

## LGMS BERHAD (“LGMS” OR THE “COMPANY”)

**PROPOSED ACQUISITION BY LE GLOBAL SERVICES SDN BHD (“LE GLOBAL” OR “PURCHASER”), A WHOLLY-OWNED SUBSIDIARY OF LGMS, OF 2 ADJOINING STRATIFIED OFFICE UNITS LOCATED AT LEVEL 11, EMPIRE OFFICE TOWER, EMPIRE SUBANG, JALAN SS16/1, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN (“SUBJECT PROPERTIES”) FOR A TOTAL CASH CONSIDERATION OF RM12,903,000 (“PROPOSED ACQUISITIONS”)**

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### 1. INTRODUCTION

The Board of Directors of LGMS (“**Board**”) wishes to announce that LE Global had, on 20 February 2024, entered into the following with Cheerful Effect Sdn Bhd (“**Cheerful Effect**” or “**Vendor**”):-

- (i) sale and purchase agreement to acquire 1 unit of office premise, with freehold strata title held under Geran 238145/M1-A/13/154, bearing postal address at No. A-11-01, Empire Office Tower, Empire Subang, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan, with a floor space of approximately 869 square metres (“**sqm**”) (equivalent to approximately 9,354 square feet (“**sqft**”)) (“**Unit A-11-01**”) (“**SPA 1**”) for a cash consideration of approximately RM6.22 million (“**Purchase Consideration 1**”) (“**Proposed Acquisition 1**”); and
- (ii) sale and purchase agreement to acquire 1 unit of office premise, with freehold strata title held under Geran 238145/M1-A/13/155, bearing postal address at No. A-11-02, Empire Office Tower, Empire Subang, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan, with a floor space of approximately 944 sqm (equivalent to approximately 10,161 sqft) (“**Unit A-11-02**”) (“**SPA 2**”) for a cash consideration of RM6.68 million (“**Purchase Consideration 2**”) (“**Proposed Acquisition 2**”).

*(Unit A-11-01 and Unit A-11-02 are collectively referred to as the “**Subject Properties**”, SPA 1 and SPA 2 are collectively referred to as the “**SPAs**”, Purchase Consideration 1 and Purchase Consideration 2 are collectively referred to as the “**Total Purchase Consideration**” and Proposed Acquisition 1 and Proposed Acquisition 2 are collectively referred to as the “**Proposed Acquisitions**”).*

For information purposes, LGMS group of companies (“**LGMS Group**” or the “**Group**”) presently occupies Unit A-11-01 and a portion of Unit A-11-02 (i.e. Unit A-11-02A) from the Vendor through tenancy agreements dated 1 December 2017 (“**Unit A-11-01 Tenancy Agreement**”) and 1 June 2019 (“**Unit A-11-02A Tenancy Agreement**”) respectively. The said units currently function as the corporate office and headquarters for the Group, housing, amongst others, 7 mini-sized test labs, 1 forensic lab and 6 training classrooms. The Proposed Acquisitions will enable the Group to have ownership of the units as well as expand its floor space with the acquisition of the entire Unit A-11-02 (which the Group currently occupies only a portion of the said unit). Further details of the Proposed Acquisitions are set out in the ensuing sections of this announcement.

### 2. DETAILS OF THE PROPOSED ACQUISITIONS

The Proposed Acquisitions entail the acquisition by LE Global of the Subject Properties from Cheerful Effect for the Total Purchase Consideration of RM12,903,000, subject to the terms and conditions of the SPAs. The Subject Properties will be acquired free from all encumbrances and on an “as is where is” basis, subject to all conditions of title (whether express or implied). Further details of the Subject Properties are set out in **Section 2.1** of this announcement.

The salient terms of the SPAs are set out in **Appendix I** and **Appendix II** of this announcement.

## 2.1 Information on the Subject Properties

The summary of the details of the Subject Properties is set out as follows:-

|  | Unit A-11-01  | Unit A-11-02   |
|--|---|--|
| Title description  | Geran 238145/M1-A/13/154, No. Lot 62011, No. Bangunan M1-A, No. Tingkat 13, No. Petak 154, No. Petak Aksesori A278, A279, A280, A281, A282, A283, A284, A285, Bandar Subang Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan  | Geran 238145/M1-A/13/155, No. Lot 62011, No. Bangunan M1-A, No. Tingkat 13, No. Petak 155, No. Petak Aksesori A286, A287, A288, A289, A290, A291, A292, A293, Bandar Subang Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan   |
| Floor area   | 869 sqm / 9,354 sqft  | 944 sqm / 10,161 sqft  |
| Postal address   | No. A-11-01, Empire Office Tower, Empire Subang, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan  | No. A-11-02, Empire Office Tower, Empire Subang, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan   |
| Tenure   | Freehold  |  |
| Category of land use   | Perniagaan  |  |
| Registered owner   | Cheerful Effect   |  |
| Express conditions   | Bangunan Perniagaan   |  |
| Restriction-in-interest  | Nil   |  |
| Encumbrances   | Nil   |  |
| Existing use/<br>Occupation                                    | Occupied by the Purchaser as office via the tenancy agreement dated 1 December 2017 entered into between the Purchaser and the Vendor for a tenancy period of 3 years (with option to renew for additional 3 years), which was expired on 30 November 2023 <sup>(1)</sup> . | <p>(i) <b>Unit A-11-02A</b><sup>(2)</sup><br/>Occupied by the Purchaser as office via the tenancy agreement dated 1 June 2019 entered into between the Purchaser and the Vendor for a tenancy period of 3 years (with option to renew for additional 2 years), which was expired on 31 May 2023<sup>(1)</sup>; and</p> <p>(ii) <b>Unit A-11-02B</b><sup>(2)</sup><br/>Occupied by Tripfez Travel Sdn Bhd ("<b>Tripfez</b>") as office via the tenancy agreement dated 14 December 2021 ("<b>Tripfez Tenancy Agreement</b>") entered into between Tripfez and the Vendor for a tenancy period of approximately 2 years (with option to renew for additional 2 years), expiring on 29 February 2024<sup>(3)</sup>.</p> |
| Audited net book value (as at 31 December 2022) <sup>(4)</sup> | RM4,048,806   | RM4,298,806  |
| Purchase consideration   | RM6,223,000   | RM6,680,000  |

### Notes:-

(1) Given that the Purchaser had initiated negotiations with the Vendor on the Proposed Acquisitions, the Vendor and the Purchaser had resolved not to renew the tenancies for the respective units upon the expiration of their agreements. Both parties opted to maintain the rental payments as stipulated in the previous tenancy agreements, subject to the Purchaser continues to pay the same rental amounts during the interim period until the signing of the SPAs.

(2) Unit A-11-02 was divided into 2 sub-units, Unit A-11-02A and Unit A-11-02B.

(3) For avoidance of doubt, Tripfez Tenancy Agreement had expired on 14 December 2023. Notwithstanding thereof, the Vendor had granted Tripfez with a tenancy extension period of approximately 2 months from the date of expiry for Tripfez to vacate Unit A-11-02B. The last date for Tripfez to vacate Unit A-11-02B shall be on 29 February 2024.

(4) Based on the latest audited financial statements of Cheerful Effect for the financial year ended ("FYE") 31 December 2022.

## 2.2 Information on the Vendor

Cheerful Effect was incorporated on 19 October 2006 as a private limited company in Malaysia under the Companies Act 1965 and having its registered address at 3<sup>rd</sup> floor, No. 79 (Room A), Jalan SS21/60, Damansara Utama, Petaling Jaya, 47400 Selangor Darul Ehsan and place of business at No. 35, Jalan TR 8/3, Tropicana Golf & Country Resort, Petaling Jaya, 47410 Selangor Darul Ehsan. Cheerful Effect is principally engaged in property investment.

Cheerful Effect has an issued share capital of RM16,000,000 comprising 16,000,000 shares as at 7 February 2024, being the latest practicable date prior to this announcement ("LPD").

The shareholders of Cheerful Effect and their respective shareholdings in Cheerful Effect as at the LPD are as follows:-

|                         | Nationality | Shareholdings as at the LPD |       |                           |       |
|-------------------------|-------------|-----------------------------|-------|---------------------------|-------|
|                         |             | Direct                      |       | Indirect                  |       |
|                         |             | No. of shares               | %     | No. of shares             | %     |
| Tan Sri Dr Lim Wee Chai | Malaysian   | 15,999,999                  | 100.0 | <sup>(1)</sup> 1          | ^     |
| Puan Sri Tong Siew Bee  | Malaysian   | 1                           | ^     | <sup>(1)</sup> 15,999,999 | 100.0 |

### Notes:-

^ Negligible.

(1) Deemed interested by virtue of his/her spouse's interest pursuant to Section 8 of the Companies Act 2016.

The directors of Cheerful Effect and their respective shareholdings in Cheerful Effect as at the LPD are as follows:-

|                         | Nationality | Shareholdings as at the LPD |       |                  |   |
|-------------------------|-------------|-----------------------------|-------|------------------|---|
|                         |             | Direct                      |       | Indirect         |   |
|                         |             | No. of shares               | %     | No. of shares    | % |
| Seow Law Audie          | Malaysian   | -                           | -     | -                | - |
| Tan Sri Dr Lim Wee Chai | Malaysian   | 15,999,999                  | 100.0 | <sup>(1)</sup> 1 | ^ |
| Lim Jin Feng            | Malaysian   | -                           | -     | -                | - |
| Oh Teik Chye            | Malaysian   | -                           | -     | -                | - |

### Notes:-

^ Negligible.

(1) Deemed interested by virtue of his spouse's interest pursuant to Section 8 of the Companies Act 2016.

## 2.3 Basis and justification of determining the Total Purchase Consideration

The Total Purchase Consideration of RM12,903,000 was arrived at on a “willing-buyer willing-seller” basis, after taking into consideration the following:-

- (i) the management’s estimates on the market value of the Subject Properties based on the enquiries of the market value of the similar properties within the vicinity of the Subject Properties;
- (ii) the rationale of the Proposed Acquisitions as set out in **Section 3** of this announcement; and
- (iii) the prospects of the Subject Properties as set out in **Section 4** of this announcement.

## 2.4 Mode of settlement

Pursuant to the terms of the SPAs, the Total Purchase Consideration is to be satisfied entirely in cash, in the following manner:-

| Payment Term                        | Timing of settlement   | Purchase Consideration 1 (RM) | Purchase Consideration 2 (RM) | Total Purchase Consideration (RM) |
|-------------------------------------|--|-------------------------------|-------------------------------|-----------------------------------|
| 2.0% of the Purchase Consideration  | Prior to the execution of the SPAs as earnest deposit (“ <b>Earnest Deposit</b> ”)   | 124,460                       | 133,600                       | <b>258,060</b>                    |
| 3.0% of the Purchase Consideration  | Upon the execution of the SPAs as retention sum for the purpose of compliance with the Real Property Gains Tax Act 1976 (“ <b>Retention Sum</b> ”)   | 186,690                       | 200,400                       | <b>387,090</b>                    |
| 5.0% of the Purchase Consideration  | Upon the execution of the SPAs as balance deposit (“ <b>Balance Deposit</b> ”)   | 311,150                       | 334,000                       | <b>645,150</b>                    |
| 90.0% of the Purchase Consideration | Within 3 months from the date of the SPAs (“ <b>Completion Period</b> ”), or an extension of 1 month commencing on the date immediately following the date of expiry of the Completion Period (“ <b>Extended Completion Period</b> ”) (“ <b>Balance Purchase Consideration</b> ”)(1) | 5,600,700                     | 6,012,000                     | <b>11,612,700</b>                 |
| <b>Total</b>                        |  | <b>6,223,000</b>              | <b>6,680,000</b>              | <b>12,903,000</b>                 |

**Note:-**

- (1) The Purchaser is subject to a late payment interest of 8.0% calculated on a daily basis on the unpaid Balance Purchase Consideration in the event any part of the Balance Purchase Consideration is paid after the Completion Period. Further details of which are set out in **Appendix I** and **Appendix II** of this announcement.

## **2.5 Source of funding**

The Total Purchase Consideration will be funded entirely utilising part of the earmarked proceeds raised from the Company's initial public offering exercise which was completed on 8 June 2022. It should also be noted that the Group intends to undertake potential renovation and refurbishment on the Subject Properties with the view to maximise floor space to accommodate its business and operational requirements and such renovation and refurbishment ("**Potential Renovation**") costs will be fully funded via internally generated funds of the Group. As at this juncture, the management is unable to ascertain the estimated costs for the Potential Renovation as the Group will engage an architect to conduct a detailed evaluation on the Potential Renovation.

## **2.6 Liabilities to be assumed**

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the SPAs as well as the costs relating to the Potential Renovation to be incurred, there are no other liabilities, including contingent liabilities and guarantees to be assumed by LGMS Group pursuant to the Proposed Acquisitions.

## **3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED ACQUISITIONS**

The Group has been occupying Unit A-11-01 and a portion of Unit A-11-02 (i.e. Unit A-11-02A) from the Vendor through tenancy agreements dated 1 December 2017 and 1 June 2019 respectively. The current total floor space is approximately 15,274 sqft. Upon the completion of the Proposed Acquisitions, LGMS will be able to expand their current office floor space to potentially approximately 20,000 sqft (which will be subject to the Potential Renovation with the aim to maximise the floor space to accommodate the business and operational requirements of the Group). Notwithstanding the Proposed Acquisitions, it should be noted that the Group intends to continue to pursue acquisition of suitable properties, if any, within the vicinity of the current units with the aim to further increase its floor space for its business expansion plans.

The larger floor space will enable the Group to accommodate a larger workforce to support its growing customer base. The Proposed Acquisitions also facilitate the expansion of the Group's technical capacity through the setting up of new labs at the Subject Properties.

Furthermore, the Proposed Acquisitions will allow the Group to have proprietorship of its office premises, thereby contributing to a rental savings of up to RM0.56 million annually. This will enable the Group to mitigate any potential future hike in rental costs as well as to capitalise on potential capital appreciation of the Subject Properties in the future.

## **4. PROSPECTS OF THE SUBJECT PROPERTIES**

The Board is of the view that the Proposed Acquisitions will contribute positively to the financial and operational growth of the Group in the future given that:-

- (i) the additional floor space of the Subject Properties enables the Group to accommodate a larger workforce to support its growing customer base as well as increase its technical capacity through the setting up of new labs at the Subject Properties. This strategic initiative is poised to position the Group for sustainable growth over the long-term, equipping the Group to undertake a greater number of projects; and
- (ii) the Group will be entitled for an annual rental savings of up to RM0.56 million as the Group will own the Subject Properties which serves as a dedicated hub for its business operations. This will not only mark a prudent financial move but also aligns with the Group's commitment to operational efficiency and stability.

## **5. RISK FACTORS**

The Board does not anticipate that the Proposed Acquisitions will result in a material change to the risk profile of LGMS. Save as disclosed below, which are by no means exhaustive, the Board does not foresee any other additional risks arising from the Proposed Acquisitions.

### **5.1 Completion risk**

The completion of the Proposed Acquisitions is subject to the terms and conditions set out in the SPAs. There can be no assurance that such conditions will be obtained/fulfilled and/or waived (as the case may be) by the relevant cut-off dates as stipulated in the SPAs. Hence, any delay in fulfilling these conditions may materially affect the Proposed Acquisitions from being completed within the stipulated timeframe.

To mitigate such risks, the Board and management will constantly monitor the fulfilment of these conditions as well as ensure that all the other relevant terms and conditions of the SPAs, which are within the Group's control, are obtained/fulfilled within the prescribed timeframe.

### **5.2 Acquisition risk**

There is no assurance that the anticipated benefits of the Proposed Acquisitions will be realised by the Company. In addition, any decline in economic conditions may affect the potential benefits to be derived from the Proposed Acquisitions.

Nevertheless, the Board will monitor closely and continuously assess prevailing economic and market conditions. The Board, after having considered the potential risks and benefits associated with the Proposed Acquisitions, is still optimistic of the potential benefits to be derived from it.

## **6. EFFECTS OF THE PROPOSED ACQUISITIONS**

The proforma effects of the Proposed Acquisitions on the issued share capital, substantial shareholders' shareholdings, consolidated net assets ("**NA**"), NA per share, gearing as well as consolidated earnings and earnings per share ("**EPS**") are set out below:-

### **6.1 Issued share capital and substantial shareholders' shareholdings**

The Proposed Acquisitions will not have any effect on the issued share capital of LGMS and substantial shareholders' shareholdings in the Company as the Proposed Acquisitions do not involve any issuance of new ordinary shares in LGMS.

### **6.2 NA per share and gearing**

Barring any unforeseen circumstances, the Proposed Acquisitions will not have any material effect on the consolidated NA and gearing of LGMS for the FYE 31 December 2024.

### **6.3 Earnings and EPS**

Barring any unforeseen circumstances, the Proposed Acquisitions are not expected to have any material impact on the Group's earnings and EPS for the FYE 31 December 2024.

**7. APPROVALS REQUIRED**

The Proposed Acquisitions are not subject to the approval of the shareholders of the Company or any other relevant authorities/parties.

The Proposed Acquisitions are inter-conditional upon each other. However, the Proposed Acquisitions are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

**8. PERCENTAGE RATIOS UNDER THE LISTING REQUIREMENTS**

Pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to the Proposed Acquisitions is 15.44%, calculated based on the latest audited consolidated financial statements of LGMS for the FYE 31 December 2022.

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

None of the Directors, major shareholders and/or chief executive of LGMS and/or any person connected with them have any interest, direct or indirect, in the Proposed Acquisitions.

**10. DIRECTORS' STATEMENT**

After taking into consideration all aspects of the Proposed Acquisitions (including but not limited to the rationale, basis and justification of determining the Total Purchase Consideration, the terms of the SPAs, prospects of the Subject Properties, risk factors and the financial effects of the Proposed Acquisitions), the Board is of the opinion that the Proposed Acquisitions are in the best interest of the Company.

**11. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all the requisite approvals being obtained, the Board expects the Proposed Acquisitions to be completed by 1<sup>st</sup> quarter of 2024.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the SPAs are available for inspection at the registered office of LGMS at No. 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur from Monday to Friday (except public holidays) for a period of 3 months commencing from the date of this announcement.

**This announcement is dated 20 February 2024.**

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**SALIENT TERMS OF THE SPA 1**


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The salient terms of the SPA 1 are as follows:-

**1. SALE AND PURCHASE**

Subject to the terms and conditions stipulated in the SPA 1, the Vendor shall sell Unit A-11-01 to the Purchaser on an “as is where is” basis, free from all charges, lien, caveats, encumbrances and other security interest whatsoever, and with legal possession, subject to the Unit A-11-01 Tenancy Agreement and all conditions whether express or implied endorsed on the strata title of Unit A-11-01 or otherwise affecting Unit A-11-01.

**2. PURCHASE CONSIDERATION AND PAYMENT TERMS**

The Purchase Consideration 1 amounting to RM6,223,000 shall be satisfied by the Purchaser in the following manner:-

- (i) prior to the execution of the SPA 1, the Purchaser has paid the Earnest Deposit amounting to RM124,460 (constituting 2.0% of the Purchase Consideration 1) to the Vendor;
- (ii) upon the execution of the SPA 1, the Purchaser shall:-
  - (a) remit the Retention Sum amounting to RM186,690 (constituting 3.0% of the Purchase Consideration 1) to the Purchaser's solicitors, the Purchaser's solicitors are irrevocably authorised by the parties to deal with the same in accordance with the provisions of the SPA 1; and
  - (b) remit the Balance Deposit amounting to RM311,150 (constituting 5.0% of the Purchase Consideration 1) to the Vendor;
- (iii) the Purchaser shall remit a sum of RM5,600,700 (“**Balance Purchase Consideration 1**”) (constituting 90.0% of the Purchase Consideration 1) to the Vendor's solicitors as stakeholders within the Completion Period (i.e. within 3 months from the date of the SPA 1).

In the event that the Purchaser fails to pay the Balance Purchase Consideration 1 within the Completion Period, the Vendor shall grant to the Purchaser an Extended Completion Period (i.e. extension of 1 month commencing on the date immediately following the date of expiry of the Completion Period) to settle the Balance Purchase Consideration 1, subject to an interest rate to be paid by the Purchaser amounting to 8.0% to the Vendor calculated on a day-to-day basis on the Balance Purchase Consideration 1 or such part thereof which is outstanding commencing on the day immediately following the expiry of the Completion Period up to and including the date of full payment.

**3. COMPLETION**

Completion shall take place on the date of receipt of the Balance Purchase Consideration 1 and interest (if any) by the Vendor's solicitors as stakeholders. Notwithstanding any provisions to the contrary contained in the SPA 1, the Purchaser shall not be obliged to complete the acquisition of the Unit A-11-01 unless the completion of the SPA 2 can take place simultaneously. If the Vendor is unable to procure completion of the SPA 2 and SPA 1 on a simultaneous basis, the obligations of the Purchaser under the SPA 1 shall be automatically suspended without any liability whatsoever and howsoever arising until the Vendor is able to do so.



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**SALIENT TERMS OF THE SPA 2**


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The salient terms of the SPA 2 are as follows:-

**1. SALE AND PURCHASE**

Subject to the terms and conditions stipulated in the SPA 2, the Vendor shall sell Unit A-11-02 to the Purchaser on an “as is where is” basis, free from all charges, lien, caveats, encumbrances and other security interest whatsoever and with legal or vacant possession, subject to the Unit A-11-02A Tenancy Agreement, the Tripfez Tenancy Agreement and all conditions whether express or implied endorsed on the strata title of Unit A-11-02 or otherwise affecting Unit A-11-02.

**2. PURCHASE CONSIDERATION AND PAYMENT TERMS**

The Purchase Consideration 2 amounting to RM6,680,000 shall be satisfied by the Purchaser in the following manner:-

- (i) prior to the execution of the SPA 2, the Purchaser has paid the Earnest Deposit amounting to RM133,600 (constituting 2.0% of the Purchase Consideration 2) to the Vendor;
- (ii) upon the execution of the SPA 2, the Purchaser shall:-
  - (a) remit the Retention Sum amounting to RM200,400 (constituting 3.0% of the Purchase Consideration 2) to the Purchaser’s solicitors, the Purchaser’s solicitors are irrevocably authorised by the parties to deal with the same in accordance with the provisions of the SPA 2; and
  - (b) remit the Balance Deposit amounting to RM334,000 (constituting 5.0% of the Purchase Consideration 2) to the Vendor;
- (iii) the Purchaser shall remit RM6,012,000 (“**Balance Purchase Consideration 2**”) (constituting 90.0% of the Purchase Consideration 2) to the Vendor’s solicitors as stakeholders within the Completion Period (i.e. within 3 months from the date of the SPA 2).

In the event that the Purchaser fails to pay the Balance Purchase Consideration 2 within the Completion Period, the Vendor shall grant to the Purchaser an Extended Completion Period (i.e. extension of 1 month commencing on the date immediately following the date of expiry of the Completion Period) to settle the Balance Purchase Consideration 2, subject to an interest rate to be paid by the Purchaser amounting to 8.0% to the Vendor calculated on a day-to-day basis on the Balance Purchase Consideration 2 or such part thereof which is outstanding commencing on the day immediately following the expiry of the Completion Period up to and including the date of full payment.

**3. COMPLETION**

Completion shall take place on the date of receipt of the Balance Purchase Consideration 2 and interest (if any) by the Vendor’s solicitors as stakeholders.