash flows				
- Drawdown	122,154,000	6,871,000	-	-
- Repayment	(124,869,708)	(1,428,172)	(243,899)	(365,001)
Non-cash flows:				
- Additions	-	-	96,957	44,215
- Unwinding of interest	-	-	20,385	5,215
- Termination	-	-	(17,553)	-
At end of financial year	42,745,310	45,461,018	350,302	494,412
Company				
At beginning of financial year	44,209,000	38,364,726	494,412	809,983
Cash flows				
- Drawdown	122,154,000	6,871,000	-	-
- Repayment	(124,523,000)	(1,026,726)	(243,899)	(365,001)
Non-cash flows:				
- Additions	-	-	96,957	44,215
- Unwinding of interest	-	-	20,385	5,215
- Termination	-	-	(17,553)	-
At end of financial year	41,840,000	44,209,000	350,302	494,412

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

CENTRAL CABLES BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Suite C-5-4, Wisma Goshen, Jalan Pantai Baharu, Plaza Pantai, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 7862, Batu Berendam, 75350 Melaka.

The immediate and ultimate holding company is JAG Capital Holdings Sdn. Bhd., which is incorporated and domiciled in Malaysia.

The consolidated financial statements for the financial year ended 30 June 2023 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and manufacturing of cables and wires. The principal activities and the details of the subsidiaries are disclosed in Note 10 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 5 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

(a) The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

(b) Substantive potential voting rights held by the Company and by other parties;

(c) Other contractual arrangements; and

(d) Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Other contingent consideration that:

    (i) is within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9; and

    (ii) is not within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land and building are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the costs of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation periods are as follows:

Factory Buildings	50 years
Plant and Machinery	10 to 15 years
Motor Vehicles	5 years
General Equipment	10 years
Testing Equipment	10 to 15 years
Furniture and Fittings	10 years
General Factory Equipment	10 years
Computer System	5 years
Renovation	20 years

Freehold land has unlimited useful life and is not depreciated.

Capital work-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.5 Leases

The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recorded at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases (continued)

***Right-of-use asset* (continued)**

Subsequent to the initial recognition, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

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, as follows:

Leasehold land	85 years
Factory equipment	6 years
Office equipment	5 years
Motor vehicles	3 to 5 years

Lease liability

The lease liability is initially measured at the present value of the contractual lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest in the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group as lessor

Leases in which the Group and the Company do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and are recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including transaction costs, less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred, and it is probable that future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred.

After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods for the investments properties are fifty (50) years.

At the end of each reporting period, the carrying amount of an item of investment properties is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment properties. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Investment properties are derecognised when either they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

Right-of-use assets that meet the definition of investment property in accordance with MFRS 140 *Investment Property* is presented in the statement of financial position as investment property. Subsequent measurement of the right-of-use asset is consistent with those investment properties owned by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment loss, if any. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries) and 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 asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognized in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. Cost of raw materials comprises all costs of purchase plus the costs of bringing the inventories to their present location and condition. Cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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.

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset or financial liability 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 or financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(a) Financial assets

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss (FVTPL), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of impairment losses, if any.

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income (FVTOCI), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Financial assets measured at fair value (continued)

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

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

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 marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities measured at FVTPL or financial liabilities measured at amortised cost.

(i) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(b) Financial liabilities (continued)

(i) Financial liabilities measured at FVTPL (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivatives liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss except for the Group's own credit risk increase or decrease which is recognised in other comprehensive income. Net gain or losses on derivatives include exchange differences.

(ii) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For financial liabilities measured at amortised cost, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impairment of financial assets

The Group applies the simplified approach to measure expected credit loss ("ECL"). This entails recognising a lifetime expected loss allowance for all trade receivables.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions of the Group's industry to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

In measuring the expected credit losses on trade receivables, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and amounts owing from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. Credit impaired refers to any individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

The probability of non-payment other receivables and amount owing from subsidiaries are adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and amount owing from subsidiaries.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.13 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties, if any.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are 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 the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.15 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

<u>Sale of goods</u>

Revenue from sale of goods is recognised at a point in time when the goods have been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve months.

<u>Revenue not contracted with customers</u>

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4.17 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfer goods or services to the customer, a contract liability is recognised when payment is made of the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when Group performs under the contract.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

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

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.19 Fair value measurement

The 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 fair value 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.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant 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.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 *Business Combinations*)	1 January 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 *Property, Plant and Equipment*)	1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*)	1 January 2022

Adoption of the above Amendments did not have any material effect on the financial performance or position of the Group and the Company.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

The following are Standards and Amendments of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 17 *Insurance Contracts*	1 January 2023
Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendment to MFRS 17 *Insurance Contracts*)	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 *Income Taxes*)	1 January 2023
International Tax Reform - Pillar Two Model Rules (Amendments to MFRS 112 *Income Taxes*)	Refer paragraph 98M of MFRS 112
Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 *Leases*)	1 January 2024
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2024
Non-current Liabilities with Covenants (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2024
Supplier Finance Arrangements (Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures*)	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures*)	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by management of the Group and of the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Adequacy of write-down of inventories to net realisable value

Management focused on the risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value that was mainly based on management's estimates, which had been derived from expectation of current market prices and future demand.

(b) Recoverability of trade receivables

Recoverability of trade receivables requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward looking information.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2022 RM	Additions RM	Disposals RM	Written off RM	Reclassification RM	Transfer from right-of -use assets (Note 8) RM	Depreciation charge for the year RM	Balance as at 30.6.2023 RM
Carrying amount								
Factory buildings	9,940,220	22,365	-	-	-	-	(313,606)	9,648,979
Renovation	42,479	-	-	(25,212)	-	-	(2,898)	14,369
Plant and machinery, testing equipment and general factory equipment	10,577,896	219,214	(128,401)	(3)	1,315,000	-	(2,249,383)	9,734,323
General equipment, furniture and fittings, computer system and motor vehicle	851,112	28,353	(286)	(618)	137,416	79,673	(247,360)	848,290
Capital work-in-progress	1,467,325	5,000	-	-	(1,452,416)	-	-	19,909
	22,879,032	274,932	(128,687)	(25,833)	-	79,673	(2,813,247)	20,265,870

	At 30.6.2023 Cost RM	At 30.6.2023 Accumulated depreciation RM	At 30.6.2023 Carrying amount RM
Factory buildings	15,718,105	(6,069,126)	9,648,979
Renovation	20,950	(6,581)	14,369
Plant and machinery, testing equipment and general factory equipment	72,985,815	(63,251,492)	9,734,323
General equipment, furniture and fittings, computer system and motor vehicle	4,404,764	(3,556,474)	848,290
Capital work-in-progress	19,909	-	19,909
	93,149,543	(72,883,673)	20,265,870

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.7.2021 RM	Additions RM	Disposals RM	Reclassification RM	Reclassification (Note 9) RM	Transfer to right-of -use assets (Note 8) RM	Depreciation charge for the year RM	Balance as at 30.6.2022 RM
Carrying amount								
Freehold land	11,338,954	-	-	-	(11,338,954)	-	-	-
Factory buildings	13,137,755	71,362	-	-	(2,954,813)	-	(314,084)	9,940,220
Renovation	45,377	-	-	-	-	-	(2,898)	42,479
Plant and machinery, testing equipment and general factory equipment	14,700,850	104,197	(41,045)	(1,340,418)	-	(340,261)	(2,505,427)	10,577,896
General equipment, furniture and fittings, computer system and motor vehicle	1,624,570	51,796	(17,539)	-	-	(482,832)	(324,883)	851,112
Capital work-in-progress	126,907	-	-	1,340,418	-	-	-	1,467,325
	40,974,413	227,355	(58,584)	-	(14,293,767)	(823,093)	(3,147,292)	22,879,032

	<------ At 30.6.2022 ------>		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory buildings	15,695,740	(5,755,520)	9,940,220
Renovation	78,950	(36,471)	42,479
Plant and machinery, testing equipment and general factory equipment	72,346,654	(61,768,758)	10,577,896
General equipment, furniture and fittings, computer system and motor vehicle	4,536,813	(3,685,701)	851,112
Capital work-in-progress	1,467,325	-	1,467,325
	94,125,482	(71,246,450)	22,879,032

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.7.2022 RM	Additions RM	Disposals RM	Written off RM	Reclassi -fication RM	Transfer from right-of -use assets (Note 8) RM	Depreciation charge for the year RM	Balance as at 30.6.2023 RM
Carrying amount								
Factory buildings	9,940,218	22,365	-	-	-	-	(313,606)	9,648,977
Plant and machinery, testing equipment and general factory equipment	13,008,153	219,214	-	(2)	-	-	(2,379,251)	10,848,114
General equipment, furniture and fittings, computer system and motor vehicle	902,226	30,003	(252)	(570)	107,416	79,673	(248,819)	869,677
Capital work-in-progress	122,325	5,000	-	-	(107,416)	-	-	19,909
	23,972,922	276,582	(252)	(572)	-	79,673	(2,941,676)	21,386,677

	<------------------ At 30.6.2023 ------------------>		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory buildings	15,697,005	(6,048,028)	9,648,977
Plant and machinery, testing equipment and general factory equipment	74,075,778	(63,227,664)	10,848,114
General equipment, furniture and fittings, computer system and motor vehicle	3,807,474	(2,937,797)	869,677
Capital work-in-progress	19,909	-	19,909
	93,600,166	(72,213,489)	21,386,677

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.7.2021 RM	Additions RM	Disposals RM	Reclassi-fication RM	Transfer to right-of-use assets (Note 8) RM	Depreciation charge for the year RM	Balance as at 30.6.2022 RM
Carrying amount							
Factory buildings	10,181,211	71,362	-	-	-	(312,355)	9,940,218
Plant and machinery, testing equipment and general factory equipment	15,687,215	116,197	(1)	4,582	(340,261)	(2,459,579)	13,008,153
General equipment, furniture and fittings, computer system and motor vehicle	1,628,760	51,796	(922)	-	(482,832)	(294,576)	902,226
Capital work-in-progress	126,907	-	-	(4,582)	-	-	122,325
	27,624,093	239,355	(923)	-	(823,093)	(3,066,510)	23,972,922

	<------------------ At 30.6.2022		------------------>
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory buildings	15,674,640	(5,734,422)	9,940,218
Plant and machinery, testing equipment and general factory equipment	73,916,953	(60,908,800)	13,008,153
General equipment, furniture and fittings, computer system and motor vehicle	3,939,313	(3,037,087)	902,226
Capital work-in-progress	122,325	-	122,325
	93,653,231	(69,680,309)	23,972,922

(a) Certain property, plant and equipment of the Group and the Company amounting to RM9,648,977 (2022: RM9,940,218) has been charged to financial institutions for credit facilities granted to the Company as disclosed in Note 16 to the financial statements.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(I) Right-of-use assets

Group and Company	Balance as at 1.7.2022 RM	Additions RM	Termination RM	Transfer to property, plant and equipment (Note 7) RM	Depreciation RM	Balance as at 30.6.2023 RM
Carrying amount						
Leasehold land	4,873,325	-	-	-	(65,279)	4,808,046
Hostel building	16,789	-	(16,789)	-	-	-
Factory equipment	4,224	96,957	-	-	(16,344)	84,837
Office equipment	24,052	-	-	-	(6,872)	17,180
Motor vehicles	332,026	-	-	(79,673)	(150,805)	101,548
General equipment for plant and machinery	141,964	-	-	-	(18,123)	123,841
Plant and machinery	160,696	-	-	-	(19,478)	141,218
	5,553,076	96,957	(16,789)	(79,673)	(276,901)	5,276,670

Group and Company	Balance as at 1.7.2021 RM	Additions RM	Transfer from property, plant and equipment (Note 7) RM	Depreciation RM	Balance as at 30.6.2022 RM
Carrying amount					
Leasehold land	4,938,604	-	-	(65,279)	4,873,325
Hostel building	24,439	44,215	-	(51,865)	16,789
Factory equipment	21,122	-	-	(16,898)	4,224
Office equipment	30,924	-	-	(6,872)	24,052
Motor vehicles	-	-	482,832	(150,806)	332,026
General equipment for plant and machinery	-	-	160,087	(18,123)	141,964
Plant and machinery	-	-	180,174	(19,478)	160,696
	5,015,089	44,215	823,093	(329,321)	5,553,076

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(I) Lease liabilities

	Group and Company 2023 RM	2022 RM
At beginning of financial year	494,412	809,983
Additions	96,957	44,215
Termination	(17,553)	-
Lease payments	(243,899)	(365,001)
Interest expense	20,385	5,215
At end of financial year	350,302	494,412
Represented by:		
Current liability	154,996	230,720
Non-current liability	195,306	263,692
	350,302	494,412
Lease liabilities owing to financial institutions	245,420	447,168
Lease liabilities owing to non-financial institutions	104,882	47,244
	350,302	494,412

(a) As at the end of the reporting year, leasehold land of the Group and of the Company has been charged to financial institutions for credit facilities granted to the Company as disclosed in Note 16 to the financial statements.

(b) The Group has certain leases of assets with lease term of 12 months or less. The Group applies the 'short-term lease' exemption for these leases.

(c) The following are the amounts recognised in profit or loss:

	Group and Company 2023 RM	2022 RM
Depreciation of right-of-use assets (included in cost of sales and administrative expenses)	276,901	140,914
Interest expense on lease liabilities (included in finance costs)	20,385	28,861
Expenses relating to short term leases (included in administrative expenses and cost of sales)	114,062	-
	411,348	169,775

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(d) The following are total cash outflows for leases as a lessee:

	Group and Company	
	2023	**2022**
	RM	**RM**
Included in net cash flow on operating activities:		
Payment relating to short-term leases	114,062	-
Included in net cash flow on financing activities:		
Payment of principal of lease liabilities	243,899	365,001
Total cash outflows for leases	357,961	365,001

(e) The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

There are no undiscounted potential future rental payments that are not included in the lease term as at the end of each reporting period.

(f) Weighted average incremental borrowing rate of the lease liabilities of the Group as at the end of the reporting period is 5.07% (2022: 4.55%) per annum.

9. INVESTMENT PROPERTIES

Group	**Balance as at 1.7.2022 RM**	**Addition RM**	**Depreciation charge for financial year RM**	**Balance as at 30.6.2023 RM**
At cost				
Freehold land	11,338,954	-	-	11,338,954
Freehold building	2,900,647	1,175,299	(88,629)	3,987,317
	14,239,601	1,175,299	(88,629)	15,326,271

	<---------------- At 30.6.2023 --------------->		
	Cost RM	**Accumulated depreciation RM**	**Carrying amount RM**
Freehold land	11,338,954	-	11,338,954
Freehold building	4,698,839	(711,522)	3,987,317
	16,037,793	(711,522)	15,326,271

9. INVESTMENT PROPERTIES (continued)

Group	Balance as at 1.7.2021 RM	Reclassification (Note 7) RM	Depreciation charge for financial year RM	Balance as at 30.6.2022 RM
At cost				
Freehold land	-	11,338,954	-	11,338,954
Freehold building	-	2,954,813	(54,166)	2,900,647
	-	14,293,767	(54,166)	14,239,601

	<------------------- At 30.6.2022 ------------------>		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	11,338,954	-	11,338,954
Freehold building	3,523,540	(622,893)	2,900,647
	14,862,494	(622,893)	14,239,601

(a) As at the end of the reporting year, investment properties of the Group have been charged to financial institutions for credit facilities granted to the Group as disclosed in Note 16 to the financial statements.

(b) The fair value of the investment properties of approximately RM17,000,000 (2022: RM16,000,000) at Level 3 was recommendation by the Directors as at the end of reporting period based on comparison method that makes reference to recent market value of a similar property in the vicinity on a price per square foot basis. Any changes in the price per square foot will result in a reasonable change in the fair value of the investment properties.

(c) The following are recognised in profit or loss:

	Group	
	2023 RM	2022 RM
Direct operating expenses:		
- not generating rental income	30,248	30,186

10. INVESTMENTS IN SUBSIDIARIES

	Company 2023 RM	Company 2022 RM
Unquoted shares, at cost	17,650,002	17,650,002
Accumulated impairment loss	(8,686,544)	(8,686,544)
	8,963,458	8,963,458

(a) The details of the subsidiaries are as follows:

Name of companies	Country of incorporation/ Principal place of business	Effective interest in equity 2023 %	Effective interest in equity 2022 %	Principal activities
CCB Cables & Wires Trading Sdn. Bhd. #	Malaysia	100	100	Dormant
Atlas Wire & Cable Sdn. Bhd. #	Malaysia	100	100	Dormant
Fumori Industries Sdn. Bhd. #	Malaysia	100	100	Dormant

Audited by BDO PLT

11. INVENTORIES

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
At cost				
Raw materials	13,564,233	18,512,911	13,564,233	18,499,647
Packaging materials	395,016	1,366,007	395,016	1,366,007
Spare parts	731,813	676,974	731,813	676,974
Work-in-progress	8,961,370	11,996,854	8,961,370	11,996,854
Finished goods	10,521,460	2,533,801	10,521,460	2,533,801
	34,173,892	35,086,547	34,173,892	35,073,283
At net realisable value				
Finished goods	1,690,128	1,764,313	1,690,128	1,764,313
	35,864,020	36,850,860	35,864,020	36,837,596

(a) During the financial year, inventories recognised as an expense in cost of sales of the Group and the Company amounted to RM179,871,626 (2022: RM134,516,793) and RM180,015,036 (2022: RM134,516,793) respectively.

(b) During the financial year, the Group and Company has written off inventories of RM13,264 (2022:RM14,123) and written down RM102,793 (2022: written back RM238,476).

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade receivables				
Third parties	26,690,693	24,994,913	26,690,693	24,869,244
Less: Impairment losses	-	(2,249,315)	-	(2,123,646)
	26,690,693	22,745,598	26,690,693	22,745,598
Other receivables				
Amount owing from subsidiaries	-	-	7,076,687	5,837,044
Sundry receivables	168,244	261,161	168,244	261,330
Deposits	83,024	97,793	25,228	28,548
	251,268	358,954	7,270,159	6,126,922
Less: Impairment losses	-	-	(523,000)	-
	251,268	358,954	6,747,159	6,126,922
	26,941,961	23,104,552	33,437,852	28,872,520
Prepayments	560,599	983,377	551,415	587,186
Total trade and other receivables	27,502,560	24,087,929	33,989,267	29,459,706

(a) Trade and other receivables are denominated in RM.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group and Company range from 30 to 90 days (2022: 30 to 90 days). They are recognised at their original invoice amounts, which represent their fair value on initial recognition.

(c) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses ("ECL"). Loss rates are based on actual credit loss experience over past years.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

12. TRADE AND OTHER RECEIVABLES (continued)

(d) Trade receivables and other receivables that are past due and impaired at the end of the reporting period and the reconciliation of movements in allowance for impairment account is as follows:

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Trade receivables				
At beginning of financial year	2,249,315	3,954,944	2,123,646	3,829,275
Written off	(2,249,315)	-	(2,123,646)	-
Reversal	-	(1,705,629)	-	(1,705,629)
At end of financial year	-	2,249,315	-	2,123,646
Other receivables				
At beginning of financial year	-	-	-	-
Charge	-	-	523,000	-
At end of financial year	-	-	523,000	-

(e) Lifetime expected loss allowance for trade receivables of the Group and of the Company are as follows:

Group	**Gross carrying amount RM**	**Lifetime ECL allowance RM**	**Net carrying amount RM**
As at 30 June 2023			
Not past due	14,042,307	-	14,042,307
Past due:			
1 to 30 days	9,362,859	-	9,362,859
31 to 60 days	3,285,527	-	3,285,527
	12,648,386	-	12,648,386
	26,690,693	-	26,690,693
Individual assessment	-	-	-
	26,690,693	-	26,690,693

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12. TRADE AND OTHER RECEIVABLES (continued)

(e) Lifetime expected loss allowance for trade receivables of the Group and of the Company are as follows: (continued)

Group	Gross carrying amount RM	Lifetime ECL allowance RM	Net carrying amount RM
As at 30 June 2022			
Not past due	19,971,507	-	19,971,507
Past due:			
1 to 30 days	1,698,419	-	1,698,419
31 to 60 days	1,061,080	-	1,061,080
61 to 90 days	14,592	-	14,592
	2,774,091	-	2,774,091
	22,745,598	-	22,745,598
Individual assessment	2,249,315	(2,249,315)	-
	24,994,913	(2,249,315)	22,745,598
Company			
As at 30 June 2023			
Not past due	14,042,307	-	14,042,307
Past due:			
1 to 30 days	9,362,859	-	9,362,859
31 to 60 days	3,285,527	-	3,285,527
	12,648,386	-	12,648,386
	26,690,693	-	26,690,693
Individual assessment	-	-	-
	26,690,693	-	26,690,693

12. TRADE AND OTHER RECEIVABLES (continued)

(e) Lifetime expected loss allowance for trade receivables of the Group and of the Company are as follows: (continued)

Company	**Gross carrying amount RM**	**Lifetime ECL allowance RM**	**Net carrying amount RM**
As at 30 June 2022			
Not past due	19,971,507	-	19,971,507
Past due:			
1 to 30 days	1,698,419	-	1,698,419
31 to 60 days	1,061,080	-	1,061,080
61 to 90 days	14,592	-	14,592
	2,774,091	-	2,774,091
	22,745,598	-	22,745,598
Individual assessment	2,123,646	(2,123,646)	-
	24,869,244	(2,123,646)	22,745,598

During the financial year, the Group and the Company did not renegotiate the terms of any trade receivables. These receivables are not secured by any collateral.

(f) Amount owing from subsidiaries are unsecured and interest-free.

(g) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model.

(h) Information on financial risk of trade and other receivables is disclosed in Note 29 to the financial statements.

13. SHORT TERM FUND

	Group and Company	
At fair value through profit or loss	**2023 RM**	**2022 RM**
Investment in trust fund	2,181,061	46,949,531

(a) Investments in trust fund in Malaysia represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(b) Short term fund is denominated in Ringgit Malaysia ('RM').

(c) Information on the fair value hierarchy is disclosed in Note 28(d) to the financial statements.

(d) Information on financial risks of short term fund is disclosed in Note 29 to the financial statements.

14. CASH AND BANK BALANCES

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Cash on hand and at banks	5,071,033	7,469,564	4,808,322	7,305,859
Deposits with licensed banks	27,955,108	29,828,857	27,955,108	29,828,857
	33,026,141	37,298,421	32,763,430	37,134,716

(a) Cash and bank balances are denominated in RM.

(b) Deposits with licensed banks of the Group and of the Company have maturity period ranging from one month to twelve months.

(c) For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Cash on hand and at banks	5,071,033	7,469,564	4,808,322	7,305,859
Deposits with licensed banks	27,955,108	29,828,857	27,955,108	29,828,857
Total cash and bank balances	33,026,141	37,298,421	32,763,430	37,134,716
Less: Deposits with maturity more than 3 months	(3,408,212)	(1,742,357)	(3,408,212)	(1,742,357)
Less: Deposits pledged	(5,191,444)	(7,874,242)	(5,191,444)	(7,874,242)
Cash and cash equivalents	24,426,485	27,681,822	24,163,774	27,518,117

(d) No expected credit losses are recognised arising from the deposits with licensed banks because the probability of default by these licensed banks are negligible.

(e) Information on financial risks of cash and bank balances is disclosed in Note 29 to the financial statements.

15. SHARE CAPITAL

	Group and Company 2023 Number of shares	2023 RM	2022 Number of shares	2022 RM
Issued and fully paid-up ordinary shares with no par value				
At beginning/end of financial year	53,000,000	53,000,000	53,000,000	53,000,000

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meeting of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

16. BORROWINGS

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Non-current liability				
Term loans	2,190,457	3,391,825	1,680,000	2,520,000
Current liabilities				
Bankers' acceptance	39,320,000	40,849,000	39,320,000	40,849,000
Term loans	1,234,853	1,220,193	840,000	840,000
	40,554,853	42,069,193	40,160,000	41,689,000
Total borrowings				
Bankers' acceptance	39,320,000	40,849,000	39,320,000	40,849,000
Term loans	3,425,310	4,612,018	2,520,000	3,360,000
	42,745,310	45,461,018	41,840,000	44,209,000

(a) The banker's acceptance and term loans are secured by:

(i) General debentures, fixed deposits, and registered charges over the leasehold land (Note 8) and factory buildings (Note 7) of the Company;

(ii) Legal charge over investment properties of a subsidiary restricted to RM7,600,000 as disclosed in Note 9; and

(iii) Debenture over all the fixed and floating assets of the Company.

17. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Balance at beginning of financial year	4,214,929	4,086,929	3,940,000	3,806,000
Recognised in profit or loss (Note 24)	46,217	128,000	(386,009)	134,000
Balance at end of financial year	4,261,146	4,214,929	3,553,991	3,940,000

17. DEFERRED TAX LIABILITIES (continued)

(b) The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

Group	Property, plant and equipment RM	Investment properties RM	Other temporary differences RM	Total RM
Balance as at 1 July 2021	4,590,321	516,895	(1,020,287)	4,086,929
Recognised in profit or loss	(221,267)	(6,000)	355,267	128,000
Balance as at 30 June 2022/1 July 2022	4,369,054	510,895	(665,020)	4,214,929
Recognised in profit or loss	(476,679)	353,717	169,179	46,217
Balance as at 30 June 2023	3,892,375	864,612	(495,841)	4,261,146
Company				
Balance as at 1 July 2021	4,927,648	-	(1,121,648)	3,806,000
Recognised in profit or loss	(223,038)	-	357,038	134,000
Balance as at 30 June 2022/1 July 2022	4,704,610	-	(764,610)	3,940,000
Recognised in profit or loss	(511,097)	-	125,088	(386,009)
Balance as at 30 June 2023	4,193,513	-	(639,522)	3,553,991

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group 2023 RM	Group 2022 RM
Unused tax losses		
- Expires by 30 June 2028	3,089,000	3,089,000
- Expires by 30 June 2029	411,000	411,000
Unabsorbed capital allowances		
- No expiry date	829,000	1,017,000
	4,329,000	4,517,000

Deferred tax assets of certain subsidiary have not been recognised in respect of these items as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the tax authority.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Trade payables				
Third parties	4,483,686	11,096,218	4,483,686	11,096,218
Other payables				
Third parties	268,020	438,193	248,880	424,748
Amount owing to holding company	50,000	50,000	50,000	50,000
Accruals	5,384,551	4,903,123	5,299,383	4,836,243
Refund liabilities	1,340	1,340	1,340	1,340
	5,703,911	5,392,656	5,599,603	5,312,331
	10,187,597	16,488,874	10,083,289	16,408,549

(a) Trade and other payables are denominated in RM.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 60 to 90 days (2022: 60 to 90 days).

(c) Amount owing to holding company represent advances, which are unsecured, interest-free and payable upon demand.

(d) Information on financial risks of trade and other payables is disclosed in Note 29 to the financial statements.

19. CONTRACT LIABILITIES

	Group and Company	
	2023	**2022**
	RM	**RM**
Advances received from customer	2,165,214	1,559,157

20. CAPITAL COMMITMENTS

	Group and Company	
	2023	**2022**
	RM	**RM**
Capital expenditure in respect of purchase of property, plant and equipment		
- Approved but not contracted for	3,400,000	3,500,000

21. REVENUE

	Group and Company 2023 RM	2022 RM
Revenue from contracts with customers		
Recognised at point in time:		
Sale of goods	199,151,477	140,310,367
Rendering services	-	242,382
	199,151,477	140,552,749

22. FINANCE COSTS

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest expenses on:				
- bank overdrafts	-	433	-	433
- bankers' acceptance	1,664,335	972,531	1,664,335	972,531
- term loans	224,304	256,427	175,361	202,854
- lease liabilities	20,385	28,861	20,385	28,861
	1,909,024	1,258,252	1,860,081	1,204,679

23. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
After charging:				
Auditors' remuneration	83,000	95,000	72,000	57,000
Loss on disposal of plant and equipment	-	35,466	-	-
And crediting:				
Sale of scrap	3,221,327	2,209,177	3,208,331	2,209,177
Insurance claimed income	35,590	-	35,590	-
Gain on disposal of plant and equipment	192,492	-	5,926	22,195
Fair value gain in short term fund	172,949	422,305	172,949	422,305
Gain on disposal of short term fund	1,210,862	-	1,210,862	-
Interest income	922,387	854,554	922,387	854,554

24. TAX EXPENSES

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Income tax expense for the financial year:				
- Current year	3,636,712	1,506,000	3,636,712	1,506,000
- Under provision in prior years	(284,276)	(19,241)	(284,276)	(44,341)
	3,352,436	1,486,759	3,352,436	1,461,659
Deferred tax (Note 17)				
- Current year	(308,628)	(165,654)	(369,453)	(138,754)
- Under/(Over) provision in prior years	354,845	293,654	(16,556)	272,754
	46,217	128,000	(386,009)	134,000
	3,398,653	1,614,759	2,966,427	1,595,659

The Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated taxable profit for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by applicable tax rate of the Group and of the Company is as follows:

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Profit before tax	15,045,415	3,649,201	14,658,879	4,402,533
Tax at Malaysian tax rate of 24% (2022: 24%)	3,610,900	875,808	3,518,131	1,056,608
Tax effects in respect of:				
(Utilisation of previous unrecognised deferred tax assets)/Deferred tax assets not recognised	(45,171)	95,040	-	-
Non-taxable income	(331,720)	-	(332,115)	-
Non-allowable expenses	94,076	369,498	81,243	310,638
	3,328,084	1,340,346	3,267,259	1,367,246
(Over)/Under provision in prior years				
- Income tax	(284,276)	(19,241)	(284,276)	(44,341)
- Deferred tax	354,845	293,654	(16,556)	272,754
	3,398,653	1,614,759	2,966,427	1,595,659

25. DIVIDENDS

	Group and Company 2023 RM	2022 RM
In respect of financial year ended 30 June 2023:		
Interim single tier special dividend of 94 sen per ordinary share, paid on 23 June 2023	49,820,000	-
In respect of financial year ended 30 June 2022:		
Interim single tier dividend of 3 sen per ordinary share, paid on 7 October 2022	1,590,000	-
In respect of financial year ended 30 June 2021:		
Final single tier dividend of 3 sen per ordinary share, paid on 18 November 2021	-	1,590,000
	51,410,000	1,590,000

On 26 September 2023, the Board of Directors declared a final single-tier dividend of 6 sen per ordinary shares amounting to RM3,180,000 in respect of financial year ended 30 June 2023. The dividend is payable on 18 October 2023 to shareholders. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2024.

26. EMPLOYEE BENEFITS

	Group and Company 2023 RM	2022 RM
Salaries, wages and bonuses	9,865,334	7,660,951
Contributions to defined contribution plan	816,680	757,222
Other employee benefits	384,186	299,727
	11,066,200	8,717,900

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM708,919 (2022: RM634,607).

27. RELATED PARTY DISCLOSURES

(a) Identities 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 operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Company has controlling related party relationship with its subsidiaries, immediate and ultimate holding company and company in which certain Directors have financial interests.

27. RELATED PARTY DISCLOSURES (continued)

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company have the following transactions with the related parties during the financial year:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Transaction with holding company:				
- Management fees expenses	(600,000)	(600,000)	(600,000)	(600,000)
Transaction with subsidiaries:				
- Management fees income	-	-	-	240,000
- Purchase of plant and equipment	-	-	(1,650)	(12,000)

Material balances with related parties at the end of reporting year are disclosed in Note 12 and Note 18 to the financial statements.

The related party transactions described above were carried out on terms and conditions agreed between the parties.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of key management personnel during the financial year was as follows:

	Group and Company	
	2023	**2022**
	RM	**RM**
Executive Directors:		
- Fees	35,000	35,000
- Other emoluments	708,919	634,607
	743,919	669,607
Estimated money value of benefits-in-kind	17,400	-
Total Executive Directors' remuneration including benefits-in-kind	761,319	669,607
Non-Executive Directors:		
- Fees	140,000	140,000
Estimated money value of benefits-in-kind	7,983	-
Total Non-Executive Directors' remuneration including benefits-in-kind	147,983	140,000
Total Directors' remuneration including benefits-in-kind	909,302	809,607
Other key management personnel's remuneration	1,959,251	861,026
	2,868,553	1,670,633

28. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as a going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, as deemed appropriate. In order to maintain or adjust the capital structure, the Group may adjust the dividend payout to shareholders, issue new ordinary shares and redeem debts where necessary, from time to time. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2023 and 30 June 2022.

(b) Financial instruments

Categories of financial instruments

	Group		Company	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Financial assets				
Fair value through profit or loss				
Short term fund	2,181,061	46,949,531	2,181,061	46,949,531
Amortised cost				
Trade and other receivables, net of prepayments	26,941,961	23,104,552	33,437,852	28,872,520
Cash and bank balances	33,026,141	37,298,421	32,763,430	37,134,716
	62,149,163	107,352,504	68,382,343	112,956,767
Financial liabilities				
Amortised cost				
Trade and other payables	10,187,597	16,488,874	10,083,289	16,408,549
Borrowings	42,745,310	45,461,018	41,840,000	44,209,000
	52,932,907	61,949,892	51,923,289	60,617,549

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are at reasonable approximation of fair value

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables and trade and other payables, are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of the current position of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

28. FINANCIAL INSTRUMENTS (continued)

(c) Methods and assumptions used to estimate fair value (continued)

The fair values of financial assets and financial liabilities are determined as follows: (continued)

(ii) Short term fund

Short term fund of the Group comprises trust fund which is highly liquid, readily convertible to cash and are subject to insignificant risk of changes in value.

The fair value of short term fund is determined by reference to the exchange quoted market bid price at the close of the business at the end of each reporting period.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments of the Group and of the Company that are carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair value and carrying shown in the statement of financial position are as follows:

	Fair value of financial instruments carried at fair value			**Total**	**Carrying**
Group and Company	**Level 1**	**Level 2**	**Level 3**	**fair value**	**amount**
2023	**RM**	**RM**	**RM**	**RM**	**RM**
Financial asset					
Short term fund	2,181,061	-	-	2,181,061	2,181,061
2022					
Financial asset					
Short term fund	46,949,531	-	-	46,949,531	46,949,531

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk as well as interest rate risk. Information on the management of the related exposures is detailed below:

(a) Credit risk

Cash deposits and trade receivables may give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. Credit risk refers to the risk that counterparty would default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management annually.

Exposure to credit risk

At the end of each reporting period, the maximum exposure of the Group to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the reporting date, the Group has significant concentration of credit risk that may arise from exposure two (2) customers (2022: three (3) customers) who constitute approximately 77% (2022: 74%) of total receivables.

(b) Liquidity and cash flow risk

Liquidity risk is the risk that the Group is unable to service its cash obligations in the future. To mitigate this risk, the management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

2023 **Group**	**On demand or within one year** **RM**	**Two to five years** **RM**	**Over five years** **RM**	**Total** **RM**
Financial liabilities				
Trade and other payables	10,187,597	-	-	10,187,597
Borrowings	40,718,171	2,331,019	-	43,049,190
Lease liabilities	168,911	207,890	-	376,801
Total undiscounted financial liabilities	51,074,679	2,538,909	-	53,613,588
Company				
Financial liabilities				
Trade and other payables	10,083,289	-	-	10,083,289
Borrowings	40,297,295	1,792,537	-	42,089,832
Lease liabilities	168,911	207,890	-	376,801
Total undiscounted financial liabilities	50,549,495	2,000,427	-	52,549,922

2022 **Group**	**On demand or within one year** **RM**	**Two to five years** **RM**	**Over five years** **RM**	**Total** **RM**
Financial liabilities				
Trade and other payables	16,488,874	-	-	16,488,874
Borrowings	42,525,412	3,653,631	-	46,179,043
Lease liabilities	309,368	276,001	-	585,369
Total undiscounted financial liabilities	59,323,654	3,929,632	-	63,253,286
Company				
Financial liabilities				
Trade and other payables	16,408,549	-	-	16,408,549
Borrowings	42,104,536	2,741,733	-	44,846,269
Lease liabilities	309,368	276,001	-	585,369
Total undiscounted financial liabilities	58,822,453	3,017,734	-	61,840,187

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) 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 would fluctuate because of changes in market interest rates.

The Group's exposure to market risk for changes in interest rates relates primarily to the interest-bearing borrowings. The Group does not use derivative financial instruments to hedge its risk.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

Group 2023	**Note**	**Weighted average effective interest rate (%)**	**Within one year RM**	**Two to five years RM**	**Over five years RM**	**Total RM**
Fixed rates						
Deposits with a licensed bank	14	2.95	27,995,108	-	-	27,995,108
Bankers' acceptance	16	4.52	39,320,000	-	-	39,320,000
Floating rates						
Term loans	16	6.11	1,234,853	2,190,457	-	3,425,310
2022						
Fixed rates						
Deposits with a licensed bank	14	1.79	29,828,857	-	-	29,828,857
Bankers' acceptance	16	3.04	40,849,000	-	-	40,849,000
Floating rates						
Term loans	16	5.09	1,220,193	3,391,825	-	4,612,018
Company 2023						
Fixed rates						
Deposits with a licensed bank	14	2.95	27,995,108	-	-	27,995,108
Bankers' acceptance	16	4.52	39,320,000	-	-	39,320,000
Floating rates						
Term loans	16	6.52	840,000	1,680,000	-	2,520,000

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk: (continued)

Company 2022	**Note**	**Weighted average effective interest rate %**	**Within one year RM**	**Two to five years RM**	**Over five years RM**	**Total RM**
Fixed rates						
Deposits with a licensed bank	14	1.79	29,828,857	-	-	29,828,857
Bankers' acceptance	16	3.04	40,849,000	-	-	40,849,000
Floating rates						
Term loans	16	5.41	840,000	2,520,000	-	3,360,000

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and the Company if interest rates on floating rate borrowings at the end of each reporting period changed by one hundred (100) basis points with all other variables held constant:

	Group		**Company**	
Profit after tax	**2023 RM**	**2022 RM**	**2023 RM**	**2022 RM**
- Increase by 1% (2022: 1%)	(26,000)	(35,000)	(19,000)	(26,000)
- Decrease by 1% (2022: 1%)	26,000	35,000	19,000	26,000

30. COMPARATIVES

Certain comparatives have been reclassified to conform with current year's presentation.

(a) Statement of financial position for the financial year ended 30 June 2022

	As previously reported RM	Reclassification RM	As restated RM
Group			
Property, plant and equipment	37,753,319	(14,874,287)	22,879,032
Investment properties	-	14,239,601	14,239,601
Right-of-use assets	4,918,390	634,686	5,553,076
Borrowings			
- Non-current	(3,637,245)	245,420	(3,391,825)
- Current	(42,270,941)	201,748	(42,069,193)
Lease liabilities			
- Non-current	(18,272)	(245,420)	(263,692)
- Current	(28,972)	(201,748)	(230,720)
Company			
Property, plant and equipment	24,607,608	(634,686)	23,972,922
Right-of-use assets	4,918,390	634,686	5,553,076
Borrowings			
- Non-current	(2,765,420)	245,420	(2,520,000)
- Current	(41,890,748)	201,748	(41,689,000)
Lease liabilities			
- Non-current	(18,272)	(245,420)	(263,692)
- Current	(28,972)	(201,748)	(230,720)

(b) Statement of changes in equity as at 1 July 2021

	As previously reported RM	Reclassification RM	As restated RM
Group			
Retained earnings	65,204,211	1,545,224	66,749,435
Reserve arising from acquisition of non-controlling interest	1,545,224	(1,545,224)	-

(c) Statement of cash flows for the financial year ended 30 June 2022

	As previously reported RM	Reclassification RM	As restated RM
Group			
Net cash used in investing activities	1,063,768	(1,378,116)	(314,348)
Company			
Net cash used in investing activities	1,051,768	(1,378,116)	(326,348)

VALUATION LETTER

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(CMSL / A0212 / 2007)
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31 January 2024

The Board of Directors
KUB MALAYSIA BERHAD
Suite A-22-1, Level 22, Hampshire Place Office
157 Hampshire, No. 1 Jalan Mayang Sari
50450 Kuala Lumpur

Strictly Private & Confidential

Dear Sirs

FAIR MARKET VALUATION ON THE ENTIRE EQUITY INTEREST IN CENTRAL CABLE BERHAD ("CCB" OR "TARGET COMPANY") ("PROPOSED EVALUATION")

1.0 INTRODUCTION

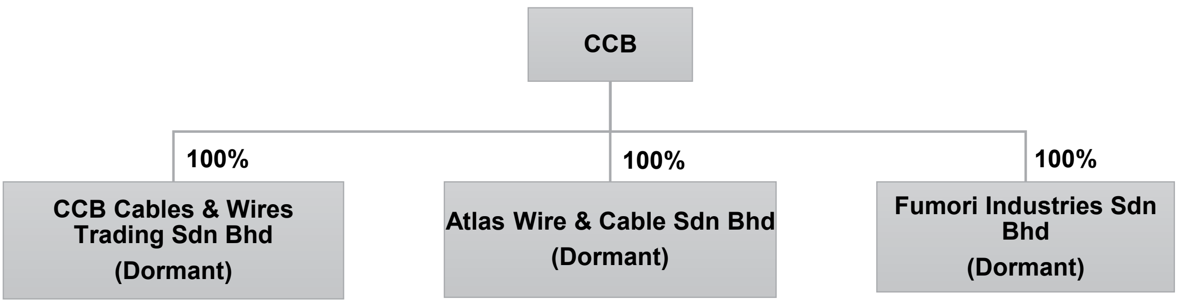
We understand from the Board of Directors ("**Board**") of KUB Malaysia Berhad ("**KUB**" or the "**Company**") that the Company wish to explore the potential collaboration opportunities together with CCB, which may involve an acquisition of certain equity stake in CCB ("**Proposed Acquisition**").

On 20 October 2023, FHMH Corporate Advisory ("**FHCA**") has been appointed by the Board of Directors of KUB to act as the Independent Business Valuer to provide an opinion on the fair market value of the entire equity interest in CCB ("**Letter**"). This Letter is prepared for the Board of Directors of KUB and is intended solely for inclusion in the Circular to the shareholders of KUB in connection with the Proposed Acquisition.

2.0 BACKGROUND INFORMATION OF THE TARGET COMPANY

The Target Company was incorporated in Malaysia under the Companies Act 1965 on 6 June 1967 and is deemed registered under the Act as a company limited by shares. The principal activities of the Target Company are investment holding and manufacturing of cables and wires.

As at LPD, the immediate and ultimate holding company of the Target Company is JAG Capital Holdings Sdn Bhd and the subsidiaries companies of CCB are summarised as below:



3.0 TERMS OF REFERENCE

The basis of our opinion is the fair market value which is defined as the arms' length price at which such asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, in an open and unrestricted market and both having reasonable knowledge of relevant facts. The concept of market value means the cash equivalent price of an asset being valued assuming the transaction took place under conditions existing at the date of valuation of the assets. The amount would not be considered market value if it was influenced by special motivations or characteristic of a typical buyer or seller.

Sources of Information

The sources of information which we have used to form our opinion on the fair market value of the equity interest in the Target Company are as follows:

(i) The audited report on the financial statements of the Target Company for FYE 30 June 2019 to FYE 30 June 2023;
(ii) The financial forecast and projection of the Target Company from the FYE 30 June 2024 to the FYE 30 June 2029 together with the underlying bases and assumptions as prepared by the management of the Target Company ("**Future Financials**");
(ii) Representations and explanations by the directors and management of the Company and Target Company ("**Management**"); and
(iii) Other publicly available information in respect of the industry that the Target Company are involved in.

Nothing has come to our attention that the information that was publicly available or supplied or otherwise made available to us by the Management, which such information formed a substantial basis of our opinion and we express no opinion on such documents, financials and/or other information, are invalid, inaccurate and/or incomplete. We have also relied on the Management to exercise due care to ensure that all information and documents provided to us and that all relevant facts, information and representations necessary for our Proposed Evaluation have been disclosed to us and that such information is accurate, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate.

We have not undertaken an independent investigation into the Future Financials of the Target Company. It should be noted that any valuation exercise is highly dependent on, amongst others, the achievability of the Future Financials as well as the materialisation of the bases and assumptions used therein. It should also be highlighted that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the relevant reports and Future Financials were based. As such, the adoption of such assumptions and projections does not imply that we warrant their validity or achievability.

Date of Opinion

The date of our opinion is 31 October 2023 (herein also referred to as the **"Date of Opinion"**), which is our date of valuation.

Scope and Limitation of Review

FHCA was not involved in the formulation or any deliberation and negotiation on the terms and conditions of any corporate exercise intended to be undertaken by the Company or the Target Company. Our role as the Independent Business Valuer does not extend to expressing an opinion on the commercial merits of any corporate exercise intended to be undertaken by the Company and this remains solely the responsibility of the Board of the Company, although we may draw upon their views in arriving at our opinion.

As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Evaluation and/or any corporate exercise contemplated by the parties.

The Management is responsible to make available to us all relevant information pertaining to the Proposed Evaluation, including informing us of any material changes in the subject matters which may have an impact on our opinion. Our work includes holding discussions and making enquiries with the Management regarding representations made on the Target Company. We rely on the Management's oral and written representations and in no event shall we, our partners, principals, directors, shareholders, agents or employees are liable for any misrepresentations by the Management. Our procedures and inquiries did not include any verification work that constitutes an audit on the information that we have relied upon in preparing this Letter. Further, certain information relied upon are only representation of the Management.

With regards to the Future Financials furnished to us by the Management, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgement by the Management on the future financial performance of the Target Company and of which the Management is solely responsible for the bases and assumptions and the preparation and presentation of the same. The preparation of this Letter is based upon market, economy, industry and other conditions prevailing as at the Date of Opinion, as well as publicly available information and information provided to us by the Company. Such conditions may change significantly over a relatively short period of time. No representation or warranty, whether expressed or implied, is given by FHCA that the information and documents provided will remain unaltered subsequent to the issuance of this Letter.

We have obtained a responsibility statement from the Management that all material facts, financial and other information essential to our Proposed Evaluation have been disclosed to us and that they have seen this Letter and they, individually and collectively, accept full responsibility for the accuracy of such information contained in this Letter, and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

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4.0 SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information based on the audited financial statements of the Target Company on company level from the FYEs 30 June 2021 to 30 June 2023 are set out below:

Company level	FYE 30 June 2021 Audited	FYE 30 June 2022 Audited	FYE 30 June 2023 Audited
Revenue (RM'000)	130,466	140,553	199,151
Gross Profit ("**GP**")(RM'000)	6,066	6,036	19,136
PAT(RM'000)	3,996	2,807	11,692
Share Capital ('000)	53,000	53,000	53,000
Net Asset ("RM'000)	121,482	122,698	82,981
Total borrowing (RM'000)	39,094	44,209	41,840
Number of ordinary shares ('000)	53,000	53,000	53,000
Earnings per share ("**EPS**")	0.08	0.05	0.22
NA per Share	2.29	2.32	1.57
Current ratio (times)	2.81	2.52	2.00
Gearing ratio (times)	0.32	0.36	0.51
GP margin (%)	4.65	4.29	9.61
PAT margin (%)	3.06	2.00	5.87

There were no exceptional and/or extraordinary items reported in the audited financial statements of the Target Company for the financial years and period under review. The audited financial statements have been prepared in accordance with Malaysian Financial Reporting Standards and there have been no audit qualifications reported in the audited financial statements of the Target Company during the financial years under review.

Commentary:

<u>FYE 30 June 2021 vs FYE 30 June 2022</u>

For the FYE 30 June 2022, the Target Company recorded an increase in revenue of RM10.09 million or 7.73% from RM130.47 million for FYE 30 June 2021 to RM140.55 million for FYE 30 June 2022. The increase in revenue can be attributable to the gradual recovery from the Covid-19 pandemic, coupled with a consistent influx of purchase orders for cables from CCB's major customer (Malaysia's primary electricity generation enterprise transmitting and distributing all the electricity in Peninsular Malaysia, Sabah and the Federal Territory of Labuan)("**Major Customer**").

The surge in revenue was primarily driven by the continued effects of the COVID-19 pandemic and a heightened demand for cables, which was prompted by the resumption of development projects that had been delayed during the lockdowns. Sales from Major Customer had increase by RM15.29 million or 29.23% from RM52.30 million in FYE 30 June 2021 to RM67.59 million in FYE 30 June 2022 whereas sales from open market has increased by RM3.39 million or 8.81% from RM38.50 million in FYE 30 June 2021 to RM41.90 million in FYE 30 June 2022.

In contrast, the sales from original equipment manufacturer ("**OEM**") experienced a decline of RM8.67 million or 21.93% from RM39.50 million to RM30.84 million in FYE 30 June 2022. Management represented that some of the OEM customers had secured purchase orders directly from Major Customer. Despite that, there was a general decrease in the volume of orders that our OEM customers had received from Major Customer. This divergence in order quantity likely contributed to the overall decrease in revenue within the OEM channel.

Gross profit margins decreased slightly from 4.65% in FYE 2021 to 4.29% in FYE 2022 mainly attributable to the increase in the cost of aluminium which constitute a significant portion of the cable production by approximately 19.42% from average aluminium price of USD 2,473 per metric ton in year 2021 to USD 2,705 per metric ton in year 2022. The lower gross profit margin is also a result of fixed sales prices established in the purchase order prior to the pandemic, coupled with the postponement of product delivery dates requested by the customer due to disruptions in development projects caused by the pandemic.

The total selling & distribution expenses and administrative expenses increased by RM1.47 million or approximately 30.73% from RM4.77 million in FYE 30 June 2021 to RM6.24 million in FYE 30 June 2022 which caused by the impairment loss in the trade receivables.

PAT margin has decreased from 3.06% in FYE 30 June 2021 to 2.00% in FYE 30 June 2022 mainly due to the one-off impairment loss incurred for the year.

FYE 30 June 2022 vs FYE 30 June 2023

For the FYE 30 June 2023, the Target Company recorded substantial growth in revenue with the increase of RM58.60 million or 41.69% from RM140.55 million for FYE 30 June 2022 to RM199.15 million for FYE 30 June 2023. The increase in revenue can be attributable to the increase in purchase order received from the customers, primarily from Major Customer. The purchase order received from Major Customer had enlarged by RM 76.66 million or 113.42% from RM67.59 million in the FYE 30 June 2022 to RM144.25 million in FYE 30 June 2023, which accounted for approximately 72.43% of the total revenues in FYE 30 June 2023. The increase in purchase orders also included the fulfilment of previous orders that had been postpone due to the Covid-19 pandemic, reflecting a resumption of delayed projects.

The purchase orders received from the open market had increased by RM0.87 million or approximately 2.07% from RM41.90 million in the FYE 30 June 2022 to RM42.76 million in the FYE 30 June 2023. The purchase order received from open market customer accounts for approximately 21.47% of the total revenue in FYE 30 June 2023.

Gross profit margins increase significantly from 4.29% in FYE 30 June 2022 to 9.61% in FYE 30 June 2023. This remarkable increase in gross profit margins can be attributed to strategic price adjustments made in line with the customer's agreed-upon terms to align with fair market prices.

The total selling & distribution expenses and administrative expenses increased by RM1.41 million or approximately 22.63% from RM6.24 million in FYE 30 June 2022 to RM7.65 million in FYE 30 June 2023 which mainly caused by additional bonus given to the staff.

In line with the significant growth in GP margin, PAT margin has increased significantly from 2.00% in FYE 30 June 2022 to 5.87% in FYE 30 June 2023.

5.0 INDUSTRY OUTLOOK

Overview and outlook of Malaysia Economy

The Malaysian economy expanded moderately in the second quarter of 2023 (2.9%; 1Q 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages. Meanwhile, investment activity was underpinned by capacity expansion, progress of multi-year projects and higher fixed asset spending by the government. Continued recovery in inbound tourism partially offset the slower goods export growth. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when the economy experienced strong growth from reopening effects and policy measures. On the supply side, the services and construction sectors continued to support growth. Meanwhile, production in the agriculture and mining sectors were affected by hot weather and plant maintenance. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (1Q 2023: 0.9%).

Headline inflation during the quarter continued to moderate to 2.8% (1Q 2023: 3.6%). The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation, while declining, remained elevated relative to its long-term average (2011-2019 average: 2.0%). The moderation in core inflation (2Q 2023: 3.4%; 1Q 2023: 3.9%) was largely contributed by selected services. These included food away from home, telephone and telefax services, and personal transport repair and maintenance. Inflation pervasiveness declined as the share of Consumer Price Index (CPI) items recording monthly price increases moderated to 42.7% during the quarter (1Q 2023: 56.0%), below the second quarter long-term average (2011-2019) of 43.9%. Notably, inflation pervasiveness dropped in June after a transitory uptick in May following the festive season.

Global developments continued to be the dominant factor in driving domestic financial conditions during the quarter. Global financial market sentiments were dampened by concerns over a slower global economic outlook, and weaker-than-expected rebound in China's economy. This was further compounded by concerns over the US debt ceiling crisis during the first two months of the quarter, alongside ongoing financial market expectations of continued monetary policy tightening in advanced economies. Lower commodity prices and global semiconductor demand also weighed on domestic financial markets.

Reflecting these developments, the ringgit depreciated by 5.8% in the second quarter of 2023. However, the ringgit has appreciated by 1.1% so far over the third quarter (as at 15 August 2023), amid growing expectations that monetary policy tightening in the US is nearing its end. Bank Negara Malaysia (BNM) will continue to closely monitor global and domestic financial conditions and ensure market adjustments remain orderly. BNM's presence in the foreign exchange market is to stem currency movements that are deemed excessive.

The growth in credit to the private non-financial sector moderated to 3.8% (1Q 2023: 4.1%) on account of slower growth in outstanding business loans. Outstanding corporate bonds growth, however, improved to 4.9% (1Q 2023: 4.4%). Outstanding business loans grew by 0.7%, due mainly to lower growth in working capital loans to non-SMEs. Notwithstanding this, investment-related loan growth remained sustained, with steady growth recorded for the purchase of fixed assets and non-residential properties. For households, outstanding loans expanded by 5.1%, mainly driven by loans for the purchase of residential properties and cars.

With the challenging global environment, the Malaysian economy is projected to expand close to the lower end of the 4.0% to 5.0% range in 2023. Growth will continue to be supported by domestic demand amid improving employment and income as well as implementation of multi-year projects. Tourist arrivals are expected to continue rising, which would support tourism-related activities. Governor Datuk Abdul Rasheed Ghaffour explained, "Risks to Malaysia's growth outlook is subject to downside risk stemming primarily from weaker-than-expected global growth. There are, however, upside risk factors such as stronger-than-expected tourism activity and faster implementation of projects."

For the second half of 2023, both headline and core inflation are projected to trend lower within expectations, partly due to the higher base in the corresponding period last year. Nonetheless, risks to the inflation outlook are subject to the changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2023, Bank Negara Malaysia)

The electrical and electronics (E&E) sector has been an important driver of Malaysia's manufacturing exports. Exports of E&E products, which accounted for 38% of merchandise exports, rose by 30% y/y in 2022. This rapid growth was driven by robust global demand for semiconductors, reflecting technological trends such as 5G rollout, cloud computing, and the Internet of Things. Exports of integrated circuits grew by 33% y/y in 2022, while exports of parts for integrated circuits rose by 120% y/y. The combined exports of integrated circuits and parts accounted for 58% of Malaysia's total exports of E&E products in 2022.

The global electronics manufacturing industry has slowed since mid-2022 due to the weakening pace of economic growth in the US, EU and China. Malaysian exports of electrical and electronic products have shown some weakness in recent months, but showed a rebound in July, rising by 7.3% y/y.

However, recent S&P Global survey data continues to indicate that the global electronics manufacturing industry is facing headwinds from weak economic conditions in key markets. The headline seasonally adjusted S&P Global Electronics PMI was at 47.6 in July, continuing to show contractionary conditions across the global electronics manufacturing sector as key consumer markets for electronics, notably mainland China and the EU, remained weak.

(Source: Malaysian economy moderates in mid-2023, S&P Global Market Intelligence)

Overview and outlook of the industry

The ex-factory sales of wires and cables in Malaysia are expected to increase from RM9,610.0 million in 2022 to RM11,205.0 million in 2025, yielding a CAGR of 5.25%. The demand for power cables is closely related to industrialisation and infrastructure spending. In turn, this is greatly dependent on the gross fixed capital formation in the country. Another major factor behind the expanding demand for wires and cables is rising urbanisation.

Mass transits such as electric buses and electric trains, which require a network of electricity lines, are encouraged by the Malaysian government for public mobility, so as to reduce traffic congestions on the road and to mitigate greenhouse gas emissions. As both electric buses and electric trains operate on electric power only, there are requirements for power cables to be installed in their power networks to support the electrical transportation systems. In turn, this is expected to generate further demand for wires and cables.

Under the Twelfth Malaysia Plan 2021-2025, investments in generation capacity and reinforcement of transmission and distribution networks will be continued to ensure the efficiency and reliability of electricity supply in Malaysia. The reinforcement of generation, transmission and distribution systems will be further undertaken to strengthen the power utility industry. Initiatives such as creating a resilient power utility industry, strengthening the Sabah electricity supply system, enhancing the grid system, expanding rural electricity coverage and increasing the installed capacity of renewable energy are expected to improve the sustainability of the power utility industry. Similarly, the distribution network will be expanded and upgraded to improve coverage, reliability and customer services. This also includes the replacement of old cables which were subjected to wear and tear. In addition, the construction of 500 kV and 275 kV transmission lines will be undertaken in Peninsular Malaysia and Sarawak, which will support future load growth. Also, the existing Lao-Thailand-Malaysia power transfer initiative under the Association of Southeast Asian Nations (ASEAN) Power Grid and new transboundary interconnections will be explored to ensure better connectivity.

The imports of wires and cables into Thailand and Singapore increased from RM5.65 billion and RM5.92 billion, respectively, in 2018 to RM6.32 billion and RM6.36 billion, respectively, in 2022, yielding CAGRs of 2.85% and 1.78%, respectively. In the case of Brunei, imports of wires and cables had declined by a CAGR of 27.14%, from RM235.69 million in 2018 to RM66.42 million in 2022. In 2023, between 10,000 and 12,000 residential units are planned to be launched in Singapore, while approximately 35,000 residential units are forecasted to be launched in Thailand. These buildings form a market for wires and cables.

(Source: Extracted from the prospectus for Master Tec Group Berhad on the wire and cable industry)

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6.0 VALUATION METHODOLOGY

Basis and Method Used to Form an Opinion on the Evaluation

In establishing our opinion on the evaluation of the fair market value on the entire equity interest in the Target Company, which is the subject matter, FHCA has considered various methodologies, which are commonly used for valuation, taking into consideration the Target Company's future earnings generating capabilities, projected future cash flows, its sustainability as well as various business considerations and risk factors affecting its business.

The valuation methodology considered and selected by FHCA to evaluate the fair market value on the entire equity interest in the Target Company is based on the Relative Valuation Analysis ("**RVA**") and Discounted cash flow to equity ("**FCFE**").

RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth based on a set of valuation metrics derived from commonly used financial indicators and applied on the subject company's historical financial records. This method involved the use of PE multiple *(defined hereinafter)* and EV/EBITDA multiple *(defined hereinafter)* as it is more likely to reflect the current sentiment of the market.

The secondary valuation methodology considered and selected by FHCA to evaluate the equity interest of the Target Company is based on the Discounted FCFE Methodology as the underlying value of the Target Company is likely to be derived from its future business operations. The reliability of future revenue generated by the Target Company is validated through an examination of its historical operating performance track record and an assessment of the nature of contracts secured.

Further, FHCA has also considered other valuation methodologies and found that the following methodologies are not suitable in the assessment of the fair market value on the entire equity interest in the Target Company based on the following factors:

Valuation Methodologies	Discussion
Revalued Net Asset Valuation ("**RNAV**")	RNAV methodology seeks to adjust the net asset of a company to take into consideration the valuation of assets of a company to determine the adjusted value of the firm's financial value. It should be noted that the underlying value of the Target Company are more likely to be derived from its future business operations instead of its assets. Based on the audited financial statements of the Target Company for the FYE 2023, the property, plant and equipment comprise of approximately 25% over the total assets of the Target Company. The property, plant, and equipment, which mainly consisted of factory buildings and renovation, plant and machinery, are long-term in nature and are predominantly used to generate earnings associated with the Target Company's manufacturing activities. Given the nature of such assets, the Target Company is deemed as a manufacturing company and not an asset-based company. Accordingly, we are of the view that RNAV may not accurately reflect the potential of the Target Company.
Comparable Transaction Analysis ("**CTA**")	CTA is a valuation method which seeks to compare against other recent comparable transactions undertaken by companies listed on local stock exchanges that had entered acquisitions and/or disposal of similar assets. It also reflects a reasonable estimate of multiples or premiums that others have paid for similar companies in the past.

Valuation Methodologies	Discussion
	We have also conducted our searches on precedent transactions involving the power cable industry in Malaysia for the past three (3) years from S&P Capital IQ as at the Date of Opinion. We noted that there were no transactions appear within our search period.

RVA

RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. Under the RVA, reference was made to the valuation statistics of comparable companies to get an indication of the current market expectation with regards to the implied value of the equity interest in the Target Company and compared the implied trading multiples to determine the firm's financial worth.

For the purposes of the RVA, reference was made to companies that are primarily involved in power cable and wire industry and are listed on regional stock exchanges in South-east Asia with revenue segmentations primarily being derived mainly from power cable and wire (over 51% of total revenues), been listed for more than two (2) years and are profit making. Based on the above criteria, a total of six (6) listed companies were found on the Bursa Malaysia Securities Berhad, Indonesia Stock Exchange and Ho Chi Minh City Stock Exchange, which include Southern Cable Group Berhad ("**SCG**"), PT Jembo Cable Company Tbk ("**Jembo**"), PT Kabelindo Murni Tbk ("**Kabe**"), PT KMI Wire and Cable Tbk ("**KMI**"), PT Sumi Indo Kabel Tbk ("**Sumi**") and Taya Viet Nam Electric Wire and Cable Joint Stock Company ("**Taya**") ("**Comparable Companies**"). We have conducted a search on the principal activities of the Comparable Companies to ensure that there are no fundamental changes in the principal activities of the Comparable Companies for the 12-months prior to the Date of Opinion. We note that the principal activities of the Comparable Companies remain consistent. We have selected Comparable Companies with market capitalization that sits below RM500 million.

It is important to note that the Comparable Companies tabulated herein are by no means exhaustive and may differ from the Target Company in terms of, inter alia, composition of business activities, scale of operations, geographical location of operations, profit track record, financial profile, risk profile, future prospects, capital structure, marketability of their securities and other criteria.

One should also note that any comparisons made with respect to the Comparable Companies are merely to provide an indication to the implied valuation of the Target Company and the selection of Comparable Companies and adjustments made are highly subjective and judgmental and the selected companies may not be entirely comparable due to various factors.

The details of the Comparable Companies and the input parameters for Capital Asset Pricing Model ("**CAPM**") as extracted from S&P Capital IQ as at the Date of Opinion are set out as follows:

Comparable Companies	Principal activities	% of revenue contributed from Power Cable[1]
SCG	Manufactures and sells cables and wires in Malaysia and internationally. It operates through Power Cables and Wires, Communications Cables and Wires, Control and Instrumentation Cables and Wires, and Related Products and Services segments. The company offers cables and wires for power distribution and transmission, communications, and control and instrumentation applications. It also manufactures copper and aluminium rods, plastic compounds, and wooden cable drums; trades in cables and wires, and copper strips; and supplies and installs rectifiers.	85.5%

Jembo	Manufactures and sells various wires and cables in Indonesia and internationally. It operates through Power Cable, Telephone Cable, and Others segments. The company provides low and medium voltage copper and aluminium cables; overhead transmission and distribution; telecommunication cables with copper and optic fiber conductors.	84.8%
Kabe	Manufactures and trades in telecommunication and electrical cables in Indonesia. The company offers building wires; low voltage cables, including power and twisted cables; medium voltage cables; and bare conductors, including aluminium and copper conductors, and overhead ground wires, as well as special cables, including PVC and XLPE insulation, instrument cable, and fire resistant and flame-retardant cables.	98.7%
KMI	Manufactures and sells various power cables in Indonesia. It operates through Manufacturing of Power Cables and Others segments. The company offers aluminium, copper, and ground bare conductors; low voltage power cables comprising aluminium, copper, control, flexible, and instrument cables; medium voltage power cables, such as aluminium and copper cables; high voltage power cables; special purpose cables, including fire resistant, flame retardant, lead sheathed, nylon, and thermocouple cables; aluminium and copper rods, and rod products; and outdoor and indoor telecom cables.	97.4%
Sumi	Manufactures and sells cables and electrical equipment in Indonesia. The company's products include power, control and instrument, telecommunication, and automobile cables, as well as conductors. It also offers bare conductor cables, fire resistance cables, armored and non-armored cables, and low and medium voltage cables. In addition, the company provides low-voltage wires for batteries, earth bond low voltage wires, and vinyl insulated low voltage wires for automobiles, as well as steel tape or steel wire amour cables for underground.	96.8%
Taya	Manufactures and sells electric wire and cable products in Vietnam and internationally. It offers 600V/1000V wire and cable products; 600V/1000V cross linked polyethylene power cables; medium and high voltage cables of 1 KV to 35 KV; armored steel, steel, and aluminium power cables; single and twisted copper wires; control cables; flexible and capacitive wires in the car; PEW magnetic wires; and Interface wire from UEW. The company was founded in 1955 and is based in Bien Hoa, Vietnam.	100.0%

(Source:S&P Capital IQ)
Note 1: Extracted based on the latest 12-months financial information as at the Date of Opinion from S&P Capital IQ.

We have also considered the following companies operating in the same industry as the Target Company which are listed in the regional stock exchange. However, these companies were not selected as part of the comparable companies as these companies were loss making rendering them unfitting as comparable companies:

Ticker	Company name	Country
KLSE:SCABLE	Sarawak Cable Berhad	Malaysia
KLSE:HWGB	Ho Wah Genting Berhad	Malaysia
SET:CTW	Charoong Thai Wire and Cable Public Company Limited	Thailand
IDX:VOKS	PT Voksel Electric Tbk	Indonesia

We note that as the Comparable Companies may differ from the Target Company, as explained in paragraphs above, we have selected the following multiples to provide a more accurate and fair reflection of the fair value of Target Company as explained below:

Valuation Multiple	General Description
PE Multiple	The Price to Earnings ("**PE**") multiple is an earnings-based valuation method and represents the ratio of a company's market capitalisation to its historical net profit (attributable to shareholders after interest, taxation, depreciation, and amortisation expenses).
EV/EBITDA	Enterprise Value ("**EV**") is the sum of a company's market capitalisation, preferred equity, minority interest, short and long-term debt less its cash and cash equivalents. The EV/Earnings before interest, taxation, depreciation and amortisation ("**EBITDA**") multiple illustrates the market value of a company's business relative to its historical and forecast pre-tax operational cash flow performance, taking into consideration the company's debt and cash levels in addition to its market capitalisation. The exclusion of non-cash items such as depreciation and amortisation from the calculation of EBITDA will allow this method to be more reflective of the company's pre-tax operating cash flow. In addition, the exclusion of taxation will eliminate the effects of differing taxation policies of the countries in which the Comparable Companies operate in.

We have also considered the Price to Book ("**PB**") Multiple and have concluded that this valuation multiple is also not suitable as PB Multiple values a company based on the value of its assets, net of all liabilities at a specific point in time and does not take into consideration the future income stream of a company.

The table below sets out the valuation statistics of the Comparable Companies based on the closing market prices as at the Date of Opinion as extracted from S&P Capital IQ:

Comparable Companies	Market Capitalisation (RM'million)	PE Multiple[1] times	EV/EBITDA Multiple[1] times
SCG	296.0	16.0	10.4
Jembo	135.6	14.9	12.0
Kabe	91.0	8.6	6.2
KMI	392.8	16.2	6.4
Sumi	197.5	7.2	4.8
Taya	59.5	26.4	7.9
Average		**14.9**	**8.0**
Median		**15.5**	**7.2**
Quartile 1[2]		**10.2**	**6.3**
Quartile 3[3]		**16.2**	**9.8**

Notes:

[1] Calculated based on the closing market prices and the trailing twelve months financial results as at the Date of Opinion as extracted from S&P Capital IQ.

[2] This represents the value at the 25th percentile of a dataset.

[3] This represents the value at the 75th percentile of a dataset.

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The table below sets out the fair market value of the entire equity interest of the Target Company derived from using PE multiple of the Comparable Companies as at the Date of Opinion as extracted from S&P Capital IQ:

Fair market value derived from PE Multiple	PE Multiple (times)			
	Average	Median	Quartile 1	Quartile 3
PE Multiple (times) [1]	14.9	15.5	10.2	16.2
Adjusted PE Multiple (times) [2]	11.9	12.4	8.2	13.0
Profit after tax (RM'000) [3]	11,692			
Fair Market Value (RM'000)	**139,374**	**144,986**	**95,410**	**151,534**

**Some figures may not be exactly added or computed due to rounding.*

Notes:

[1] Calculated based on the closing market prices and the trailing twelve months financial results as at the Date of Opinion as extracted from S&P Capital IQ.

[2] Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran which suggests the application of discount for lack of marketability of 20% - 30% to reflect the illiquidity of shares of non-listed companies which are not freely tradeable as compared to public listed companies. As the Target Company is a non-listed entity, we have applied a discount rate of 20% to the multiple of the Comparable Companies to derive a fair market valuation of the entire equity interest in the Target Company, taking into consideration Target Company's stability through its extensive operating history and performance over the past 40 years.

[3] Extracted from the audited financial statements for the FYE 30 June 2023.

The table below sets out the fair market value of the entire equity interest of the Target Company derived from using EV/EBITDA multiple of the Comparable Companies as at the Date of Opinion as extracted from S&P Capital IQ:

Fair market value derived from EV/EBITDA	EV/EBITDA Multiple (times)			
	Average	Median	Quartile 1	Quartile 3
EV/EBITDA Multiple (times)[1]	8.0	7.2	6.3	9.8
Adjusted EV/EBITDA Multiple (times)[2]	6.4	5.8	5.0	7.8
EBITDA (RM'000)[3]	18,815			
Enterprise Value (RM'000)	**120,417**	**108,375**	**94,828**	**147,511**
Add: Cash (RM'000) [3]	33,026			
Less: Total Debt (RM'000) [4]	43,096			
Add: Surplus asset/liabilities (RM'000) [5]	17,507			
Fair Market Value (RM'000)	**127,855**	**115,813**	**102,266**	**154,949**

Some figures may not be exactly added or computed due to rounding.

Notes:

[1] Calculated based on the closing market prices and the trailing twelve months financial results as at the Date of Opinion as extracted from S&P Capital IQ.

[2] Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran which suggests the application of discount for lack of marketability of 20% - 30% to reflect the illiquidity of shares of non-listed companies which are not freely tradeable as compared to public listed companies. As the Target Company is a non-listed entity, we have applied a discount rate of 20% to the multiple of the Comparable Companies to derive a fair market valuation of the entire equity interest in the Target Company, taking into consideration Target Company's stability through its extensive operating history and performance over the past 40 years.

[3] Extracted from the audited financial statements for the FYE 30 June 2023:

EBITDA	***RM'000***
Profit before tax for the FYE 30 June 2023	*14,659*
Less: Interest income for the FYE 30 June 2023	*(922)*
Add: Interest expense for the FYE 30 June 2023	*1,860*
Add: Depreciation & Amortisation expense for the FYE 30 June 2023	*3,218*
	18,815

[4] Including group level borrowings of RM42.8 million and lease liabilities of RM0.35 million extracted from the consolidated audited financial statements for the FYE 30 June 2023.

[5] Surplus assets/liabilities are represented by any assets/liabilities that are held by a business that are not core to its underlying operations and do not support the business in any way.
Including (i) Investment properties owned by Fumori Industries Sdn Bhd, a subsidiary of CCB, with the net book value of RM15.3 million recorded in the audited financial statements for the FYE 30 June 2023; and (ii) short-term fund of RM2.2 million refers to investments in trust fund in Malaysia which represent investments in highly liquid money market instruments as extracted from the consolidated audited financial statements for the FYE 30 June 2023.

Based on the above, it is noted that:

1. The fair market value of the Target Company, using the Quartile 1 and Quartile 3 of the PE Multiple of the Comparable Companies and the profit after tax for the FYE 30 June 2023, ranges from RM95.41 million to RM151.53 million with the median of RM144.99 million; and

2. The fair market value of the Target Company, using the Quartile 1 and Quartile 3 of the EV/EBITDA Multiple of the Comparable Companies and the EBITDA for the FYE 30 June 2023, ranges from RM102.27 million to RM154.95 million with the median of RM115.81 million.

Premised on the above, FHCA is of the opinion that the fair market valuation using the median of PE Multiple and EV/EBITDA multiple based on the RVA is range from **RM115.81 million to RM144.99 million**.

Discounted FCFE Methodology

Discounted FCFE Methodology is a valuation method which considers both the time value of money and the projected net cash flow generated discounted at a specified discount rate to derive at the valuation of the subject matter. It is based on discounted cash flows, involving the application of an appropriately selected discount rate applied on the projected future cash flows to be earned by the equity holders of a company.

Equity value = Present value of Projected FCFE based on the Future Financials + Terminal value

$$V_o = \frac{FCFE_1}{(1+DR)^1} + \frac{FCFE_n}{(1+DR)^n} + \frac{FCFE_{TV}}{(DR-g)}$$

Where:
V_o = Value today
$FCFE_1$ = Expected FCFE in year 1
$FCFE_{TV}$ = Terminal year FCFE
*DR = Discount rate derived using the Capital Asset Pricing Model ("**CAPM**")*
n = represent time, in years into the future
g = terminal year growth rate

The cost of equity takes into account a combination of risk factors associated with the industry in which the Target Company is involved in, namely, the systematic risk, i.e. the inherent market risk such as the interest rate fluctuation, and the capital structure, i.e. the financing risk. These risks are translated into the cost of equity which is built upon the CAPM. The cost of equity formula is as follows:

Cost of equity = Risk-Free Rate + [Re-geared Beta X (Market Return – Risk-Free Rate)]

In arriving at the appropriate discount rate, we have applied the prevailing risk-free rate and market risk premium, as well as adopted the betas of available Comparable Companies with relevant adjustments made taking into consideration the gearing and the risk profile as well as other risk factors that may affect the Target Company.

All information obtained was sourced from Bloomberg and S&P Capital IQ as at the Date of Opinion unless stated otherwise.

For the purpose of assessing the fair market value on the entire equity interest in the Target Company, the Comparable Companies' betas are adjusted (de-geared) for their individual gearing ratio, and then re-geared based on the gearing level of the median Comparable Companies.

Comparable Companies	Market Capitalisation (RM' million)	Levered Beta	Net Debt[1]/ Equity	Unlevered Beta
SCG	296.0	0.68	144.91	0.49
Jembo	135.6	0.04	195.96	0.02
Kabe	91.0	0.49	54.76	0.33
KMI	392.8	0.35	-	0.35
Sumi	197.50	0.75	79.76	0.57
Taya	59.50	0.65	74.84	0.32
Median				0.34

Note 1: We have opted to use net debt as the net debt of a company gives a clearer picture of a company's financial health and its ability to fulfil its financial obligations if it was due today.

Bases and Assumptions for Future Financials

The Future Financials have been prepared based on a set of assumptions made by the management of the Target Company, which includes assumptions about future events and outlook that may or may not necessarily occur. In particular, the Future Financials are dependent on the achievability of the specific assumptions as set out below.

The FCFE for each financial year in the Future Financials used to derive at the Discounted FCFE valuation are extracted from the estimate, forecast and projections based on the management's best estimate. Further, the Discounted FCFE Methodology is a commonly used investment appraisal technique to evaluate the attractiveness of an investment opportunity which takes into consideration, amongst others, the time value of money as well as future cash flows to be derived from the business over a specific period. The actual results may vary considerably from the Future Financials.

As the Discounted FCFE methodology entails the discounting of future cash flows to be earned by the equity holders at a specified discount rate to arrive at the fair value of the investment, the riskiness of generating such cash flows will also be taken into consideration.

Notwithstanding the above, we wish to highlight that the Discounted FCFE valuation is based on prevailing economic, market and other conditions as at the Date of Opinion for valuation parameters, in addition to publicly available information and information provided by the Target Company. Such conditions may change significantly over a short period of time. The resultant effect of such changes may materially and/or adversely affect the valuation. In particular, the Future Financials are dependent on the achievability of the specific assumptions as set out below. The results of the Future Financials can be materially affected by economic and other circumstances.

The specific key assumptions are as follows:

<table>
<tr><th>Key bases and assumptions</th><th>Our comments</th></tr>
<tr><td>
FYE 2024 projection is based on recurring and new sales orders from existing customers for existing products with the mix of low voltage, medium voltage cable, house wire and sale of scrap cable.

Revenue from FYE 2024 to FYE 2029 is projected based on the same recurring sales order for FYE 2023 plus 5.5% year-on-year increase for power cables product and scrap cable.

Sales of scrap cable is projected at 1.6% over the total revenue contributed by Major Customer, OEM and open market customers ("OM").
</td><td>
We are of the view that the growth rate of 5.5% per annum for power cable revenue is reasonable based on the following data points:

• The historical growth rate of the revenue and sale of scrap cable of Target Company ranges from -28.0% to 63.5% from FYE 2017 to FYE 2022 and 41.7% growth in the most recent FYE 2023:
<table>
<tr><td>FYE</td><td>Growth</td></tr>
<tr><td>2017</td><td>63.5%</td></tr>
<tr><td>2018</td><td>-2.5%</td></tr>
<tr><td>2019</td><td>-5.6%</td></tr>
<tr><td>2020*</td><td>-28.0%</td></tr>
<tr><td>2021*</td><td>-20.7%</td></tr>
<tr><td>2022</td><td>7.6%</td></tr>
<tr><td>2023</td><td>41.7%</td></tr>
</table>
*The decline in revenue for both FYE 2020 and FYE 2021 was primarily attributed to the postponement of construction projects, a direct consequence of the disruptions caused by the Covid-19 pandemic.

• The historical sales margin for scrap cable of the Target Company ranges from 1.3% to 1.7% over the total revenue from FYE 2019 to FYE 2023. Hence, we are of the view that the projected 1.6% sale of scrap cable over the total revenue is reasonable.

• Management has provided the existing purchase orders ("PO") on hand and estimated remaining PO to be invoiced from the balance contract value of Major Customer for FYE 2024 as of 30 September 2023, summarized as below:
<table>
<tr><th>FYE 2024</th><th>RM'000</th></tr>
<tr><td>Brought forward PO from Major Customer to be invoiced in FYE 2024</td><td>7,367</td></tr>
<tr><td>PO received from Major Customer</td><td>52,087</td></tr>
<tr><td>PO received from OM</td><td>26,000</td></tr>
<tr><td>PO received from OEM</td><td>3,000</td></tr>
<tr><td>PO secured</td><td>88,454</td></tr>
<tr><td>Estimated PO to be received from the remaining Major Customer contract value</td><td>61,773</td></tr>
<tr><td>Total PO and contract secured</td><td>150,227</td></tr>
</table>
Based on the table above, CCB has secured 70.4% of PO and contracts over the projected revenue for FYE 2024.
</td></tr>
</table>

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Key bases and assumptions	Our comments
	• With the economic recovery of post covid, the estimated market size and growth forecast of the construction market in Malaysia is expected to have a compounded annual growth rate (CAGR) of 8.55% from year 2023 to 2028[(1)]. • Based on the Master Tech Group Berhad's Prospectus, the industry overview presented by InfoBusiness Research indicates a CAGR of 5.25% from 2022 to 2025. As the demand for power cables is closely related to industrialization and infrastructure spending, it is anticipated that the urbanization rate will rise from 74.3% in 2015 to 79.8% by 2025 under the Twelfth Malaysia Plan 2021-2025[(2)]. • Range of Malaysia's historical GDP growth rate from year 2013 to 2022 (excluded year 2020 due to the impact of COVID-19) of 3.1% to 8.7% with an average of 4.2%[(3)]. • The GDP is forecast to expand by approximately 4% in 2023 and between 4% and 5% in 2024. The Government acknowledged the World Bank's forecast that Malaysia's growth will be 4.3% in 2024, which is slightly higher than its initial estimate[(4)]. ***Notes:*** *(1) Source: Mordor Intelligence (https://www.mordorintelligence.com/industry-reports/malaysia-construction-market).* (2) *Source: Independent Market Research Report prepared by InfoBusiness Research.* *(3) Source: World Bank Data (https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MY)* *(4) Source: Economic Outlook 2024 by Belanjawan 2024 Malaysia Madani (https://belanjawan.mof.gov.my/pdf/belanjawan2024/economy/economy-2024.pdf).*
Operating costs which include personnel cost, selling and distribution cost and other administrative expenses are projected to increase at an annual growth rate of between 3.0% and 6.0%.	We are of the view that the growth rate of 3.0% to 6.0% per annum is reasonable based on the following data points: • We note that the annual growth of the historical operating expenses range from -53.0% to 37.6% from FYE 2019 to FYE 2023. However, these included items that were one-off or inconsistent. As such, the operating and administrative cost projections have been prepared based on the Target Company's best estimate, with reference to the inflation rate in Malaysia. • The operating cost assumptions are based on historical cost plus inflation rate.

Key bases and assumptions	Our comments
	• For 2023, Headline inflation during the quarter continued to moderate to 2.8% (1Q 2023: 3.6%). The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation, while declining, remained elevated relative to its long-term average (2011-2019 average: 2.0%)[(1)]. • In 2023, global inflation is forecast at 6.6% reflecting confidence that inflation will decrease as most central banks in advanced economies are tightening monetary policies. The inflation rate in advanced economies is projected to record 4.6%, while emerging market and developing economies (EMDEs) at 8.1%[(1)]. • The Malaysian economy is projected to expand close to the lower end of the 4.0% to 5.0% range in 2023. Growth will continue to be supported by domestic demand amid improving employment and income as well as implementation of multi-year projects[(1)]. • In Malaysia, the inflation rate is forecast to range between 2.1% to 3.6% in 2024, partly attributed to a gradual shift towards targeted subsidy mechanism in ensuring a more equitable distribution of resources. Similarly, average monthly salaries and wages are anticipated to grow by 4.7% to RM3,514 in 2024, in line with the progression in labour productivity and favourable economic growth[(2)]. ***Notes:*** *(1) Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2023, Bank Negara Malaysia.* *(2) Source: Economic Outlook 2024 by Belanjawan 2024 Malaysia Madani (https://belanjawan.mof.gov.my/pdf/belanjawan2024/economy/economy-2024.pdf).*
The GP margin is projected to be in the range of 8.2% to 9.7% for the Future Financials.	Over the last five years, the gross profit margin has fluctuated within the range of 4.3% to 12.3%. Given this historical performance, we consider a projected GP margin falling between 8.2% and 9.7% during the projection periods to be reasonable. Management has indicated that the expected decreasing trend in GP margin from FYE 2024 to FYE 2029 factors in several considerations. These include the increase in service tax from 6% to 8%, higher freight costs, adverse effects from fluctuating foreign exchange rates, volatile commodity price, and the implementation of the Progressive Wage Model introduced under the MADANI Economy: Rakyat Empowerment framework on July 27, 2023.

<table>
<tr><th>Key bases and assumptions</th><th>Our comments</th></tr>
<tr><td>Capital expenditures are projected at RM0.5 million annually over the projection period of FYE 2024 to FYE 2029 and higher capital expenditure of RM2.0 million is being estimated for the FYE 2025.

Capital expenditures are projected based on the Management's best estimate with the historical capital expenditure incurred.</td><td>We are of the view that this is reasonable as it has been made based on actual historical circumstances and factors that are known as at the Date of Opinion. The historical acquisition of plant and equipment range from RM0.3 million to RM2.7 million for the FYE 2019 to FYE 2023.</td></tr>
<tr><td>The turnover days for trade receivables are estimated to be approximately 54 days.</td><td rowspan="3">These assumptions are comparable to the past 5 years trade receivables, inventory and trade payables turnover days with the range summarized for FYE 2019 to FYE 2023 as below:
<table><tr><th></th><th>Range of turnover days</th></tr><tr><td>Trade receivables</td><td>28 to 59 days</td></tr><tr><td>Inventories</td><td>40 to 96 days</td></tr><tr><td>Trade payables</td><td>11 to 30 days</td></tr></table>
We noted from the audited financial statements that the credit terms given to the customer ranges between 30 to 90 days and credit terms given by the supplier ranges between 60 to 90 days.

Since these assumptions have been made based on historical circumstances and factors that are known as at the Date of Opinion and the projected revenues and supplies are expected to come from existing customers and existing suppliers, we are of the view that these assumptions are reasonable. Historically, the Target Company has not encountered any major disputes with its trade receivables nor payables.</td></tr>
<tr><td>The turnover days for inventories are estimated to be approximately 64 days.</td></tr>
<tr><td>The turnover days for trade payables are estimated to be approximately 21 days.</td></tr>
</table>

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General Assumptions

(i) There will be no significant changes in the principal activities, key management personal, operating policies, accounting and business policies presently adopted by the management;

(ii) The Future Financials have been prepared based on prevailing economic conditions and information available as at the date of its preparation and does not encompass any assessment of the potential for future changes in the economic conditions in Malaysia, notwithstanding the moderate outlook for manufacturing;

(iii) There will be no significant changes to the prevailing economic, political and market conditions in Malaysia and elsewhere that will have direct and indirect effects on the activities of the Target Company and performance of the Target Company and the business of the customers and suppliers;

(iv) There will be no material changes to the present legislation and Government's regulations and other operation regulations or restrictions affecting the activities or the market in which the Target Company operate;

(v) Other than as set out above, there will be no significant changes in the credit period for the trade receivables nor trade payables turnovers of the Target Company;

(vi) The statutory income tax rate and other relevant duty and tax rate will remain at their respective existing rates with no significant changes in the bases of taxation and there will be no significant changes in the structure which would adversely affect the cash flows of the Target Company;

(vii) There will be no material adverse effect from service disruptions, equipment or network breakdown or other similar occurrences, wars, epidemic, terrorist attacks and other natural risks, both domestic and foreign, which will adversely affect the operations, income and expenditure of the Target Company;

(viii) The rate of inflation will not fluctuate significantly from their projected levels;

(ix) The exchange rate between RM and the various currencies in which the Target Company may derive its income/expenses in will not fluctuate significantly from their projected levels;

(x) There will be no significant changes in wages, supplies, administration, overhead expenses and other costs other than those forecast and projected;

(xi) There will be no termination of any significant agreements or contracts from which the legal rights accrue to the Target Company. Such agreements or contracts are assumed to be renewed based on current terms upon expiry;

(xii) There will be adequate supply of manpower and other relevant resources for its business activities; and

(xiii) There will be no major legal proceedings against the Target Company which will adversely affect the activities or performance of the Target Company.

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Evaluation of the fairness of the Purchase Consideration

In the evaluation of the fairness of the fair market valuation on the entire equity interest in the Target Company based on the Discounted FCFE Methodology using the Future Financials as provided by the management of the Target Company and the inputs from the Comparable Companies, the following were noted:

CAPM Inputs	
Median Net Debt/Equity Ratio of the Comparable Companies	54.55%
Risk-Free Rate [1]	4.11%
Market Return [2]	9.47%
Median unlevered Beta [3]	0.34
Re-geared Beta [4]	0.48
Illiquidity Discount [5]	4.0%
Cost of equity derived using CAPM	10.70%
Fair market value of the entire equity interest in the Target Company	**RM143.23 million**

Notes:

*[1] Based on the risk-free rate for Malaysia as extracted from Bank Negara Malaysia website. This risk-free rate is based on the yield of ten (10) years Malaysian Government Securities ("**MGS**") as at the Date of Opinion as the MGS is considered a risk-free investment in Malaysia with 10 years being the length of a typical economic cycle.*

[2] Based on the historical average market return for Malaysia as extracted from Bloomberg. The historical average market return is based on the average return of FTSE Bursa Malaysia Top 100 Index for the past ten (10) years extracted as at the Date of Opinion, of which the 10-year period is selected as it is reflective of the most recent economic cycle (based on Malaysia's historical GDP data) as well as to commensurate the time horizon selected for the risk-free rate.

[3] The unlevered beta is determined from the levered beta of Comparable Companies extracted from S&P Capital IQ and subsequently adjusted (de-geared) for their individual gearing ratios. As of the Date of Opinion, the median unlevered beta for Comparable Companies stands at 0.34.

[4] The re-geared beta is determined based on the median net debt/equity ratio of the Comparable Companies.

[5] An illiquidity premium of 4.0% had been applied to derive the discount rate using CAPM to account for the lack of marketability and unsystematic risk as extracted from http://people.stern.edu.nyu/adamodar/pdfiles/country/illiquidity.pdf.

Terminal value is mainly computed via one of the three (3) approaches, which is (a)liquidation value (b)multiple approach or (c)stable growth approach. For this valuation, we have used the stable growth model to compute the terminal value as this usually applies to companies that are growing but on a moderate pace.

The terminal value is computed based on the projected FCFE for FYE 2029 at a terminal growth rate of nil, taking into consideration the external factors that may directly or indirectly affect the business of the Target Company. The terminal value computed of approximately RM82.30 million represent 57.5% of the total fair market value of the entire equity interest in the Target Company.

Based on the underlying assumptions of the Future Financials, we have performed a sensitivity analysis on three (3) key parameters, namely the discount rate, FCFE and terminal value as these assumptions have significant impact on the fair market valuation of the Target Company.

We have stress tested the Future Financials by varying the values adopted in the discount rate, FCFE and terminal value on a 0.5% and 1.0% upward and downward variance respectively on the midpoint of the valuation to arrive at a reasonable range of fair market valuation of the Target Company. The variance parameters for the discount rate, FCFE and terminal value are selected after considering the following:

(i) The compounded annual growth rate of the Future Financials' revenue for the period from FYE 2024 to FYE 2029 is approximately 1.73%;
(ii) The compounded annual growth rate of the historical revenues for the period of FYE 2020 to FYE 2023 is approximately 6.44%;

(iii) The average historical ten (10) year annual real GDP growth from year 2013 to 2022 is 4.14% as extracted from the World Bank Data; and
(iv) The average historical ten (10) year annual inflation rate from year 2013 to 2022, excluding year 2020 due to Covid-19 pandemic is 2.30% as extracted from the World Bank Data.

Results of the sensitivity test is as shown below:

Fair market value of 100% equity interest in CCB			
Sensitivity tested	Parameters	Low range of value RM' million	High range of value RM' million
Movement in discount rate	±0.5%	136.88	150.21
Movement in discount rate and FCFE	±0.5% and ±1%	135.51	151.72
Movement in discount rate and terminal value	±0.5% and ±1%	129.89	160.82

Premised on the above, the fair market valuation of entire equity interest in the Target Company ranges from RM129.89 million to RM160.82 million with the mid-point of RM143.23 million.

In addition to the above, the implied PE Multiple of the Target Company based on the value derived from the Discounted FCFE Methodology are computed to cross check against the range of the Comparable Companies' PE multiple, summarised as follows:

Result from Discounted FCFE Methodology	
Fair market value of 100% equity interest in the Target Company (RM'million)	143.2
PAT for the FYE 30 June 2023[1] (RM'million)	11.7
Implied PE multiple (times) derived from:	
PAT for the FYE 30 June 2023	**12.3**
Comparable Companies PE multiple	
Average	14.9
Median	15.5
Quartile 1	10.2
Quartile 3	16.2

Note 1: Based on the PAT of RM11.7 million recorded in audited financial statement for the FYE 30 June 2023 provided by the Management.

Premise on the above, the implied PE Multiple based on the PAT for the FYE 30 June 2023 and the value derived from the Discounted FCFE Methodology is lower than the average, median and within the range of PE Multiple of Comparable Companies.

7.0 LIMITATIONS

One should also recognise that there is no publicly listed company which may be considered identical to the Target Company in terms of, inter-alia, composition of business activities, scale of business operations, risk, profile, accounting and tax policies, track record, prospects, competitive environment, financial positions and that such business may have fundamentally different profitability objectives. One should also note that any comparison made with respect to the Comparable Companies are merely to provide a comparison to the implied valuation of the Target Company and the selection of Comparable Companies are highly subjective and judgemental and the selected Comparable Companies may not be entirely comparable due to various factor.

Further, the Discounted FCFE Methodology to a certain extent places reliance on the Future Financials, which is the net result of forecasting a range of variables for significant periods of time, most of which cannot be forecast and projected with a high degree of precision.

We note that the forecast and projections were prepared on a best effort basis to the best knowledge of the management of the Target Company. After making due enquiries and assessments on the reasonableness of the cash flow forecast and projections, we are of the opinion that the forecast and projections were reasonably prepared.

The valuation is highly dependent on, amongst others, the achievability of the Future Financials as well as the materialisation of the bases and assumptions used therein. Key variables such as economic growth, demand, competition, and regulatory policies are beyond the control of the Target Company. The Future Financials are also typically very sensitive to small changes in key variables and changes in environmental and economic conditions.

As such, relatively small changes in key variables can have a significant impact on the output of the abovementioned valuation model. It should also be noted that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the Future Financials were based.

It should also be noted that the global social and economic conditions have been affected by the COVID-19 outbreak in 2020 and 2021 (which continued unabated into 2022) and the implementation of various lockdowns and the closure of international borders over the past two (2) years. Despite the high vaccination rate and the recent re-opening of economic activities, the near-term outlook remains uncertain and any surge in infection rate and/or discovery of new COVID-19 variant of concerns may result in the Government re-implementing orders/policies, which may restrict business activities. As such, there could potentially be disruption to the overall industries, progress and recovery may be slower during this period amidst market uncertainty.

As a result, the range of values that can be produced by a particular valuation model can be quite wide using combinations of assumptions which individually may appear reasonable. A degree of professional judgement is required to establish the range of values in any valuation exercise.

8.0 CONCLUSION

It should be recognised that the valuation of any entity is always subject to a great deal of uncertainty and involves a high degree of subjectivity and element of judgement. Because of the susceptibility of valuations to inputs of the model applied, valuations can change quite quickly in response to market changes or changes in the surrounding circumstances, including the market outlook (whether in general or relating to the industry itself).

In establishing our opinion on the fairness of the fair market valuation on the entire equity interest in the Target Company, FHCA has considered various valuation methodologies, which are commonly used for valuation, taking into consideration the Target Company's future earnings generating capabilities, projected future cash flows and its sustainability as well as various business considerations and risk factors affecting its business.

FHCA had used the RVA and Discounted FCFE Methodology to access the fair market valuation on the entire equity interest in the Target Company and has considered the following:

(i) **Based on the RVA, the fair market valuation using the median of PE Multiple and EV/EBITDA multiple based on the RVA is range from RM115.81 million to RM144.99 million; and**

(ii) **Based on the Discounted FCFE Methodology, the fair market value of the entire equity interest in the Target Company range from RM129.89 million to RM160.82 million with the mid-point of RM143.23 million.**

9.0 RESTRICTIONS

Save for the purpose stated herein, this Letter cannot be relied upon by any party other than the Company. Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this Letter, in whole or in part. We are not required to give testimony or to be in attendance in court with reference to the opinion herein provided. Neither FHCA nor any of its members or employees undertakes responsibilities arising in any way whatsoever to any person in respect of this Letter, including any error or omission therein, however caused, as a result of the unauthorised circulation, publication, reproduction or use of this Letter, or any part hereof.

Should FHCA become aware of any significant change affecting the information contained in this Letter or have reasonable grounds to believe that any statement in this Letter is misleading or deceptive or have reasonable grounds to believe that there is material omission in this Letter, we will immediately notify the Board of the Company.

Yours faithfully,

FHMH CORPORATE ADVISORY SDN BHD

DING SU-LYNN
Director

ANDREW HENG
Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board who collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

All statements and information in relation to the CCB Group contained in this Circular were obtained from and confirmed by the directors and management of CCB, and/or extracted from publicly available information. The sole responsibility of our Board is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENT AND CONFLICT OF INTEREST

2.1 Maybank IB

Maybank IB, being our Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Group and/or our affiliates, in addition to the role as set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group, the shareholders of our Company, and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any member of our Company and/or our affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group. Nonetheless, the Maybank Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, Malayan Banking Berhad ("**Maybank**") and Maybank Islamic Berhad (a subsidiary of Maybank) ("**Maybank Islamic**") have extended credit facilities to our Group amounting to RM160.00 million.

Notwithstanding, Maybank IB is of the view that the abovementioned do not give rise to a conflict of interest situation in its capacity as Principal Adviser for the Proposals due to the following:

(i) Maybank and Maybank Islamic are each a licensed commercial bank and a licensed Islamic bank, respectively, and the extension of credit facilities to our Group arose in the ordinary course of business of the Maybank Group;

(ii) the conduct of the Maybank Group in its banking business is strictly regulated by, among others, the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and the Maybank Group's own internal controls and checks; and

(iii) the total aggregate outstanding amount owed by our Group to the Maybank Group of about RM1.02 million as at the LPD is not material when compared to the audited consolidated NA of Maybank as at 31 December 2022 of RM85.95 billion.

Maybank IB is also the Principal Adviser to JAG for the KUB MGO which is not conditional upon the Proposals.

Maybank IB confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as Principal Adviser to our Company for the Proposals.

2.2 Affin Hwang IB

Affin Hwang IB, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

Affin Hwang IB confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Independent Adviser for the Proposed Acquisition.

2.3 FHCA

FHCA, being the independent business valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Valuation Letter and all references thereto in the form and context in which they appear in this Circular.

FHCA confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the independent business valuer for the Proposed Acquisition.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1. Material commitments

As at the LPD, save as disclosed below, our Board is not aware of any material commitments incurred or known to be incurred by our Group which may have a material impact on the profits or NA of our Group:

Capital expenditure	RM'000
Property, plant and equipment:	
Approved and contracted for	1,455
Approved but not contracted for	5,198
	6,653

3.2. Contingent liabilities

As at the LPD, our Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profits or NA of our Group.

4. MATERIAL LITIGATION

As at the LPD, save as disclosed below, our Group is not involved in any material litigation, claims and/or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings, pending or threatened, against our Group or any facts likely to give rise to any proceedings which may materially or adversely affect the business or financial position of our Group:

(i) Claim by Lembaga Kemajuan Johor Tenggara ("KEJORA") against our Company, KUB Realty Sdn Bhd ("KUB Realty") and KUBAH in relation to disposal of 2 oil palm estates in Kluang, Johor

On 10 June 2020, KUBAH entered into a conditional sale and purchase agreement ("**CSPA**") with Beradin Plantation Sdn Bhd ("**BPSB**") for the disposal of 2 oil palm estates known as Kahang Estate and Sungai Yong Estate measuring in aggregate 2,656.1649 hectares for a total cash consideration of RM158.0 million ("**Disposal**"). The Disposal was completed on 2 April 2021. Part of the oil palm estates disposed of under the Disposal comprised the following parcels of land for a total cash consideration of RM103,687,500:

(1) HSD 31404 PTD 4901, In the Mukim of Kahang, District of Kluang, State of Johor

(2) HSD 31405 PTD 26005, In the Mukim of Kluang, Kluang District, State of Johor; and

(3) HSD 31406 PTD 26006, In the Mukim of Kluang, District of Kluang, State of Johor,

(collectively, the "**Lands**").

On 24 February 2023, KEJORA filed a claim in the High Court of Malaya at Johor Bahru ("**Court**") against (1) our Company, (2) KUB Realty, (3) KUBAH and (4) BPSB. The claim was served on our Company, KUB Realty and KUBAH on 2 March 2023. KEJORA alleges that the Lands were previously registered in its name as registered proprietor under a 99-year lease, and had been leased by KEJORA as lessor to Koperasi Usaha Bersatu Malaysia Berhad ("**Koperasi**") as lessee for 95 years. KEJORA contends that the Lands had subsequently been wrongfully transferred to KUB Realty by Koperasi and that it remains entitled to the Lands as the original lawful registered proprietor of the Lands under the head lease. KEJORA is seeking to set aside the registrations of the transfer of title to the Lands into the name of KUB Realty on 18 December 1997 and subsequently from KUB Realty to KUBAH on 3 August 1999 and finally from KUBAH to BPSB on 15 April 2021 respectively.

Our Company, KUB Realty and KUBAH vigorously dispute both KEJORA's contentions and allegations. At all material times, our Company, KUB Realty, KUBAH and BPSB were acting on the advice of qualified and established firms of advocates and solicitors. Further, all the necessary approvals for any transfers related to the Lands were obtained from the relevant authorities and were made in accordance with the rules and regulations, and all the transactions of the transfers were done bona fide with valuable consideration. Our Company, KUB Realty and KUBAH have filed a defence to KEJORA's Writ and Statement of Claim on 1 May 2023 ("**Writ and Statement of Claim**"). Our Company, KUB Realty and KUBAH have also filed an application for Pejabat Pengarah Tanah Dan Galian Johor and Pentadbir Tanah Daerah Kluang to be joined as parties to KEJORA's suit.

Currently, there are 3 applications pending the trial of the matter:

(i) our Company, KUB Realty and KUBAH's ("**KUB Defendant Group**") Application for Joinder ("**Joinder Application**")

The KUB Defendant Group has applied to make Pejabat Pengarah Tanah Dan Galian Johor and The Land Administrator of the District of Kluang as parties to the suit as their inclusion is necessary to determine the disputes between the Parties.

On 3 September 2023, the Court vacated the hearing of the Joinder Application and fixed it for case management on 8 November 2023. The KUB Defendant Group was advised by its solicitors to file a Counterclaim against KEJORA and include to Pejabat Pengarah Tanah Dan Galian Johor and The Land Administrator of the District of Kluang as parties vide the Counterclaim instead. In that regard, the Joinder Application was withdrawn with liberty to file afresh.

(ii) BPSB's third party proceedings

The Court has directed BPSB to file any third party proceedings by 4 July 2023 and to update the Court on its status on 18 July 2023 at the next case management. BPSB's application for third party proceeding directions is fixed for hearing on 8 November 2023. The Court, on 8 November 2023, allowed the application with no order as to costs.

(iii) KEJORA's application to amend their Writ and Statement of Claim

KEJORA filed an application to amend their Writ and Statement of Claim on 11 May 2023 ("**Amendment Application**"). The KUB Defendant Group is to file their Affidavit in Reply by 18 July 2023. This is fixed for hearing on 8 November 2023. The KUB Defendant Group was advised by its solicitors that should not object to the said Amendment Application on the condition that the KUB Defendant Group be given the liberty to file fresh pleading (i.e. Defence and Counterclaim).

KEJORA did not oppose or object to the above proposal and the Court directed the following during the hearing of the said Amendment Application on 8 November 2023 and case management of the Joinder Application and Statement of Writ and Claim on 9 November 2023:

(a) KEJORA to file and serve Amended Statement of Claim by or before 22 November 2023;

(b) the KUB Defendant Group to file and serve Defence and Counterclaim by or before 6 December 2023;

(c) BPSB to file and serve Amended Defence by or before 6 December 2023;

(d) KEJORA to file and serve reply to the KUB Defendant Group's Defence & Defence to Counterclaim by or before 20 December 2023;

(e) KEJORA to file and serve Amended Reply to BPSB's Defence on 20 December 2023,

(f) pleadings are deemed to be closed on 3 January 2023; and

(g) the next case management for Writ and Statement of Claim is fixed on 9 January 2024.

KEJORA had subsequently on 21 November 2023 filed its Amended Statement of Claim and BPSB had subsequently filed an Amended Defence on 30 November 2023.

As at 10 January 2024, KUB Defendant Group had in turn filed a fresh Defence & Counterclaim against KEJORA, the Director of Johor Land and Mines Office, Land Administrators of Kluang and BPSB seeking, inter-alia, indemnity and declarations pertaining to the Lands. KEJORA has yet to file a Reply to the Defence & Counterclaim filed by the KUB Defendant Group. An extension of time has been granted to KEJORA to file its Reply to the KUB Defendant Group's Defence & Counterclaim by or before 14 February 2024. With respect to BPSB's third party notice/proceedings, an extension of time has been allowed for the KUB Defendant Group to file its Defence on 13 February 2024. On 26 January 2024, the Court had fixed the next case management on 11 March 2024 for parties to update the Court on the status of filings of pleadings.

Based on the transaction history of the actual version of events, our solicitors have advised that the likelihood of KEJORA succeeding in their claim is remote.

(ii) KUB Sepadu Sdn Bhd ("KUBS") and the minority shareholders, Medan Sepadu Sdn Bhd and Lembaga Amanah Kebajikan Kaum Melanau Sarawak ("Minority Shareholders")

On 28 November 2019, a winding-up petition was filed in the High Court of Malaya at Shah Alam ("**High Court**") against a subsidiary of our Group, KUBS, by the Minority Shareholders. On 2 December 2019, the Minority Shareholders filed an application for the appointment of interim liquidators for KUBS. The Court granted the order for the appointment of interim liquidators on 9 December 2019 ("**Order for IL**"). The winding-up petition together with the Order for IL were served on KUBS on 16 December 2019.

On 18 December 2019, the immediate holding company of KUBS, KUBAH as the Opposing Contributory filed an application to set aside the Order for IL ("**Setting Aside Application**"). On 20 December 2019, the Court granted a stay on the Order for IL pending the disposal of the winding-up petition and/or the Setting Aside Application.

On 15 June 2022, the High Court granted a winding-up order and liquidators were appointed. On 17 June 2022, KUBAH filed a Notice of Appeal ("**Winding-Up Appeal**") as well as an application for stay of execution of the winding-up order ("**Stay Application**"). On 30 September 2022, the High Court decided to dismiss the Stay Application. KUBAH has then filed an appeal for the Stay Application ("**Stay Appeal**") on 3 October 2022. The Stay Appeal, however, would only be heard on 5 January 2023. In view of this, the board of directors of KUB has decided to withdraw the Stay Appeal and instead to focus on the Winding-Up Appeal. The hearing of the Winding-Up Appeal which was previously fixed on 10 April 2023 has been vacated and converted to a case management. During the case management, the High Court fixed 25 September 2023 as the hearing date.

On 2 December 2022, KUBAH filed an application to terminate the winding-up pursuant to Section 493 of the Act at the High Court. On 30 May 2023, the application was dismissed by the High Court.

The Winding-Up Appeal was partially heard on 25 September 2023. On 26 September 2023, the High Court fixed the continued hearing date for the Winding-Up Appeal on 5 December 2023, which did not proceed and was adjourned to 29 February 2024.

The solicitors have advised that KUBAH has a reasonably good chance of succeeding in the Winding-Up Appeal.

FURTHER INFORMATION *(Cont'd)*

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Suite A-22-1, Level 22, Hampshire Place Office, 157 Hampshire No. 1, Jalan Mayang Sari, 50450 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(i) the Constitution;

(ii) the constitution of CCB;

(iii) the audited consolidated financial statements of our Company for the past 2 FYEs 30 June 2022 and 30 June 2023 and the latest unaudited consolidated quarterly financial results of our Company for the 3-month FPE 30 September 2023;

(iv) the audited consolidated financial statements of CCB for the past 2 FYE 30 June 2022 and 30 June 2023 and the latest unaudited consolidated financial results of CCB for the 3-month FPE 30 September 2023;

(v) the SPA;

(vi) the relevant cause papers in respect of the material litigation referred to in **Section 9** of Appendix IV of this Circular;

(vii) the relevant cause papers in respect of the material litigation referred to in **Section 4** of this Appendix;

(viii) the Valuation Letter referred to in Appendix VI of this Circular; and

(ix) the letters of consent referred to in Section 2 of this Appendix.

KUB MALAYSIA BERHAD
(Registration No. 196501000205 (6022-D))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting ("**EGM**") of KUB Malaysia Berhad ("**KUB**" or "**Company**") will be held virtually through live streaming from the Board Room, KUB Malaysia Berhad, Suite A-22-1, Level 22, Hampshire Place Office, 157 Hampshire, No. 1 Jalan Mayang Sari, 50450 Kuala Lumpur on 28 February 2024 at 10.00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions, with or without any modifications:

ORDINARY RESOLUTION 1

(I) PROPOSED ACQUISITION OF 45,924,632 ORDINARY SHARES IN CENTRAL CABLES BERHAD ("CCB"), REPRESENTING APPROXIMATELY 86.65% EQUITY INTEREST IN CCB, BY KUB FROM JAG CAPITAL HOLDINGS SDN BHD ("JAG" OR "VENDOR") FOR A PURCHASE CONSIDERATION OF RM119.42 MILLION TO BE SATISFIED WHOLLY VIA THE ISSUANCE OF 199,035,059 NEW REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS") IN KUB ("CONSIDERATION RCPS") AT AN ISSUE PRICE OF RM0.60 PER CONSIDERATION RCPS ("PROPOSED ACQUISITION"); AND

(II) PROPOSED DIVERSIFICATION IN OPERATIONS CARRIED OUT BY KUB AND ITS SUBSIDIARIES INTO THE BUSINESS OF MANUFACTURING AND DISTRIBUTION OF POWER CABLES AND WIRES ("CABLES MANUFACTURING BUSINESS") PURSUANT TO THE PROPOSED ACQUISITION IN ACCORDANCE WITH PARAGRAPH 10.13 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("PROPOSED DIVERSIFICATION")

"**THAT** subject to the provisions under the Companies Act, 2016 ("**Act**"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") and the approvals of the relevant authorities, if relevant, being obtained for the Proposed Acquisition and the Proposed Diversification:

(a) approval be and is hereby given to KUB:

   (i) to acquire 45,924,632 ordinary shares in CCB, subject to and upon the terms and conditions set out in the conditional sale and purchase agreement in relation to the Proposed Acquisition dated 21 November 2023 (as supplemented by the supplemental agreement dated 8 January 2024 between KUB and JAG), to be satisfied wholly via the issuance of the Consideration RCPS at an issue price of RM0.60 per Consideration RCPS; and

   (ii) diversify the operations carried out by KUB and its subsidiaries into the Cables Manufacturing Business pursuant to the Proposed Acquisition.

(b) that it is hereby approved and determined in this EGM, in accordance with Clause 57 of KUB's Constitution (read together with subsection 85(1) of the Act) that the Board of Directors of the Company ("**Board**") shall allot and issue the Consideration RCPS to JAG pursuant to the Proposed Acquisition, as set out in the circular to shareholders of KUB dated 6 February 2024 in relation to, inter-alia, the Proposed Acquisition ("**Circular**") at an issue price of RM0.60 per Consideration RCPS, without such Consideration RCPS being required to be offered to the shareholders of KUB in proportion, as nearly as may be, to the number of ordinary shares in KUB ("**KUB Shares**") held by them or at all and effectively resulting in the shareholders of KUB waiving their pre-emptive rights under Clause 57 of KUB's Constitution (read together with subsection 85(1) of the Act) to be offered all or any part of the Consideration RCPS to be issued ("**Proposed Issuance of the Consideration RCPS**"); and

THAT, the Consideration RCPS shall, upon allotment and issuance, be unsecured and shall rank equally in all respects among themselves but shall rank behind all secured and unsecured obligations of the Company. The Consideration RCPS shall rank in priority to KUB Shares in any repayment of capital in the event of liquidation, dissolution or winding-up of KUB, provided that the Consideration RCPS shall not be entitled to participate in any surplus capital, assets or profits of KUB.

THAT, the new KUB Shares to be issued upon conversion of the Consideration RCPS shall, upon allotment and issuance, rank equally in all respects with the then existing KUB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distributions which may be declared, made or paid to the shareholders of KUB, where the entitlement date is prior to the date of allotment and issuance of such new KUB Shares.

AND THAT the Directors of KUB be and are hereby authorised and empowered to act for and on behalf of the Company and to take all such steps and do all such acts, matters and things as they deem fit or may consider necessary, desirable, appropriate or expedient to implement, finalise and give full effect to the Proposed Acquisition, the Proposed Diversification and the Proposed Issuance of the Consideration RCPS (including without limitation, to delegate such authority to designated officer(s)) with full power to give all or any notices, directions, consents and authorisations in respect of any matter arising under or in connection with the Proposed Acquisition, the Proposed Diversification and the Proposed Issuance of the Consideration RCPS, and to assent to and/or accept any conditions, modifications, variations and/or amendments as may be imposed or permitted by any relevant authorities and/or parties in connection with the Proposed Acquisition, the Proposed Diversification and the Proposed Issuance of the Consideration RCPS."

ORDINARY RESOLUTION 2

PROPOSED MANDATORY TAKE-OVER OFFER BY KUB FOR ALL THE REMAINING ORDINARY SHARES IN CCB NOT ALREADY OWNED BY KUB AFTER THE PROPOSED ACQUISITION PURSUANT TO SUBPARAGRAPH 4.01(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS OF THE SECURITIES COMMISSION MALAYSIA ("RULES") ("PROPOSED CCB MGO")

"**THAT** subject to the passing of ordinary resolution 1 and the provisions under the Act, the Listing Requirements and the approvals of the relevant authorities, if relevant, being obtained for the Proposed CCB MGO, approval be and is hereby given to KUB to extend a mandatory take-over offer for all the remaining ordinary shares in CCB not already owned by KUB after the Proposed Acquisition pursuant to subparagraph 4.01(a) of the Rules.

THAT it is hereby approved and determined in this EGM, in accordance with Clause 57 of KUB's Constitution (read together with subsection 85(1) of the Act) that the Board shall allot and issue up to 30,664,291 new RCPS in KUB ("**New RCPS**") to the other shareholders of CCB pursuant to the Proposed CCB MGO, as set out in the Circular without such New RCPS (if any) being required to be offered to the shareholders of KUB in proportion, as nearly as may be, to the number of KUB Shares held by them or at all and effectively resulting in the shareholders of KUB waiving their pre-emptive rights under Clause 57 of KUB's Constitution (read together with subsection 85(1) of the Act) to be offered all or any part of the New RCPS to be issued ("**Proposed Issuance of the New RCPS**").

THAT the New RCPS shall, upon allotment and issuance, be unsecured and shall rank equally in all respects among themselves but shall rank behind all secured and unsecured obligations of the Company. The New RCPS shall rank in priority to KUB Shares in any repayment of capital in the event of liquidation, dissolution or winding-up of KUB, provided that the New RCPS shall not be entitled to participate in any surplus capital, assets or profits of KUB.

THAT the new KUB Shares to be issued upon conversion of the New RCPS shall, upon allotment and issuance, rank equally in all respects with the then existing KUB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distributions which may be declared, made or paid to the shareholders of KUB, where the entitlement date is prior to the date of allotment and issuance of such new KUB Shares.

AND THAT the Directors of KUB be and are hereby authorised and empowered to act for and on behalf of the Company and to take all such steps and do all such acts, matters and things as they deem fit or may consider necessary, desirable, appropriate or expedient to implement, finalise and give full effect to the Proposed CCB MGO and the Proposed Issuance of the New RCPS (including without limitation, to delegate such authority to designated officer(s)) with full power to give all or any notices, directions, consents and authorisations in respect of any matter arising under or in connection with the Proposed CCB MGO and the Proposed Issuance of the New RCPS and to assent to and/or accept any conditions, modifications, variations and/or amendments as may be imposed or permitted by any relevant authorities and/or parties in connection with the Proposed CCB MGO and the Proposed Issuance of the New RCPS."

SPECIAL RESOLUTION

PROPOSED AMENDMENTS TO THE COMPANY'S CONSTITUTION TO FACILITATE THE ISSUANCE OF THE RCPS PURSUANT TO THE PROPOSED ACQUISITION AND PROPOSED CCB MGO ("PROPOSED AMENDMENTS")

"**THAT** subject to the passing of ordinary resolution 1 and ordinary resolution 2, the Constitution of the Company be amended in the manner as set out in Appendix III of the Circular.

THAT the Board be and is hereby authorised to do all acts, things and execute, sign and deliver or caused to be delivered for and on behalf of the Company, all such documents as it may consider necessary and/or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Amendments with power to assent to any terms, conditions, modifications, variations and/or amendments in any manner as the Board may deem necessary and/or expedient in the best interest of the Company."

By Order of the Board

AZLEEN BINTI ABDULLAH (f) (MAICSA No. 7057423 / SSM PC No. 201908002775)
NORITA BINTI MISRA (f) (LS0010426 / SSM PC No. 202008002369)
Company Secretaries
Kuala Lumpur

6 February 2024

Notes:

(i) For the purpose of determining a member who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 67 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 21 February 2024. Only a depositor whose name appears on the Record of Depositors as at 21 February 2024 shall be entitled to attend the said Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

(ii) A member of the Company entitled to attend, speak and vote at this EGM may appoint a maximum of two (2) proxies, to attend and vote in his/her stead. Where a member appoints two (2) proxies, the member shall specify the proportion of the member's shareholding to be represented by each proxy, failing which the appointment shall be invalid. A proxy may but need not be a member of the Company.

(iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised or if the appointer is a corporation, either under its common seal or signed under the hand of its attorney or by an officer given the authority on behalf of the corporation. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.

(v) The Proxy Forms must be deposited at the office of the Company's share registrar, **Boardroom Share Registrars Sdn Bhd (Reg. No. 199601006647 (378993-D)), 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan** by hand or by fax to **+603 7890 4670** or by e-mail to bsr.helpdesk@boardroomlimited.com or lodge electronically at https://investor.boardroomlimited.com not less than **forty-eight (48) hours** before the time for holding this EGM or any adjournment thereof.

(vi) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the EGM will be put to vote on a Poll.

(vii) **No shareholders/proxies shall be physically present at the broadcast venue**. Please refer to the Administrative Details of the EGM on remote participation and voting facilities for the virtual meeting which can be downloaded from https://www.kub.com/investor-relations/general-meetings.

(viii) In disclosing the proxy's personal data, you as shareholder warrant that the proxy(ies) has/have given his/her consent for the disclosure and processing of personal data under the Personal Data Protection Act, 2010.

PROXY FORM

CDs account No.	
No. of Shares Held	

KUB MALAYSIA

(COMPANY NO: 196501000205 (6022-D))

I/We ______________________________ NRIC/Passport No. ______________________
(Block Letters)

of ____
(Full address)

Telephone No.: ______________________ Email Address: ______________________

being a member/members of KUB Malaysia Berhad ('Company'), hereby appoint Chairman of the Meeting* or

______________________________ NRIC/Passport No. ______________________
(Block Letters)

of ____
(Full address)

Telephone No.: ______________________ Email Address: ______________________

and/or failing him ______________________________ NRIC/Passport No. ______________________
(Block Letters)

of ____
(Full address)

Telephone No.: ______________________ Email Address: ______________________

as my/our proxy(ies) to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held **virtually** through live streaming from the **Board Room, KUB Malaysia Berhad, Suite A-22-1, Level 22, Hampshire Place Office, 157 Hampshire, No. 1 Jalan Mayang Sari, 50450 Kuala Lumpur** on **Wednesday, 28 February 2024** at **10.00 a.m.** or any adjournment thereof.

**If you wish to appoint other person(s) as your proxy/proxies, kindly delete the phrase 'Chairman of the Meeting' and insert name(s) of the desired person(s).*

My/our proxy(ies) is/are to vote as indicated by an 'X' in the appropriate spaces below:

		FIRST PROXY		SECOND PROXY	
RESOLUTION		**FOR**	**AGAINST**	**FOR**	**AGAINST**
Ordinary Resolution 1	Proposed Acquisition and Proposed Diversification				
Ordinary Resolution 2	Proposed CCB MGO				
Special Resolution	Proposed Amendments				

The proportion of my/our holding to be represented by my/our proxy/proxies is as follows:

First Proxy	%
Second Proxy	%
total	**100%**

Dated this ________________ day of ________________ 2024.

____

Signature of Member/Common Seal/Attorney/Authorised Officer

***Strike out whichever is not desired. (Unless otherwise instructed, the Proxy/(ies) may vote as he/she thinks fit)*

Notes:

(i) A member of the Company entitled to attend, speak and vote at the above-mentioned Meeting may appoint a maximum of two (2) proxies, to attend and vote in his/her stead. Where a member appoints two (2) proxies, the member shall specify the proportion of the member's shareholding to be represented by each proxy, failing which the appointment shall be invalid. A proxy may but need not be a member of the Company.

(ii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ('omnibus account') as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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(v) **No shareholders/proxies shall be physically present at the broadcast venue**. Please refer to the Administrative Details of the EGM on remote participation and voting facilities for the virtual meeting.

(vi) In disclosing the proxy's personal data, you as shareholder warrant that the proxy(ies) has/have given his/her consent for the disclosure and processing of personal data in accordance to the Notice of the EGM under the Personal Data Protection Act 2010.

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AFFIX
STAMP

KUB MALAYSIA BERHAD (196501000205 (6022-D))
C/O THE REGISTRAR
BOARDROOM SHARE REGISTRARS SDN BHD
(Company Reg. No.: 199601006647 (378993-D))

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling
Jaya Selangor Darul Ehsan
Malaysia

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Fold This Flap For Sealing