

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



SHIN YANG GROUP BERHAD

(Registration No.: 200401027554 (666062-A))

(Incorporated in Malaysia under the Companies Act, 1995 and deemed registered under Companies Act, 2016)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

- (I) **PROPOSED ACQUISITION BY SHIN YANG GROUP BERHAD (“SYGROUP”) OF 100.00% EQUITY INTEREST IN BOULEVARD JAYA SDN BHD AND 60.00% EQUITY INTEREST IN BOULEVARD MOTOR SDN BHD, BOULEVARD MOTOR (SABAH) SDN BHD AND BOULEVARD MOTOR (LABUAN) SDN BHD (“TARGET COMPANIES”) FOR A TOTAL CONSIDERATION OF RM144,500,000.00 TO BE SATISFIED VIA A COMBINATION OF CASH AND TRANSFER OF 55.0 MILLION TREASURY SHARES HELD BY SYGROUP, REPRESENTING APPROXIMATELY RM46,827,000.00 BASED ON AN ILLUSTRATIVE TRANSFER PRICE OF RM0.8514 PER TREASURY SHARE AND THE RIGHT TO SELL BACK THE TARGET COMPANIES TO THE VENDORS UNDER CERTAIN EVENTS AS SET OUT IN THE SHARE SALE AGREEMENTS ENTERED INTO BY SYGROUP PURSUANT TO THE PROPOSED ACQUISITION (“PROPOSED ACQUISITION”); AND**
- (II) **PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF SYGROUP TO INCLUDE AUTOMOTIVE DEALERSHIP BUSINESS**

PART B

INDEPENDENT ADVICE LETTER FOR THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



AmInvestment Bank

AmlInvestment Bank Berhad

(Registration No. 197501002220 (23742-V))

(A Participating Organisation of Bursa Securities)

Independent Adviser



cfSolutions Sdn Bhd

Reg. No. 198501004650 (137090-W)

licensed corporate finance adviser

The Extraordinary General Meeting (“**EGM**”) of SYGROUP will be held at the Conference Room, Level 5, Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on Friday, 30 August 2024 at 10.00 a.m..

The notice of EGM together with the Proxy Form are enclosed in this Circular. If you are unable to attend the EGM, you are urged to complete and return the Proxy Form in accordance with the instruction therein so as to arrive at the Registered Office of the Company not later than 48 hours before the time set for holding of the EGM. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM if you are subsequently able to do so.

The last day and time for lodging the Proxy Form is on Wednesday, 28 August 2024 at 10.00 a.m..

This Circular is dated 15 August 2024

DEFINITIONS

For the purpose of this document, except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

Act	:	The Companies Act 2016
AmlInvestment Bank	:	AmlInvestment Bank Berhad, the Principal Adviser for the Proposals
ASEAN	:	Association of Southeast Asian Nations
Bermaz	:	Bermaz Auto Berhad
Bloomberg	:	Bloomberg Finance Singapore L.P.
BNM	:	Bank Negara Malaysia
Board	:	The Board of Directors of SYGROUP
Boulevard Jaya	:	Boulevard Jaya Sdn. Bhd.
Boulevard Jaya SSA or SSA 1	:	conditional share sale agreement dated 11 July 2024 entered into between our Company and Shin Yang Holding, KTE Motors and Ling Chiong Sing to acquire 100.00% equity interest in Boulevard Jaya
Boulevard Motor	:	Boulevard Motor Sdn. Bhd.
Boulevard Motor (Labuan)	:	Boulevard Motor (Labuan) Sdn. Bhd.
Boulevard Motor (Sabah)	:	Boulevard Motor (Sabah) Sdn. Bhd.
Boulevard Motor Group	:	Collectively refers to Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan)
Boulevard Motor Group SSA or SSA 2	:	Conditional share sale agreement dated 11 July 2024 entered into between our Company and Dwi Bumijaya to acquire 60.00% equity interest in each of the Boulevard Motor Group
Bursa Securities	:	Bursa Malaysia Securities Berhad
cfSolutions or Independent Adviser	:	cfSolutions Sdn Bhd
Circular	:	This circular dated 15 August 2024 in relation to the Proposals
Comparable Companies	:	Comparable companies listed on Bursa Securities and SGX and involved in the car distributorship and/or dealership and related services which the Independent Adviser presently considers to be most similar and relevant to the Target Companies
Conditions Precedent	:	Conditions precedent of the SSAs

DEFINITIONS (CONT'D)

Director	:	A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transactions were agreed upon (i) a director of the listed issuer, its subsidiary or holding company; and (ii) a chief executive of the listed issuer, its subsidiary or holding company
Dwi Bumijaya	:	Dwi Bumijaya Sdn. Bhd.
EGM	:	Extraordinary General Meeting of SYGROUP
EPS	:	Earnings per share
FPE	:	Financial period ended
FYE	:	Financial year(s) ended/ending, as the case may be
GDP	:	Gross domestic product
Group	:	Our company and subsidiaries
IAL	:	Independent advice letter issued by cfSolutions to the non-interested shareholders in relation to the Proposed Acquisition
Illustrative Transfer Price	:	RM0.8514 per Treasury Share
KTE Motors	:	KTE Motors Sdn. Bhd.
LAT	:	Loss after tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	2 August 2024, being the latest practicable date prior to the printing of this Circular
LTD	:	10 July 2024, being the last trading date prior to the announcement of the Proposed Acquisition
MAA	:	Malaysian Automotive Association
Major shareholder	:	Includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer as defined under the Listing Requirements or any other corporation which is its subsidiary or holding company
NA	:	Net assets
Non-Interested Shareholders	:	Non-interested shareholders of SYGROUP
PAT	:	Profit after tax

DEFINITIONS (CONT'D)

PATANCI	:	Profit after tax and non-controlling interest
P/B Multiple	:	Price-to-book multiple
PBT/(LBT)	:	Profit/(Loss) before tax
PER	:	Price-to-earnings ratio
Proposals	:	Collectively, the Proposed Acquisition and Proposed Diversification
Proposed Acquisition	:	Proposed acquisition by our Company to acquire 100% equity interest in Boulevard Jaya and 60% equity interest each in Boulevard Motor Group for a total purchase consideration of RM144,500,000.00 to be satisfied via a combination of cash and treasury shares held by our Company
Proposed Diversification	:	Proposed diversification of our existing business to include automotive dealership business
Purchase Consideration	:	The purchase consideration for the Target Companies of RM144,500,000.00
RM and Sen	:	Ringgit Malaysia and sen, respectively
Sale Shares	:	Shares in the Target Companies to be acquired pursuant to the Proposed Acquisition
SGD	:	Singapore Dollar
SGX	:	Singapore Exchange
Shin Yang Holding	:	Shin Yang Holding Sendirian Berhad
Shin Yang Shipping	:	Shin Yang Shipping Sdn Bhd
SSAs	:	Collectively refers to the Boulevard Jaya SSA and Boulevard Motor Group SSA
SSA LPD	:	5 July 2024, being the latest practicable date prior to the execution of the SSAs
SYGROUP or Company	:	Shin Yang Group Berhad
SYGROUP Shares or Our Shares	:	Ordinary shares in SYGROUP
Target Companies	:	Collectively refers to Boulevard Jaya, Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan)
Consideration Treasury Shares	:	Treasury shares to be transferred to Dwi Bumijaya, the vendor of the Boulevard Motor Group pursuant to the Proposed Acquisition

DEFINITIONS (CONT'D)

UMW Toyota	: UMW Toyota Motor Sdn Bhd
Vendors	: Collectively refers to Shin Yang Holding, KTE Motors, Ling Chiong Sing and Dwi Bumijaya
VWAP	: Volume weighted average market price

References to “we”, “us”, “our” and “ourselves” in this Circular are to our Company, and where the context otherwise requires, our subsidiaries. All references to “you” in this Circular are to our shareholders.

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

Any discrepancies in the tables included in this Circular between the amount listed, actual figures and the totals thereof are due to rounding.

Any reference in this Circular to any statute or guideline is a reference to that statute or guideline as for the time being amended or re-enacted from time to time.

(The rest of this page has been intentionally left blank)

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	vii
PART A - LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED ACQUISITION	2
3. DETAILS OF THE PROPOSED DIVERSIFICATION	10
4. RATIONALE OF AND BENEFITS FOR THE PROPOSALS	13
5. INDUSTRY OVERVIEW AND PROSPECTS	14
6. RISK FACTORS IN RELATION TO THE PROPOSALS	18
7. EFFECTS OF THE PROPOSALS	22
8. HISTORICAL SHARE PRICES	26
9. APPROVALS REQUIRED	27
10. CONDITIONALITY OF THE PROPOSALS	27
11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDER, AND PERSONS CONNECTED	27
12. TRANSACTION WITH THE SAME RELATED PARTY FOR THE PRECEEDING 12 MONTHS	31
13. ADVISERS	31
14. AUDIT COMMITTEE'S STATEMENT	31
15. DIRECTORS' STATEMENT AND RECOMMENDATION	31
16. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION	31
17. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSALS	32
18. EGM	32
19. FURTHER INFORMATION	32
PART B – INDEPENDENT ADVICE LETTER FROM CFSOLUTIONS SDN BHD IN RELATION TO THE PROPOSED ACQUISITION	33
APPENDIX I(A) SALIENT TERMS OF THE BOULEVARD JAYA SSA	92
APPENDIX I(B) SALIENT TERMS OF THE BOULEVARD MOTOR GROUP SSA	97
APPENDIX II(A) INFORMATION ON BOULEVARD JAYA	102
APPENDIX II(B) INFORMATION ON BOULEVARD MOTOR	108
APPENDIX II(C) INFORMATION ON BOULEVARD MOTOR (SABAH)	114
APPENDIX II(D) INFORMATION ON BOULEVARD MOTOR (LABUAN)	120
APPENDIX III(A) AUDITED FINANCIAL STATEMENTS OF BOULEVARD JAYA FOR FYE 30 JUNE 2023	125

TABLE OF CONTENTS (CONT'D)

APPENDIX III(B)	AUDITED FINANCIAL STATEMENTS OF BOULEVARD MOTOR FOR FYE 31 DECEMBER 2023	166
APPENDIX III(C)	AUDITED FINANCIAL STATEMENTS OF BOULEVARD MOTOR (SABAH) FOR FYE 31 DECEMBER 2023	202
APPENDIX III(D)	AUDITED FINANCIAL STATEMENTS OF BOULEVARD MOTOR (LABUAN) FOR FYE 31 DECEMBER 2023	238
APPENDIX IV	FURTHER INFORMATION	274
NOTICE OF EGM		ENCLOSED
PROXY FORM		ENCLOSED

(The rest of this page has been intentionally left blank)

EXECUTIVE SUMMARY

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

<u>Key information</u>	<u>Description</u>
Details of the Proposals (Part A, Sections 1, 2 and 3)	<p><u>Proposed Acquisition</u></p> <p>The Proposed Acquisition entails the acquisition by SYGROUP of 100% equity interest in Boulevard Jaya and 60% equity interest each in Boulevard Motor Group for a total purchase consideration of RM144,500,000.00 to be satisfied via a combination of cash and transfer of 55.0 million treasury shares held by our Company.</p> <p>Upon completion of the Proposed Acquisition, Boulevard Jaya will become our wholly-owned subsidiary whilst Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) will be our 60.00% owned subsidiaries.</p> <p>The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirement in view of the interests of the Interested Directors and Interested Major Shareholder of SYGROUP.</p> <p>The Proposed Acquisition is subject to the terms and conditions set out in the SSAs, the salient terms of which are set out in Appendix I(A) and I(B) of this Circular.</p> <p><u>Proposed Diversification</u></p> <p>We are proposing to diversify our existing business to include automotive dealership business pursuant to the Proposed Acquisition.</p>
Rationale and benefits of the Proposals (Part A, Section 4)	<p><u>Proposed Acquisition</u></p> <p>The performance of our Company is largely dependent on the volatility of the world's fuel market price, the standard of skills and experience of ship crews, domestic and regional demand for transportation of dry bulk and general cargoes, movement of the Malaysian Ringgit and the world economic situation, all of which may significantly disrupt business operations and margins.</p> <p>As part of our Company's continuous effort to improve shareholders' value, the Proposed Acquisition entails the acquisition of companies with established businesses in the automotive industry and financial track record which will provide an immediate boost to the earnings of our Group. The Proposed Acquisition is also expected to enable our Group to:</p> <ul style="list-style-type: none">(i) diversify and bolster our revenue and income stream;(ii) expand and diversify our Group's product offerings and reduce our Group's dependency on our current business;(iii) leverage on the Target Companies' networks and client bases to cross-sell our Group's shipping services; and

EXECUTIVE SUMMARY (CONT'D)

- (iv) vertically integrate the Target Companies' automotive's maintenance and repair services into our Group's under our own workshops and stores and achieve operational cost savings.

Proposed Diversification

The Proposed Diversification fundamentally serves to facilitate the implementation of the Proposed Acquisition with the aim of enabling our Group to venture into the new automotive dealership business. This is consistent with our Company's continuous efforts to diversify and bolster our revenue and income streams

Prospects of the Target Companies (Part A, Section 5)

The Target Companies are principally involved in automotive dealership, sales of spare parts, after-sales services, servicing and repairing of Toyota vehicles. According to the MAA, Toyota cars have been among the best-selling cars in Malaysia. For each of the calendar years from 2020 to 2022, Toyota cars sales commanded more than 10.00% market share in Malaysia. Toyota cars were also the number one best-selling non-national cars in Malaysia for years 2020 to 2022 respectively.

The new Toyota models launched in late 2023 (such as Toyota Alphard, Toyota Vellfire and Toyota Corolla) and Toyota focus on introducing more models in 2024, particularly with an emphasis on XEV technologies, coupled with its strong brand reputation and broad appeal to the mass market, would bode well in attracting sales for Toyota.

Moreover, according to BNM, demand for household loans remained forthcoming, especially loans for the purchase of housing and cars. This resilient household spending is supported by continued employment and wage growth. On 1 May 2024, the Malaysian Prime Minister announced that civil servants' remuneration will be increased by more than 13 per cent effectively 1st December 2024.

Risk factors in relation to the Proposals (Part A, Section 6 of this Circular)

The risk factors pursuant to the Proposals include but not limited to the following:

- (i) completion risk;
- (ii) acquisition risk;
- (iii) renewal of dealership agreements risk;
- (iv) integration risk;
- (v) business risk;
- (vi) dependency on key management risk; and
- (vii) goodwill and impairment risk.

EXECUTIVE SUMMARY (CONT'D)

Approvals required
(Part A, Section 9 of
this Circular)

The Proposals are subject to approvals from the following:-

- (i) the shareholders of our Company at the forthcoming EGM to be convened for the Proposals;
- (ii) UMW Toyota for the change of shareholders and directors of the Target Companies. As at the LPD, consent from UMW Toyota has been obtained for the change in shareholders of the Target Companies. The consent for change of directors will be applied by the Target Companies after the new directors to be appointed have been confirmed; and
- (iii) any other relevant regulatory authorities and/or parties, if required.

**Interest of Directors,
Major Shareholders
and/or persons
connected to them**
(Part A, Section 11 of
this Circular)

None of the Directors and Major Shareholder of our Company have any interest, direct and/or indirect, in the Proposed Diversification.

Save as disclosed below, none of the Directors and Major Shareholder of our Company have any interest, direct and/or indirect, in the Proposed Acquisition:

- (i) Tan Sri Datuk Ling Chiong Ho;
- (ii) Ling Chiong Sing;
- (iii) Ling Chiong Pin;
- (iv) Ling Siu Chuo;
- (v) Datuk Ling Lu Kiong;
- (vi) Dennis Ling Lu Jing;
- (vii) Ling Lu Kuang;
- (viii) Vincent Ling Lu Yew;
- (ix) Shin Yang Holding;

The persons connected to the Directors and Major Shareholder of our Company who have an interest in the Proposed Acquisition is set out in Part A, Section 11 of this Circular.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of the Proposed Acquisition at the relevant Board meetings of our Company. The Interested Directors and Interested Major Shareholder will also abstain from voting and have undertaken to ensure that any persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolution pertaining to the Proposed Acquisition at an EGM of our Company to be convened.

EXECUTIVE SUMMARY (CONT'D)

The Interested Directors have also voluntarily abstained and will continue to voluntarily abstain from all deliberations and voting in respect of the Proposed Diversification at the relevant Board meetings of our Company. The Interested Directors and Interested Major Shareholder will also voluntarily abstain from voting and have undertaken to ensure that any persons connected to them will also abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolution pertaining to the Proposed Diversification at an EGM of our Company to be convened.

Please refer to Part A, Section 11 of this Circular for further details.

**Directors' statement
and recommendation**
(Part A, Section 15 of
this Circular)

Our Board (save for the Interested Directors) after having considered all relevant aspects of the Proposals (including but not limited to the terms, basis of the Purchase Consideration, rationale, risk factors and financial effects) as well as the evaluation of the Independent Adviser on the Proposed Acquisition, is of the opinion that the Proposals is fair, reasonable, on normal commercial terms, not detrimental to the interest of the non-interested shareholders and is in the best interest of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at our Company's forthcoming EGM.

(The rest of this page has been intentionally left blank)

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS



SHIN YANG GROUP BERHAD
(Registration No.: 200401027554 (666062-A))
(Incorporated in Malaysia)

Registered office:

Sublot 153 (Parent Lot 70)
Jalan Kuala Baram
Kuala Baram
98100 Miri, Sarawak

15 August 2024

Board of Directors

Tan Sri Datuk Ling Chiong Ho (*Group Executive Chairman*)
Ling Chiong Sing (*Group Managing Director*)
Datuk Ling Lu Kiong (*Group Executive Vice Chairman*)
Ling Chiong Pin (*Executive Director*)
Ling Siu Chuo (*Non-Independent Non-Executive Director*)
Jack Willien @ William Anak Jinep (*Independent Non-Executive Director*)
Yong Nyet Yun (*Independent Non-Executive Director*)
Izan Nadiawati Binti Mohamad Tabib (*Independent Non-Executive Director*)
Dr. Lai Yew Hock (*Independent Non-Executive Director*)

To: Our Shareholders

Dear Sir/Madam,

(I) PROPOSED ACQUISITION; AND

(II) PROPOSED DIVERSIFICATION

(COLLECTIVELY, THE "PROPOSALS")

1. INTRODUCTION

On 11 July 2024, AmlInvestment Bank announced on behalf of our Board that our Company had entered into the following:

- (i) a conditional share sale agreement dated 11 July 2024 with Shin Yang Holding, KTE Motors and Ling Chiong Sing to acquire 100.00% equity interest in Boulevard Jaya; and

- (ii) a conditional share sale agreement dated 11 July 2024 with Dwi Bumijaya to acquire 60.00% equity interest in each of the following companies:
- (a) Boulevard Motor;
 - (b) Boulevard Motor (Sabah); and
 - (c) Boulevard Motor (Labuan);

for a total purchase consideration of RM144,500,000.00 to be satisfied via a combination of cash and treasury shares held by our Company.

On 9 August 2024, AmInvestment Bank announced on behalf of our Board that our Company proposes to undertake the diversification of the existing business of our Group to include automotive dealership business pursuant to the Proposed Acquisition.

The Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements detailed in Section 11 of this Circular. In this respect, our Board has on 11 July 2024 appointed cfSolutions to act as the independent adviser for the Proposed Acquisition.

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 THE EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS LETTER IN PART A OF THIS CIRCULAR AND THE IAL IN PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition by our Company of the following shares in the Target Companies:

Target Company	No. of Sale Shares to be acquired	Equity interest to be acquired (%)	Purchase Consideration (RM)
Boulevard Jaya	15,000,000	100.00	27,500,000
Boulevard Motor	1,500,000	60.00	72,240,000
Boulevard Motor (Sabah)	1,500,000	60.00	39,150,000
Boulevard Motor (Labuan)	1,500,000	60.00	5,610,000
Total			144,500,000

Pursuant to the SSAs, the Vendors have agreed to sell and we have agreed to purchase the Sale Shares free from all encumbrances including mortgage, charge, pledge, lien, assignment, security interest, and together with all rights, benefits and entitlements whatsoever attaching thereto as at the completion date subject to the terms and conditions contained in the SSAs. The salient terms of the SSAs are set out in **Appendices I(A)** and **I(B)** of this Circular.

The purchase consideration for the Target Companies of RM144,500,000.00 will be satisfied via the transfer of 55.0 million Consideration Treasury Shares to the Vendors and the balance in cash.

Pursuant to Paragraph 12.18 of the Listing Requirements, a listed corporation may only resell treasury shares on Bursa Securities or transfer treasury shares pursuant to section 127(7) of the Act, at:

- (a) a price which is not less than the weighted average market price for the shares for the 5 market days immediately before the resale or transfer; or
- (b) a discounted price of not more than 5% to the weighted average market price for the shares for the 5 market days immediately before the resale or transfer provided that:
 - (i) the resale or transfer takes place not earlier than 30 days from the date of purchase; and
 - (ii) the resale or transfer price is not less than the cost of purchase of the shares being resold or transferred.

We will ensure compliance with Paragraph 12.18 of the Listing Requirement as mentioned above.

The Consideration Treasury Shares will be transferred to the Vendors at the higher of (i) RM0.8514 per Treasury Share, being approximately 5.00% premium to the 5 days volume weighted average price of ordinary shares in SYGROUP up to and including 5 July 2024, being the SSA LPD of RM0.8109 per SYGROUP Share or (ii) the 5 day VWAP of SYGROUP Shares up to and including the date prior to the transfer of the Consideration Treasury Shares to the Vendors.

For illustration purposes, based on RM0.8514 per Consideration Treasury Share ("**Illustrative Transfer Price**"), the Purchase Consideration is to be satisfied as follows:

Target Company	Cash	Consideration Treasury Shares		Total
	RM	RM	No.	RM
Boulevard Jaya	27,500,000	-	-	27,500,000
Boulevard Motor	43,327,333	28,912,667	33,958,970	72,240,000
Boulevard Motor (Sabah)	23,480,962	15,669,038	18,403,850	39,150,000
Boulevard Motor (Labuan)	3,364,705	2,245,295	2,637,180	5,610,000
Total	97,673,000	46,827,000	55,000,000	144,500,000

As at the LPD, our Company holds 71,014,700 treasury shares. We had purchased such treasury shares at prices ranging from RM0.1251 to RM0.9450 per treasury share whilst our average purchase cost of such treasury shares is RM0.4137 per treasury share. Assuming our Company does not undertake any share buyback prior to the completion of the Proposed Acquisition, the number of treasury shares to be held by our Company after the Proposed Acquisition will be 16,014,700 treasury shares. The Consideration Treasury Shares to be transferred to the Vendors pursuant to the Proposed Acquisition represent approximately 4.87% of the existing issued ordinary shares of our Company (after excluding 71,014,700 treasury shares held) and 4.65% of the issued share capital of our Company post the completion of the Proposed Acquisition (after excluding 16,014,700 treasury shares held).

Upon completion of the Proposed Acquisition, Boulevard Jaya will become our wholly-owned subsidiary whilst Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) will be our 60.00% owned subsidiaries.

2.1 Information on the Target Companies

Please refer to Appendices II(A), II(B), II(C) and II(D) for information on the Target Companies.

2.2 Information on the Vendors

2.2.1 Shin Yang Holding

Shin Yang Holding was incorporated in Malaysia as a private limited company under the Companies Act 1965 on 19 July 1989 and is deemed registered under the Act. Shin Yang Holding is principally involved in the activities of investment holding and letting of premises.

As at the LPD, the issued share capital of Shin Yang Holding is RM25,000,000 comprising 25,000,000 ordinary shares (21,723,440 ordinary shares in cash and 3,276,560 ordinary shares in otherwise than cash).

As at the LPD, the shareholders of Shin Yang Holding and their respective shareholdings in Shin Yang Holding are as follows:-

	<u>No. of shares</u>	<u>%</u>
Tan Sri Datuk Ling Chiong Ho	6,250,000	25.0
Ling Chiong Sing	6,250,000	25.0
Ling Chiong Sieng	6,250,000	25.0
Ling Chiong Pin	6,250,000	25.0
Total	<u>25,000,000</u>	<u>100.0</u>

As at the LPD, the directors of Shin Yang Holding are Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Sieng, Ling Chiong Pin and Datuk Ling Lu Kiong.

2.2.2 KTE Motors

KTE Motors was incorporated in Malaysia as a private limited company under the Companies Act 1965 on 19 February 2002 and is deemed registered under the Act. KTE Motors is principally involved in the activities of car brokerage services and investment holding.

As at the LPD, the issued share capital of KTE Motors is RM500,000 comprising 500,000 ordinary shares.

As at the LPD, the shareholders of KTE Motors and their respective shareholdings in KTE Motors are as follows:-

	<u>No. of shares</u>	<u>%</u>
Ling Chiong Sing	250,001	50.0
Mewah Enterprise Sdn Bhd	249,998	50.0
Ling Siu Chuo	1	0.0
Total	<u>500,000</u>	<u>100.0</u>

As at LPD, the directors of KTE Motors are Ling Siu Chuo and Ling Chiong Sing.

2.2.2.1 Mewah Enterprise Sdn Bhd

Mewah Enterprise Sdn Bhd was incorporated in Malaysia as private limited company under the Companies Act 1965 on 21 April 1978 and is deemed registered under the Act. Mewah Enterprise Sdn Bhd is principally involved in the activities of property holding.

As at the LPD, the issued share capital of Mewah Enterprise Sdn Bhd is RM1,290,000 comprising 40,000 ordinary shares and 1,250,000 preference shares.

As at the LPD, the shareholders of Mewah Enterprise Sdn Bhd and their respective shareholdings in Mewah Enterprise Sdn Bhd are as follows:-

	<u>No. of shares</u>	<u>%</u>
Shin Yang Holding	1,250,000	96.9
Ling Chiong Pin	10,000	0.8
Ling Chiong Sing	10,000	0.8
Tan Sri Datuk Ling Chiong Ho	10,000	0.8
Ling Chiong Sieng	10,000	0.8
Total	<u>1,290,000</u>	<u>100.0</u>

As at LPD, the directors of Mewah Enterprise Sdn Bhd are Ling Chiong Pin, Ling Chiong Sing, Tan Sri Datuk Ling Chiong Ho and Kong Lee Luang.

2.2.3 Dwi Bumijaya

Dwi Bumijaya was incorporated in Malaysia as a private limited company under the Companies Act 1965 on 6 November 2015 and is deemed registered under the Act. Dwi Bumijaya commenced its operations since 2015 and is principally involved in the activities of investment holdings.

As at the LPD, the issued share capital of Dwi Bumijaya is RM7,500,000 comprising 7,500,000 ordinary shares (5,100,000 ordinary shares in cash and 2,400,000 ordinary shares in otherwise than cash).

As at the LPD, the shareholders of Dwi Bumijaya and their respective shareholdings in Dwi Bumijaya are as follows:-

<u>Shareholders</u>	<u>No. of shares</u>	<u>%</u>
Melana Sinar Sdn Bhd	2,500,000	33.33
Kemena Sinar Sdn Bhd	2,500,000	33.33
Best Megalink Sdn Bhd	2,500,000	33.33
Total	<u>7,500,000</u>	<u>100.0</u>

As at the LPD, the directors of Dwi Bumijaya are Vincent Ling Lu Yew, Dennis Ling Lu Jing, Datuk Ling Lu Kiong, Ling Chiong Sing and Tan Sri Datuk Ling Chiong Ho.

2.2.3.1 Melana Sinar Sdn Bhd

Melana Sinar Sdn Bhd was incorporated in Malaysia as private limited company under the Companies Act 1965 on 21 January 2014 and is deemed registered under the Act. Melana Sinar Sdn Bhd is principally involved in the activities of investment holding.

As at the LPD, the issued share capital of Melana Sinar Sdn Bhd is RM20,725,000 comprising 375,000 ordinary shares.

As at the LPD, the shareholders of Melana Sinar Sdn Bhd and their respective shareholdings in Melana Sinar Sdn Bhd are as follows:-

	<u>No. of shares</u>	<u>%</u>
Vincent Ling Lu Yew	112,500	30.0
Alfred Ling Lu Khiing	112,500	30.0
Ling Lu Siong	112,500	30.0
Ling Mee Mee	18,750	5.0
Ling Lee Lee	18,750	5.0
Total	<u>375,000</u>	<u>100.0</u>

As at LPD, the directors of Melana Sinar Sdn Bhd are Vincent Ling Lu Yew, Alfred Ling Lu Khiing, Ling Mee Mee and Ling Lee Lee.

2.2.3.2 Kemena Sinar Sdn Bhd

Kemena Sinar Sdn Bhd was incorporated in Malaysia as private limited company under the Companies Act 1965 on 21 January 2014 and is deemed registered under the Act. Kemena Sinar Sdn Bhd is principally involved in the activities of investment holding.

As at the LPD, the issued share capital of Kemena Sinar Sdn Bhd is RM20,725,000 comprising 375,000 ordinary shares.

As at the LPD, the shareholders of Kemena Sinar Sdn Bhd and their respective shareholdings in Kemena Sinar Sdn Bhd are as follows:-

	<u>No. of shares</u>	<u>%</u>
Donald Ling Lu Wee	93,750	25.0
Dana Ling Foon	93,750	25.0
Derek Ling Lu Yung	93,750	25.0
Dennis Ling Lu Jing	93,750	25.0
Total	<u>375,000</u>	<u>100.0</u>

As at LPD, the directors of Kemena Sinar Sdn Bhd are Donald Ling Lu Wee, Dana Ling Foon, Derek Ling Lu Yung and Dennis Ling Lu Jing.

2.2.3.3 Best Megalink Sdn Bhd

Best Megalink Sdn Bhd was incorporated in Malaysia as private limited company under the Companies Act 1965 on 27 June 2013 and is deemed registered under the Act. Best Megalink Sdn Bhd is principally involved in the activities of investment holding and letting of properties.

As at the LPD, the issued share capital of Best Megalink Sdn Bhd is RM25,000,000 comprising 25,000,000 ordinary shares.

As at the LPD, the shareholders of Best Megalink Sdn Bhd and their respective shareholdings in Best Megalink Sdn Bhd are as follows:-

	<u>No. of shares</u>	<u>%</u>
Ling Lu Kuang	11,250,000	45.0
Datuk Ling Lu Kiong	11,250,000	45.0
Ling Pau Pau	2,500,000	10.0
Total	<u>25,000,000</u>	<u>100.0</u>

As at LPD, the directors of Best Megalink Sdn Bhd are Ling Lu Kuang, Datuk Ling Lu Kiong, Tang Tiong Ing and Ling Pau Pau.

2.3 Basis of and justification at arriving at the Purchase Consideration

The Purchase Consideration was negotiated and arrived at on a “willing-buyer willing-seller” basis after taking into consideration amongst others, the following:

- (i) the Target Companies’ historical audited PAT in proportion to the equity interest to be acquired as follows:

<u>Target Companies</u>	<u>PAT⁽¹⁾</u>
	<u>RM</u>
Boulevard Motor	12,417,947
Boulevard Motor (Sabah)	6,729,979
Boulevard Motor (Labuan)	964,339
Boulevard Motor Group	20,112,265
Boulevard Jaya	4,669,734
Total	<u>24,781,999</u>

Note:

- (1) The PAT for Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) is for the financial year ended 31 December 2022 whilst the PAT for Boulevard Jaya is for the financial year ended 30 June 2023.

Based on the Purchase Consideration and PAT above, the implied PER is 5.8 times. The PAT above was adopted as a basis pursuant to negotiations and such PAT was the latest available audited PAT when the negotiation of the Proposed Acquisition commenced.

The implied PER of 5.8 times represents a discount of 31.4% to the PER of Bermaz, the identified comparable company, of 8.46 times based on its market capitalisation of RM2,968.8 million as at the SSA LPD and unaudited profit after tax and non-controlling interest for the FYE 30 April 2024 of RM351.0 million.

For information purposes, the Target Companies' aggregated audited PAT in proportion to the equity interest to be acquired based on the PAT for Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) for the financial year ended 31 December 2023 and PAT for Boulevard Jaya for the financial year ended 30 June 2023 is approximately RM43.5 million. This represents an implied PER of 3.32 times.

Bermaz was selected as the principal activities of Bermaz are generally comparable to the business of the Target Companies, being the automotive business its principal activities are in the car distributorship and/or dealership and related services and does not include manufacturing of automotive related items. We had not selected other companies listed on Bursa Securities which are involved in the automotive business as they are also involved in other businesses (e.g. manufacturing, property development, logistics). We had also not selected other companies involved in automotive business listed on regional exchanges as we are focusing on companies in Malaysia. Please take note that there is no one comparable company that may be identical to the Target Companies in terms of composition of business, scale of operations, geographical spread of activities, track record, asset base, risk profile, future prospects and other criteria.

Our Board had in determining the purchase consideration considered that the Target Companies are not listed. As highlighted above, the implied PER of 5.8 times represents a 31.4% discount to the PER of Bermaz.

- (ii) the aggregated audited net assets of the Target Companies of RM114.6 million in proportion to the equity interest to be acquired based on the latest audited financial statements of the Target Companies (i.e. FYE 30 June 2023 for Boulevard Jaya and FYE 31 December 2023 for the Boulevard Motor Group).

Based on the Purchase Consideration and net assets above, the implied P/B Multiple is 1.26 times.

The implied P/B Multiple represents a discount of 65.2% to the P/B Multiple of Bermaz of 3.62 times based on the market capitalisation of Bermaz as at the SSA LPD of RM2,968.8 million and unaudited net assets of Bermaz as at the FYE 30 April 2024 of RM821.2 million.

Nonetheless, we wish to highlight that based on the net assets of Boulevard Jaya for the financial year ended 30 June 2024 to be audited, Boulevard Jaya may declare dividends prior to the completion of the Proposed Acquisition subject to maintaining net assets of at least RM27.5 million, being the purchase consideration for Boulevard Jaya, and Boulevard Jaya having cash available to pay the dividend prior to completion of the Proposed Acquisition. The maximum amount of dividend that may be declared by Boulevard Jaya prior to the completion will depend on the audited net assets of Boulevard Jaya for the FYE 30 June 2024 which is currently being finalised. For clarification, there will not be any adjustment to the Purchase Consideration as a result of the declaration of dividend by Boulevard Jaya based on the aforementioned limits.

- (iii) rationale and benefits of the Proposed Acquisition as set out in Section 4 of this Circular;
- (iv) the industry outlook for the automotive business in Malaysia and prospects of the Target Companies as set out in Section 5 of this Circular.

2.4 Basis of pricing of the Consideration Treasury Shares

The Consideration Treasury Shares will be transferred to the Vendors at the higher of RM0.8514 per Treasury Share, being approximately 5.00% premium to the 5 days VWAP of ordinary shares in SYGROUP Shares up to and including the SSA LPD of RM0.8109 per Treasury Share or the 5 day VWAP of SYGROUP Shares up to and including the date prior to the transfer of the Consideration Treasury Shares to the Vendors.

2.5 Source of funding

The cash consideration for the Proposed Acquisition will be funded via our Company's internally generated funds.

2.6 Liabilities to be assumed by SYGROUP

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

2.7 Additional financial commitment

We do not expect to incur additional financial commitments to put the Target Companies on-stream as the Target Companies are already in operation.

2.8 Original costs and dates of investment

The original dates and costs of investment made by the Vendors for their entire equity interest in the Target Companies are as follows:

<u>Target Company</u>	<u>Vendor</u>	<u>Date of investment</u>	<u>Cost of investment</u>
			RM
Boulevard Jaya	Ling Chiong Sing	9 February 2004	1
	KTE Motors	9 November 2004	200,000
	Shin Yang Holding	9 November 2004	799,999
	Shin Yang Holding	10 December 2015	4,000,000
	Shin Yang Holding	15 June 2019	15,000,000
	Shin Yang Holding	22 June 2021	15,000,000
			35,000,000
Boulevard Motor	Dwi Bumijaya	7 November 2017	1,500,000
	Dwi Bumijaya	27 December 2017	1,000,000
			2,500,000
Boulevard Motor (Sabah)	Dwi Bumijaya	7 November 2017	2
	Dwi Bumijaya	15 November 2017	1,499,998
	Dwi Bumijaya	27 December 2017	1,000,000
			2,500,000

<u>Target Company</u>	<u>Vendor</u>	<u>Date of investment</u>	<u>Cost of investment</u>
Boulevard Motor (Labuan)	Dwi Bumijaya	15 November 2017	1,500,000
	Dwi Bumijaya	27 December 2017	1,000,000
			2,500,000

3. DETAILS OF THE PROPOSED DIVERSIFICATION

We are principally involved in the following business:

- (i) domestic, regional and international shipping (“**Shipping Business**”);
- (ii) shipbuilding, ship repair, ship repowering, and refitting and fabrication of metal structures (“**Shipbuilding and Ship Repair Business**”); and
- (iii) other businesses comprising forwarding and shipping agency, door to door, port to port and third-party logistic transport providers, maintenance and management of barrages and shiplocks and manufacturing and distribution of industrial gases (“**Other Businesses**”)

The segmental financial information of our Group for the past 3 years are as follows:

	Audited			Unaudited
	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023	9-month FPE 31 March 2024
	(RM)	(RM)	(RM)	(RM)
Revenue				
Shipping Business	527,682,413	703,155,836	809,171,116	527,839,000
Shipbuilding and Ship Repair Business	67,045,058	135,026,722	55,967,622	110,088,000
Other Business	6,793,529	55,275,025	74,465,630	71,944,000
Total revenue	601,521,000	893,457,583	939,604,368	709,871,000
Gross profit	35,881,117	190,606,588	208,413,273	99,008,000
PBT	21,324,110	151,107,676	180,259,946	89,321,000
Taxation	(3,574,523)	(8,265,735)	2,344,723	(6,786,000)
PAT attributable to owners of our Company	17,052,020	141,922,475	180,922,574	80,227,000

Commentary:-

FYE 30 June 2023 vs FYE 30 June 2022

Our Group recorded revenue of RM939.6 million in FYE 30 June 2023, representing an increase of 5% from the revenue recorded in FYE 30 June 2022 of RM893.5 million. This is mainly due to the higher charter activities and utilisation rates from the shipping segments as well as the improved sales volume and high demand for transportation and logistics services.

Our Group recorded a PAT of RM180.9 million in FYE 30 June 2023, representing an increase of 28% from the PAT recorded in FYE 30 June 2022 of RM141.9 million. This is mainly due to the increase of margin and shipment volume in shipping segments on bulk carriers and container sectors.

FYE 30 June 2022 vs FYE 30 June 2021

Our Group recorded revenue of RM893.5 million in FYE 30 June 2022, representing an increase of 49% from the revenue recorded in FYE 30 June 2021 of RM601.5 million. This is mainly due to the higher charter activities and utilisation rates from the shipping segments.

Our Group recorded a PAT of RM141.9 million in FYE 30 June 2022, representing an increase of 732% from the PAT recorded in FYE 30 June 2021 of RM17.1 million. This is mainly due to the increase of margin and shipment volume in shipping segments on bulk carriers and container sectors.

9-month FPE 31 March 2024 vs 9-month FPE 31 March 2023

Our Group recorded revenue of RM709.9 million in 9-month FPE 31 March 2024, representing a marginal decrease of 1% from the revenue recorded in 9-month FPE 31 March 2023 of RM716.5 million. This is mainly due to the lower revenue generated from the shipping segment.

Our Group recorded a PAT of RM80.2 million in 9-month FPE 31 March 2024, representing a decrease of 40% from the PAT recorded in 9-month FPE 31 March 2023 of RM133.0 million. This is mainly due to the decrease of freight margin and shipment volume in shipping segments on bulk carriers and container sectors.

Based on the table above, we are highly dependent on the Shipping Business, and Shipbuilding and Ship Repair Business with the business segments being the main contributor to our Group's revenue, accounting more than 90% of our Group's total revenue for the past 3 years. The Proposed Diversification provides our Group with the opportunity to expand and diversify our product offering and reduce reliance on our existing core business.

Although we are currently not involved in automotive dealership business, our Board believes that our Group has the capability and resources to diversify into the automotive dealership business by leveraging on the experience of our Directors namely Ling Chiong Sing and Dennis Ling Lu Jing who are also Directors of the Target Companies and have experience in the automotive dealership business. The background of the abovementioned Directors are set out below:

(i) Ling Chiong Sing

Ling Chiong Sing, our Group Managing Director and indirect substantial shareholder is a Director of the Target Companies. He has around 20 years of experience in the automotive dealership business since the inception of Boulevard Jaya in 2004. Under his leadership, Boulevard Jaya grew from a 1S centre (i.e. sales centre) to a 3S centre (i.e. sales, service and repair centre) in 2014. Boulevard Jaya also managed to obtain Lexus dealership and started its Lexus sales operations in 2014. Boulevard Jaya eventually added a body and paint facility for Toyota and Lexus vehicles in 2017. He then joined the Boulevard Motor Group as a Director upon the companies' incorporation in 2017 to provide his strategic leadership, guidance and experience to the Boulevard Motor Group as its automotive dealership business expanded beyond Kuching to other locations within East Malaysia and Labuan. He also served as a member of the Toyota Dealer Council Malaysia for 7 consecutive terms from 2017 to 2023.

(ii) Dennis Ling Lu Jing

Dennis Ling Lu Jing, a Director of our subsidiary, Shin Yang Shipyard Sdn Bhd, is a director of the Target Companies. He has over 6 years of experience within the automotive dealership business. After joining in 2017 upon the Boulevard Motor Group's incorporation, he has guided the Boulevard Motor Group from its infancy to an established dealer of Toyota vehicles in Malaysia today. He is actively involved in the day-to-day management of all areas of the Boulevard Motor Group's business covering operational, retail sales and aftersales planning, customer experience enhancement, and business development strategy. Under his guidance, the Boulevard Motor Group managed to move into a new 3S centre in Sandakan in 2021. Mr. Ling is also currently a member of the Toyota Dealer Council Malaysia for the 2024 term. Prior to his involvement in the automotive industry, Mr. Ling holds over 12 years of experience in areas of procurement, manufacturing and sales. He also holds a Master of Business Administration degree from Curtin University, Malaysia.

In addition, we are expected to also be able to leverage on the capability, competency and experience of the key management personnel of Target Companies who will oversee the management and operation of the automotive dealership business.

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 issue 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.

Based on the aggregated audited PAT of Boulevard Jaya for the FYE 30 June 2023 and Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) for the FYE 31 December 2023 in proportion to the equity interest to be acquired of RM43.5 million and the audited PATANCI of our Group for the FYE 30 June 2023 of RM180.9 million, the net profit of the Target Companies represent approximately 24.05% of the PATANCI of our Group. Barring any unforeseen circumstances and subject to the Proposed Acquisition being approved by the non-interested shareholders of our Company, our Board anticipates that the new automotive dealership business from acquiring the Target Companies may contribute 25% or more of the net profits of our Company going forward as the Board is optimistic of the future growth and contribution of the Target Companies. Accordingly, our Board proposes to seek approval from the non-interested shareholders of our Company for the Proposed Diversification at the forthcoming EGM to be convened.

Notwithstanding the Proposed Diversification, our Board remains committed with our Company's existing business. We intend to continuously improve our operational costs management. Our ships engaged in international trade carry a ballast water record book and an International Ballast Water Management Certificate. This Ballast Water Treatment System can enhance the longevity of the ship's structure by preventing biofouling. We have also complied to use low sulphur content fuel oil to minimize airborne emissions from ships. This improves the engine efficiency and subsequently reduces operation cost. We also intend to maximize the ship's load factor to improve fleet efficiency in terms of planning the container routing and scheduling strategically to avoid delays, detours, or transshipments and implement a container reuse or exchange program. We also intend to have more effective route planning for running the container ships by taking into the consideration comprehensive routes within Malaysia and other key factors such as profitability, distance, transit time, reposition costs and mode of transport.

In order to improve performance and manage the operating expenditures of the shipbuilding sector, our Group is taking initiatives such as focusing on improving our Group's ship repair operations to meet the requirements of the niche market segments in the oil and gas industry as we foresee higher utilisation rate of offshore supply vessels (OSV) and also gradual recovery of charter rates in the offshore vessels segment and the current gap in new building orders for different OSV over the past few years. We foresee a steady and healthy increase in orders in new shipbuilding for replenishment of OSVs and aggressive operating expenditure for ship repair and maintenance.

Our Board will also continuously monitor and review our Company's business operations from time to time with the intention to improve our Company's financial performance.

4. RATIONALE OF AND BENEFITS FOR THE PROPOSALS

4.1 Proposed Acquisition

Our Company, through our wholly-owned subsidiaries provides critical services within the shipping industry such as domestic and regional shipping, shipbuilding and ship repair, ship repowering and refitting and fabrication of metal structures. Other activities include forwarding and shipping agency, door to door, port to port and third-party logistic transport providers, maintenance and management of barrages and shiplocks and manufacturing and distribution of industrial gases.

The performance of our Company is largely dependent on the volatility of the world's fuel market price, the standard of skills and experience of ship crews, domestic and regional demand for transportation of dry bulk and general cargoes, movement of the Malaysian Ringgit and the world economic situation, all of which may affect business operations and margins.

While the prospects for the shipping industry continue to remain challenging with the slight hike in crude oil price, we are prepared to weather this challenge with selective market driven routes based on fleet load utilization. The continuous improvement in operational costs management, fleet efficiency and routes enhancement would be an important priority in the next few quarters.

Other factors contributing to the prospects of the shipbuilding and ship repair operations include the price movements of marine mild steel plates, other heavy equipment, machinery and the global trend of demand for newly constructed vessels especially from the niche market segments in the oil and gas industry. In order to improve performance and manage the operating expenditures of the shipbuilding sector, our Group is taking initiatives such as focusing on improving our Group's ship repair operations to meet the requirements of the niche market segments in the oil and gas industry. With the gradual recovery of charter rates in the offshore vessels segment and the current gap in new building orders for different offshore vessels over the past few years, and recycling of ageing offshore vessels as well, our Group foresees a steady and healthy increase in orders for replenishment of offshore vessels for next few years to come.

As part of our Company's continuous effort to improve shareholders' value, the Proposed Acquisition entails the acquisition of companies with established businesses in the automotive industry and financial track record which will provide an immediate boost to the earnings of our Group. The Proposed Acquisition is also expected to enable our Group to:

- (i) diversify and bolster our revenue and income stream as the Proposed Acquisition is expected to contribute positively to the future earnings of our Group and further strengthen our Group's future financial performance;
- (ii) expand and diversify our Group's product offerings and reduce our Group's dependency on our current business;

- (iii) leverage on the Target Companies' networks and client bases to cross-sell our Group's shipping services such as containerized freight transportation from Peninsular to East Malaysia, port to port freight services, port to doors haulage services, custom clearing, import and export documentation and port related services under a unified "SYGROUP" franchise; and
- (iv) vertically integrate the Target Companies' automotive's maintenance and repair services into our Group's under our own workshops and stores and achieve operational cost savings.

We will be acquiring 60.00% equity interest in Boulevard Group pursuant to the Proposed Acquisition which was available for sale by Dwi Bumijaya. Our Board is of the view that a 60.00% equity interest in the Boulevard Motor Group is reasonable as we will have control of the Target Companies and it will become our subsidiaries whereby we can consolidate its financial results with that of ours.

Further, the transfer of Consideration Treasury Shares to partially satisfy the Purchase Consideration allows our Company to preserve cash flows and avoid incurring additional borrowings and thereby any additional interest cost or obligations as compared to being fully settled in cash via internally generated funds or bank borrowings. In addition, we will be able to record a gain on the transfer of Consideration Treasury Shares of approximately RM24.08 million based on the Illustrative Transfer Price as mentioned in Section 2.0 above.

Our Board is of the view that the Proposed Acquisition is expected to contribute positively to the future earnings of our Group and further strengthen our future financial performance.

4.2 Proposed Diversification

The automotive dealership business may in the future contribute more than 25% of the net profits of our Group pursuant to the Proposed Acquisition. The Proposed Diversification fundamentally serves to facilitate the implementation of the Proposed Acquisition with the aim of enabling our Group to venture into the new business. This is consistent with our Company's continuous efforts to diversify and bolster our revenue and income streams.

Our Board is of view that the Proposed Diversification will be beneficial to our Group's financial performance and reduce reliance on our Group's existing businesses.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 3% in the fourth quarter of 2023, mainly supported by continued expansion in household spending from continued improvements in employment and wages, stronger growth of inbound tourism and higher investment growth.

On the demand side, higher domestic demand continued to support the growth of the economy for the fourth quarter of 2023. Private consumption increased by 4.2% from continued household spending. Private investment increased by 4% supported by capacity expansion by firms and further progress in ongoing projects. Public consumption increased by 7.3% supported by higher supplies and services spending by the Government. Public investment increased by 11.3% from higher capital expenditure by Government and public corporations. On the external front, net exports decreased by 35.6% as higher imports outpaced exports.

On the supply side, the services, construction, mining and agriculture sectors remained supportive of growth. The services sector grew by 4.2% underpinned by the ongoing recovery of tourism activities albeit weighted by contraction in finance and insurance subsector. The construction sector grew by 3.6% mainly attributable to further expansion in civil engineering subsector albeit weighed by weak non-residential activities. The mining sector grew by 3.8% mainly driven by improvement in natural gas and oil production. The agriculture sector grew by 1.9% mainly due to expansion in oil palm production amid improved labour supply. Meanwhile, the manufacturing sector recorded a contraction of 0.3% given the continued weakness in demand for electrical and electronic products amid technology downcycle, offsetting resilient growth in domestic-oriented cluster.

Overall, the Malaysian economic growth normalised to 3.7% in 2023, following a stronger growth registered in the previous year of 8.7%.

For 2024, growth of the Malaysian economy is expected to trend higher, lifted by the recovery in exports and resilient domestic expenditure. Household spending will be supported by continued growth in employment and wages. Tourist arrivals and spending are expected to improve further. Moreover, investment activity would be supported by continued progress of multi-year projects in both the private and public sectors, and the implementation of catalytic initiatives under national master plans.

Budget 2024 measures will also provide additional support to economic activity. The growth outlook remains subject to downside risks from weaker-than-expected external demand and declines in commodity production. Meanwhile, upside risks to domestic growth emanate from greater spillover from the tech upcycle, stronger-than-expected tourism activity and faster implementation of both existing and new projects.

(Source: Bank Negara Malaysia Quarterly Bulletin Fourth Quarter 2023)

5.2 Overview and outlook of the automotive industry in Malaysia

Market review of the Malaysian automotive industry

2023

Sales of new motor vehicles in 2023 rose 11% to a new all-time high, propelled mainly by passenger cars sub-segment, amid a resilient domestic economy and a very much stable socio-political environment.

Total Industry Volume or vehicle registrations increased to 799,731 units during the year under review, surpassing the previous highest sales result of 721,177 units achieved in 2022, the Malaysian Automotive Association.

The industry's sales growth last year marked the second annual gain since the downturn in 2020-2021 caused by the Covid-19 pandemic crisis. It was also the second consecutive year the total industry volume exceeded the 700,000 units mark.

The stellar performance in 2023 can be attributed to a number of factors, namely:

- (i) Fulfilment of tax-free cars booking received, a majority of which were registered before 31 March 2023, plus a fair number of these bookings were also carried over and registered after 31 March 2023;
- (ii) A much more stable socio-political environment following the formation of a Unity Government post GE-15;
- (iii) Resilient domestic economy;

- (iv) Many new model launches including electric vehicles with very competitive prices helped to spur sales; and
- (v) Much improved industry supply chain environment.

First half (“1H”) of 2024

Sales of new motor vehicles by MAA members continued its upward momentum in the first six months of 2024.

The Total Industry Volume registered in the first six months of 2024 was 390,296 units against 366,176 units registered in the corresponding period of 2023, an increase of 24,120 units or 6.6%.

This increase in Total Industry Volume can be attributed mainly to the strong showing by the Passenger cars subsegment which contributed the biggest volume increase.

On a year-on-year basis, except for March and June, the monthly total vehicles sales were consistently higher in 1H2024 compared to similar corresponding month in 1H2023.

Factors contributing to a higher Total Industry Volume in 1H2024 were:

- (i) Resilient domestic economy. The country gross domestic product grew at a higher rate of 4.2% in the first quarter of 2024 (4Q 2023: 2.9%);
- (ii) The Overnight Policy Rate has remained stable at 3% since May 2023, thus providing a favourable economic environment;
- (iii) Stable socio-political environment;
- (iv) Stable employment market;
- (v) There were many backlog orders;
- (vi) Successful New Model Launches: Many new models with exciting features and affordability were launched and well received by the market; and
- (vii) Increased BEV Sales: Battery Electric Vehicles (“BEV”) sales surged due to the introduction of many new models in the first half of 2024.

Outlook for 2024 Malaysian automotive industry

MAA has taken the following factors into account in revising its forecast from 740,000 vehicles to 765,600 vehicles for the Total Industry Volume in 2024:

- (i) Resilient domestic economy. The Government is optimistic that Malaysia’s gross domestic product is well placed to expand within the official forecast range of 4% to 5%;
- (ii) Bank Negara’s decision to maintain the Overnight Policy Rate at 3% at its recent Monetary Policy Committee meeting may help to stimulate domestic spending including for big ticket items like new cars;
- (iii) Healthy backlog orders especially in A segment passenger cars market;
- (iv) New players and more new model launches including exciting newer and affordable models with newer features (for both internal combustion engine vehicles and electrified vehicles or xEV); and

- (v) MAA members' continuation of aggressive promotional strategies and providing value-added services and more options to consumers will lead to improve demand.

(Source: MAA Market Review for 2023 dated 16 January 2024 and MAA Market Review for 1st Half 2024 dated 16 July 2024)

As at the LPD, we are not aware of any official publications on the overview and outlook of the automotive industry in East Malaysia. We also note that the MAA Market Reviews does not focus on East Malaysia specifically.

5.3 Prospects of the Target Companies and future plans

The Target Companies are principally involved in car dealership, sales of spare parts, after-sales services, servicing and repairing of Toyota vehicles. According to the Malaysian Automotive Association, Toyota cars have been among the best-selling cars in Malaysia. For each of the calendar years from 2020 to 2022, Toyota cars sales commanded more than 10.00% market share in Malaysia. Toyota cars were also the number one best-selling non-national cars in Malaysia for years 2020 to 2022 respectively.

The new Toyota models launched in late 2023 (such as Toyota Alphard, Toyota Vellfire and Toyota Corolla) and Toyota focus on introducing more models in 2024, particularly with an emphasis on XEV technologies, coupled with its strong brand reputation and broad appeal to the mass market, would bode well in attracting sales for Toyota. Being a Toyota dealership and agent, these positive traits support the positive outlook that the Target Companies could offer to our Company such as improving its financial performance.

In addition to the recent reports by reputable international financial news agency regarding the support from the Japanese government to Toyota of up to 117.8 billion yen (approximately USD841 million) in subsidies for its investment in EV battery production, Toyota also aims to introduce 10 additional EV models by 2026, with a target to achieve annual sales of 1.5 million units in 2026 and 3.5 million units in 2030.

Moreover, according to BNM, demand for household loans remained forthcoming, especially loans for the purchase of housing and cars. This is evidenced by the higher growth in outstanding loans to households which increase by 5.6% in quarter four of 2023 compared to 5.4% in quarter three of 2023. This resilient household spending is supported by continued employment and wage growth. On 1 May 2024, the Malaysian Prime Minister announced that civil servants' remuneration will be increased by more than 13 per cent effectively 1st December 2024.

Upon completion of the Proposals, our Company intends to undertake a comprehensive review to determine the strategic plans for the integration of the Target Companies into our Group. The key objectives of the integration plan are to ensure the continuity of the Target Companies' business and to realise the anticipate benefit by cross-selling our Group's shipping services to the Target Companies' network and client bases. Subject to the foregoing, our Company does not have any immediate plan to introduce or effect any major changes to the existing business of the Target Companies after the completion of the Proposals.

In view of the above as well as the rationale for and benefits of the Proposals as set out in Section 4 of this Circular, our Board (save for the Interested Directors) is of the opinion that the Proposals should contribute positively to the future financial performance of our Company.

(Source: Toyota Malaysia's website, MAA Market Review for 2022 dated 19 January 2023 and Market Review for 2021 dated 20 January 2022, NST article dated 1 May 2024, Reuters article dated 7 April 2023 and 16 June 2023, Toyota Europe Newsroom website, Bank Negara Malaysia Quarterly Bulletin Fourth Quarter 2023)

5.4 Prospects of our Group after the Proposed Acquisition

Pursuant to the Proposed Acquisition, our Group will be involved in shipping, ship building and ship repair business and automotive dealership business.

As set out in Section 4.1 above, the performance of shipping, ship building and ship repair business is largely dependent on the volatility of the world's fuel market price, the standard of skills and experience of ship crews, domestic and regional demand for transportation of dry bulk and general cargoes, movement of the Malaysian Ringgit and the world economic situation, all of which may affect business operations and margins.

Other factors contributing to the prospects of the shipbuilding and ship repair operations include the price movements of marine mild steel plates, other heavy equipment, machinery and the global trend of demand for newly constructed vessels especially from the niche market segments in the oil and gas industry.

Our Group is taking initiatives such as focusing on improving our Group's ship repair operations to meet the requirements of the niche market segments in the oil and gas industry in order to improve performance and manage the operating expenditures of the shipbuilding sector. With the gradual recovery of charter rates in the offshore vessels segment and the current gap in new building orders for different offshore vessels over the past few years, and recycling of ageing offshore vessels as well, our Group foresees a steady and healthy increase in orders for replenishment of offshore vessels for next few years to come.

As for the automotive dealership business, our Board is optimistic of its prospects considering that Toyota is a well-established brand and its cars have been among the best-selling cars in Malaysia. This is coupled with the fact that the MAA has revised its forecast of vehicles upwards from 740,000 vehicles to 756,000 vehicles indicating a positive outlook in the automotive business for 2024.

The Proposed Acquisition is expected to enable our Group to diversify and bolster our revenue and income stream, expand and diversify our Group's product offerings and reduce our Group's dependency on our current business, cross-sell our Group's shipping services and achieve operational cost savings.

Following the above, our Board is of the view that the prospects of our Group pursuant to the Proposed Acquisition to be promising.

6. RISK FACTORS IN RELATION TO THE PROPOSALS

Pursuant to the Proposed Acquisition and Proposed Diversification, our Group will be exposed to the challenges and risks inherent in the automotive industry of which our Group has no prior experience in.

(The rest of this page has been intentionally left blank)

The risks relating to the Proposed Acquisition and Proposed Diversification include, but is not limited to the following:-

6.1 Completion risk

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSAs as set out in Appendices I(A) and I(B) 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 Stop Date (as defined in Appendices I(A) and I(B) of this Circular) to the satisfaction of our Company and/or the Vendors. In the event that any or all the Conditions Precedent are not fulfilled and/or waived and extension of time to fulfil the Conditions Precedent cannot be mutually agreed upon between our Company and the Vendors and/or the parties are unable to perform their obligations in accordance with the terms and conditions of the SSA, 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 SSAs which is within its control.

6.2 Acquisition risk

There can be no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that our Company will be able to generate sufficient returns from the Proposed Acquisition 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 Target Companies' business in the future.

6.3 Renewal of dealership agreements risk

The business of the Target Companies is dependent on their dealership agreements with UMW Toyota. Based on the Target Companies' current and past dealership agreements, the duration of the dealership agreements are typically short term in nature, being one (1) year save for their most recent dealerships agreements which are for two (2) years and are typically renewed by UMW Toyota only after the expiry of the dealership agreements. Nonetheless, the Target Companies continued to operate as usual pending the renewal of the dealership agreements by UMW Toyota.

As at the LPD, the Target Companies' dealership agreements are expiring on 31 December 2024. The Target Companies will renew the dealership agreements with UMW Toyota of which UMW Toyota may only renew after the completion of the Proposed Acquisition based on past experiences of the Target Companies.

Upon signing of the SSAs, our Company will pay 10.00% of the Purchase Consideration in the form of cash, being approximately RM14.5 million to the Vendors. If the dealership agreements are renewed prior to the completion of the Proposed Acquisition, the balance of the Purchase Consideration will be satisfied upon the completion of the Proposed Acquisition in accordance with the terms of the SSAs.

If the dealership agreements are renewed after completion of the Proposed Acquisition, the balance of the cash consideration of approximately RM83.2 million based on the Illustrative Transfer Price will be paid to the Vendors upon completion of the Proposed Acquisition in accordance with the terms of the SSAs whilst the Consideration Treasury Shares will only be transferred after the renewal of the dealership agreements in accordance with the terms of the SSAs.

In the event the dealership agreements are not renewed by 30 June 2025 or such other time as may be agreed between our Company and the Vendors, our Company has the right to sell the Target Companies back to the Vendors at the Purchase Consideration and the net assets of the Target Companies upon the sale to the Vendors shall be at least equivalent to the audited net assets of Boulevard Motor Group as at 31 December 2023 and Boulevard Jaya as at 30 June 2024 (subject to adjustments for any dividends declared prior to completion of the Proposed Acquisition or addition or impairment of net assets upon completion, if applicable). In addition, Shin Yang Holding, being one of the vendors of Boulevard Jaya and a company with consolidated net assets in excess of RM5.0 billion based on its audited consolidated financial statements for the financial year ended 30 June 2023, and Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing and Ling Chiong Pin (“**Undertaking Individuals**”), being directors and shareholders of Shin Yang Holding have jointly and severally, undertake and guarantee that they will pay our Company any amount which are owing or remaining unpaid in the event the vendor of Boulevard Motor Group (i.e. Dwi Bumijaya) does not fulfill its obligation to repay the purchase consideration under the Boulevard Motor Group SSA. The Undertaking Individuals have also jointly and severally, undertake and guarantee that they will pay our Company any amount which are owing or remaining unpaid in the event the vendors of Boulevard Jaya (i.e. Shin Yang Holding, KTE Motors and Ling Chiong Sing) do not fulfill their obligation to repay the purchase consideration under the Boulevard Jaya SSA.

There can be no guarantee on the renewal of the Target Companies’ dealership agreements in the future. Further, if there are any changes within the automotive industry including the selling models of car manufacturers, the dealership model may be affected. In the event the Target Companies’ dealership agreements are not renewed in the future or not renewed in its equivalent form, there can be no assurance that the business and financial performance of our Group will not be materially affected.

6.4 Integration risk

Our Company’s business operations and financial position could be materially affected if the existing businesses of our Company and Target Companies are not integrated effectively or in a timely manner. This may result in the lower realisation of benefits arising from the Proposals where failure to achieve the expected benefits may impact our Company’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 Group’s ability to deliver our products and services to our 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.

6.5 Business risk

The Proposals will expose our Company to new business risks inherent in the automotive industry that could have a material adverse effect on its financial performance, including but not limited to the following:

- (i) highly competitive market from other dealers, car brands and online sales platform which may affect the sales and margins of the Target Companies;

- (ii) inability to fulfil customer demand due to shortage of car supplies from the dealer;
- (iii) reputational and brand damage from non-satisfactory customer services, product recalls or negative publicity;
- (iv) failure to renew the dealership and agency agreements of the Target Companies;
- (v) failure to renew leases for business premises;
- (vi) failure to obtain the necessary operating permits, licences, certificates and/or regulatory approvals;
- (vii) changes in the regulatory framework in the automotive industry; and
- (viii) changes in general economic and business conditions

Nevertheless, our Company will seek to mitigate these risks through, amongst others, leveraging on the experience, network and expertise of the key management personnel of the Target Companies. In addition, our Company will constantly monitor the performance of the car dealership business and implement strategies to increase sales, reduce cost, enhance operational efficiency and strengthen the performance of the car dealership business.

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

6.6 Dependency on key management personnel risk

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

As such, our Company will strive to adopt appropriate measures to retain the Target Companies' key management personnel and attract qualified personnel, including providing attractive remuneration, requisite training, career advancement opportunities and other employment benefits. Our Company 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 our Company 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.

6.7 Goodwill and impairment risk

According to the Malaysian Financial Reporting Standards 3 Business Combinations issued by the Malaysian Accounting Standards Board, our Group is expected to recognise goodwill arising from the Proposed Acquisition. Goodwill represents the excess of the consideration over our 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, or groups of cash generating units, that are expected to benefit from the Proposed Acquisition. The goodwill is compared to the recoverable amount, 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 the Target Companies, any material changes or events arising that will adversely affect the business prospects and/or assets of the Target Companies, may result in an impairment of the goodwill. In the event the goodwill is impaired, the profitability of our Group will be adversely affected and that will have a corresponding effect on shareholders' funds.

7. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any effect on our Company's share capital, earnings and earnings per share, NA and gearing as well as substantial shareholders' shareholdings.

For illustrative purposes only, based on the Illustrative Transfer Price of RM0.8514 per Treasury Share and RM97,673,000 to be paid in cash, the effects of the Proposed Acquisition on the financials of our Company are set out below:-

7.1 Share capital

The pro forma effects of the Proposed Acquisition on the share capital of our Company are as follows:-

	No. of SYGROUP Shares	RM
Issue share capital as at LPD ⁽¹⁾	1,128,985,300	1,187,595,430
Consideration Treasury Shares transferred pursuant to the Proposed Acquisition	55,000,000	46,827,000 ⁽²⁾
Enlarged issued share capital	1,183,985,300	1,234,422,430

Notes:-

(1) *Excluding 71,014,700 treasury shares held as at the LPD.*

(2) *Based on the Illustrative Transfer Price of RM0.8514 per Treasury Share.*

(The rest of this page has been intentionally left blank)

7.2 Earnings and earnings per share

Upon completion of the Proposed Acquisition, our Company will consolidate 100.00% of the earnings of Boulevard Jaya and 60.00% of the earnings of Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan). The Proposed Acquisition is expected to contribute positively to the future earnings of our Company from the consolidation of the results of the Target Companies.

For illustration purposes, the pro forma effects of the Proposed Acquisition on our Group's earnings and EPS based on our audited consolidated financial statements for the FYE 30 June 2023, assuming the Proposed Acquisition was effected on 1 July 2022, being the beginning of the FYE 30 June 2023 are as follows:-

	As at 30 June 2023	After the Proposed Acquisition
	RM	RM
PATANCI ⁽¹⁾	180,922,574	180,922,574
Add: PAT of the Target Companies pursuant to the Proposed Acquisition ⁽²⁾	-	43,519,402
Less: Estimated expenses pursuant to the Proposed Acquisition ⁽³⁾	-	(430,000)
Less: Loss of interest income ⁽⁶⁾	-	(3,418,555)
Adjusted profit attributable to owners of SYGROUP	<u>180,922,574</u>	<u>220,593,421</u>
Number of SYGROUP Shares in issue	1,135,830,300 ⁽⁴⁾	1,183,985,300 ⁽⁵⁾
EPS (sen)	15.93	18.63

Notes:-

- (1) Based on the consolidated audited financial statements of our Company for the FYE 30 June 2023.
- (2) Based on the aggregated audited PAT of Boulevard Jaya for the FYE 30 June 2023 and Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) for the FYE 31 December 2023 in proportion to the equity interest to be acquired.
- (3) The estimated expense comprises mainly professional fees and expenses for printing and despatch of circular and EGM to be held.
- (4) Computed based on 1,200,000,000 SYGROUP Shares less 64,169,700 treasury shares held as at 30 June 2023.
- (5) Computed based on 1,200,000,000 SYGROUP Shares in issue as at the LPD less 16,014,700 treasury shares held after the transfer of 55.0 million Consideration Treasury Shares pursuant to the Proposed Acquisition.
- (6) Loss of interest income of approximately RM3.4 million is based on RM97,673,000 of our Group's internally generated funds to be utilised to part finance the Proposed Acquisition, at an assumed interest rate of 3.5% per annum.

7.3 NA and gearing

Based on the audited consolidated financial statements of our Company for the FYE 30 June 2023, the proforma effects of the Proposed Acquisition on the consolidated NA and gearing position of our Company, assuming the Proposed Acquisition was effected on 30 June 2023, being the end of the FYE 30 June 2023 are set out below:-

	As at 30 June 2023	(I) After the Proposed Acquisition
	RM	RM
Share capital	1,216,972,062	1,216,972,062
Treasury shares	(24,775,956)	(2,024,121)
Retained profits	326,592,091	326,162,091 ⁽¹⁾
Other reserves	(297,861,069)	(273,785,904) ⁽⁵⁾
NA attributable to owners of our Company	<u>1,220,927,128</u>	<u>1,267,324,128</u>
No. of SYGROUP Shares	1,135,830,300 ⁽²⁾	1,183,985,300 ⁽³⁾
NA per SYGROUP Share ⁽⁴⁾	1.07	1.07
Borrowings	139,039,905	207,448,622 ⁽⁶⁾
Gearing (times)	0.11	0.16

Notes:-

- (1) After deducting the estimated expenses of approximately RM0.43 million pursuant to the Proposed Acquisition.
- (2) Computed based on 1,200,000,000 SYGROUP Shares less 64,169,700 treasury shares held as at 30 June 2023.
- (3) Computed based on 1,200,000,000 SYGROUP Shares in issue as at the LPD less 16,014,700 treasury shares held after the transfer of 55.0 million Consideration Treasury Shares pursuant to the Proposed Acquisition.
- (4) Calculated based on NA attributable to owners of the Company over the number of SYGROUP shares in issue.
- (5) The gain from the transfer of the Consideration Treasury Shares is credited under Other Reserves.
- (6) After including borrowings of the Target Companies of RM68.4 million based on the audited financial statements of Boulevard Jaya for the FYE 30 June 2023 and Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) for the FYE 31 December 2023.

7.4 Substantial shareholders' shareholdings

	As at LPD			After the Proposed Acquisition		
	Direct		Indirect	Direct		Indirect
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Shin Yang Holding	660,412,796	58.50	-	-	660,412,796	55.78
Tan Sri Datuk Ling Chiong Ho	34,802,669	3.08	660,412,796 ⁽¹⁾	58.50	34,802,669	2.94
Ling Chiong Sing	34,802,669	3.08	660,412,796 ⁽¹⁾	58.50	34,802,669	2.94
Ling Chiong Pin	34,802,668	3.08	660,412,796 ⁽¹⁾	58.50	34,802,668	2.94
Ling Chiong Sieng	2,936,968	0.26	660,412,796 ⁽¹⁾	58.50	2,936,968	0.25

Note:-

(1) Deemed interest by virtue of his shareholdings in Shin Yang Holding pursuant to Section 8 of the Act.

There will not be any change to the number of Shares held directly or indirectly by the substantial shareholders above as they will not be receiving any Consideration Treasury Shares pursuant to the Proposed Acquisition. The purchase consideration for Boulevard Jaya which is 98.7%-owned by Shin Yang Holding will be fully settled in cash. The Consideration Treasury Shares will be transferred to Dwi Bumijaya as part payment for the Boulevard Motor Group of which the shareholders above do not have any shareholdings in Dwi Bumijaya.

(The rest of this page has been intentionally left blank)

7.5 Convertible securities

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

7.6 Public spread

As at the LPD, the public spread of our Company is 26.19%. Based on the number of treasury shares held as at the LPD, the proforma public spread of our Company pursuant to the Proposed Acquisition will be approximately 24.98%. Nonetheless, we will ensure that our public shareholding spread will comply with the minimum requirement of at least 25.00% under the Listing Requirements upon the transfer of the Consideration Treasury Shares pursuant to the Proposed Acquisition.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of our Company's shares as traded on the Main Market of Bursa Securities for the past twelve (12) months from August 2023 to July 2024 are as follows:

	High (RM)	Low (RM)
2023		
August	0.635	0.554
September	0.674	0.592
October	0.640	0.569
November	0.659	0.597
December	0.630	0.575
2024		
January	0.680	0.605
February	0.660	0.610
March	0.620	0.585
April	0.610	0.590
May	0.705	0.590
June	0.845	0.720
July	0.985	0.760

The last transacted market price of SYGROUP Shares on 10 July 2024 (being the last transacted market day immediately prior to the date of the SSA and announcement of the Proposals)

RM
0.775

The last 5-day VWAP of SYGROUP up to and including 10 July 2024 (being the last transacted market day immediately prior to the date of the SSA and announcement of the Proposals)

0.809

The last transacted market price of SYGROUP Shares as at the LPD

0.860

(Source: Bloomberg)

9. APPROVALS REQUIRED

The Proposals are subject to approvals from the following:-

- (i) the shareholders of our Company at the forthcoming EGM to be convened for the Proposals;
- (ii) UMW Toyota for the change of shareholders and directors of the Target Companies which was obtained on 23 April 2024 for the Boulevard Motor Group and 22 July 2024 for Boulevard Jaya. As at the LPD, consent from UMW Toyota has been obtained for the change in shareholders of the Target Companies. The consent for change of directors will be applied by the Target Companies after the new directors to be appointed have been confirmed; and
- (iii) any other relevant regulatory authorities and/or parties, if required.

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Acquisition is approximately 24.05%, based on the aggregated audited PAT of Boulevard Jaya for the FYE 30 June 2023 and Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) for the FYE 31 December 2023 in proportion to the equity interest to be acquired divided by the audited PATANCI of SYGROUP for the FYE 30 June 2023.

10. CONDITIONALITY OF THE PROPOSALS

The Proposed Acquisition is conditional upon the Proposed Diversification.

Save as disclosed above, the Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by our Company.

For information, the SSAs are inter-conditional. The conditions precedent in the SSAs, include among others, that the respective parties have entered into the SSAs and the approval of our shareholders and all the relevant approvals have been obtained for the entry of the SSAs. Further, the SSAs shall be performed and completed concurrently by the respective parties in accordance to the terms and conditions as stated therein. Termination or rescission of one SSA shall trigger an event of default of the other SSA which will result in termination of the other SSA and vice versa.

11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDER AND PERSONS CONNECTED

None of the Directors, Major Shareholder and/or persons connected to them have any interest, direct and/or indirect, in the Proposed Diversification.

Save as disclosed below, none of the Directors, Major Shareholder and/or persons connected to them have any interest, direct and/or indirect, in the Proposed Acquisition:

Interested Directors

- (i) Tan Sri Datuk Ling Chiong Ho, the Group Executive Chairman and indirect substantial shareholder of our Company, is a director and a major shareholder of Shin Yang Holding and director of Dwi Bumijaya and the Target Companies. He is also a brother to Ling Chiong Sing, Ling Chiong Pin, Ling Siu Chuo and Ling Chiong Sieng;
- (ii) Ling Chiong Sing, the Group Managing Director and indirect substantial shareholder of our Company, is a director and a major shareholder of Shin Yang Holding, a shareholder of KTE Motors and director of Dwi Bumijaya and the Target Companies. He is also a brother to Tan Sri Datuk Ling Chiong Ho, Ling Chiong Pin, Ling Siu Chuo and Ling Chiong Sieng;

- (iii) Ling Chiong Pin, an Executive Director and indirect substantial shareholder of our Company, is a director and a major shareholder in Shin Yang Holding and brother to Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Siu Chuo and Ling Chiong Sieng. He is also a director of Boulevard Jaya;
- (iv) Ling Siu Chuo, a Non-Independent Non-Executive Director of our Company, is the sister to Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin and Ling Chiong Sieng. She is also a director and shareholder of KTE Motors;
- (v) Datuk Ling Lu Kiong, the Group Executive Vice Chairman of our Company is a director of Dwi Bumijaya and a director and major shareholder of Best Megalink Sdn Bhd. Best Megalink Sdn Bhd owns 33.00% equity interest in Dwi Bumijaya which in turns wholly owns the Boulevard Motor Group. He is also the son of Tan Sri Datuk Ling Chiong Ho and nephew of Ling Chiong Sing, Ling Chiong Pin, Ling Siu Chuo and Ling Chiong Sieng;
- (vi) Dennis Ling Lu Jing, a director of Shin Yang Shipyard Sdn Bhd, a subsidiary of our Company is also a director and major shareholder of Kemena Sinar Sdn Bhd. Kemena Sinar Sdn Bhd owns 33.00% equity interest in Dwi Bumijaya which in turns wholly the Boulevard Motor Group. He is also the son of Ling Chiong Sing and nephew of Tan Sri Datuk Ling Chiong Ho, Ling Chiong Pin, Ling Siu Chuo and Ling Chiong Sieng. He is also a director of the Target Companies;
- (vii) Ling Lu Kuang, a director of Shin Yang Shipping Sdn Bhd, a subsidiary of our Company is also a director and major shareholder of Best Megalink Sdn Bhd. Best Megalink Sdn Bhd owns 33.00% equity interest in Dwi Bumijaya which in turns wholly owns the Boulevard Motor Group. He is also the son of Tan Sri Datuk Ling Chiong Ho and nephew of Ling Chiong Sing, Ling Chiong Pin, Ling Siu Chuo and Ling Chiong Sieng;
- (viii) Vincent Ling Lu Yew, a director of Shin Yang Shipyard Sdn Bhd and the General Manager of the Shipbuilding Division of our Company is also a director of Dwi Bumijaya and a director and major shareholder of Melana Sinar Sdn Bhd. Melana Sinar Sdn Bhd owns 33.00% equity interest in Dwi Bumijaya which in turns wholly owns the Boulevard Motor Group. He is also the son of Ling Chiong Pin and nephew of Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Siu Chuo and Ling Chiong Sieng;

Interested Major Shareholder

- (ix) Shin Yang Holding, a Major Shareholder of our Company, is also a major shareholder of Boulevard Jaya.

Persons connected

- (x) Ling Chiong Sieng, a major shareholder of Shin Yang Holding and brother to Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin and Ling Siu Chuo;
- (xi) Ling Pau Pau, daughter of Tan Sri Datuk Ling Chiong Ho and major shareholder of Best Megalink Sdn Bhd. Best Megalink Sdn Bhd owns 33.00% equity interest in Dwi Bumijaya which in turns wholly owns the Boulevard Motor Group;
- (xii) Donald Ling Lu Wee, Derek Ling Lu Yung and Dana Ling Foon, children of Ling Chiong Sing and major shareholders and directors of Kemena Sinar Sdn Bhd. Kemena Sinar Sdn Bhd owns 33.00% equity interest in Dwi Bumijaya which in turns wholly owns the Boulevard Motor Group;

- (xiii) Alfred Ling Lu Khiing, Ling Lu Siong, Ling Mee Mee and Ling Lee Lee are children of Ling Chiong Pin. Alfred Ling Lu Khiing as well as Ling Lu Siong are major shareholders of Melana Sinar Sdn Bhd and Ling Mee Mee as well as Ling Lee Lee are shareholders of Melana Sinar Sdn Bhd. Alfred Ling Lu Khiing, Ling Mee Mee and Ling Lee Lee are also directors of Melana Sinar Sdn Bhd. Melana Sinar Sdn Bhd owns 33.00% equity interest in Dwi Bumijaya which in turns wholly owns the Boulevard Motor Group;
- (xiv) Kong Lee Luang, a brother-in-law of Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin and Ling Chiong Sieng, is a director of Mewah Enterprise Sdn Bhd, which is a shareholder of KTE Motors, which in turn is a shareholder of Boulevard Jaya;
- (xv) Best Megalink Sdn Bhd, Kemena Sinar Sdn Bhd and Melana Sinar Sdn Bhd, companies owned by some of the interested directors and persons connected as mentioned above and these companies each hold 33.00% in Dwi Bumijaya which in turns wholly owns the Boulevard Motor Group;
- (xvi) Dwi Bumijaya, a company owned indirectly by some of the interested directors and persons connected through Best Megalink Sdn Bhd, Kemena Sinar Sdn Bhd and Melana Sinar Sdn Bhd as mentioned above. Dwi Bumijaya wholly owns the Boulevard Motor Group;
- (xvii) KTE Motors, a company owned by Ling Chiong Sing, Mewah Enterprise Sdn Bhd and Ling Siu Chuo. KTE Motors is a shareholder of Boulevard Jaya; and
- (xviii) Mewah Enterprise Sdn Bhd, a company owned by Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin and Ling Chiong Sieng and a major shareholder of KTE Motors.

(Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin, Ling Siu Chuo Datuk Ling Lu Kiong, Vincent Ling Lu Yew, Ling Lu Kuang and Dennis Ling Lu Jing are collectively referred to as “**Interested Directors**”, while Shin Yang Holding is referred to as “**Interested Major Shareholder**”. Ling Chiong Sieng, Ling Pau Pau, Donald Ling Lu Wee, Derek Ling Lu Yung, Dana Ling Foon, Alfred Ling Lu Khiing, Ling Lu Siong, Ling Mee Mee, Ling Lee Lee, Kong Lee Luang, Best Megalink Sdn Bhd, Kemena Sinar Sdn Bhd, Melana Sinar Sdn Bhd, Dwi Bumijaya, Mewah Enterprise Sdn Bhd, KTE Motors are collectively referred to as “**Persons Connected**”).

As at the LPD, the direct and/or indirect shareholdings of the Interested Directors, Persons Connected and Interested Major Shareholder in our Company are as follows:-

	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
<u>Interested Directors</u>				
Tan Sri Datuk Ling Chiong Ho	34,802,669	3.08	660,412,796	58.50 ⁽²⁾
Ling Chiong Sing	34,802,669	3.08	660,412,796	58.50 ⁽²⁾
Ling Chiong Pin	34,802,668	3.08	660,412,796	58.50 ⁽²⁾
Ling Siu Chuo	36,000,009	3.19	-	-
Datuk Ling Lu Kiong	100,000	0.01	-	-
Vincent Ling Lu Yew	100,000	0.01	-	-
Dennis Ling Lu Jing	100,000	0.01	-	-
Ling Lu Kuang	100,000	0.01	-	-

	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
<u>Person Connected</u>				
Ling Chiong Sieng	2,936,968	0.26	660,412,796	58.50 ⁽²⁾
Ling Pau Pau	100,000	0.01	-	-
Donald Ling Lu Wee	100,000	0.01	-	-
Derek Ling Lu Yung	100,000	0.01	-	-
Dana Ling Foon	100,000	0.01	-	-
Alfred Ling Lu Khiing	100,000	0.01	-	-
Ling Mee Mee	100,000	0.01	-	-
Ling Lee Lee	100,000	0.01	-	-
Ling Lu Siong	100,000	0.01	-	-
Kong Lee Luang	100,000	0.01	-	-
Best Megalink Sdn Bhd	-	-	-	-
Kemena Sinar Sdn Bhd	-	-	-	-
Melana Sinar Sdn Bhd	-	-	-	-
Dwi Bumijaya	-	-	-	-
KTE Motors	-	-	-	-
Mewah Enterprise Sdn Bhd	-	-	-	-
<u>Interested Major Shareholder</u>				
Shin Yang Holding	660,412,796	58.50	-	-

Notes:-

- (1) *Calculated based on 1,128,985,300 ordinary shares of SYGROUP in issue (excluding 71,014,700 treasury shares) as at the LPD.*
- (2) *Deemed interest by virtue of his shareholdings in Shin Yang Holding pursuant to Section 8 of the Act.*

The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors and Interested Major Shareholder of our Company.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of the Proposed Acquisition at the relevant Board meetings of our Company. The Interested Directors and Interested Major Shareholder will also abstain from voting and have undertaken to ensure that any persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolution pertaining to the Proposed Acquisition at an EGM of our Company to be convened.

The Interested Directors have also voluntarily abstained and will continue to voluntarily abstain from all deliberations and voting in respect of the Proposed Diversification at the relevant Board meetings of our Company. The Interested Directors and Interested Major Shareholder will also voluntarily abstain from voting and have undertaken to ensure that any persons connected to them will also abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolution pertaining to the Proposed Diversification at an EGM of our Company to be convened.

12. TRANSACTION WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save for the Proposed Acquisition and the recurrent related party transactions disclosed by our Company on Bursa Securities, there were no transactions entered into between our Company and/or the Interested Directors and/or Interested Major Shareholder as well as persons connected to them for the preceding 12 months from the LPD.

13. ADVISERS

AmlInvestment Bank has been appointed as the Principal Adviser for the Proposals.

By virtue of the Interested Directors and Interested Major Shareholder as detailed in Section 11 of this Circular, the Proposed Acquisition is a related party transaction under the Listing Requirements. In compliance with paragraph 10.08 of Chapter 10 of the Listing Requirements, cfSolutions has been appointed as the Independent Adviser to advise the non-interested Directors and shareholders of our Company on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is to the detriment of the minority shareholders of our Company.

14. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, after having considered all relevant aspects of the Proposals (including but not limited to the terms, basis of the Purchase Consideration, rationale, risk factors and financial effects) as well as the evaluation of the Independent Adviser on the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of our Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the non-interested shareholders of our Company.

15. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Directors) after having considered all relevant aspects of the Proposals (including but not limited to the terms, basis of the Purchase Consideration, rationale, risk factors and financial effects) as well as the evaluation of the Independent Adviser on the Proposed Acquisition, is of the opinion that the Proposals are fair, reasonable, on normal commercial terms, not detrimental to the interest of the shareholders and is in the best interest of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at our Company's forthcoming EGM.

16. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other corporate exercise which has been announced by our Company but not yet completed as at the date of this Circular.

17. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSALS

Barring any unforeseen circumstances, the estimated timeframe for the Proposals to be implemented is illustrated below:-

<u>Date</u>	<u>Event</u>
Early to mid September 2024	<ul style="list-style-type: none">• Fulfilment of the Conditions Precedent in respect of the SSAs
End September 2024	<ul style="list-style-type: none">• Payment of the cash consideration for the Proposed Acquisition and transfer of Sale Shares from the Vendor to our Company• Completion of the Proposals

18. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Conference Room, Level 5, Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on Friday, 30 August 2024 at 10.00 a.m..

If you are unable to attend, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions therein, so as to arrive at the Registered Office of the Company not later than forty-eight (48) hours before the time set for holding the EGM or any adjournment thereof. Alternatively, the Proxy Form can be deposited electronically via electronic mail to our company secretary before the Proxy Form lodgement cut-off time as mentioned above. The lodging of Proxy Form will not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so. The last day and time for lodging the Proxy Form is on Wednesday, 28 August 2024 at 10.00 a.m..

19. FURTHER INFORMATION

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

Yours faithfully
For and on behalf of the Board of Directors of
Shin Yang Group Berhad

DR. LAI YEW HOCK
Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM CFSOLUTIONS SDN BHD TO THE NON-
INTERESTED SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSED
ACQUISITION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions contained in the Definitions section of Part A of this Circular except where the context otherwise requires or is defined herein.

This Executive Summary highlights the salient information relating to the Proposed Acquisition. Non-Interested Shareholders of SYGROUP are advised to read this IAL thoroughly for further information and recommendation in relation to the Proposed Acquisition. This IAL should also be read in conjunction with the contents set out in Part A of the Circular and its enclosed appendices.

1. INTRODUCTION

On 11 July 2024, AmInvestment Bank announced that SYGROUP had entered into the following agreements:

- (i) a conditional share sale agreement with Shin Yang Holding, KTE Motors and Ling Chiong Sing to acquire 100% equity interest in Boulevard Jaya; and
- (ii) a conditional share sale agreement with Dwi Bumijaya to acquire 60% equity interest in Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) respectively,

for a total purchase consideration of RM144,500,000 to be satisfied via a combination of cash and treasury shares held by the Company.

On 9 August 2024, AmInvestment Bank announced that SYGROUP proposes to undertake the diversification of the existing business of the Group to include automotive dealership business pursuant to the Proposed Acquisition.

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 6 of this IAL, the Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. In this respect, the Board has appointed cfSolutions on 11 July 2024 to act as the independent adviser to comment as to whether the Proposed Acquisition is fair and reasonable and whether the Proposed Acquisition is to the detriment of the Non-Interested Shareholders.

Whilst our role is to comment on the Proposed Acquisition, we note that the Proposed Acquisition is conditional upon the Proposed Diversification. Hence, we have also considered the Proposed Diversification as part of our evaluation.

The purpose of this IAL is to provide the Non-Interested Shareholders with an evaluation on the fairness and reasonableness on the Proposed Acquisition, together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified in this IAL.

The Non-Interested Shareholders should nonetheless rely on their own evaluation of the merits of the Proposed Acquisition before making a decision on the course of action to be taken.

2. EVALUATION OF THE PROPOSED ACQUISITION

We have assessed and evaluated the Proposed Acquisition taking into consideration various factors as summarised below:

Section in this IAL	Area of evaluation	Our comments
7.1	Rationale of the Proposed Acquisition	<p>In assessing the rationale, we considered the following:</p> <p>(i) Contribution to the financial performance of the Group</p> <p>The Proposed Acquisition is expected to contribute to the Group's revenue base and provide a new and immediate channel of income. Moving forward, the Group will be able to consolidate the financial results of the Target Companies upon the completion of the Proposed Acquisition.</p> <p>(ii) Opportunity to expand into automotive industry</p> <p>The Proposed Acquisition is an opportunity for the Group to leverage on international brands, namely Toyota and Lexus, to penetrate the automotive retailing sector.</p> <p>(iii) Diversified businesses of the Group</p> <p>The Proposed Acquisition is expected to provide the Group with a more diversified business and reduce the Group's reliance on the existing business for its revenue streams.</p>
7.2	Basis of arriving at the Purchase Consideration	<p>In our evaluation of the Purchase Consideration, we have adopted earnings-based valuation methodology, i.e. PER as the primary valuation methodology and the P/B Multiple as a secondary valuation methodology.</p> <p>Accordingly, we noted the following:</p> <p>(i) the implied PERs of Boulevard Motor Group or Boulevard Jaya of 6.28 times and 6.08 times, respectively are lower than the industry PER range of 6.71 times to 7.75 times based on the latest audited accounts of the respective Comparable Companies; and</p>

Section in this IAL	Area of evaluation	Our comments								
		(ii) the implied P/B Multiples of Boulevard Motor Group or Boulevard Jaya of 1.44 times and 1.00 times, respectively are within the industry P/B Multiple range of 0.72 times to 5.20 times based on the latest audited accounts of the respective Comparable Companies.								
7.3	Basis of the pricing of the Consideration Treasury Shares	<p>The Illustrative Transfer Price per Consideration Treasury Share is, inter-alia:</p> <p>(i) a 5% premium to the 5-day VWAP up to the SSA LPD or at 5-day VWAP of SYGROUP Shares up to and including the date prior to the transfer of the Consideration Treasury Shares to the Vendors, whichever is higher for the partial settlement of the Purchase Consideration;</p> <p>(ii) 106% higher than the average cost of RM0.4137 for the treasury shares of the Company;</p> <p>(iii) above the range of closing prices of RM0.57 to RM0.83 per Share for the past 12 months up to the LTD and within the range of closing prices of RM0.59 to RM0.95 for the past 12 months up to the LPD; and</p> <p>(iv) a discount of 20.56% and 24.11% to the consolidated NA per Share as at 30 June 2023 and 31 March 2024 respectively. Nonetheless, the Company will record a gain of RM24.08 from the transfer of the Consideration Treasury Shares.</p>								
7.4	Salient terms of the SSAs	The salient terms of the SSAs which were mutually agreed between the parties are acceptable.								
7.5	Industry outlook and prospects	<p>The economic outlook of Malaysia and the regions in which the Target Companies has operations are summarised as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>GDP for 2024 (%)</u></th> </tr> </thead> <tbody> <tr> <td>Malaysia</td> <td style="text-align: center;">4% - 5%</td> </tr> <tr> <td>Sabah</td> <td style="text-align: center;">4%</td> </tr> <tr> <td>Sarawak</td> <td style="text-align: center;">5% - 6%</td> </tr> </tbody> </table> <p>The positive economic growth and the long-term automotive outlook in Malaysia is expected to contribute positively towards the business of the Group upon completion of the Proposed Acquisition.</p>		<u>GDP for 2024 (%)</u>	Malaysia	4% - 5%	Sabah	4%	Sarawak	5% - 6%
	<u>GDP for 2024 (%)</u>									
Malaysia	4% - 5%									
Sabah	4%									
Sarawak	5% - 6%									

Section in this IAL		
IAL	Area of evaluation	Our comments
7.6	Financial effects of the Proposed Acquisition	<p>The issued share capital of the Company will increase correspondingly to the transfer of the Consideration Treasury Shares to partially settle the Purchase Consideration.</p> <p>There will be a slight dilution to the substantial shareholdings and the shareholdings of Non-Interested Shareholders after the Proposed Acquisition.</p> <p>The pro forma consolidated PAT of the Company will increase from RM180.92 million to RM220.59 million arising from the PAT contribution from the Target Companies upon completion of the Proposed Acquisition. Accordingly, pro forma EPS of the Group will increase from 15.93 sen to 18.63 sen.</p>
7.7	Risk factors associated with the Proposed Acquisition	<p>The risk factors associated with the Proposed Acquisition include, but not limited to completion risk, acquisition risk, renewal of dealership agreements risk, integration risk, business risk, dependency on key management risk, goodwill and impairment risk, risk of non-renewal or unfavourable revisions to the terms of dealership and agency agreements as well as risk of the non-exclusivity of the dealership and agency agreements.</p> <p>The Non-Interested Shareholders should take note of the risk factors relating to the Proposed Acquisition and the relevant mitigating measures undertaken to mitigate such risks (if any); and there can be no assurance that one or a combination of the risk factors will not occur and have a material and adverse effect on the business and financial position of SYGROUP.</p>
8	Rationale of the Proposed Diversification	<p>Pursuant to the Proposed Acquisition, the management of SYGROUP anticipates that the automotive dealership business segment may contribute 25% or more of the net profits of the Group in the future. Consequently, the Company is seeking its shareholders' approval for the Proposed Diversification to facilitate the Proposed Acquisition.</p> <p>Accordingly, we are of the view that the Proposed Diversification is justifiable.</p>

3. CONCLUSION AND RECOMMENDATION

Premised on the abovementioned factors and our evaluation and consideration as set out in this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Acquisition is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the Non-Interested Shareholders of SYGROUP.

Accordingly, cfSolutions recommends that the Non-Interested Shareholders **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

The Non-Interested Shareholders are advised not to rely solely on the Executive Summary or this IAL to form an opinion on Proposed Acquisition. Non-Interested Shareholders should consider all relevant and pertinent factors including those set out in the Part A of this Circular and this IAL, the recommendation of the Board, our recommendation herein together with the limitations of our evaluation prior to making the decision on whether to take that course of action.

This IAL is prepared solely for the use of the Non-Interested Shareholders for the purpose of considering the Proposed Acquisition and should not be used or relied upon by any other party for any other purpose whatsoever. We also have not given consideration to the specific investment objectives, risk profiles, financial situations and any particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders. **IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS.**

15 August 2024

To : The Non-Interested Shareholders of Shin Yang Group Berhad

Dear Sir/Madam,

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

This IAL is prepared for the inclusion in the circular to shareholders of SYGROUP in relation to the Proposed Acquisition and should be read in conjunction with the rest of the Circular.

1. INTRODUCTION

On 11 July 2024, AmInvestment Bank announced that SYGROUP had entered into the following agreements:

- (i) a conditional share sale agreement with Shin Yang Holding, KTE Motors and Ling Chiong Sing to acquire 100% equity interest in Boulevard Jaya; and
- (ii) a conditional share sale agreement with Dwi Bumijaya to acquire 60% equity interest in Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) respectively,

for a total purchase consideration of RM144,500,000 to be satisfied via a combination of cash and treasury shares held by the Company.

On 9 August 2024, AmInvestment Bank announced that SYGROUP proposes to undertake the diversification of the existing business of the Group to include automotive dealership business pursuant to the Proposed Acquisition.

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 6 of this IAL, the Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. In this respect, the Board has appointed cfSolutions on 11 July 2024 to act as the independent adviser to comment as to whether the Proposed Acquisition is fair and reasonable and whether the Proposed Acquisition is to the detriment of the Non-Interested Shareholders.

Whilst our role is to comment on the Proposed Acquisition, we note that the Proposed Acquisition is conditional upon the Proposed Diversification. Hence, we have also considered the Proposed Diversification as part of our evaluation.

The purpose of this IAL is to provide the Non-Interested Shareholders with an evaluation on the fairness and reasonableness on the Proposed Acquisition, together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified in this IAL.

The Non-Interested Shareholders should nonetheless rely on their own evaluation of the merits of the Proposed Acquisition before making a decision on the course of action to be taken. This IAL is prepared solely for the use of the Non-Interested Shareholders as a whole for the purpose of considering the Proposed Acquisition and should not be used or relied upon by any other party for any other purpose whatsoever.

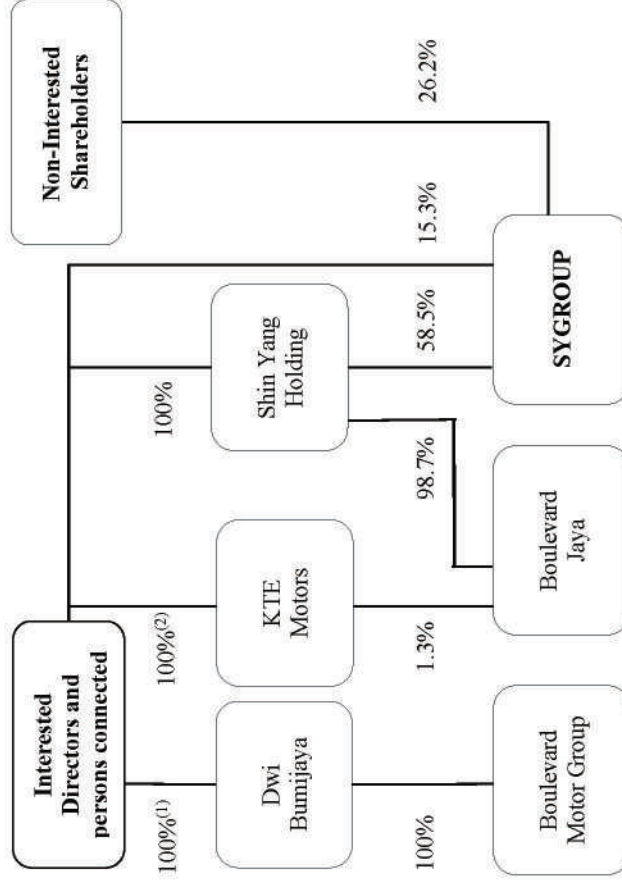
You are advised to read both the IAL together with the other sections of this Circular and to carefully consider the recommendation contained herein before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. If you are in any doubt as to the course of action to be taken, you should consult your stockbrokers, bank managers, solicitors, accountants and other professional advisers.

2. DETAILS OF THE PROPOSED ACQUISITION

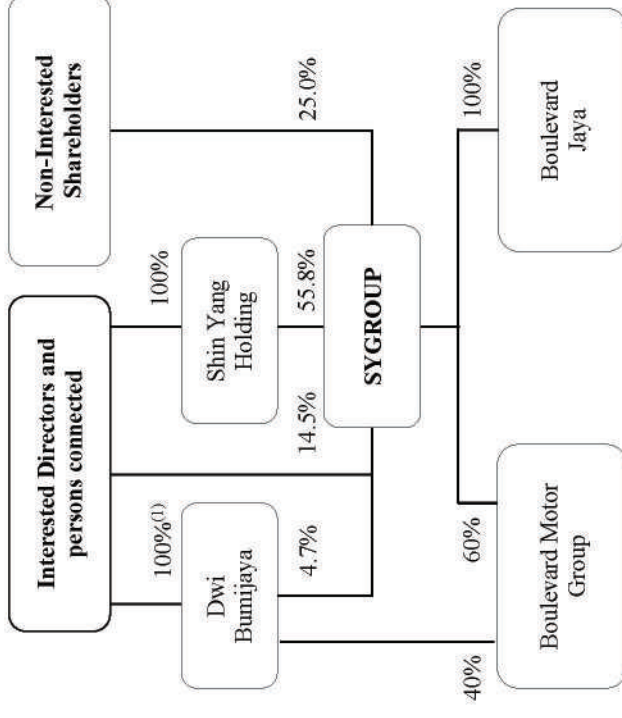
The details of the Proposed Acquisition are set out in Section 2 of Part A of this Circular and should be read in its entirety.

The change in the group structure upon completion of the Proposed Acquisition is as follows:

EXISTING



AFTER THE PROPOSED ACQUISITION



Notes:

(1) Deemed interested by virtue of the shareholdings of certain Interested Directors and persons connected in Melana Sinar Sdn Bhd, Kemena Sinar Sdn Bhd and Best Megalink Sdn Bhd respectively

(2) Direct interest and deemed interested by virtue of the shareholdings of certain Interested Directors and persons connected in Mewah Enterprise Sdn Bhd

Upon completion of the Proposed Acquisition, Boulevard Jaya will become a wholly-owned subsidiary of SYGROUP whilst Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) will become 60%-owned subsidiaries of the Company.

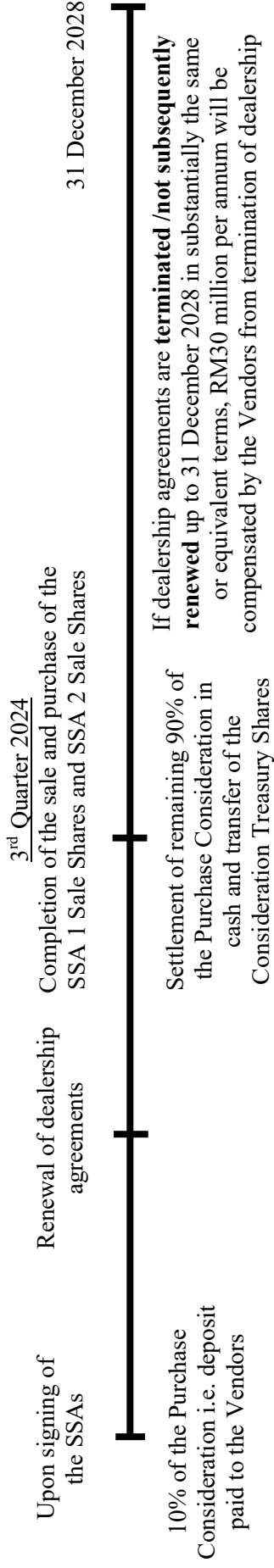


The business of the Target Companies is dependent on their dealership agreements with UMW Toyota and current dealership agreements with UMW Toyota are expiring on 31 December 2024. Based on the Target Companies' current and past dealership agreements, the duration of the dealership agreements are typically short term in nature (being 1 or 2 years) and are typically renewed by UMW Toyota only after the expiry of the dealership agreements. As such, there is a possibility that the dealership agreements with UMW Toyota may only be renewed after the completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares which is anticipated to be in the third quarter of 2024.

Accordingly, the diagrams below summarise the different scenarios based on the terms of the Proposed Acquisition and when the renewal of the dealership agreements takes place:

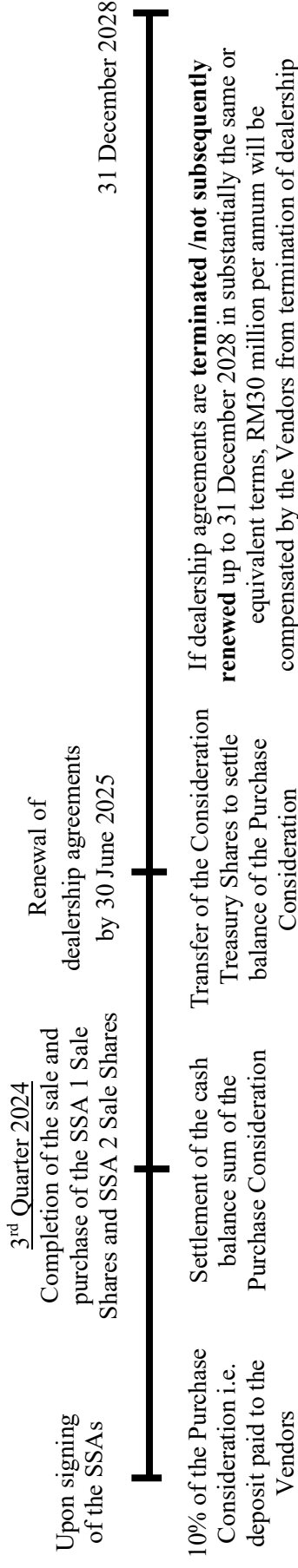
- Scenario 1 : Dealership agreements are renewed prior to the completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares
- Scenario 2 : Dealership agreements are renewed by 30 June 2025 after the completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares
- Scenario 3 : Dealership agreements are NOT renewed by 30 June 2025 after the completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares

Scenario 1: Dealership agreements are renewed prior to the completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares



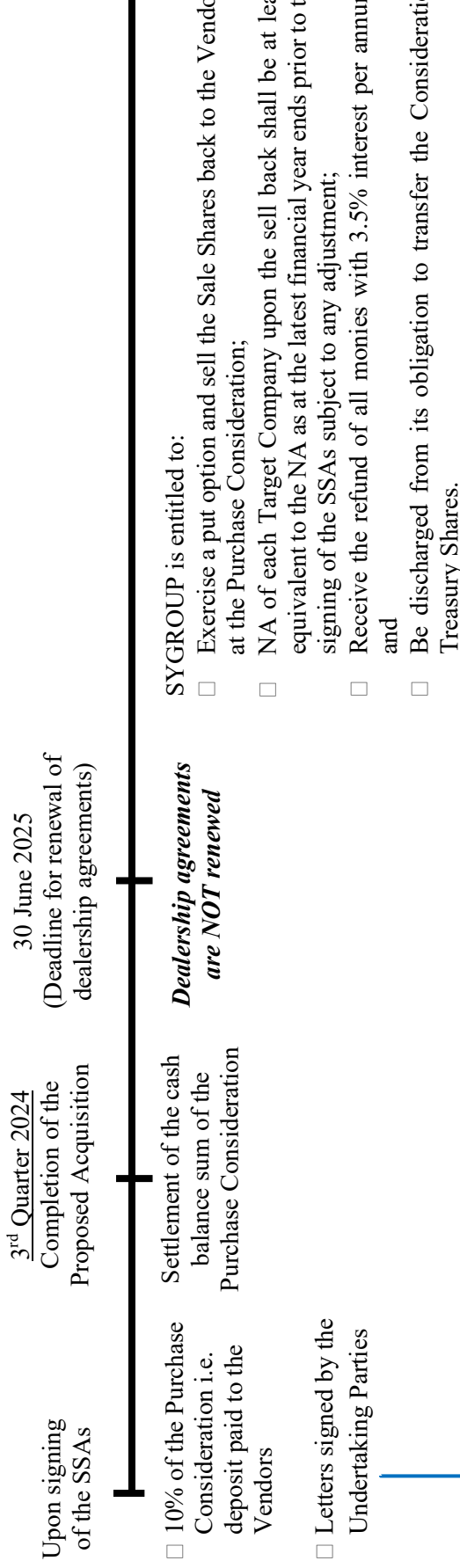
Under Scenario 1, where the renewal of the dealership agreements takes place prior to completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares, the remaining 90% of the Purchase Consideration in cash will be settled and the Consideration Treasury Shares transferred to the Vendors on completion of the sale and purchase of the SSA1 Sale Shares and SSA 2 Sale Shares. Subsequently, the Vendors warrant that in the event the dealership agreements are terminated/not renewed in substantially the same or equivalent terms up to 31 December 2028, the Vendors shall compensate a cash amount of RM30 million a year commencing from the date of the termination of the dealership agreement up to 31 December 2028 at the Company's discretion.

Scenario 2: Dealership agreements are renewed by 30 June 2025 after the completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares



Under Scenario 2, where the renewal of the dealership agreements takes place after the completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares by 30 June 2025, the cash balance sum of the Purchase Consideration amounting to RM83,223,000 will be settled on completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares. However, the Consideration Treasury Shares are retained by the Company and will only be transferred to the Vendors on renewal of the dealership agreements. Subsequently, in the event the dealership agreements are terminated/not renewed in substantially the same or equivalent terms up to 31 December 2028, the Vendors shall compensate a cash amount of RM30 million a year commencing from the date of the termination of the dealership agreement up to 31 December 2028 at the Company's discretion.

Scenario 3: Dealership agreements are NOT renewed by 30 June 2025 after the completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares



Under Scenario 3, where the dealerships are not renewed by 30 June 2025 after completion of the sale and purchase of the SSA 1 Sale Shares and SSA 2 Sale Shares, SYGROUP can exercise a put option and sell the Sale Shares back to the Vendors at the Purchase Consideration. The NA of each Target Company upon the sell back shall be at least equivalent to the NA as at the latest financial year ends prior to the signing of the SSAs subject to any adjustment. The Vendors shall refund all monies with 3.5% interest per annum and SYGROUP is discharged from its obligation to transfer the Consideration Treasury Shares. In addition, the obligations of the Vendors pursuant to the put notices are undertaken and guaranteed by the Undertaking Parties.

Please refer to Section 7.4 of this IAL for further details of the salient terms of the Boulevard Jaya SSA and Boulevard Motor Group SSA.

3. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION

cfSolutions was not involved in any negotiation, discussion or formulation of the Proposed Acquisition and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Acquisition. cfSolutions' terms of reference as an independent adviser is limited to expressing an independent evaluation of the Proposed Acquisition per the requirements of Paragraph 10.08(3) of the Listing Requirements.

In our evaluation and analysis, and in formulating our recommendation, we have relied upon the reasonableness, accuracy and completeness of the following information:

- (i) information as set out in Part A of this Circular and the appendices attached in this Circular;
- (ii) the SSA 1 and SSA 2;
- (iii) the audited financial statements of SYGROUP for FYE 30 June 2019 to FYE 30 June 2023;
- (iv) unaudited consolidated management accounts of SYGROUP for FPE 31 March 2024;
- (v) the audited financial statements of Boulevard Motor Group for FYE 31 December 2019 to FYE 31 December 2023;
- (vi) the audited financial statements of Boulevard Jaya for FYE 30 June 2019 to FYE 30 June 2023;
- (vii) unaudited management accounts of Boulevard Motor Group and Boulevard Jaya for FPE 31 March 2024;
- (viii) unaudited management accounts of Boulevard Jaya for FPE 30 June 2024;
- (ix) discussion with the Board and the management of SYGROUP;
- (x) other relevant information, documents, confirmations and representation furnished to us by the Board and management of SYGROUP; and
- (xi) other publicly available information.

Our evaluation and recommendation expressed herein shall hold only in so far as the information and data supplied to us or which are available to us as at the date hereof remain accurate and consistent. We have further assumed that such information has been prepared in good faith and reflects the best judgment and estimates of SYGROUP as of the date hereof and that SYGROUP is not aware of any facts that would make the documents, financial and/or other information as provided to us being incomplete, false, misleading or inaccurate. Further, we have requested for the verification of the information and documents and made enquiries with the Directors and the management of SYGROUP as well as third party experts (where relevant) and reviewed documents and made reliance on information provided by them. Whilst we make no representation as to the accuracy, validity and completeness of the information provided, we have no reason to believe that the aforesaid information/documents provided to and used by us are unreasonable, unreliable, incomplete, misleading and/or inaccurate or that the material omission of which would make the information misleading or inaccurate.

We have obtained confirmation from the Board of SYGROUP that they have seen this IAL and they, collectively and individually, accept full responsibility for the accuracy of the information contained herein to the extent the information relates to the Group, the Proposals and the Target Companies, and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there is no statement or information contained in this IAL to the extent the statement or information relates to the Group, the Proposals and the Target Companies, which is inaccurate, incomplete, false or misleading and all information relevant to our evaluation of the Proposed Acquisition have been disclosed to us and that there is no other fact or information, the omission of which would make any information or statement in this IAL and/or any information furnished to cfSolutions incomplete, false, misleading or inaccurate as at LPD. Accordingly, based on the aforementioned, there is no omission in the information used by us as at LPD which would make any statement in the IAL misleading.

In rendering our advice, cfSolutions had taken note of pertinent issues, which we believe are necessary and of importance to an assessment of the implications of the Proposed Acquisition and are therefore of general concern to the Non-Interested Shareholders.

Our evaluation and recommendation expressed herein are based on prevailing economic, market, industry and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account of the information, events and conditions arising after the LPD. Our advice should be considered in the context of the entirety of this IAL.

We shall notify the Non-Interested Shareholders by way of announcement if, after despatching this IAL and prior to the EGM, we become aware that the information or document previously circulated or provided:

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary letter to the Non-Interested Shareholders.

It is not within our terms of reference to express any opinion on the commercial merits and/or risks of the Proposed Acquisition nor the impact on future prospects post-completion of the same, the assessment of which remain the sole responsibility of the Board although we may draw upon the Board's rationale 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. We wish to emphasise that our role as Independent Adviser also does not extend to rendering an expert opinion on legal, accounting and tax positions relating to the Proposed Acquisition and to any particular needs of any individual shareholder or any specific group of shareholders. In carrying out our evaluation, we also have not given consideration to the specific investment objectives, risk profiles, financial situations and any particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders. We will not be responsible for any damages or loss or any kind sustained or suffered by any individual shareholder or any group of shareholders in reliance on the opinion stated herein for any purpose whatsoever.

Accordingly:

- (i) cfSolutions' views and advice as contained in this IAL only cater to the Non-Interested Shareholders as a whole and not to any non-interested shareholder individually; and
- (ii) we recommend that any individual non-interested shareholder or group of non-interested shareholders who is in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition in the context of their individual objectives, risk profiles, financial, legal, accounting and tax situations or particular needs, should consult their respective stockbrokers, bank managers, accountants, solicitors or other professional advisers.

Non-Interested Shareholders are advised to consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors including those set out in Part A of this Circular (including the recommendation of the Board as stated in Section 15 of Part A of this Circular) and this IAL, as well as other publicly available information prior to making a decision to voting on the resolution pertaining to the Proposed Acquisition.

4. CREDENTIALS, EXPERIENCE AND EXPERTISE OF CFSOLUTIONS

cfSolutions is a corporate finance adviser licensed by the Securities Commission in Malaysia under section 58 of the Capital Markets and Services Act 2007 and recognised by Bursa Securities. cfSolutions offers a spectrum of corporate finance services including the provision of independent advice, valuation of assets and opinion on transactions.

The credentials and experience of cfSolutions as an independent adviser where it has been appointed prior to the date of this IAL include, among others, the following:

No.	Company name / Date of independent advice letter	Description of proposals
(i)	Ecofirst Consolidated Berhad / 29 November 2022	Proposed acquisition of the remaining 49% equity interest in BCM Holdings Sdn Bhd not owned by Ecofirst Consolidated Berhad for a cash consideration of RM78.4 million
(ii)	Atlan Holdings Berhad / 28 February 2023	Proposed acquisition of a hotel from Belle Isle Property Ltd (“BIP”) for a purchase consideration of GBP10.8 million and proposed acquisition of all of BIP’s existing assets and liabilities which relate to the operations of the property to be acquired for a purchase consideration of GBP1
(iii)	Adventa Berhad / 28 August 2023	Proposed renounceable rights issue of up to 152,785,770 new ordinary shares in Adventa Berhad on the basis of 1 rights share for every 1 existing share in Adventa Berhad held, on an entitlement date to be determined and announced later and proposed exemption under subparagraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions (“Rules”) for Low Chin Guan and persons acting in concert with him, from the obligation to undertake a mandatory take-over offer to acquire the remaining ordinary shares in Adventa Berhad not already owned by them upon completion of the proposed rights issue
(iv)	E.A Technique (M) Berhad (“EATECH”)/ 7 June 2024	Proposed shares issuance of up to 795,750,000 new EATECH shares (“Subscription Shares”), representing approximately 60.0% of the enlarged share capital of EATECH after the shares issuance and proposed exemption under subparagraph 4.08(1)(b) of the Rules for Datuk Wira Mubarak Hussain Bin Akhtar Husin (ultimate offeror), Voultier Sdn Bhd (offeror) and person acting in concert with them, from the obligation to undertake a mandatory take-over offer for all the remaining ordinary shares in EATECH not already owned by them arising from the issuance of Subscription Shares by EATECH to them pursuant to the proposed shares issuance
(v)	InNature Berhad / 19 June 2024	Proposed acquisition by InNature Berhad of 100% equity interest in Blu Restaurant Sdn Bhd for a cash consideration of RM 21.25 million

Based on the credentials and experience above, cfSolutions has the necessary resources and expertise to carry out its role and responsibilities as the independent adviser to advise the Non-Interested Shareholders in relation to the Proposed Acquisition.

5. DECLARATION OF CONFLICT OF INTEREST

cfSolutions is not aware of any existing or potential conflict of interest situation arising from its capacity as the independent adviser for the Proposed Acquisition. Save for the professional fees cfSolutions is entitled to as the independent adviser for the Proposed Acquisition, the engagement of cfSolutions by SYGROUP is not driven by any other fee which is dependent on a particular opinion and recommendation.

Save for our role as an independent adviser for the Proposed Acquisition, cfSolutions does not have any other professional relationship with SYGROUP in the past two (2) years prior to our appointment.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON(S) CONNECTED TO THEM

Save for the Interested Directors, the Interested Major Shareholder and the Persons Connected as disclosed in Section 11 of Part A of the Circular, none of the other Directors, Major Shareholders and/or persons connected to them have any interests, direct or indirect, in the Proposed Acquisition.

7. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our opinion and recommendation, we have taken into consideration various aspects of the Proposed Acquisition. Our evaluation is set out in the ensuing sections:

	<u>Section of the IAL</u>
(i) Rationale of the Proposed Acquisition	7.1
(ii) Basis of arriving at the Purchase Consideration	7.2
(iii) Basis of the pricing of the Consideration Treasury Shares	7.3
(iv) Salient terms of the SSAs	7.4
(v) Industry outlook and prospects	7.5
(vi) Financial effects of the Proposed Acquisition	7.6
(vii) Risk factors associated with the Proposed Acquisition	7.7
(viii) Rationale of the Proposed Diversification	8

7.1. Rationale of the Proposed Acquisition

Section 4.1 of Part A of this Circular contains the rationale for the Proposed Acquisition, an extract of which is as follows:

As part of the Company's continuous effort to improve shareholders' value, the Proposed Acquisition entails the acquisition of companies with established businesses in the automotive industry and financial track record which will provide an immediate boost to the earnings of the Group. The Proposed Acquisition is also expected to enable the Group to:

- (i) diversify and bolster its revenue and income stream as the Proposed Acquisition is expected to contribute positively to the future earnings of the Group and further strengthen the Group's future financial performance;*
- (ii) expand and diversify the Group's product offerings and reduce the Group's dependency on its current business;*

- (iii) leverage on the Target Companies' networks and client bases to cross-sell the Group's shipping services such as containerized freight transportation from Peninsular to East Malaysia, port to port freight services, port to doors haulage services, custom clearing, import and export documentation and port related services under a unified "SYGROUP" franchise; and
- (iv) vertically integrate the Target Companies' automotive's maintenance and repair services into the Group's under its own workshops and stores and achieve operational cost savings.

The Company will be acquiring 60.00% equity interest in Boulevard Group pursuant to the Proposed Acquisition which was available for sale by Dwi Bumijaya. The Board is of the view that a 60.00% equity interest in the Boulevard Motor Group is reasonable as the Company will have control of the Target Companies and it will become the Company's subsidiaries whereby the Group can consolidate its financial results with that of the Group.

The Board is of the view that the Proposed Acquisition is expected to contribute positively to the future earnings of the Group and further strengthen the Group's future financial performance.

Our comments with regards to the rationale and benefits of the Proposed Acquisition are as follows:

(i) Contribution to the financial performance of the Group

Boulevard Jaya and Boulevard Motor Group are principally involved in the activities of car dealership including retailing of new motor vehicles, sales of spare parts, provision of after-sales services as well as servicing and repairing of motor vehicles since 2004 and 2018 respectively.

The aggregate key financial results of the Target Companies for the past 5 financial years are set out in the table below:

	Audited FYE				
	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	510,077	434,742	509,193	698,347	815,138
Gross profit	39,964	32,935	37,314	52,303	73,966
PBT	5,949	5,534	13,758	28,872	58,069
PAT	3,423	3,470	9,339	22,339	43,519

Note:

(1) Based on the audited accounts of Boulevard Jaya for FYE 30 June 2019 to FYE 30 June 2023 and the audited accounts of Boulevard Motor Group for FYE 31 December 2019 to FYE 31 December 2023 based on 60% equity interests proposed to be acquired in Boulevard Motor Group

Save for a reduction in the revenue of the Target Companies in FYE 2020 mainly due to the impact of Covid-19 on the demand of passenger vehicles during the period, the aggregate revenue of the Target Companies recorded an uptrend from RM510.08 million in FYE 2019 to RM698.35 million in FYE 2022 mainly due to the increase in units of motor vehicles sold by the Boulevard Motor Group pursuant to the sales tax exemption on passenger vehicles by the Malaysian Government from 15 June 2020 to 30 June 2022, which registration period of new vehicles with the Road Transport Department was extended until 31 March 2023. As a result, the aggregate PAT increased over the years on the back of revenue growth and increase in other income through sales incentives received based on quantity of vehicles sold.

The aggregate revenue in FYE 2023 rose by 17% as compared to FYE 2022, mainly due to the following factors:

- (a) Fulfilment of bookings received by Boulevard Motor and Boulevard Motor (Labuan) during the period when the sales tax exemption on passenger vehicles was in effect but vehicle delivery was delayed due to temporary supply chain challenges faced by the vehicle manufacturing industry; and
- (b) increase in sales of Boulevard Motor (Sabah) for certain Toyota models especially Toyota Hilux and Toyota Fortuner due to demand in East Malaysia.

The aggregate PAT in FYE 2023 rose by 96%, mainly attributable to the car dealer incentives received based on sales performance in the previous year.

Based on the track record detailed above, the Target Companies had demonstrated the ability to generate commendable revenue and PAT. The Proposed Acquisition is expected to contribute to the Group's revenue base and provide a new and immediate channel of income, mainly through the retail of vehicles pursuant to the dealership and agency agreements secured by the Target Companies.

We note that the Company will acquire 60% equity interest in the Boulevard Motor Group and that the quantum of equity interest to be acquired was dependent on what was made available for sale and was mutually agreed between the parties. The purchase consideration takes into consideration the percentage of equity interest to be acquired. The proposed acquisition of 60% equity interest will allow the Company to have control over the Boulevard Motor Group and be able to consolidate the financial results. Based on the foregoing, we are of the view that there are merits to acquire 60% equity interest in the Boulevard Motor Group.

Moving forward, the Proposed Acquisition is expected to contribute positively to the Group's future financial performance in the long term as the Group will be able to consolidate the financial results of the Target Companies upon the completion of the Proposed Acquisition. Nonetheless, there is no assurance that past results will translate to future performance.

(ii) Opportunity to expand into automotive industry

The Proposed Acquisition provides the Group with an avenue to penetrate the automotive industry and be involved in the activities of automotive dealership, sales of spare parts, provision of after-sales services as well as servicing and repairing of vehicle.

The Target Companies currently own dealer centres comprising showrooms, after-sales vehicle servicing facilities and sale of spare parts and accessories of vehicles of Toyota and Lexus in several locations in East Malaysia, namely Kuching, Sibul, Miri, Bintulu, Tawau, Lahad Datu, Sandakan and Labuan.

As at LPD, the Target Companies have respectively entered into the following agreements with UMW Toyota as below:

- (a) Dealership agreements for the appointment of the Target Companies as the authorised non-exclusive dealers of UMW Toyota which grant them the right to undertake the selling of vehicles of models below and related products and services including fleet sales, after sale services and others from 1 January 2023 until 31 December 2024, subject to renewal:

Models of Toyota vehicle under the dealership agreements

- *Toyota Vios*
- *Toyota Yaris*
- *Toyota Corolla*
- *Toyota Corolla Cross*
- *Toyota Camry*
- *Toyota Hiace*
- *Toyota Hilux*
- *Toyota Avanza*
- *Toyota Innova*
- *Toyota Fortuner*
- *Toyota Rush*
- *Toyota RAV 4*
- *Toyota Veloz*

- (b) Agency agreements for the appointment of the Target Companies as the authorised non-exclusive agents of UMW Toyota which grant them the right to promote and sell, on behalf of UMW Toyota, the vehicle models under the brands of Toyota (other than the models specified in the dealership agreements) or Lexus as shown below including by way of fleet sales to the customers from 1 January 2023 until 31 December 2024, subject to renewal:

Models of Toyota and Lexus vehicle under the agency agreements

- *Toyota Harrier*
- *Toyota Alphard*
- *Toyota Vellfire*
- *Toyota GR Supra*
- *Toyota GR Yaris*
- *Toyota GR 86*
- *Toyota GR Corolla*
- *Lexus ES*
- *Lexus UX*
- *Lexus NX*
- *Lexus RX*
- *Lexus LBX*
- *Lexus RZ*
- *Lexus LM*
- *Lexus LS*
- *Lexus LC*
- *Lexus LX*
- *Lexus GX*

The Proposed Acquisition will enable the Group to save time and cost attributed to starting up, including location seeking, securing dealership, applying for necessary permits, training of manpower, design and renovation, etc. This will allow the Group to reap the benefits more quickly and efficiently. In addition, the Group will be able to harness the leadership and expertise of the key management personnel of the Target Companies for future growth.

In addition, the Proposed Acquisition is an opportunity for the Group to leverage on international brands, namely Toyota and Lexus, to penetrate the automotive retailing sector despite not having prior experience and expertise in automotive dealership, sales of spare parts, provision of after-sales services as well as servicing and repairing of vehicle.

(iii) Diversified businesses of the Group

As at LPD, the Group is principally engaged in the business of investment holding and property holding. The reportable business segments of SYGROUP are as follows:

Segments	Description
Shipbuilding, ship repair and fabrication of metal structures	Shipbuilding and ship repair, ship powering and refitting and fabrication of metal structures.
Domestic and regional shipping	Domestic and regional shipping segment which carries out shipping business in coastal and regional routes within Malaysia and ASEAN region.
International shipping	International shipping segment which carries out international routes to Japan, Korea, China, Philippines and ASEAN region.

Segments	Description
Land transportation	Land transportation and hiring services.
Gas	Manufacturing, distribution and marketing of industrial gases, provision of services and maintenance and trading in welding equipment and machinery.
Others	Others consist of the business of forwarding and shipping agency, door to door, port to port and third-party logistic transport providers and maintenance and management of barrages and shiplocks.

(Source: Management of SYGROUP)

The consolidated revenue of the business segments and the consolidated PBT of SYGROUP for the past 5 financial years are set out in the table below:

	2019		2020		Audited FYE 30 June 2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Segmental revenue:										
Domestic and regional shipping	387,656	60.1	338,671	56.7	419,311	69.7	570,620	63.9	688,284	73.2
International shipping	136,088	21.1	119,020	20.0	108,371	18.0	132,536	14.8	120,886	12.9
Shipping	523,744	81.2	457,691	76.7	527,682	87.7	703,156	78.7	809,170	86.1
Shipbuilding, ship repair and fabrication of metal structures	114,440	17.7	132,176	22.2	67,045	11.2	135,027	15.1	55,968	6.0
Land transportation	-	-	-	-	-	-	47,653	5.3	49,730	5.3
Gas	-	-	-	-	-	-	-	-	12,371	1.3
Others	7,017	1.1	6,629	1.1	6,794	1.1	7,622	0.9	12,365	1.3
Total revenue	645,201	100.0	596,496	100.0	601,521	100.0	893,458	100.0	939,604	100.0
PBT/(LBT)	(82,719)		(154,168)		21,324		151,108		180,260	

(Sources: Annual Reports of SYGROUP)

Based on the table above, the shipping segments have been the major revenue contribution of the Group's total revenue for the last 5 financial years. The revenue generated from these segments contributed to 76.7% to 87.7% of total revenue of the Group for past 5 financial years.

The Board acknowledges that the demand for shipping operation is seasonal with freight rates and the prospects for the shipping industry continue to remain challenging with the fluctuation in crude oil price and the Baltic Dry Index. Furthermore, the performance of the Group is largely dependent on the volatility of the world's fuel market price, the standard of skills and experience of ship crews, domestic and regional demand for transportation of dry bulk and general cargoes, movement of the Malaysian Ringgit and the world economic situation, all of which may affect business operations and margins.

The inclusion of the new business segment arising from the Proposed Acquisition is expected to provide the Group with a more diversified business and reduce the Group's reliance on the existing business for its revenue streams. Given the prevailing uncertainties in the shipping outlook, the Board is of the view that it is prudent to reduce reliance on the existing revenue streams through the Proposed Acquisition.

Moreover, the Group would be able to leverage on its existing network to expand the business of both the Group and the Target Companies and derive synergies from the Proposed Acquisition.

Taking into consideration the above, we are of the view that the rationale of the Proposed Acquisition is justifiable.

7.2. Basis of arriving at the Purchase Consideration

In evaluating the fairness of the Purchase Consideration, we have taken into consideration the basis of arriving at the Purchase Consideration as set out in Section 2.3 of Part A of this Circular.

We note the Purchase Consideration was negotiated and arrived at on a “willing-buyer willing-seller” basis, after taking into consideration, amongst others, the implied PER of 5.8 times and the implied P/B Multiple of 1.26 times.

In assessing the Purchase Consideration, we have chosen the following valuation approaches:

(i) Primary valuation methodology

PER is an earnings-based valuation methodology which compares the market value of a company against its earnings. We consider PER to be appropriate for assessment as earnings is generally a key factor in determining the value of a profitable and established company and reflects the level of distributable earnings which is one of the key concerns of an investor. Based on the aggregate historical financial performance of the Target Companies, the companies have been profitable for the last 5 financial years.

(ii) Secondary valuation methodology

The P/B Multiple is an asset-based valuation methodology which compares a company's market value against its book value. It is useful to assess capital-intensive companies which earnings are driven by their assets as it reflects the value a shareholder will theoretically receive when a company liquidates all its assets after the settlement of all its liabilities. We note that the Target Companies have invested RM178.35 million in property, plant and equipment and inventories comprising showrooms, after-sales vehicle servicing facilities, motor vehicles, spare parts and accessories, which constitute approximately 50% of total assets as at 31 March 2024 of the Target Companies of RM353.26 million.

However, asset-based valuation methodology does not take into consideration the earnings potential and should not therefore be relied upon solely for the purpose of evaluation of the Purchase Consideration.

We did not use the discounted cash flow valuation methodology, a valuation approach based on discounted cash flows, as the necessary long-term cash flow and terminal value projections may be subject to various vagaries for the industry of the Target Companies and requires several key inputs to be forecast which may be subjective in estimation. The revenue of the Target Companies cannot be reliably assessed as compared to companies which have longer term contracts. Further, its services and products are relatively generic within a competitive industry where there are several competitors i.e. car dealers provide similar offering of services and products.

We then analysed the PER and P/B Multiple valuation using the comparable companies approach which seeks to benchmark an asset (including companies or shares) based upon the valuation of similar companies considered to be comparable to the Target Companies. A key underlying assumption is that Comparable Companies engaged in similar businesses will have similar operating and financial risks and return profiles and therefore, the Target Companies can be valued with reference to similar multiples or metrics accorded by the market to those Comparable Companies.

7.2.1. Implied PER and P/B Multiple of the Target Companies

In arriving at the implied PER of the Target Companies, we have relied on the audited earnings of Boulevard Motor Group for FYE 31 December 2022 and Boulevard Jaya for FYE 30 June 2023, after excluding non-operating income/expenses, if any, based on the following reasons:

- (i) The financial results of Boulevard Jaya for the FYE 30 June 2023 was the latest audited financial information available as at the LTD. For information purposes, the unaudited PAT of Boulevard Jaya based on the management accounts for FYE 30 June 2024 is RM8.22 million, which is 76% higher than the audited PAT for the FYE 30 June 2023;
- (ii) The financial results for the FYE 31 December 2023 of Boulevard Motor Group were not used in view of the uncharacteristic financial performance of Boulevard Motor Group for that financial year. For FYE 31 December 2023, the aggregate other income of Boulevard Motor Group amounted to RM25.26 million is 85% higher as compared to previous financial year, whilst the aggregate revenue only increased by 12% between the two financial years. The aggregate PAT of Boulevard Motor Group for the FYE 31 December 2023 amounted to RM64.75 million while the aggregate PAT for the FYE 31 December 2022 amounted to RM33.52 million, representing an increase of 93%.

We note that the higher aggregate other income for the FYE 31 December 2023 was mainly attributed to an increase in the car dealer incentives as a result of an anomalous event i.e. the fulfilment of backlog of bookings received by Boulevard Motor Group resulting from the sales tax exemption on passenger vehicles by the Malaysian Government from 15 June 2020 to 30 June 2022, which registration period of new vehicles with the Road Transport Department was extended until 31 March 2023. The backlog of vehicle delivery was mainly due to temporary supply chain challenges faced by the vehicle manufacturing industry during that period; and

- (iii) We note from Section 2.3 in Part A of the Circular that the implied PER of the Target Companies, if based on the aggregate PAT of Boulevard Motor Group for FYE 31 December 2023, will result in a lower PER of 3.32 times. We note that the implied PER of the Target Companies based on FYE 31 December 2022 and FYE 31 December 2023 financial results are both lower to the PER range of the Comparable Companies. Hence, we would have arrived at the same conclusion detailed in Section 7.2.2 below had we relied on the financial results for FYE 31 December 2023.

Our computation of the implied PERs is as follows:

	Boulevard Motor Group	Boulevard Jaya
	FYE 31 December 2022 RM'million	FYE 30 June 2023 RM'million
Purchase consideration	117.00	27.50
PAT	33.52	4.67
<i>Post-tax adjustment:</i>		
Gain on disposal of property, plant and equipment	(2.49)	(0.15)
Adjusted PAT	31.03	4.52
Proportionate adjusted PAT ⁽¹⁾	18.62	4.52
Implied PER⁽²⁾ (times)	6.28	6.08

Notes:

- (1) Based on the percentage of equity interest to be acquired for Boulevard Motor Group (60%) for FYE 31 December 2022 or Boulevard Jaya (100%) for FYE 30 June 2023, after excluding one-off income or expenses.
- (2) Computed based on the purchase consideration of the respective Target Companies and the proportionate adjusted PAT

We also computed the implied P/B Multiple of Boulevard Motor Group based on its latest audited NA as at 31 December 2023 and implied P/B Multiple of Boulevard Jaya based on the minimum NA required to be retained in the company upon completion of the Proposed Acquisition, as follows:

	Boulevard Motor Group	Boulevard Jaya
	Audited as at 31 December 2023 RM'million	Upon completion of the Proposed Acquisition RM'million
Purchase consideration	117.00	27.50
Minimum NA upon completion of the Proposed Acquisition ⁽²⁾	-	27.50
NA in respect of 60% equity interest to be acquired	81.39	-
Implied PB Multiple⁽¹⁾ (times)	1.44	1.00

Notes:

- (1) Computed based on the purchase consideration of the respective Target Companies and the latest audited NA as at 31 December 2023 of Boulevard Motor Group in respect of 60% equity interests to be acquired or the minimum NA required to be maintained in Boulevard Jaya upon completion of the Proposed Acquisition.
- (2) As stated in Section 2.3 of Part A of this Circular, based on the net assets of Boulevard Jaya for the financial year ending 30 June 2024 to be audited, Boulevard Jaya may declare dividends prior to the completion of the Proposed Acquisition subject to maintaining net assets of at least RM27.5 million, being the purchase consideration for Boulevard Jaya, and Boulevard Jaya having cash available to pay the dividend prior to completion of the Proposed Acquisition.

7.2.2. Comparable Companies approach

The Comparable Companies approach benchmarks the implied PER and P/B Multiple of the Target Companies based on the Purchase Consideration against the trading PER and P/B Multiple of the Comparable Companies.

We have selected 3 Comparable Companies listed on Bursa Securities and SGX which we presently consider to be most similar and relevant to the Target Companies as the principal activities are at least 80% in the car distributorship and/or dealership and related services based on the latest audited consolidated revenue of the respective selected Comparable Companies.

However, we wish to highlight that while the comparable companies approach is used to establish a value for the business under review against the valuation benchmark exhibited by Comparable Companies, the selection may not be exhaustive and exactly similar or directly comparable to the Target Companies in terms of the size of the company, the type of principal activities, the scale of operations, the geographical and market coverage, the track record, the future prospects, the asset base, the business risks as well as the marketability of its shares. The selected Comparable Companies are companies involved in the car distributorship and/or dealership and related services in general and serve as a basis for us to ascertain whether the Purchase Consideration is justifiable and acceptable.

We adjusted the PAT where we considered it appropriate after taking into consideration variances such as non-recurring income/expense, if any. In addition, country risk premium and illiquidity discounts have been applied prior to comparison to the Purchase Consideration in view that some of the Comparable Companies are listed in Singapore and a publicly listed asset is expected to be more freely traded than a similar but unlisted asset such as the Target Companies.

The PER and P/B Multiples of the Comparable Companies are as follows:

Comparable Companies	Stock Exchange/ Currency	Revenue contribution ^β %	Market capitalisation [@] million	Country risk premium ^φ %	Audited	
					Adjusted PER [∞] times	P/B Multiple [#] times
Bermaz Auto Berhad ⁽¹⁾	Bursa Securities / RM	100	2,968.79	6.18	9.69 ^(a)	3.88
Eurosports Global Limited ⁽²⁾	SGX / SGD	99.90	41.77	9.09	*	6.50
MeGroup Limited ⁽³⁾	SGX / SGD	82.44	15.54	9.09	9.59 ^(b)	1.03
Highest					9.69	6.50
Lowest					9.59	1.03
Simple average					9.64	3.80
Median					9.64	3.88
<u>Adjusted for an illiquidity discount of 20%[^]</u>						
Highest					7.75	5.20
Lowest					7.67	0.82
<u>Adjusted for an illiquidity discount of 30%[^]</u>						
Highest					6.78	4.55
Lowest					6.71	0.72
High-low range					6.71 – 7.75	0.72 – 5.20
Target Companies						
Boulevard Motor Group					6.28	1.44^α
Boulevard Jaya					6.08	1.00^α

Notes:

^β Percentage of revenue contribution from the car distributorship and/or dealership and related services based on the respective latest Annual Reports.

[@] Computed based on respective closing price of Comparable Companies as at LTD as extracted from Bloomberg and outstanding number of ordinary shares in issue as at LTD based on announcements of respective companies.

Notes (Cont'd):

- φ Country risk premium as at LTD as extracted from Bloomberg.
 - ∞ Computed based on respective market capitalisation as at LTD as well as the PAT (after excluding one-off items) extracted from the latest financial statements of respective companies and adjusted for country risk by multiplying (1+ Malaysia country risk premium) / (1+ respective country risk premium).
 - # Computed based on respective market capitalisation as at LTD as well as the NA extracted from the latest financial statements of respective companies and adjusted for country risk by multiplying (1+ Malaysia country risk premium) / (1+ respective country risk premium).
 - * Not applicable in view that the company is loss-making for the FYE 31 March 2024.
 - ^ We note that Aswath Damodaran, in his book titled "Investment Valuation: Tools and Techniques for Determining the Value of Any Asset", discussed illiquidity discount to be in the region of 20% to 30% after taking into consideration that all the shares of the Target Companies are privately held for which there is no ready market on which a buyer can dispose those shares.
 - α Computed based on the Purchase Consideration and the latest audited NA of the Boulevard Motor Group or minimum NA to be maintained in Boulevard Jaya upon completion of the Proposed Acquisition.
 - (1) Bermaz Auto Berhad group of companies is principally engaged in the distribution of car vehicles and automotive spare parts as well as the provision of after-sales services.
 - (2) Eurosports Global Limited group of companies is principally engaged in the automobiles distribution business, sustainable mobility and others.
 - (3) MeGroup Limited group of companies is principally engaged in the automobile dealership, after-sales automobile services, manufacturing business and others.
 - (a) Bermaz Auto Berhad's audited consolidated PAT for the FYE 30 April 2023 has been adjusted to exclude one-off items such as gain on disposal of property, plant and equipment and share based payment under employee share scheme.
 - (b) MeGroup Limited's audited consolidated PAT for the FYE 31 March 2024 has been adjusted to exclude one-off items such as fair value loss on financial asset, gain on disposal of property, plant and equipment as well as gain on disposal of right-of-use assets.
- (Sources : The latest Annual Reports, announcements of the respective companies and Bloomberg)

Based on our evaluation discussed above:

- (a) The implied PERs based on the Purchase Consideration and the audited PAT (excluding one-off items) of Boulevard Motor Group or Boulevard Jaya of 6.28 times and 6.08 times respectively are lower than the PER range of 6.71 times to 7.75 times computed based on the latest audited consolidated PAT (excluding one-off items) of the respective Comparable Companies; and
- (b) The implied P/B multiples based on the Purchase Consideration and the latest audited NA of Boulevard Motor Group or minimum NA of Boulevard Jaya of 1.44 times and 1.00 times, respectively are within the P/B Multiple range of 0.72 times to 5.20 times computed based on the latest audited consolidated NA of the respective Comparable Companies.

Accordingly, this indicates that the Purchase Consideration is at a valuation that is within or lower than the range of Comparable Companies and is therefore justifiable based on the Comparable Companies approach.

7.3. Basis of the pricing of the Consideration Treasury Shares

The Consideration Treasury Shares are proposed to be transferred for the partial settlement of the Purchase Consideration at a price, being the higher of approximately 5% premium to the 5-day VWAP of SYGROUP Shares up to and including the SSA LPD or the 5-day VWAP of SYGROUP Shares up to and including the date prior to the transfer of the Consideration Treasury Shares to the Vendors.

For illustrative purpose, the Illustrative Transfer Price per Consideration Treasury Share is RM0.8514, calculated based on a 5% premium to the 5-day VWAP of SYGROUP Shares up to SSA LPD of RM0.8109.

We have evaluated the Illustrative Transfer Price per Consideration Treasury Share as follows:

- (i) In the case of a resale or transfer of treasury shares pursuant to Section 127(7) of the Act, SYGROUP may only resell or transfer the purchased Shares at a price which is at a discount of not more than 5% to the 5-day VWAP of Shares immediately prior to the resale or transfer provided that:
 - (a) the resale or transfer takes place no earlier than 30 days from the date of purchase; and
 - (b) the resale or transfer price is not less than the cost of purchase of Shares being resold or transferred.

We note that:

- (a) the Consideration Treasury Shares are proposed to be transferred for the partial settlement of the Purchase Consideration at a 5% premium to the 5-day VWAP up to SSA LPD or up to and including the date prior to the transfer of the Consideration Treasury Shares to the Vendors, whichever is higher; and
 - (b) the Illustrative Transfer Price per Consideration Treasury Share is 106% higher than the average cost of RM0.4137 for the Shares repurchased (which are currently retained as treasury shares of the Company).
- (ii) We have taken into consideration the movement of the closing market prices of SYGROUP Shares on the Main Market of Bursa Securities for the past 12 months up to the LTD and until the LPD shown in the ensuing chart below:



(Source: Bursa Securities)

Note:

— — Illustrative Transfer Price of RM0.8514

The Company is not aware of any significant events which may have a material effect on the market prices of SYGROUP Shares during the period under review, save as disclosed in the table below:

No.	Date of announcement	Significant event
A	30 August 2023	Announcement of the unaudited 4 th quarter financial results for the FPE 30 June 2023 in which SYGROUP recorded a higher cumulative basic EPS of 16.20 sen as compared to cumulative basic EPS of 12.23 sen in the preceding corresponding financial period.
B	15 September 2023	Announcement of the completion of the acquisition of 60% equity interest in Mewah Exim Sdn Bhd.
C	20 October 2023	Announcement of the proposed renewal of Shareholders' mandate for recurrent related party transactions of a revenue or trading nature and the proposed renewal of share buy-back authority by SYGROUP.
D	31 October 2023	Announcements of: (i) The annual report and annual audited accounts of SYGROUP for the FYE 30 June 2023; and (ii) The declaration of final dividend of 3.00 sen per SYGROUP Share for the FYE 30 June 2023.
E	30 November 2023	Announcement of the unaudited 1 st quarter financial results for the FPE 30 September 2023 in which SYGROUP recorded a lower cumulative basic EPS of 2.30 sen as compared to cumulative basic EPS of 4.38 sen in the preceding corresponding financial period.
F	28 February 2024	Announcement of the unaudited 2 nd quarter financial results for the FPE 31 December 2023 in which SYGROUP recorded a lower cumulative basic EPS of 4.02 sen as compared to cumulative basic EPS of 7.52 sen in the preceding corresponding financial period.
G	30 May 2024	Announcement of the unaudited 3 rd quarter financial results for the FPE 31 March 2024 in which SYGROUP recorded a lower cumulative basic EPS of 7.08 sen as compared to cumulative basic EPS of 11.48 sen in the preceding corresponding financial period.
H	11 July 2024	Announcement of the Proposed Acquisition.
For the past 12 months up to the LTD and until the LPD, the Company has repurchased 6,635,000 SYGROUP Shares at a total cost of RM4.48 million.		

Accordingly, the Illustrative Transfer Price is above the range of closing market prices of RM0.57 to RM0.83 per Share for the past 12 months up to LTD and is within the range of closing prices of RM0.59 to RM0.95 for the past 12 months up to the LPD.

- (iii) The Illustrative Transfer Price represents a discount of 20.56% and 24.11% to the consolidated NA per Share as at 30 June 2023 and 31 March 2024 respectively, as detailed below:

	NA per SYGROUP Share ⁽¹⁾	Discount of the Indicative Transfer Price to the NA per SYGROUP Share	
	RM	RM	%
Audited FYE 30 June 2023	1.07	(0.22)	(20.56)
Unaudited FPE 31 March 2024	1.12	(0.27)	(24.11)

Note:

- (1) Computed based on latest audited or unaudited NA of the Group divided by outstanding number of Shares in issue.

Nonetheless, Non-Interested Shareholders should note that the Company will be able to record a gain on the transfer of the Consideration Treasury Shares of approximately RM24.08 million based on the Illustrative Transfer Price. Furthermore, the Proposed Acquisition is expected to be earnings accretive on the basis that the pro forma EPS of the Group for the FYE 30 June 2023 will increase from 15.93 sen to 18.63 sen.

Based on our evaluation, there are merits for the partial settlement of the Purchase Consideration using Consideration Treasury Shares and the transfer price of Consideration Treasury Shares based on the following:

- (i) The Consideration Treasury Shares are proposed to be transferred at a 5% premium to the 5-day VWAP up to the SSA LPD or at 5-day VWAP of SYGROUP Shares up to and including the date prior to the transfer of the Consideration Treasury Shares to the Vendors, whichever is higher for the partial settlement of the Purchase Consideration;
- (ii) The Illustrative Transfer Price per Consideration Treasury Share is 106% higher than the average cost of RM0.4137 for Shares repurchased from the market;
- (iii) The Illustrative Transfer Price is above the range of closing prices of RM0.57 to RM0.83 per Share for the past 12 months up to the LTD and is within the range of closing prices of RM0.59 to RM0.95 for the past 12 months up to the LPD;
- (iv) The pricing mechanism of the transfer price of the Consideration Treasury Shares is based on a market-based approach;
- (v) The Purchase Consideration is proposed to be partially satisfied via the transfer of Consideration Treasury Shares as compared to full settlement using internally generated funds or bank borrowings. We are of the view that this approach is justifiable as it allows the Company to conserve its cash flows and not incur any further interest cost and/or principal repayment obligation to the extent of the Purchase Consideration settled via transfer of Consideration Treasury Shares.
- (vi) The transfer of Consideration Treasury Shares is expected to result in a dilution to the NA per Share of the Group and the percentage shareholdings of Non-Interested Shareholders of SYGROUP as the Consideration Treasury Shares will no longer be retained as treasury shares. Nonetheless, the dilution impact may be mitigated through potential contribution of the Target Companies towards future financial performance of the Group; and
- (vii) The Company will be able to realise a gain on the transfer of Consideration Treasury Shares of approximately RM24.08 million based on the Illustrative Transfer Price.

7.4. Salient terms of the SSAs

7.4.1. Salient terms of the Boulevard Jaya SSA

The salient terms of the Boulevard Jaya SSA, as extracted from Appendix I(A) of this Circular, and our comments are as follows:

No.	Salient Terms of the Boulevard Jaya SSA	Comments										
1.	<p>Sale and transfer of the sale shares Subject to the terms and conditions of the SSA 1, Shin Yang Holding, KTE Motors and Ling Chiong Sing (collectively “the SSA 1 Vendors”) shall sell and transfer to the Company (also known as the “Purchaser”) and the Purchaser shall purchase and accept, the sale shares (“SSA 1 Sale Shares”), being 100% of the total issued and paid-up capital in Boulevard Jaya (also known as the “SSA 1 Target Company”), free from all encumbrances and together with all rights, benefits and entitlements whatsoever attaching thereto as at the SSA 1 Completion Date (which is a date two (2) month after the SSA 1 Condition Precedents in Paragraph 3 below have been fulfilled or waived; or such extended date as may be mutually agreed in writing by the Purchaser and the SSA 1 Vendors.</p>	<p>The SSA 1 Sale Shares will be acquired without encumbrances on the SSA 1 Completion Date at the purchase consideration of RM27.5 million to be satisfied via cash.</p>										
2.	<p>Purchase consideration, payment and adjustment 2.1 The total consideration for the sale, purchase and transfer of the SSA 1 Sale Shares shall be as follows: (“SSA 1 Purchase Consideration”):</p> <table border="1" data-bbox="976 831 1198 1803"> <thead> <tr> <th data-bbox="976 831 1015 1803">SSA 1 Vendors</th> <th data-bbox="976 1424 1015 1803">Purchase Consideration (RM)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1015 831 1053 1803">Shin Yang Holding</td> <td data-bbox="1015 1424 1053 1803">27,133,331</td> </tr> <tr> <td data-bbox="1053 831 1091 1803">KTE Motors</td> <td data-bbox="1053 1424 1091 1803">366,667</td> </tr> <tr> <td data-bbox="1091 831 1129 1803">Ling Chiong Sing</td> <td data-bbox="1091 1424 1129 1803">2</td> </tr> <tr> <td data-bbox="1129 831 1198 1803">Total Purchase Consideration:</td> <td data-bbox="1129 1424 1198 1803">27,500,000</td> </tr> </tbody> </table>	SSA 1 Vendors	Purchase Consideration (RM)	Shin Yang Holding	27,133,331	KTE Motors	366,667	Ling Chiong Sing	2	Total Purchase Consideration:	27,500,000	<p>SYGROUP had paid a deposit equivalent to 10% of the SSA 1 Purchase Consideration upon the signing of the SSA 1, which is a normal commercial term observed in transactions of similar nature.</p> <p>The SSA 1 Balance Sum will be paid to the SSA 1 Vendors upon completion date and the Company can consolidate the financial results of Boulevard Jaya.</p>
SSA 1 Vendors	Purchase Consideration (RM)											
Shin Yang Holding	27,133,331											
KTE Motors	366,667											
Ling Chiong Sing	2											
Total Purchase Consideration:	27,500,000											

No.	Salient Terms of the Boulevard Jaya SSA	Comments
2.2	<p>The SSA 1 Purchase Consideration shall be paid by the Purchaser in the manner as follows:</p>	<p>Renewal of dealership agreement The existing SSA 1 Dealership Agreement of the Boulevard Jaya will expire on 31 December 2024. The SSA 1 Vendors are to ensure the renewal of the SSA 1 Dealership Agreement will be obtained by 30 June 2025 or such other date as agreed by both parties which may be post completion.</p>
2.2.1	<p>Subject to Paragraph 2.2.2 below and provided that the SSA 1 Vendors procure the renewal of the dealership agreement dated 3 July 2023 entered by the SSA 1 Target Company with UMW Toyota (also referred to as the “Principal”) (“SSA 1 Dealership Agreement”) from the Principal in substantially the same or equivalent terms and ensure that the new Dealership Agreement between the Target Company and the Principal after the expiry date on 31st December 2024 (“the Renewed SSA 1 Dealership Agreement”), the SSA 1 Purchase Consideration shall be paid by the Purchaser in the following manner:</p>	<p>Completion The Company is to settle the remaining SSA 1 Purchase Consideration in cash upon the completion of the SSA 1 and the shares in Boulevard Jaya will be transferred to SYGROUP.</p>
(a)	<p>simultaneously upon the signing of the SSA 1, the Purchaser shall pay in cash to the SSA 1 Vendors into an account identified in writing by the SSA 1 Vendors an aggregate sum of RM2,750,000.00, representing ten percent (10%) of the SSA 1 Purchase Consideration as deposit and earnest money (“SSA 1 Deposit”); and</p>	<p>In view that completion may proceed pending renewal of SSA 1 Dealership Agreement, the Group will be able to consolidate the financial results of Boulevard Jaya upon the completion of the Proposed Acquisition.</p>
(b)	<p>the balance of the SSA 1 Purchase Consideration amounting to RM24,750,000.00 (representing ninety percent (90%) of the SSA 1 Purchase Consideration) (“SSA 1 Balance Sum”), shall be paid in cash to the SSA 1 Vendors into an account identified in writing by the Vendor within seven (7) days from the SSA 1 Completion Date.</p>	<p>In the event the SSA 1 Dealership Agreement is not renewed after the completion:</p>
2.2.2	<p>In the event the SSA 1 Vendors are unable to deliver the SSA 1 Renewed Dealership Agreement to the Purchaser by the SSA 1 Completion Date, the Purchaser and the SSA 1 Vendors (collectively referred to as the “SSA 1 Parties”) will proceed to complete the sale and purchase of the SSA 1 Sale Shares on the SSA 1 Completion Date and the payment of the SSA 1 Balance Sum prescribed under Paragraph 2.2.1(b) above shall be paid by the Purchaser to the SSA 1 Vendors, on the condition that:</p>	<p>(i) The Company is entitled to exercise a put option and sell the SSA 1 Sale Shares back to the SSA 1 Vendors at the same purchase consideration. The NA of Boulevard Jaya upon the sell back shall be at least equivalent to the NA as at the latest financial year end prior to the signing of the SSA 1 after the adjustment for any dividend declared before the SSA 1 Completion Date</p>
(a)	<p>Shin Yang Holding and Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing and Ling Chiong Pin (collectively “Undertaking Party 1”) have, upon execution of the SSA 1, executed an irrevocable and unconditional letter of undertaking in favour of the Purchaser, that the SSA 1 Undertaking Party 1 irrevocably and unconditionally, jointly and severally, undertake to procure,</p>	

No.	Salient Terms of the Boulevard Jaya SSA	Comments
	<p><i>Dwi Bumijaya, the vendor of Boulevard Motor Group (“SSA 2 Vendor”) and guarantee that SSA 2 Vendor shall among others, refund all money paid by the Purchaser to the SSA 2 Vendor under the Boulevard Motor Group SSA together with the interest accrued upon occurrence of events under Paragraphs 2.2.5 and 2.2.6 of the salient terms of the Boulevard Motor Group SSA set out in Appendix I(B) below, failing which, the Undertaking Party 1 shall forthwith pay all such sums together with the interest accrued to the Purchaser and keep the Purchaser fully indemnified of the same; and</i></p> <p><i>(b) Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing and Ling Chiong Pin (“Undertaking Party 2”) have, upon execution of the SSA 1, executed an irrevocable and unconditional letter of undertaking in favour of the Purchaser, that the Undertaking Party 2 irrevocably and unconditionally, jointly and severally, undertake to procure, the SSA 1 Vendors shall among others, refund all money paid by the Purchaser to the SSA 1 Vendors under the SSA 1 together with the interest accrued upon occurrence of events under Paragraph 2.2.3 and 2.2.4 below, failing which, the Undertaking Party 2 shall forthwith pay all such sums together with the interest accrued to the Purchaser and keep the Purchaser fully indemnified of the same.</i></p>	<p>and/or any addition/impairment to the NA which took place post completion;</p>
2.2.3	<p><i>In the event the SSA 1 Dealership Agreement is not renewed by 30th June 2025 or such other date as the Parties may agree in writing, or in the event the SSA 1 Target Company is made to stop any of the activities covered under any of the SSA Dealership Agreement by the Principal at any time after the SSA 1 Completion Date but before the SSA 1 Renewed Dealership Agreement is delivered to the Purchaser (“the SSA 1 Trigger Event”), the SSA 1 Vendors unconditionally and irrevocably grant an option to the Purchaser (“SSA 1 Put Option”) which may be exercised by the Purchaser by way of notice in writing (“SSA 1 Put Notice”) issued to the SSA 1 Vendors requiring the SSA 1 Vendors to purchase back all the SSA 1 Sale Shares from the Purchaser within thirty (30) days from the SSA 1 Put Notice at the same SSA 1 Purchase Consideration provided the net assets of the SSA 1 Target Company upon the sale to the SSA 1 Vendors shall be at least equivalent to the audited net assets of the Target Company as at 30th June 2024 subject only to adjustment for any dividends declared prior to completion and for any addition/impairment to the net assets of the SSA 1 Target Company upon</i></p>	<p>(ii) The SSA 1 Vendors shall refund the all monies together with 3.5% interest per annum to the Company upon the receipt of put notice. We note that the accrued interest compensated by the SSA 1 Vendors is at a rate that is within the 12-month fixed deposit rates offered by the commercial and investment banks in Malaysia which is between 2.79% and 3.65% in June 2024 (<i>Source: Monthly Highlights & Statistics for June 2024, Bank Negara Malaysia</i>); and</p> <p>(iii) the transfer of SSA 1 Sale Shares back to respective SSA 1 Vendors will only be effected at the cost of SSA 1 Vendors upon the receipt of refund amounts by the Company.</p>
	<p><i>Furthermore, we note the undertaking provided upon signing of SSA 1. In respect of the proposed acquisition of Boulevard Jaya, the undertaking parties, namely Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing and Ling Chiong Pin who are also the Executive Directors of the Company, undertake and guarantee that the obligations of the SSA 1 Vendors will be fulfilled and all monies together with accrued interest shall be returned to the Purchaser in the event the dealership agreement are not renewed by 30 June 2025 and the Company exercises the put notice.</i></p>	

No.	Salient Terms of the Boulevard Jaya SSA	Comments
	<p><i>completion. The SSA 1 Put Option must be exercised by the Purchaser within a period of three (3) months from the date of any of the SSA 1 Trigger Events, whichever is the later).</i></p>	<p>We note that the SSA 1 has in place mechanisms to address the non-renewal of dealership and/or agency rights which expires on 31 December 2024.</p>
2.2.4	<p><i>In the event of Paragraph 2.2.3 above and the Purchaser has exercised the SSA 1 Put Option, the SSA 1 Parties agree as to the following:-</i></p> <ul style="list-style-type: none"> <i>(i) the SSA 1 Vendors shall refund all the money paid by the Purchaser to the SSA 1 Vendors under the SSA 1 (including all the SSA 1 Deposit and the SSA 1 Balance Sum) to the Purchaser, with interests at the rate of three point five percent (3.5%) per annum, within seven (7) days from the receipt of the SSA 1 Put Notice;</i> <i>(ii) the Purchaser shall, solely at the costs and expenses of the SSA 1 Vendors, transfer the SSA 1 Sale Shares back to the SSA 1 Vendors within seven (7) days after receipt of the refund of all the money paid by the Purchaser to the SSA 1 Vendors under the SSA 1 (including all the SSA 1 Deposit and the SSA1 Balance Sum) and interests as provided in sub-clause (i) above; and</i> <i>(iii) save as otherwise provided in the SSA 1, neither party shall have any claim against the other whatsoever.</i> 	<p>Further, we note that the Company has an avenue to reclaim its payments made with interest and the avenue is further backed by undertakings by three of the Company's Executive Directors.</p> <p>Warranties: The SSA 1 Vendors are providing the Company with warranties with regards to the operations and financial management of the Boulevard Jaya as well as ownership of the SSA 1 Sale Shares, continuity of the existing business as well as assets, contingent liabilities and NA of Boulevard Jaya.</p>
2.2.5	<p><i>Notwithstanding any provisions in the SSA 1, in the event the SSA 1 Dealership Agreement has been renewed ("SSA 1 Initial Renewal"), the SSA 1 Vendors further irrevocably warrants that the SSA 1 Dealership Agreement will be further renewed until 31st December 2028 and during the period from the SSA 1 Initial Renewal up to 31st December 2028, if the SSA 1 Dealership Agreement is terminated or not renewed in substantially the same or equivalent terms, which is to be determined solely at the Purchaser's discretion, the SSA 1 Vendors shall compensate the Purchaser a cash amount of RM5,700,000.00 a year commencing from the date of termination of the SSA 1 Dealership Agreement or on the date of expiry of the SSA 1 Initial Renewal of the SSA 1 Dealership Agreement up to 31st December 2028. The amount to be compensated was negotiated on a willing-buyer-willing-seller basis after taking into consideration the purchase consideration of RM27.5 million for Boulevard Jaya and the number of years leading to 31 December 2028.</i></p>	<p>A key warranty is also to procure the consent of the principal to the dealership agreement for the outlet in Kuching. This will ensure the business continuity for the mentioned outlet.</p> <p>In addition, the SSA 1 Vendors also warrant that the aforementioned existing dealership and agency agreements will be further renewed up to 31 December 2028. If there is any disruption to the renewal or the renewed terms are not substantially the same or equivalent terms, the SSA 1 Vendors shall compensate the Purchaser an aggregate cash amount of RM5.7 million</p>

No.	Salient Terms of the Boulevard Jaya SSA	Comments
2.2.6	<p><i>The SSA 1 Vendors irrevocably undertakes and warrants that they will procure the SSA 1 Target Company to obtain the consent from the Principal to operate the centre at Lot 1411 & 2115, Section 66, KTL D, Jalan Mersawa, Pending Industrial Area, 93450 Kuching, Sarawak and to include the same in the SSA 1 Dealership Agreement and/or the SSA 1 Renewed Dealership Agreement. The SSA 1 Vendors also irrevocably undertakes and warrants that no event has occurred and/or subsisting or is reasonably expected to occur nor is there any dispute or issue and/or potential dispute or issue which will prohibit or restrict the granting of such consent from the Principal. The SSA 1 Vendors further irrevocably undertakes and warrants that while pending such consent from the Principal, there is no likelihood of any termination of the SSA 1 Dealership Agreement and agency agreement and/or the granting of the renewal and/or extension of the SSA 1 Dealership Agreement and agency agreements for all the other centres</i></p>	<p>annually up to 2028 at the Company's discretion. This warranty provides financial mitigation for the Company under the circumstances whereby it is unable to reap the benefits of the Proposed Acquisition and the dealership business. Based on the latest audited accounts of Shin Yang Holding, being one of the SSA 1 Vendors as at 30 June 2023, we note that the net cash position and NA of Shin Yang Holding (excluding net cash and NA of SYGROUP) amount to approximately RM133.72 million and RM5.55 billion respectively, indicating sufficient financial resources to support the undertaking if required.</p>
3.	<p>Conditions precedent</p> <p><i>The sale and purchase of the SSA 1 Sale Shares and the completion thereof are conditional upon all of the following conditions being fulfilled or waived ("SSA 1 Conditions Precedent"), at the option of the Purchaser by written notice to the SSA 1 Vendors, at or prior to the SSA 1 Stop Date (which is the date falling three (3) months after the date of the SSA 1 or such extended date as may be mutually agreed in writing by the Purchaser and the SSA 1 Vendors:</i></p> <ul style="list-style-type: none"> <i>(a) satisfactory legal and financial due diligence by the Purchaser on the SSA 1 Target Company;</i> <i>(b) the SSA 1 Vendors have obtained and furnish to the Solicitors its Board's approval and Shareholders' Approval for entering into the SSA 1;</i> <i>(c) consent for change of shareholders and directors from the Principal under the SSA 1 Dealership Agreement and agency agreement;</i> <i>(d) the Purchaser shall have obtained board's Approval and shareholders' approval for the SSA 1 and the SSA 2 and the transfer of the consideration treasury shares under SSA 2;</i> 	<p>This clause sets a timeframe of 3 months or an agreed extended date for the SSA 1 Vendors and the Purchaser to secure the necessary approvals and confirmations to facilitate the Proposed Acquisition.</p> <p>Further, SSA 1 and SSA 2 are also inter-conditional.</p>

No.	Salient Terms of the Boulevard Jaya SSA	Comments
(e)	<p><i>the SSA 1 Vendors shall have procured the SSA 1 Target Company to obtain all relevant approvals, consents and notifications with regard to the change of shareholders/shareholding and directors contemplated in the SSA 1 from the SSA 1 Target Company' bankers or financiers as required;</i></p>	
(f)	<p><i>SSA 1 has been executed concurrently with the SSA 2; and</i></p>	
(g)	<p><i>other approvals (if any).</i></p>	
	<p><i>The SSA 1 Vendors and the Purchaser shall upon a SSA 1 Condition Precedent being satisfied or being incapable of being satisfied (as the case may be), notify the other SSA 1 Party and the Solicitors in writing. The date when all the SSA 1 Conditions Precedent have been fulfilled or are satisfied or which is waived by the Purchaser, shall be deemed as the SSA 1 Unconditional Date. Where the Purchaser elects to rescind the SSA 1 in accordance with any of the provisions hereof, none of the SSA 1 Parties shall have any further claims against the others save and except for any antecedent breach.</i></p>	
	<p><i>Where the Purchaser elects to rescind the SSA 1 in accordance with any of the provisions therein, the SSA 1 Vendors shall forthwith refund all the SSA 1 Deposit to the Purchaser and upon receipt of the SSA 1 Deposit by the Purchaser, none of the SSA 1 Parties shall have any further claims against the others save and except for any antecedent breach.</i></p>	
4.	<p>Termination <i>Termination by the Purchaser: On the occurrence of any of the events which include breach of the SSA 1 or termination of SSA 2, insolvency, winding up or receiver is appointed over any of the assets or undertaking of the SSA 1 Vendors or the SSA 1 Target Company or entry of arrangement or composition with the creditors by the SSA 1 Vendors or the SSA 1 Target Company, cessation of business by the SSA 1 Vendors or the SSA 1 Target Company, the Purchaser shall be entitled to give notice in writing to the SSA 1 Vendors specifying the default or breach requiring the SSA 1 Vendors to remedy the said default or breach within fourteen (14) days of the receipt of such notice, failing which, the SSA 1 may be terminated forthwith by notice in writing from the Purchaser. Without limiting any right or remedy available to the Purchaser at law or in equity (which includes the right to claim damages and to specific performance), the SSA 1 Vendors shall refund all</i></p>	<p><i>In the event of default by the SSA 1 Vendors or the Purchaser on or prior to Completion Date, the SSA 1 can be terminated. This clause safeguards the interests of the non-defaulting party from the other party's breach of any material obligation of the SSA 1. Under such circumstances, the non-defaulting party is entitled to any right or remedy available (such as damages and specific performance) at an amount not exceeding the deposit, specific performance under the SSA 1 or terminate the SSA 1 with</i></p>

No.	Salient Terms of the Boulevard Jaya SSA	Comments
	<p><i>monies paid by the Purchaser including the SSA 1 Deposit; and the SSA 1 Vendors shall indemnify the Purchaser for all damages, costs, charges and expenses incurred by it in connection with the negotiation and preparation, breach of or non-compliance with the SSA 1 and termination or rescission of the SSA 1 and all matters which are connected therewith provided that the total of such amounts shall not exceed the sum equivalent to the SSA 1 Deposit.</i></p>	<p>immediate effect. Both parties have the same rights as a non-defaulting party.</p> <p>The deposit will be refunded to the Company when either parties elect to rescind the SSA 1.</p>
	<p><i>Termination by the SSA 1 Vendors:</i> <i>On the occurrence of any of the events which include breach of the SSA 1 or termination of SSA 2, insolvency, winding up or receiver is appointed over any of the assets or undertaking of the Purchaser or entry of arrangement or composition with the creditors by the Purchaser, cessation of business by the Purchaser, the SSA 1 Vendors shall be entitled to give notice in writing to the Purchaser specifying the default or breach requiring the Purchaser to remedy the said default or breach within fourteen (14) days of the receipt of such notice, failing which, the SSA 1 may be terminated forthwith by notice in writing from the SSA 1 Vendors. Without limiting any right or remedy available to the SSA 1 Vendors at law or in equity (which includes the right to claim damages and to specific performance), the SSA 1 Vendors shall refund all monies paid by the Purchaser including the SSA 1 Deposit; and the Purchaser shall indemnify the SSA 1 Vendors for all damages, costs, charges and expenses incurred by it in connection with the negotiation and preparation, breach of or non-compliance with the SSA 1 and termination or rescission of the SSA 1 and all matters which are connected therewith provided that the total of such amounts shall not exceed the sum equivalent to the SSA 1 Deposit.</i></p>	

Based on the above, we are of the view that the salient terms of the Boulevard Jaya SSA are acceptable.

7.4.2. Salient terms of the Boulevard Motor Group SSA

The salient terms of the Boulevard Motor Group SSA, as extracted from Appendix I (B) of this Circular, and our comments are as follows:

No.	Salient Terms of the Boulevard Motor Group SSA	Comments										
1.	<p>Sale and transfer of the sale shares <i>Subject to the terms and conditions of the SSA 2, Dwi Bumijaya (also referred to as the “SSA 2 Vendor”) shall sell and transfer to the Purchaser and the Purchaser shall purchase and accept, the sale shares (“SSA 2 Sale Shares”), which is 1,500,000 shares and being 60% of the total issued and paid-up capital in each of Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) (also collectively referred to as “the SSA 2 Target Companies”), as described below free from all encumbrances (as defined in the SSA 2) and together with all rights, benefits and entitlements whatsoever attaching thereto as at the SSA 2 Completion Date (which is a date two (2) month after the Condition Precedents in Paragraph 3 below have been fulfilled or waived; or such extended date as may be mutually agreed in writing by the Purchaser and the SSA 2 Vendor).</i></p>	<p>The SSA 2 Sale Shares will be acquired without encumbrances on the SSA 2 Completion Date at an aggregate purchase consideration of RM117 million to be satisfied via a combination of cash and transfer of Consideration Treasury Shares.</p>										
2.	<p>Purchase consideration, payment and adjustment 2.1 <i>The total consideration for the sale, purchase and transfer of the SSA 2 Sale Shares shall be as below (“SSA 2 Purchase Consideration”):</i></p> <table border="1" data-bbox="603 1303 1279 1646"> <thead> <tr> <th data-bbox="611 1303 643 1646">SSA 2 Target Companies</th> <th data-bbox="611 902 643 1646">Purchase Consideration (RM)</th> </tr> </thead> <tbody> <tr> <td data-bbox="647 1303 679 1646">Boulevard Motor</td> <td data-bbox="647 902 679 1646">72,240,000</td> </tr> <tr> <td data-bbox="684 1303 716 1646">Boulevard Motor (Sabah)</td> <td data-bbox="684 902 716 1646">39,150,000</td> </tr> <tr> <td data-bbox="721 1303 753 1646">Boulevard Motor (Labuan)</td> <td data-bbox="721 902 753 1646">5,610,000</td> </tr> <tr> <td data-bbox="758 1303 790 1646">Total</td> <td data-bbox="758 902 790 1646">117,000,000</td> </tr> </tbody> </table>	SSA 2 Target Companies	Purchase Consideration (RM)	Boulevard Motor	72,240,000	Boulevard Motor (Sabah)	39,150,000	Boulevard Motor (Labuan)	5,610,000	Total	117,000,000	<p>SYGROUP had paid a deposit equivalent to 10% of the SSA 2 Purchase Consideration upon the signing of the SSA 2, which is a normal commercial term observed in transactions of similar nature.</p> <p>In respect of the remaining 90% of the SSA 2 Purchase Consideration, the SSA 2 Cash Balance Sum will be paid to the SSA 2 Vendor upon completion date whilst Consideration Treasury Shares will only be released to the SSA 2 Vendor upon completion date or renewal of dealership agreements (where the completion takes place pending renewal), whichever is later. Deferral of the transfer of Consideration Treasury Shares is a safeguard to the Company on the continuity of the dealership business.</p>
SSA 2 Target Companies	Purchase Consideration (RM)											
Boulevard Motor	72,240,000											
Boulevard Motor (Sabah)	39,150,000											
Boulevard Motor (Labuan)	5,610,000											
Total	117,000,000											

No.	Salient Terms of the Boulevard Motor Group SSA	Comments
2.2	<p>The SSA 2 Purchase Consideration shall be paid by the Purchaser in the manner as follows:</p>	<p>Renewal of dealership agreements The existing SSA 2 Dealership Agreements of the Boulevard Motor Group will expire on 31 December 2024. The SSA 2 Vendor is to ensure the renewal of the SSA 2 Dealership Agreements will be obtained by 30 June 2025 or such other date as agreed by both parties which may be post completion.</p>
2.2.1	<p>Subject to Paragraph 2.2.2 below and provided that the SSA 2 Vendor procure the renewal of the dealership agreements entered by each of the SSA 2 Target Companies with the Principal dated 3 July 2023 (“SSA 2 Dealership Agreements”) in substantially the same or equivalent terms and ensure that the new SSA 2 Dealership Agreements between each of the SSA 2 Target Companies and the Principal after the expiry date on 31st December 2024 (“the SSA 2 Renewed Dealership Agreements”), the SSA 2 Purchase Consideration shall be paid by the Purchaser in the following manner:</p>	<p>Completion (i) Completion with the renewal of dealership agreements</p> <p>The Company is to settle the remaining SSA 2 Purchase Consideration in cash and transfer of Consideration Treasury Shares upon the completion of the SSA 2.</p>
	<p>(a) simultaneously upon the signing of the SSA 2, the Purchaser shall pay in cash to the SSA 2 Vendor into an account identified in writing by the SSA 2 Vendor an aggregate sum of RM11,700,000.00, representing 10% of the SSA 2 Purchase Consideration as deposit and earnest money (“SSA 2 Deposit”); and</p>	<p>(i) Completion without the renewal of dealership agreements</p> <p>In the event the SSA 2 Dealership Agreements have not been renewed on the completion date, the SSA 2 Balance Sum will be paid to the Vendors for the transfer of 60% of the shares in each Target Company to SYGROUP. The Consideration Treasury Shares are retained and will only be transferred to SSA 2 Vendor upon the renewal of the aforementioned agreements.</p>
	<p>(b) the balance of the SSA 2 Purchase Consideration amounting to RM105,300,000.00 (representing ninety percent (90%) of the SSA 2 Purchase Consideration) (“SSA 2 Balance Sum”), shall be paid in the following manner:</p>	
	<p>(i) 55,000,000 Treasury Shares (“the Consideration Treasury Shares”) to be transferred to the SSA 2 Vendor within seven (7) days from the SSA 2 Completion Date, which will shall be deemed to be equivalent to an amount based on the higher of the following:</p>	
	<p>(aa) RM0.8514 per Treasury Share, being a 5.00% premium to the 5-days VWAP of the ordinary shares in the Purchaser up to and including 5 July 2024, being the latest practicable day prior to the date of the SSA 2; or</p>	
	<p>(bb) the 5-days VWAP of the ordinary shares in the Purchaser up to and including the date prior to the transfer of the Treasury Shares to the SSA 2 Vendor; and</p>	

No.	Salient Terms of the Boulevard Motor Group SSA	Comments
(ii)	<p><i>the remaining SSA 2 Balance Sum will be in cash within seven (7) days from the Completion Date and after Paragraph 2.2.1(b)(i) to the SSA 2 Vendor.</i></p>	<p>In view that completion may proceed pending renewal of SSA 2 Dealership Agreements, the Group will be able to consolidate the financial results of Boulevard Motor Group upon the completion of the Proposed Acquisition.</p>
2.2.2	<p><i>In the event the SSA 2 Vendor is unable to deliver the SSA 2 Renewed Dealership Agreement to the Purchaser by the Completion Date, the Purchaser and the SSA 2 Vendor (collectively referred to as the “SSA 2 Parties”) will proceed to complete the sale and purchase of the SSA 2 Sale Shares on the SSA 2 Completion Date and the payment of the SSA 2 Balance Sum shall be paid by the Purchaser to the SSA 2 Vendor in the following manner:</i></p>	<p>In the event the SSA 2 Dealership Agreements are not renewed after completion:</p>
(a)	<p><i>a sum of RM58,473,000.00 only (“SSA 2 Cash Balance Sum”), shall be paid in cash to the Vendor into an account identified in writing by the SSA 2 Vendor within seven (7) days from the SSA 2 Completion Date; and</i></p>	(i) The Company is entitled to exercise a put option and sell the SSA 2 Sale Shares back to the SSA 2 Vendor at the same purchase consideration. The NA of each Target Company upon the sell back shall be at least equivalent to the NA as at the latest financial year ends prior to the signing of the SSA 2 after any addition/impairment to the NA which took place post completion.
(b)	<p><i>The Consideration Treasury Shares shall only be transferred to the SSA 2 Vendor within a period of seven (7) days from the date the Purchaser shall have received the SSA 2 Renewed Dealership Agreements from the Vendor (“SSA 2 Deferred Payment Date”);</i></p> <p><i>and on the condition that Shin Yang Holding and Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing and Ling Chiong Pin (collectively “Undertaking Party”) have, upon execution of the SSA 2, executed an irrevocable and unconditional letter of undertaking in favour of the Purchaser, that the Undertaking Party irrevocably and unconditionally, jointly and severally, undertake to procure the SSA 2 Vendor and guarantee that SSA 2 Vendor shall among others, refund all money paid by the Purchaser to the SSA 2 Vendor under the SSA 2 together with the interest accrued upon occurrence of events under Paragraphs 2.2.5 and 2.2.6 below; failing which, the Undertaking Party shall forthwith pay all such sums together with the interest accrued to the Purchaser and keep the Purchaser fully indemnified of the same; and</i></p>	(ii) The SSA 2 Vendor shall refund the deposit and SSA 2 Cash Balance Sum together with 3.5% interest per annum to the Company upon the receipt of put notice. We note that the accrued interest compensated by the SSA 2 Vendor is at a rate that is within the 12-month fixed deposit rates offered by the commercial and investment banks in Malaysia which is between 2.79% and 3.65% in June 2024 (Source: <i>Monthly Highlights & Statistics for June 2024, Bank Negara Malaysia</i>);

No.	Salient Terms of the Boulevard Motor Group SSA	Comments
2.2.3	<p><i>Upon the SSA 2 Deferred Payment Date:</i></p> <p>(a) <i>the Consideration Treasury Shares shall be transferred to the SSA 2 Vendor and the value of the Consideration Treasury Shares (“Actual Value of Treasury Share”) shall be determined based on the higher of the following:</i></p> <p>(i) <i>RM0.8514 per Treasury Share, being approximately 5.00% premium to the 5-days VWAP of ordinary shares in the Purchaser up to and including 5th July 2024, being the SSA LPD; or</i></p> <p>(ii) <i>the 5-days VWAP of the Purchaser’s shares up to and including the date prior to the transfer of the Treasury Shares to the SSA 2 Vendor; and</i></p> <p>(b) <i>in the event the SSA 2 Balance Sum is less than the sum which have been paid to the SSA 2 Vendor (namely the SSA 2 Cash Balance Sum and the Actual Value of Treasury Share), the SSA 2 Vendor shall pay and refund the differential sum to the Purchaser in cash within three (3) days from the transfer of the Consideration Treasury Shares.</i></p>	<p>(iii) The Company will be discharged from its obligation to transfer the Consideration Treasury Shares to the SSA 2 Vendor. Accordingly, there will be no impact on the shareholdings of the Non-Interested Shareholders; and</p> <p>(iv) the transfer of SSA 2 Sale Shares back to SSA 2 Vendor will only be effected at the cost of SSA 2 Vendor upon the receipt of refund amounts by the Company.</p> <p>Furthermore, we note the undertaking provided upon signing of SSA 2. In respect of the proposed acquisition of the Boulevard Motor Group, Shin Yang Holding, being one of the SSA 1 Vendors and 3 of its directors and shareholders namely, Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing and Ling Chiong Pin undertake and guarantee that the obligations of the SSA 2 Vendor will be fulfilled and all monies together with accrued interest shall be returned to the Purchaser in the event the SSA 2 Dealership Agreements are not renewed by 30 June 2025 and the Company exercises the put notice. Based on the latest audited accounts of Shin Yang Holding as at 30 June 2023, we note that the net cash position and NA of Shin Yang Holding (excluding net cash and NA of SYGROUP) amount to approximately RM133.72 million and RM5.55 billion respectively, indicating sufficient financial resources to support the undertaking if required.</p>
2.2.4	<p><i>In the event of Paragraph 2.2.2 and in consideration of the deferment of the Consideration Treasury Shares to the SSA 2 Vendors, the SSA 2 Parties agree that should there be any declaration of dividend made by the Purchaser for its ordinary shareholders at any time between the SSA 2 Completion Date and the date of transfer of the Consideration Treasury Shares to the SSA 2 Vendor, the Purchaser shall pay to the SSA 2 Vendor an additional amount equivalent to the amount of dividend which would otherwise have been payable to the SSA 2 Vendor had the Consideration Treasury Shares been transferred to the SSA 2 Vendor on the SSA 2 Completion Date.</i></p>	

No.	Salient Terms of the Boulevard Motor Group SSA	Comments
2.2.5	<p><i>In the event any of the SSA 2 Dealership Agreements is not renewed by 30th June 2025 or such other date as the Parties may agree in writing, or in the event any of the SSA 2 Target Companies is made to stop any of the activities covered under any of the SSA 2 Dealership Agreements by the Principal at any time after the SSA 2 Completion Date but before the SSA 2 Renewed Dealership Agreements are delivered to the Purchaser (“the SSA 2 Trigger Event”), the SSA 2 Vendor unconditionally and irrevocably grant an option to the Purchaser (“SSA 2 Put Option”) which may be exercised by the Purchaser by way of notice in writing (“SSA 2 Put Notice”) issued to the SSA 2 Vendor requiring the SSA 2 Vendor to purchase back all the Sale Shares from the Purchaser within thirty (30) days from the SSA 2 Put Notice at the same SSA 2 Purchase Consideration provided the net assets of each of the SSA 2 Target Companies upon the sale to the SSA 2 Vendor shall be at least equivalent to the audited net assets of each of the SSA 2 Target Companies as at 31st December 2023 subject only to adjustment for any addition or impairment to the net assets of each of the SSA 2 Target Companies upon Completion. The SSA 2 Put Option must be exercised by the Purchaser within a period of three (3) months from the date of any of the SSA 2 Trigger Events, whichever is the later).</i></p>	<p>We note that the SSA 2 has in place mechanisms to address the non-renewal of dealership and/or agency rights which expire on 31 December 2024.</p> <p>Further, we note that the Company has an avenue to reclaim its payments made with interest and the avenue is further backed by undertakings by Shin Yang Holding and three of the Company’s Executive Directors.</p>
2.2.6	<p><i>In the event of Paragraph 2.2.5 above and the Purchaser has exercised the SSA 2 Put Option, the SSA 2 Parties agree as to the following:-</i></p> <ul style="list-style-type: none"> <li data-bbox="991 338 1158 2007"><i>(i) the SSA 2 Vendor shall refund all the money paid by the Purchaser to the SSA 2 Vendor under this SSA 2 (including all the SSA 2 Deposit and the SSA 2 Cash Balance Sum) to the Purchaser, with interests at the rate of three point five percent (3.5%) per annum, within seven (7) days from the receipt of the SSA 2 Put Notice;</i> <li data-bbox="1197 338 1289 2007"><i>(ii) the Purchaser shall be released and fully discharged from any further obligation to make the Consideration Treasury Shares to the SSA 2 Vendor;</i> 	<p><u>Payment of accrued dividend in the event of deferment of transfer of Consideration Treasury Shares</u></p> <p>Should completion takes place prior to renewal of the SSA 2 Dealership Agreements and there are any declaration of dividend by the Purchaser, at any time between the SSA 2 Completion Date and the date of transfer of the Consideration Treasury Shares to Dwi Bumijaya, the Purchaser shall pay to Dwi Bumijaya an additional amount equivalent to the dividend on the Consideration Treasury Shares.</p> <p>We are of the view that this is justified as the Target Companies would have been transferred to the Company upon Completion while the Consideration Treasury Shares (as part settlement of the Purchase Consideration) are still withheld from Dwi Bumijaya until the dealership agreements are renewed.</p>

No.	Salient Terms of the Boulevard Motor Group SSA	Comments
(iii)	<p><i>the Purchaser shall, solely at the costs and expenses of the SSA 2 Vendor, transfer the SSA 2 Sale Shares back to the SSA 2 Vendor within seven (7) days after receipt of the refund of all the money paid by the Purchaser to the SSA 2 Vendor under this SSA 2 (including all the SSA 2 Deposit and the SSA 2 Cash Balance Sum) and interests as provided in sub-clause (i) above; and</i></p>	
(iv)	<p><i>save as otherwise provided herein, neither shall have any claim against the other whatsoever.</i></p>	
2.2.7	<p><i>Notwithstanding any provisions in the SSA 2, in the event the SSA 2 Dealership Agreements have been renewed ("SSA 2 Initial Renewal"), the SSA 2 Vendor further irrevocably warrants that the SSA 2 Dealership Agreements will be further renewed until 31st December 2028 and during the period from the SSA 2 Initial Renewal up to 31st December 2028, if the SSA 2 Dealership Agreements are terminated or not renewed in substantially the same or equivalent terms, which is to be determined solely at the Purchaser's discretion, the SSA 2 Vendor shall compensate the Purchaser a cash amount of RM24,300,000.00 a year commencing from the date of termination of the SSA 2 Dealership Agreements or on the date of expiry of the SSA 2 Initial Renewal of the SSA 2 Dealership Agreements up to 31st December 2028. The amount to be compensated was negotiated on a willing-buyer-willing-seller basis after taking into consideration the purchase consideration of RM117.0 million for Boulevard Motor Group and the number of years leading to 31 December 2028.</i></p>	

No.	Salient Terms of the Boulevard Motor Group SSA	Comments
2.2.8	<p><i>The SSA 2 Vendor irrevocably undertakes and warrants that they will procure Boulevard Motor to obtain the consent from the Principal to operate the centre Miri 2S Lot 3043 Block 5 Miri Concession Land District, 98000 Miri (now known as Lot 799 Miri Concession Land District) and to include the same in the SSA 2 Dealership Agreement and/or the SSA 2 Renewed Dealership Agreement. The SSA 2 Vendor further irrevocably undertakes and warrants that while pending such consent from the Principal, there is no likelihood of any termination of the SSA 2 Dealership Agreements and SSA 2 agency agreements and/or the granting of the renewal and/or extension of the SSA 2 Dealership Agreements and agency agreements for all the other centres</i></p>	<p>Warranties: The SSA 2 Vendor is providing the Company with warranties with regards to the operations and financial management of the Boulevard Motor Group as well as ownership of the SSA 2 Sale Shares, continuity of the existing business as well as assets, contingent liabilities and NA of Boulevard Motor Group.</p> <p>A key warranty is also to procure the consent of the principal to the dealership agreements for the outlet in Miri. This will ensure the business continuity for the mentioned outlet.</p> <p>In addition, the SSA 2 Vendor also warrants that the aforementioned existing dealership and agency agreements will be further renewed up to 31 December 2028. If there is any disruption to the renewal or the renewed terms are not substantially the same or equivalent terms, the SSA 2 Vendor shall compensate the Purchaser an aggregate cash amount of RM24.30 million annually up to 2028 at the Company's discretion. This warranty provides financial mitigation for the Company under the circumstances whereby it is unable to reap the benefits of the Proposed Acquisition and the dealership business.</p>

No.	Salient Terms of the Boulevard Motor Group SSA	Comments
3.	<p>Conditions precedent <i>The sale and purchase of the SSA 2 Sale Shares and the completion thereof are conditional upon all of the following conditions being fulfilled or waived (“SSA 2 Conditions Precedent”), at the option of the Purchaser by written notice to the SSA 2 Vendor, at or prior to the SSA 2 Stop Date (which is the date falling three (3) months after the date of the SSA 2 or such extended date as may be mutually agreed in writing by the Purchaser and the SSA 2 Vendor:</i></p> <ul style="list-style-type: none"> <i>(a) satisfactory legal and financial due diligence by the Purchaser on each of the SSA 2 Target Companies;</i> <i>(b) the SSA 2 Vendor has obtained and furnish to the Solicitors its Board’s approval and Shareholders’ Approval for entering into the SSA 2;</i> <i>(c) consent for change of shareholders and directors from the Principal under the SSA 2 Dealership Agreements and agency agreements;</i> <i>(d) the SSA 2 Purchaser shall have obtained board’s approval and shareholders’ approval for the SSA 2 and the SSA 1 and the Transfer of the Consideration Treasury Shares;</i> <i>(e) the SSA 2 Vendor shall have procured each of the SSA 2 Target Companies to obtain all relevant approvals, consents and notifications with regard to the change of shareholders/shareholding and directors contemplated in the SSA 2 from each of the SSA 2 Target Companies’ bankers or financiers as required;</i> <i>(f) SSA 2 has been executed concurrently with the SSA 1; and other approvals (if any).</i> <p><i>The SSA 2 Vendor and the Purchaser shall upon a SSA 2 Condition Precedent being satisfied or being incapable of being satisfied (as the case may be), notify the other SSA 2 Party and the Solicitors in writing. The date when all the SSA 2 Conditions Precedent have been fulfilled or are satisfied or which is waived by the Purchaser, shall be deemed as the SSA 2 Unconditional Date. Where the Purchaser elects to rescind the SSA 2 in accordance with any of the provisions hereof, none of the SSA 2 Parties shall have any further claims against the others save and except for any antecedent breach.</i></p> <p><i>Where the Purchaser elects to rescind the SSA 2 in accordance with any of the provisions therein, the SSA 2 Vendor shall forthwith refund all the SSA 2 Deposit to the Purchaser and upon receipt of the SSA 2 Deposit by the Purchaser, none of the SSA 2 Parties shall have any further claims against the others save and except for any antecedent breach.</i></p>	<p>This clause sets a timeframe of 3 months or an agreed extended date for the SSA 2 Vendor and the Purchaser to secure the necessary approvals and confirmations to facilitate the Proposed Acquisition which include the Board and shareholders of the Company and the SSA 2 Vendor, the principal of the dealership and agency agreements, etc.</p> <p>Further, SSA 1 and SSA 2 are also inter-conditional.</p>

No.	Salient Terms of the Boulevard Motor Group SSA	Comments
4.	<p>Termination</p> <p><i>Termination by the Purchaser: On the occurrence of any of the events which include breach of the SSA 2 or termination of SSA 1, insolvency, winding up or receiver is appointed over any of the assets or undertaking of the SSA 2 Vendor or each of the SSA 2 Target Companies or entry of arrangement or composition with the creditors by the SSA 2 Vendor or each of the SSA 2 Target Companies, cessation of business by the SSA 2 Vendor or each of the SSA 2 Target Companies, the Purchaser shall be entitled to give notice in writing to the SSA 2 Vendor specifying the default or breach requiring the SSA 2 Vendor to remedy the said default or breach within fourteen (14) days of the receipt of such notice, failing which, the SSA 2 may be terminated forthwith by notice in writing from the Purchaser. Without limiting any right or remedy available to the Purchaser at law or in equity (which includes the right to claim damages and to specific performance), the SSA 2 Vendor shall refund all monies paid by the Purchaser including the SSA 2 Deposit; and the SSA 2 Vendor shall indemnify the Purchaser for all damages, costs, charges and expenses incurred by it in connection with the negotiation and preparation, breach of or non-compliance with the SSA 2 and termination or rescission of the SSA 2 and all matters which are connected therewith provided that the total of such amounts shall not exceed the sum equivalent to the SSA 2 Deposit.</i></p>	<p>In the event of default by the SSA 2 Vendor or the Purchaser on or prior to completion date, the SSA 2 can be terminated. This clause safeguards the interests of the non-defaulting party from the other party's breach of any material obligation of the SSA 2. Under such circumstances, the non-defaulting party is entitled to any right or remedy available (such as damages and specific performance) at an amount not exceeding the deposit, specific performance under the SSA 2 or terminate the SSA 2 with immediate effect. Both parties have the same rights as a non-defaulting party.</p>
	<p>Termination by the SSA 2 Vendor: On the occurrence of any of the events which include breach of the SSA 2 or termination of SSA 1, insolvency, winding up or receiver is appointed over any of the assets or undertaking of the Purchaser or entry of arrangement or composition with the creditors by the Purchaser, cessation of business by Purchaser, the SSA 2 Vendor shall be entitled to give notice in writing to the Purchaser specifying the default or breach requiring the Purchaser to remedy the said default or breach within fourteen (14) days of the receipt of such notice, failing which, the SSA 2 may be terminated forthwith by notice in writing from the SSA 2 Vendor. Without limiting any right or remedy available to the SSA 2 Vendor at law or in equity (which includes the right to claim damages and to specific performance), the SSA 2 Vendor shall refund all monies paid by the Purchaser including the SSA 2 Deposit; and the Purchaser shall indemnify the SSA 2 Vendor for all damages, costs, charges and expenses incurred by it in connection with the negotiation and preparation, breach of or non-compliance with the SSA 2 and all matters which are connected therewith provided that the total of such amounts shall not exceed the sum equivalent to the SSA 2 Deposit.</p>	<p>The deposit will be refunded to the Company when either parties elect to rescind the SSA 2.</p>

Based on the above, we are of the view that the salient terms of the Boulevard Motor Group SSA are acceptable.

7.5. Industry outlook and prospects

The overview and outlook of the economy and the automotive industry are detailed in the Section 5 of Part A of this Circular.

7.5.1. The global and regional economic outlook

Global economy

Global growth is projected to be in line with the International Monetary Fund's forecast in April 2024, at 3.2% in 2024 and 3.3% in 2025. However, varied momentum in activity at the turn of the year has somewhat narrowed the output divergence across economies as cyclical factors wane and activity becomes better aligned with its potential. Overall, risks to the outlook remain balanced, as in the WEO issued in April 2024.

(Source: World Economy Outlook July 2024, International Monetary Fund)

Risks to the global outlook are now broadly balanced. On the downside, new price spikes stemming from geopolitical tensions, including those from the war in Ukraine and the conflict in Gaza and Israel, could, along with persistent core inflation where labour markets are still tight, raise interest rate expectations and reduce asset prices. On the upside, looser fiscal policy than necessary and assumed in projections could raise economic activity in the short term, although risking more costly policy adjustment later on. Inflation could fall faster than expected amid further gains in labour force participation, allowing central banks to bring easing plans forward. Artificial intelligence and stronger structural reforms than anticipated could spur productivity.

(Source: World Economy Outlook April 2024, International Monetary Fund)

Malaysia economy

The Malaysian economy grew by 3.7% in 2023 despite facing challenges stemming from weak external demand, disruptions in commodity production and higher cost of living. Growth was mainly supported by resilient domestic demand and recovery in tourism activities. Additionally, improving labour market conditions coupled with supportive policy measures helped household spending, especially among the vulnerable households affected by higher cost of living. Private sector capital spending drove overall investment activity, particularly in information technology and electrical and electronics.

(Source: Economic and Monetary Review 2023, Bank Negara Malaysia)

The Malaysian economy grew at a higher rate of 4.2% in 1Q2024 (4Q2023: 2.9%), driven by stronger private expenditure and positive turnaround in exports. Household spending was higher amid continued growth in employment and wages. Better investment activities were supported by higher capital spending by both the private and public sectors. The stronger growth in the services sector was driven by higher retail trade activities and continued support from the transport and storage subsector. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.4% (4Q2023: -1%).

(Source: Press release dated 17 May 2024, Bank Negara Malaysia)

The growth outlook faces downside risks from weaker-than-expected external demand, further escalation of geopolitical conflicts and larger declines in commodity production. Nevertheless, greater spillover from the tech upcycle, more robust tourism activities, and faster implementation of new and existing investment projects provide upside to Malaysia's economic outlook.

(Source: Quarterly Bulletin, First Quarter 2024, Bank Negara Malaysia)

In 2024, private sector expenditure remains as the main contributor in driving economic activities owing to stronger domestic demand. In addition, Government initiatives to support household spending through cash transfers to targeted groups and the growing social commerce trend are expected to boost private consumption. Meanwhile, private investment is poised to accelerate further driven by improved business environment in consonance with positive response towards Government's strategies and measures in attracting high-tech and high-value investments via the NETR and NIMP 2030.

(Source: Economic Outlook 2024, Ministry of Finance)

The Federal Government increased the development allocation of Sarawak from RM 5.6 billion in 2023 to RM 5.8 billion in 2024. Meanwhile, for Sabah, the allocation increased to RM 6.6 billion in 2024 compared to RM 6.5 billion in 2023. To increase the effectiveness of the allocation, the Government has also delegated the authority to implement development projects valued under RM 50 million to technical agencies in Sabah and Sarawak.

In addition, RM225 million is allocated to fund the cost of distribution of essential goods such as petrol, liquefied petroleum gas, flour, rice and cooking oil to rural and remote areas under the community drumming programme. The programme will be expanded to new areas including the Abai district, Sandakan, Sabah and Engkerebai, Mukah, Sarawak.

(Source: Budget speech 2024, Ministry of Finance)

The GDP is forecast to expand by 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. This is in line with Malaysia's 2024 growth projection, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030), and the Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan).

(Source: Economic Outlook 2024, Ministry of Finance)

Sabah Economy

The Sabah economy is advancing towards recovery by registering encouraging growth of 3.7% in year 2022 compared to 1.5% previously. Sabah's GDP has increased from RM79 billion in year 2021 to RM81.9 billion in year 2022, whereas its GDP per capita has also increased to RM35,766 in year 2022 from RM30,022 previously. This positive growth is driven among others by the recovery of key economic sectors in Sabah.

Meanwhile, total imports recorded an increase of RM27.3 billion in January to August in year 2023 from RM26.4 billion in January to August in year 2022, which is an increase of 3.4%. This is contributed by the rise in the import value of major goods in Sabah such as food, machinery and transport equipment, mineral fuels, lubricants and others.

Moreover, the growth is also driven by strengthening of labour market which can be observed through the downward trend in unemployment rate, which is 7.5% in 1Q2023 compared to 8.6% recorded during the same period in year 2022. By implementing various high-impact initiatives to intensify and expedite economic recovery, the Sabah finance ministry is confident that the overall economic growth of the state for year 2024 will remain positive at a rate of approximately 4%.

(Source: Sabah State Budget Speech 2024, State Minister of Finance)

Sarawak Economy

In 2023, the Sarawak economy continues to expand despite the challenging global environment. It was anticipated that Sarawak economy will grow between 4% and 5% during the year, supported by domestic demand. The services sector is the main driver of growth, with improvement in wholesale and retail trade, restaurants, accommodation, and transportation and storage industries.

To stimulate the growth of the economy, the state government is also continuously investing in the development of digital and physical infrastructures. Amongst others, these investments include the construction of telco towers, implementation of Projek Rakyat, Digitalization of the Sarawak Water Supply System, Coastal Road Network, Second Trunk Road, Sarawak Water Grid and Rural Electrification Scheme Project. With an allocation of RM5.8 billion to Sarawak for development purposes from the Federal Government as announced in the 2024 Budget Speech, this will further drive up public investment and spur Sarawak economy in 2024.

As an open economy, Sarawak is not spared from external factors, leading to a moderation in GDP for 2023. However, maintaining a resilient domestic economy helps to cushion the impact experienced by slower external demand. With an anticipation that global trade will improve in 2024, coupled with an improvement in inflation, Sarawak economy is projected to grow between 5.0% and 6.0% in 2024.

(Source: Budget Speech 2024, Office of the Premier of Sarawak)

The World Bank has qualified Sarawak as a high-income state along with Wilayah Persekutuan Kuala Lumpur, Wilayah Persekutuan Labuan and Pulau Pinang. It will enhance Sarawak's reputation globally and enable Sarawak to attract more quality investments, partnerships, collaborations and create more high-paying jobs for the people, especially in the digital and green economy. This will also attract more talent, especially among the Sarawak diaspora, for them to help in augmenting the Sarawak development agenda.

As outlined in Sarawak Post COVID-19 Development Strategy 2030, Sarawak is committed to improving the monthly household income of Sarawakians from RM4,544 in 2024 to RM15,000 by 2030.

In Sarawak, road development including bridges, have always been given priority as the Sarawak Government strive to connect all areas in Sarawak. Under the 2024 State Budget of Sarawak, a sum of RM662 million will be provided for the implementation of various roads and bridges projects such as:

- (i) Design and construction of inner ring road in Kuching;
- (ii) Jalan Pakan/Ulu Kota, Pakan, Sarikei (Phase III) and replacement of seven temporary bridges under phase 1 to permanent reinforced concrete bridges;
- (iii) Jalan Sg. Bidut/Kpg Tutus/ Kpg Sebedil/ Kpg Bungan Kecil, Sibul;
- (iv) Marudi bridge over Batang Baram, Miri;
- (v) Sg. Limbang Bridge, Sg. Bunut No.2 Bridge and connecting roads, Limbang; and
- (vi) Various roads and bridges projects under Projek Rakyat.

Amongst the ongoing catalytic initiatives are the construction of the Coastal Road Network and the Second Trunk Road projects, with an estimated total cost of RM11 billion.

(Source: Budget Speech 2024, Office of the Premier of Sarawak)

7.5.2. Overview and outlook of the automotive industry in Malaysia

Sales of new motor vehicles in 2023 rose 11% to a new all-time high, propelled mainly by passenger cars sub-segment, amid a resilient domestic economy and a very much stable socio-political environment. Total Industry Volume (“TIV”) or vehicle registrations increased to 799,731 units during the year under review, surpassing the previous highest sales result of 721,177 units achieved in 2022.

The total registration of new passenger vehicles in 2023 rose to 719,160 units from 642,157 units in 2022. This was an increase of 77,003 units or 12%. Within the passenger vehicles segment, market share of national makes rose to 66.9% (481,300 units) in 2023 compared with 65.1% (418,045 units) in 2022. Meanwhile, the non-national makes registered a higher sales volume of 237,860 units or 6% growth compared to 2022 with 224,112 units.

Electrified vehicles (“xEV”) accounted for approximately 5% of the TIV showing a continued positive momentum for its demand. The xEV sales jumped by 69% from 22,619 units in 2022 to 38,214 units, with 10,159 units of battery electric vehicles and 28,055 units of hybrid vehicles.

The stellar performance in 2023 can be attributed to a number of factors, namely:

- (i) Fulfilment of tax-free cars bookings received, a majority of which were registered before 31 March 2023, plus a fair number of these bookings were also carried over and registered after 31 March 2023;
- (ii) A much more stable socio-political environment following the formation of a Unity Government post 15th General Election;
- (iii) Resilient domestic economy;
- (iv) Many new model launches including electric vehicles with very competitive prices helped to spur sales; and
- (v) Much improved industry supply chain environment.

In 2024, Malaysian Automotive Association (“MAA”) believes that the xEV demand and interest will continue to grow at the back of the government support to promote its use and with more new and exciting xEV models being introduced.

(Source: Press release on 16 January 2024, MAA)

The TIV registered in the first six months of 2024 was 390,296 units against 366,176 units registered in the corresponding period of 2023, representing an increase of 24,120 units or 6.6%. This increase in TIV can be attributed mainly to the strong showing by the passenger cars sub-segment which contributed the biggest increase in volume.

Furthermore, MAA has revised its car sales forecast for 2024 to 765,000 units compared with the 740,000 units in the forecast as announced in January 2024. The revision takes into account the resilient domestic economy, steady interest rate, healthy backlog orders especially in the A segment passenger cars market, new players and more new model launches, the continuation of aggressive promotional strategies as well as provision of value-added services and more options to customers will lead to improved demand.

(Sources: Press release on 16 July 2024, MAA)

Malaysia’s total automotive industry volume is expected to reach 1.22 million units in 2030 from 600,000 units in 2020. This increase is driven by:

- (i) growing demand of electric vehicles as there has been a shift in consumer preferences for environmentally friendly vehicles;
- (ii) growth of the after sales market, particularly the expansion of the market for spare parts, repairs and maintenance services; and
- (iii) Malaysia’s efforts to achieve its aspiration to be the regional leader in manufacturing, engineering and technology through National Automotive Policy 2020.

(Source: New Industrial Master Plan 2030 Automotive Industry, Ministry of Investment, Trade And Industry)

7.5.3. Prospects of the Target Companies

Please refer to Section 5.4 of Part A of this Circular for the prospects of the Group.

The economic outlook of Malaysia and the regions in which the Target Companies has operations are summarised as follows:

	GDP for 2024
Malaysia	4% - 5%
Sabah	4%
Sarawak	5% - 6%

(Sources: Ministry of Finance, Sabah State Minister of Finance and Office of the Premier of Sarawak)

The growth projection in East Malaysia is aligned with national growth outlook in 2024. The increase in development allocation by the Government for Sarawak and Sabah in 2024, the funding of distribution cost of essential goods including petrol and liquefied petroleum gas in the states as well as growth policy of the state governments may augur well for the growth in Sabah and Sarawak.

In addition, MAA has revised upward its car sales forecast for 2024 following improvement in sales performance and development within the industry during the first half of the year. The positive economic growth and the long-term automotive outlook in Malaysia are expected to contribute positively towards the business of the Group upon completion of the Proposed Acquisition.

Premised on the above, we believe that the Proposed Acquisition will contribute positively to the long-term prospects of the Group.

7.6. Financial effects of the Proposed Acquisition

We note that the Proposed Diversification will not have any financial effects on the Company. Our comments on the financial effects of the Proposed Acquisition as detailed in Section 7 of Part A of this Circular are as follows:

Financial effects on	Our comments
(i) Share capital	<p>The issued share capital of the Company will increase correspondingly to the transfer of Consideration Treasury Shares to partially settle the Purchase Consideration.</p>
(ii) Substantial shareholders' shareholdings	<p>For information purposes, assuming the Company does not undertake any share buyback or additional listing of shares from the LPD until the completion of the Proposed Acquisition, the Consideration Treasury Shares to be transferred pursuant to the Proposed Acquisition represent approximately 4.65% of the issued share capital of the Company post completion of the Proposed Acquisition.</p> <p>Accordingly, there will be a slight dilution to the substantial shareholders' percentage shareholdings and the percentage shareholdings of Non-Interested Shareholders after the Proposed Acquisition. For information purposes, shareholdings of Non-Interested Shareholders as at LPD will dilute from 26.19% to 24.98% upon completion of the Proposed Acquisition. The Company has also stated that it will comply with the minimum public shareholding spread requirements.</p>
(iii) NA and gearing	<p>Based on the Illustrative Transfer Price of the Consideration Treasury Shares, the pro forma audited NA per SYGROUP Share as at FYE 30 June 2023 will increase from RM1.22 billion to RM1.27 billion mainly due to the gain arising from the transfer of the Consideration Treasury Shares. In addition, the consolidated NA per Share will remain at RM1.07. Moving forward, we note that the Target Companies are expected to contribute to the future consolidated earnings and NA of the Group.</p> <p>We note that the pro forma borrowings of the Group as at 30 June 2023 will increase from RM139.04 million to RM207.45 million upon consolidation of borrowings of the Target Companies upon completion of the Proposed Acquisition. Concurrently, the NA of the Group will increase from RM1.22 billion to RM1.27 billion. Accordingly, the gearing based on pro forma borrowings and NA of the enlarged Group upon completion of the Proposed Acquisition will be 0.16 times.</p>

Financial effects on	Our comments
(iv) Earnings and EPS	<p>We note that the pro forma consolidated PAT of the Company will increase from RM180.92 million to RM220.59 million mainly arising from the PAT contribution from the Target Companies upon completion of the Proposed Acquisition. Accordingly, pro forma EPS of the Group will increase from 15.93 sen to 18.63 sen.</p> <p>Nevertheless, we wish to highlight that any increase in earnings and/or EPS of the enlarged SYGROUP moving forward will be dependent on the realisation of the potential benefits from the Proposed Acquisition.</p>

Therefore, we note that the Company expects the Proposed Acquisition to contribute positively in the longer term to SYGROUP.

Premised on the above, we are of the view that the financial effects of the Proposed Acquisition, taken as a whole, are not expected to be adverse for SYGROUP.

7.7. Risk factors associated with the Proposed Acquisition

Apart from the risk factors associated with the Proposed Acquisition as highlighted in Section 6 of Part A of this Circular, the Non-Interested Shareholders should also carefully consider the following risk factors:

(i) Non-renewal or unfavourable revisions to the terms of dealership and agency agreements

The business continuity of the Target Companies is dependent on, amongst others, the renewal of dealership and agency agreements. The non-renewal could be due to, amongst others, the following factors:

- (a) the renewal of the agreements upon expiry is at the discretion of UMW Toyota; and
- (b) the terms, particularly the agency fee as well as dealer incentive or margin, are subject to the agreement between the Target Companies and UMW Toyota and may be revised to terms which are less favourable to the Target Companies than the existing terms.

Hence, any non-renewal of the above agreements or disagreement to the terms of the above agreements will affect the on-going business activities of the Target Companies. This may have a material adverse impact on the business and the financial performance of the Target Companies.

In addition, UMW Toyota has announced that a new agency retail model is set to commence in 2023, with customers able to enjoy hassle-free vehicle purchasing. This will be achieved by implementing a new sales process through selected premier agent dealerships for Lexus and certain Toyota models (*Source: Annual Report 2022 of UMW Holdings Berhad*). There is no assurance that the new agency retail model will not have any material implication on the operations and performance of the Target Companies.

Nonetheless, we note from Section 6.3 of Part A of this Circular that *based on the Target Companies' current and past dealership agreements, the duration of the dealership agreements are typically short term in nature, being one (1) year save for their most recent dealerships agreements which are for two (2) years and are typically renewed by UMW Toyota only after the expiry of the dealership agreements. Nonetheless, the Target Companies continued to operate as usual pending the renewal of the dealership agreements by UMW Toyota.* Boulevard Jaya and Boulevard Motor Group have been dealers appointed by UMW Toyota since 2004 and 2018 respectively, with showrooms and services centres in Miri, Bintulu, Sibul, Lahad Datu, Sandakan, Tawau and Labuan. We note that in the SSA 1 and SSA 2, the Vendors have warranted that there is no likelihood of any termination of the dealership and agency agreements and/or the granting of the renewal and/or extension of the agreements.

The Board believes that it will be able to adopt suitable management policies to manage the aforementioned risk, monitor key developments of the industry and be proactive in safeguarding and preserving the financial condition of the Group.

We note that the SSAs have the following terms to mitigate this risk:

- (a) The SSAs are inter-conditional;
- (b) Consideration Treasury Shares will only be transferred to the Vendor to settle the remaining Purchase Consideration upon the renewal of dealership agreements;
- (c) In the event the dealership agreements are not renewed by 30 June 2025, the Company has the right to exercise a put option to sell the Target Companies back to the Vendors at the Purchase Consideration. The NA of each Target Company upon the sell back shall be at least equivalent to the NA as at the latest financial year ends prior to the signing of the SSAs subject to any adjustment;
- (d) Obligations of the Vendors upon receiving put notices from the Company are undertaken and guaranteed by Shin Yang Holding, being one of the Vendors and/or its directors and shareholders; and
- (e) The Vendors are providing a warranty that the dealership agreements of the Target Companies will be further renewed until 31 December 2028. In the event the dealership agreements are terminated or not renewed in substantially the same or equivalent terms, the Vendors are to compensate RM30 million a year from the date of termination up to 31 December 2028 at the Company's discretion. We note that the compensation of RM30 million is higher than the aggregate proportionate adjusted PAT of RM23.14 million which was used in our PER assessment of the Target Companies as contained in Section 7.2.1 of this IAL. This warranty provides an additional layer of protection for the Company in the event the dealership agreements are a cause of disruption to the businesses of the Target Companies until 31 December 2028.

We further note that the Purchase Consideration is backed by the proportionate NA of the Boulevard Motor Group based on the latest audited accounts and the minimum NA to be maintained by Boulevard Jaya amounting to RM108.89 million. Accordingly, the difference between the Purchase Consideration and the proportionate and/or minimum NA of the Target Companies of RM35.61 million is supported by aforementioned warranty of RM30 million a year up to 31 December 2028. Based on the foregoing, we are of the view that the compensation amounting to RM30 million per annum is reasonable.

(ii) Non-exclusivity of the dealership and agency agreements

The Target Companies do not have exclusive arrangements with UMW Toyota for the retail of Toyota and Lexus vehicles and provision of after-sale services and repair work. Therefore, the business operations of the Target Companies may be materially and adversely affected if UMW Toyota chooses to favour services of competitors over those of the Target Companies. If the Target Companies are unable to continue to develop alternative vehicle dealership channels, its growth may be restricted and materially affected.

The Board should take all reasonable steps to engage in timely negotiations with the brand distributor for agreement renewals and maintain a close relationship with them. The management of SYGROUP will need to adopt suitable management policies to manage competition risk, monitor key developments of the industry and be proactive in safeguarding and preserving the financial condition of the Group. Contingency plans are required to be in place to ensure the continuity of operations in the event any agreements are not renewed or in the event of increase in competition among car dealers/agents.

The Non-Interested Shareholders should take note of the risk factors relating to the Proposed Acquisition and the relevant mitigating measures undertaken to mitigate such risks as set out in Section 6 of Part A of this Circular. There can be no assurance that one or a combination of the risk factors will not occur and have a material and adverse effect on the business and financial position of SYGROUP.

8. RATIONALE OF THE PROPOSED DIVERSIFICATION

Section 4.2 of Part A of this Circular states the following rationale for the Proposed Diversification:

The automotive dealership business may in the future contribute more than 25% of the net profits of the Group pursuant to the Proposed Acquisition. The Proposed Diversification fundamentally serves to facilitate the implementation of the Proposed Acquisition with the aim of enabling the Group to venture into the new business. This is consistent with the Company's continuous efforts to diversify and bolster our revenue and income streams.

Accordingly, the Company is seeking its shareholders' approval for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements.

We note that the Board is of the view that the Proposed Diversification will benefit the Group's financial performance and reduce reliance on the Group's existing businesses. SYGROUP will leverage on the experience of its Directors, namely Ling Chiong Sing and Dennis Ling Lu Jing, and the management team of the Target Companies to diversify into the automotive dealership business.

Given that the Proposed Diversification will facilitate the Proposed Acquisition, our analysis on the rationale for the Proposed Acquisition as set out in Section 7.1 of this IAL is relevant for the Proposed Diversification.

Accordingly, we are of the view that the Proposed Diversification is justifiable.

9. FURTHER INFORMATION

The Non-Interested Shareholders of SYGROUP are advised to refer to Part A of this Circular together with the appendices for further information.

10. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition taking into consideration various factors as summarised below:

Section in this IAL	Area of evaluation	Our comments
7.1	Rationale of the Proposed Acquisition	<p>In assessing the rationale, we considered the following:</p> <p>(i) Contribution to the financial performance of the Group</p> <p>The Proposed Acquisition is expected to contribute to the Group's revenue base and provide a new and immediate channel of income. Moving forward, the Group will be able to consolidate the financial results of the Target Companies upon the completion of the Proposed Acquisition.</p> <p>(ii) Opportunity to expand into automotive industry</p> <p>The Proposed Acquisition is an opportunity for the Group to leverage on international brands, namely Toyota and Lexus, to penetrate the automotive retailing sector.</p> <p>(iii) Diversified businesses of the Group</p> <p>The Proposed Acquisition is expected to provide the Group with a more diversified business and reduce the Group's reliance on the existing business for its revenue streams.</p>
7.2	Basis of arriving at the Purchase Consideration	<p>In our evaluation of the Purchase Consideration, we have adopted earnings-based valuation methodology, i.e. PER as the primary valuation methodology and the P/B Multiple as a secondary valuation methodology.</p> <p>Accordingly, we noted the following:</p> <p>(i) the implied PERs of Boulevard Motor Group or Boulevard Jaya of 6.28 times and 6.08 times, respectively are lower than the industry PER range of 6.71 times to 7.75 times based on the latest audited accounts of the respective Comparable Companies; and</p>

Section in this IAL	Area of evaluation	Our comments								
7.3	Basis of the pricing of the Consideration Treasury Shares	<p>(ii) the implied P/B Multiples of Boulevard Motor Group or Boulevard Jaya of 1.44 times and 1.00 times, respectively are within the industry P/B Multiple range of 0.72 times to 5.20 times based on the latest audited accounts of the respective Comparable Companies.</p> <p>The Illustrative Transfer Price per Consideration Treasury Share is, inter-alia:</p> <p>(i) a 5% premium to the 5-day VWAP up to the SSA LPD or at 5-day VWAP of SYGROUP Shares up to and including the date prior to the transfer of the Consideration Treasury Shares to the Vendors, whichever is higher for the partial settlement of the Purchase Consideration;</p> <p>(ii) 106% higher than the average cost of RM0.4137 for the treasury shares of the Company;</p> <p>(iii) above the range of closing prices of RM0.57 to RM0.83 per Share for the past 12 months up to the LTD and within the range of closing prices of RM0.59 to RM0.95 per Share for the past 12 months up to the LPD; and</p> <p>(iv) a discount of 20.56% and 24.11% to the consolidated NA per Share as at 30 June 2023 and 31 March 2024 respectively. Nonetheless, the Company will record a gain of RM24.08 from the transfer of the Consideration Treasury Shares.</p>								
7.4	Salient terms of the SSAs	The salient terms of the SSAs which were mutually agreed between the parties are acceptable.								
7.5	Industry outlook and prospects	<p>The economic outlook of Malaysia and the regions in which the Target Companies has operations are summarised as follows:</p> <table data-bbox="751 1626 1342 1760"> <thead> <tr> <th></th> <th style="text-align: right;"><u>GDP for 2024 (%)</u></th> </tr> </thead> <tbody> <tr> <td>Malaysia</td> <td style="text-align: right;">4% - 5%</td> </tr> <tr> <td>Sabah</td> <td style="text-align: right;">4%</td> </tr> <tr> <td>Sarawak</td> <td style="text-align: right;">5% - 6%</td> </tr> </tbody> </table> <p>The positive economic growth and the long-term automotive outlook in Malaysia is expected to contribute positively towards the business of the Group upon completion of the Proposed Acquisition.</p>		<u>GDP for 2024 (%)</u>	Malaysia	4% - 5%	Sabah	4%	Sarawak	5% - 6%
	<u>GDP for 2024 (%)</u>									
Malaysia	4% - 5%									
Sabah	4%									
Sarawak	5% - 6%									

Section in this IAL	Area of evaluation	Our comments
7.6	Financial effects of the Proposed Acquisition	<p>The issued share capital of the Company will increase correspondingly to the transfer of the Consideration Treasury Shares to partially settle the Purchase Consideration.</p> <p>There will be a slight dilution to the substantial shareholdings and the shareholdings of Non-Interested Shareholders after the Proposed Acquisition.</p> <p>The pro forma consolidated PAT of the Company will increase from RM180.92 million to RM220.59 million arising from the PAT contribution from the Target Companies upon completion of the Proposed Acquisition. Accordingly, pro forma EPS of the Group will increase from 15.93 sen to 18.63 sen.</p>
7.7	Risk factors associated with the Proposed Acquisition	<p>The risk factors associated with the Proposed Acquisition include, but not limited to completion risk, acquisition risk, renewal of dealership agreements risk, integration risk, business risk, dependency on key management risk, goodwill and impairment risk, risk of non-renewal or unfavourable revisions to the terms of dealership and agency agreements as well as risk of the non-exclusivity of the dealership and agency agreements.</p> <p>The Non-Interested Shareholders should take note of the risk factors relating to the Proposed Acquisition and the relevant mitigating measures undertaken to mitigate such risks (if any); and there can be no assurance that one or a combination of the risk factors will not occur and have a material and adverse effect on the business and financial position of SYGROUP.</p>
8	Rationale of the Proposed Diversification	<p>Pursuant to the Proposed Acquisition, the management of SYGROUP anticipates that the automotive dealership business segment may contribute 25% or more of the net profits of the Group in the future. Consequently, the Company is seeking its shareholders' approval for the Proposed Diversification to facilitate the Proposed Acquisition.</p> <p>Accordingly, we are of the view that the Proposed Diversification is justifiable.</p>

Premised on the abovementioned factors and our evaluation and consideration as set out in this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Acquisition is FAIR AND REASONABLE and is NOT DETRIMENTAL to the Non-Interested Shareholders of SYGROUP.

Accordingly, cfSolutions recommends that the Non-Interested Shareholders VOTE IN FAVOUR of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

The Non-Interested Shareholders should consider all relevant and pertinent factors including those set out in the Part A of this Circular and this IAL, the recommendation of the Board, our recommendation herein together with the limitations of our evaluation prior to making the decision on whether to take that course of action.

Yours faithfully
cfSolutions Sdn Bhd

Calvin Chun
Director

Tan Zi Yi
Manager

APPENDIX I(A): SALIENT TERMS OF THE BOULEVARD JAYA SSA

The salient terms of the Boulevard Jaya SSA (“**SSA 1**”) are as follows:-

1. Sale and transfer of the sale shares

Subject to the terms and conditions of the SSA 1, Shin Yang Holding, KTE Motors and Ling Chiong Sing (collectively “**the SSA 1 Vendors**”) shall sell and transfer to the Company (also known as the “**Purchaser**”) and the Purchaser shall purchase and accept, the sale shares (“**SSA 1 Sale Shares**”), being 100% of the total issued and paid-up capital in Boulevard Jaya (also known as the “**SSA 1 Target Company**”), free from all encumbrances and together with all rights, benefits and entitlements whatsoever attaching thereto as at the SSA 1 Completion Date (which is a date **two (2) month** after the SSA 1 Condition Precedents in Paragraph 3 below have been fulfilled or waived; or such extended date as may be mutually agreed in writing by the Purchaser and the SSA 1 Vendors.

2. Purchase consideration, payment and adjustment

2.1 The total consideration for the sale, purchase and transfer of the SSA 1 Sale Shares shall be as follows: (“**SSA 1 Purchase Consideration**”):

SSA 1 Vendors	Purchase Consideration (RM)
Shin Yang Holding	27,133,331
KTE Motors	366,667
Ling Chiong Sing	2
Total Purchase Consideration:	27,500,000

2.2 The SSA 1 Purchase Consideration shall be paid by the Purchaser in the manner as follows:

2.2.1 Subject to Paragraph 2.2.2 below and provided that the SSA 1 Vendors procure the renewal of the dealership agreement dated 3 July 2023 entered by the SSA 1 Target Company with UMW Toyota (also referred to as the “**Principal**”) (“**SSA 1 Dealership Agreement**”) from the Principal in substantially the same or equivalent terms and ensure that the new Dealership Agreement between the Target Company and the Principal after the expiry date on **31st December 2024** (“**the Renewed SSA 1 Dealership Agreement**”), the SSA 1 Purchase Consideration shall be paid by the Purchaser in the following manner:

- (a) simultaneously upon the signing of the SSA 1, the Purchaser shall pay in cash to the SSA 1 Vendors into an account identified in writing by the SSA 1 Vendors an aggregate sum of RM2,750,000.00, representing ten percent (10%) of the SSA 1 Purchase Consideration as deposit and earnest money (“**SSA 1 Deposit**”); and
- (b) the balance of the SSA 1 Purchase Consideration amounting to RM24,750,000.00 (representing ninety percent (90%) of the SSA 1 Purchase Consideration) (“**SSA 1 Balance Sum**”), shall be paid in cash to the SSA 1 Vendors into an account identified in writing by the Vendor **within seven (7) days from the SSA 1 Completion Date**.

APPENDIX I(A): SALIENT TERMS OF THE BOULEVARD JAYA SSA (CONT'D)

- 2.2.2 In the event the SSA 1 Vendors are unable to deliver the SSA 1 Renewed Dealership Agreement to the Purchaser by the SSA 1 Completion Date, the Purchaser and the SSA 1 Vendors (collectively referred to as the **"SSA 1 Parties"**) will proceed to complete the sale and purchase of the SSA 1 Sale Shares on the SSA 1 Completion Date and the payment of the SSA 1 Balance Sum prescribed under Paragraph 2.2.1(b) above shall be paid by the Purchaser to the SSA 1 Vendors, on the condition that:
- (a) Shin Yang Holding and Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing and Ling Chiong Pin (collectively **"Undertaking Party 1"**) have, upon execution of the SSA 1, executed an irrevocable and unconditional letter of undertaking in favour of the Purchaser, that the SSA 1 Undertaking Party 1 irrevocably and unconditionally, jointly and severally, undertake to procure, Dwi Bumijaya, the vendor of Boulevard Motor Group (**"SSA 2 Vendor"**) and guarantee that SSA 2 Vendor shall among others, refund all money paid by the Purchaser to the SSA 2 Vendor under the Boulevard Motor Group SSA together with the interest accrued upon occurrence of events under Paragraphs 2.2.5 and 2.2.6 of the salient terms of the Boulevard Motor Group SSA set out in Appendix I(B) below, failing which, the Undertaking Party 1 shall forthwith pay all such sums together with the interest accrued to the Purchaser and keep the Purchaser fully indemnified of the same; and
 - (b) Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing and Ling Chiong Pin (**"Undertaking Party 2"**) have, upon execution of the SSA 1, executed an irrevocable and unconditional letter of undertaking in favour of the Purchaser, that the Undertaking Party 2 irrevocably and unconditionally, jointly and severally, undertake to procure, the SSA 1 Vendors shall among others, refund all money paid by the Purchaser to the SSA1 Vendors under the SSA 1 together with the interest accrued upon occurrence of events under Paragraph 2.2.3 and 2.2.4 below, failing which, the Undertaking Party 2 shall forthwith pay all such sums together with the interest accrued to the Purchaser and keep the Purchaser fully indemnified of the same.
- 2.2.3 In the event the SSA 1 Dealership Agreement is not renewed by **30th June 2025** or such other date as the Parties may agree in writing, or in the event the SSA 1 Target Company is made to stop any of the activities covered under any of the SSA Dealership Agreement by the Principal at any time after the SSA 1 Completion Date but before the SSA 1 Renewed Dealership Agreement is delivered to the Purchaser (**"the SSA 1 Trigger Event"**), the SSA 1 Vendors unconditionally and irrevocably grant an option to the Purchaser (**"SSA 1 Put Option"**) which may be exercised by the Purchaser by way of notice in writing (**"SSA 1 Put Notice"**) issued to the SSA 1 Vendors requiring the SSA 1 Vendors to purchase back all the SSA 1 Sale Shares from the Purchaser within thirty (30) days from the SSA 1 Put Notice at the same SSA 1 Purchase Consideration provided the net assets of the SSA 1 Target Company upon the sale to the SSA 1 Vendors shall be at least equivalent to the audited net assets of the Target Company as at 30th June 2024 subject only to adjustment for any dividends declared prior to completion and for any addition/impairment to the net assets of the SSA 1 Target Company upon completion. The SSA 1 Put Option must be exercised by the Purchaser within a period of three (3) months from the date of any of the SSA 1 Trigger Events, whichever is the later).

(The rest of this page has been intentionally left blank)

APPENDIX I(A): SALIENT TERMS OF THE BOULEVARD JAYA SSA (CONT'D)

- 2.2.4 In the event of Paragraph 2.2.3 above and the Purchaser has exercised the SSA 1 Put Option, the SSA 1 Parties agree as to the following:-
- (i) the SSA 1 Vendors shall refund all the money paid by the Purchaser to the SSA 1 Vendors under the SSA 1 (including all the SSA 1 Deposit and the SSA 1 Balance Sum) to the Purchaser, with interests at the rate of three point five percent (3.5%) per annum, within seven (7) days from the receipt of the SSA 1 Put Notice;
 - (ii) the Purchaser shall, solely at the costs and expenses of the SSA 1 Vendors, transfer the SSA 1 Sale Shares back to the SSA 1 Vendors within **seven (7) days** after receipt of the refund of all the money paid by the Purchaser to the SSA 1 Vendors under the SSA 1 (including all the SSA 1 Deposit and the SSA1 Balance Sum) and interests as provided in sub-clause (i) above; and
 - (iii) save as otherwise provided in the SSA 1, neither party shall have any claim against the other whatsoever.
- 2.2.6 Notwithstanding any provisions in the SSA 1, in the event the SSA 1 Dealership Agreement has been renewed ("**SSA 1 Initial Renewal**"), the SSA 1 Vendors further irrevocably warrants that the SSA 1 Dealership Agreement will be further renewed until 31st December 2028 and during the period from the SSA 1 Initial Renewal up to 31st December 2028, if the SSA 1 Dealership Agreement is terminated or not renewed in substantially the same or equivalent terms, which is to be determined solely at the Purchaser's discretion, the SSA 1 Vendors shall compensate the Purchaser a cash amount of **RM5,700,000.00 a year** commencing from the date of termination of the SSA 1 Dealership Agreement or on the date of expiry of the SSA 1 Initial Renewal of the SSA 1 Dealership Agreement up to **31st December 2028**. The amount to be compensated was negotiated on a willing-buyer willing seller basis after taking into consideration the purchase consideration of RM27.5 million for Boulevard Jaya and the number of years leading to 31 December 2028.
- 2.2.7 The SSA 1 Vendors irrevocably undertakes and warrants that they will procure the SSA 1 Target Company to obtain the consent from the Principal to operate the centre at Lot 1411 & 2115, Section 66, KTL D, Jalan Mersawa, Pending Industrial Area, 93450 Kuching, Sarawak and to include the same in the SSA 1 Dealership Agreement and/or the SSA 1 Renewed Dealership Agreement. The SSA 1 Vendors also irrevocably undertakes and warrants that no event has occurred and/or subsisting or is reasonably expected to occur nor is there any dispute or issue and/or potential dispute or issue which will prohibit or restrict the granting of such consent from the Principal. The SSA 1 Vendors further irrevocably undertakes and warrants that while pending such consent from the Principal, there is no likelihood of any termination of the SSA 1 Dealership Agreement and agency agreement and/or the granting of the renewal and/or extension of the SSA 1 Dealership Agreement and agency agreements for all the other centres

3. Conditions precedent

The sale and purchase of the SSA 1 Sale Shares and the completion thereof are conditional upon all of the following conditions being fulfilled or waived ("**SSA 1 Conditions Precedent**"), at the option of the Purchaser by written notice to the SSA 1 Vendors, at or prior to the SSA 1 Stop Date (which is the date falling three (3) months after the date of the SSA 1 or such extended date as may be mutually agreed in writing by the Purchaser and the SSA 1 Vendors:

- (a) satisfactory legal and financial due diligence by the Purchaser on the SSA 1 Target Company;
- (b) the SSA 1 Vendors have obtained and furnish to the Solicitors its Board's approval and Shareholders' Approval for entering into the SSA 1;

APPENDIX I(A): SALIENT TERMS OF THE BOULEVARD JAYA SSA (CONT'D)

- (c) consent for change of shareholders and directors from the Principal under the SSA 1 Dealership Agreement and agency agreement;
- (d) the Purchaser shall have obtained board's Approval and shareholders' approval for the SSA 1 and the SSA 2 and the transfer of the consideration treasury shares under SSA 2;
- (e) the SSA 1 Vendors shall have procured the SSA 1 Target Company to obtain all relevant approvals, consents and notifications with regard to the change of shareholders/shareholding and directors contemplated in the SSA 1 from the SSA 1 Target Company' bankers or financiers as required;
- (f) SSA 1 has been executed concurrently with the SSA 2; and
- (g) other approvals (if any).

The SSA 1 Vendors and the Purchaser shall upon a SSA 1 Condition Precedent being satisfied or being incapable of being satisfied (as the case may be), notify the other SSA 1 Party and the Solicitors in writing. The date when all the SSA 1 Conditions Precedent have been fulfilled or are satisfied or which is waived by the Purchaser, shall be deemed as the SSA 1 Unconditional Date. Where the Purchaser elects to rescind the SSA 1 in accordance with any of the provisions hereof, none of the SSA 1 Parties shall have any further claims against the others save and except for any antecedent breach.

Where the Purchaser elects to rescind the SSA 1 in accordance with any of the provisions therein, the SSA 1 Vendors shall forthwith refund all the SSA 1 Deposit to the Purchaser and upon receipt of the SSA 1 Deposit by the Purchaser, none of the SSA 1 Parties shall have any further claims against the others save and except for any antecedent breach.

(The rest of this page has been intentionally left blank)

4.0 Termination

4.1 Termination by the Purchaser: On the occurrence of any of the events which include breach of the SSA 1 or termination of SSA 2, insolvency, winding up or receiver is appointed over any of the assets or undertaking of the SSA 1 Vendors or the SSA 1 Target Company or entry of arrangement or composition with the creditors by the SSA 1 Vendors or the SSA 1 Target Company, cessation of business by the SSA 1 Vendors or the SSA 1 Target Company, the Purchaser shall be entitled to give notice in writing to the SSA 1 Vendors specifying the default or breach requiring the SSA 1 Vendors to remedy the said default or breach within fourteen (14) days of the receipt of such notice, failing which, the SSA 1 may be terminated forthwith by notice in writing from the Purchaser. Without limiting any right or remedy available to the Purchaser at law or in equity (which includes the right to claim damages and to specific performance), the SSA 1 Vendors shall refund all monies paid by the Purchaser including the SSA 1 Deposit; and the SSA 1 Vendors shall indemnify the Purchaser for all damages, costs, charges and expenses incurred by it in connection with the negotiation and preparation, breach of or non-compliance with the SSA 1 and termination or rescission of the SSA 1 and all matters which are connected therewith provided that the total of such amounts shall not exceed the sum equivalent to the SSA 1 Deposit.

4.2 Termination by the SSA 1 Vendors: On the occurrence of any of the events which include breach of the SSA 1 or termination of SSA 2, insolvency, winding up or receiver is appointed over any of the assets or undertaking of the Purchaser or entry of arrangement or composition with the creditors by the Purchaser, cessation of business by the Purchaser, the SSA 1 Vendors shall be entitled to give notice in writing to the Purchaser specifying the default or breach requiring the Purchaser to remedy the said default or breach within fourteen (14) days of the receipt of such notice, failing which, the SSA 1 may be terminated forthwith by notice in writing from the SSA 1 Vendors. Without limiting any right or remedy available to the SSA 1 Vendors at law or in equity (which includes the right to claim damages and to specific performance), the SSA 1 Vendors shall refund all monies paid by the Purchaser including the SSA 1 Deposit; and the Purchaser shall indemnify the SSA 1 Vendors for all damages, costs, charges and expenses incurred by it in connection with the negotiation and preparation, breach of or non-compliance with the SSA 1 and termination or rescission of the SSA 1 and all matters which are connected therewith provided that the total of such amounts shall not exceed the sum equivalent to the SSA 1 Deposit.

(The rest of this page has been intentionally left blank)

APPENDIX I(B): SALIENT TERMS OF THE BOULEVARD MOTOR GROUP SSA

The salient terms of the Boulevard Motor Group SSA (“**SSA 2**”) are as follows:-

1. Sale and transfer of the sale shares

Subject to the terms and conditions of the SSA 2, Dwi Bumijaya (also referred to as the “**SSA 2 Vendor**”) shall sell and transfer to the Purchaser and the Purchaser shall purchase and accept, the sale shares (“**SSA 2 Sale Shares**”), which is 1,500,000 shares and being 60% of the total issued and paid-up capital in each of Boulevard Motor, Boulevard Motor (Sabah) and Boulevard Motor (Labuan) (also collectively referred to as “**the SSA 2 Target Companies**”), as described below free from all encumbrances (as defined in the SSA 2) and together with all rights, benefits and entitlements whatsoever attaching thereto as at the SSA 2 Completion Date (which is a date **two (2) month** after the Condition Precedents in Paragraph 3 below have been fulfilled or waived; or such extended date as may be mutually agreed in writing by the Purchaser and the SSA 2 Vendor).

2. Purchase consideration, payment and adjustment

2.1 The total consideration for the sale, purchase and transfer of the SSA 2 Sale Shares shall be as below (“**SSA 2 Purchase Consideration**”):

SSA 2 Target Companies	Purchase Consideration (RM)
Boulevard Motor	72,240,000
Boulevard Motor (Sabah)	39,150,000
Boulevard Motor (Labuan)	5,610,000
Total	<u>117,000,000</u>

2.2 The SSA 2 Purchase Consideration shall be paid by the Purchaser in the manner as follows:

2.2.1 Subject to **Paragraph 2.2.2** below and provided that the SSA 2 Vendor procure the renewal of the dealership agreements entered by each of the SSA 2 Target Companies with the Principal dated 3 July 2023 (“**SSA 2 Dealership Agreements**”) in substantially the same or equivalent terms and ensure that the new SSA 2 Dealership Agreements between each of the SSA 2 Target Companies and the Principal after the expiry date on **31st December 2024** (“**the SSA 2 Renewed Dealership Agreements**”), the SSA 2 Purchase Consideration shall be paid by the Purchaser in the following manner:

- (a) simultaneously upon the signing of the SSA 2, the Purchaser shall pay in cash to the SSA 2 Vendor into an account identified in writing by the SSA 2 Vendor an aggregate sum of RM11,700,000.00, representing 10% of the SSA 2 Purchase Consideration as deposit and earnest money (“**SSA 2 Deposit**”); and
- (b) the balance of the SSA 2 Purchase Consideration amounting to RM105,300,000.00 (representing ninety percent (90%) of the SSA 2 Purchase Consideration) (“**SSA 2 Balance Sum**”), shall be paid in the following manner:
 - (i) **55,000,000** Treasury Shares (“**the Consideration Treasury Shares**”) to be transferred to the SSA 2 Vendor within **seven (7) days** from the SSA 2 Completion Date, which will shall be deemed to be equivalent to an amount based on the higher of the following:
 - (aa) RM0.8514 per Treasury Share, being a 5.00% premium to the 5-days VWAP of the ordinary shares in the Purchaser up to and including 5 July 2024, being the latest practicable day prior to the date of the SSA 2; or

APPENDIX I(B): SALIENT TERMS OF THE BOULEVARD MOTOR GROUP SSA (CONT'D)

- (bb) the 5-days VWAP of the ordinary shares in the Purchaser up to and including the date prior to the transfer of the Treasury Shares to the SSA 2 Vendor; and
 - (ii) the remaining SSA 2 Balance Sum will be in cash within **seven (7) days** from the Completion Date and after Paragraph 2.2.1(b)(i) to the SSA 2 Vendor.
- 2.2.2 In the event the SSA 2 Vendor is unable to deliver the SSA 2 Renewed Dealership Agreement to the Purchaser by the Completion Date, the Purchaser and the SSA 2 Vendor (collectively referred to as the **"SSA 2 Parties"**) will proceed to complete the sale and purchase of the SSA 2 Sale Shares on the SSA 2 Completion Date and the payment of the SSA 2 Balance Sum shall be paid by the Purchaser to the SSA 2 Vendor in the following manner:
 - (a) a sum of RM58,473,000.00 only (**"SSA 2 Cash Balance Sum"**), shall be paid in cash to the Vendor into an account identified in writing by the SSA 2 Vendor **within seven (7) days** from the SSA 2 Completion Date; and
 - (b) the Consideration Treasury Shares shall only be transferred to the SSA 2 Vendor within a period of **seven (7) days** from the date the Purchaser shall have received the SSA 2 Renewed Dealership Agreements from the Vendor (**"SSA 2 Deferred Payment Date"**);

and on the condition that Shin Yang Holding and Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing and Ling Chiong Pin (collectively "**Undertaking Party**") have, upon execution of the SSA 2, executed an irrevocable and unconditional letter of undertaking in favour of the Purchaser, that the Undertaking Party irrevocably and unconditionally, jointly and severally, undertake to procure the SSA 2 Vendor and guarantee that SSA 2 Vendor shall among others, refund all money paid by the Purchaser to the SSA 2 Vendor under the SSA 2 together with the interest accrued upon occurrence of events under Paragraphs 2.2.5 and 2.2.6 below, failing which, the Undertaking Party shall forthwith pay all such sums together with the interest accrued to the Purchaser and keep the Purchaser fully indemnified of the same; and

2.2.3 Upon the SSA 2 Deferred Payment Date:

- (a) the Consideration Treasury Shares shall be transferred to the SSA 2 Vendor and the value of the Consideration Treasury Shares (**"Actual Value of Treasury Share"**) shall be determined based on the higher of the following:
 - (i) RM0.8514 per Treasury Share, being approximately 5.00% premium to the 5-days VWAP of ordinary shares in the Purchaser up to and including 5th July 2024, being the SSA LPD; or
 - (ii) the 5-days VWAP of the Purchaser's shares up to and including the date prior to the transfer of the Treasury Shares to the SSA 2 Vendor; and
- (b) in the event the SSA 2 Balance Sum is less than the sum which have been paid to the SSA 2 Vendor (namely the SSA 2 Cash Balance Sum and the Actual Value of Treasury Share), the SSA 2 Vendor shall pay and refund the differential sum to the Purchaser in cash within three (3) days from the transfer of the Consideration Treasury Shares.

APPENDIX I(B): SALIENT TERMS OF THE BOULEVARD MOTOR GROUP SSA (CONT'D)

- 2.2.4 In the event of Paragraph 2.2.2 and in consideration of the deferment of the Consideration Treasury Shares to the SSA 2 Vendors, the SSA 2 Parties agree that should there be any declaration of dividend made by the Purchaser for its ordinary shareholders at any time between the SSA 2 Completion Date and the date of transfer of the Consideration Treasury Shares to the SSA 2 Vendor, the Purchaser shall pay to the SSA 2 Vendor an additional amount equivalent to the amount of dividend which would otherwise have been payable to the SSA 2 Vendor had the Consideration Treasury Shares been transferred to the SSA 2 Vendor on the SSA 2 Completion Date.
- 2.2.5 In the event any of the SSA 2 Dealership Agreements is not renewed by 30th June 2025 or such other date as the Parties may agree in writing, or in the event any of the SSA 2 Target Companies is made to stop any of the activities covered under any of the SSA 2 Dealership Agreements by the Principal at any time after the SSA 2 Completion Date but before the SSA 2 Renewed Dealership Agreements are delivered to the Purchaser ("**the SSA 2 Trigger Event**"), the SSA 2 Vendor unconditionally and irrevocably grant an option to the Purchaser ("**SSA 2 Put Option**") which may be exercised by the Purchaser by way of notice in writing ("**SSA 2 Put Notice**") issued to the SSA 2 Vendor requiring the SSA 2 Vendor to purchase back all the Sale Shares from the Purchaser within thirty (30) days from the SSA 2 Put Notice at the same SSA 2 Purchase Consideration provided the net assets of each of the SSA 2 Target Companies upon the sale to the SSA 2 Vendor shall be at least equivalent to the audited net assets of each of the SSA 2 Target Companies as at 31st December 2023 subject only to adjustment for any addition or impairment to the net assets of each of the SSA 2 Target Companies upon Completion. The SSA 2 Put Option must be exercised by the Purchaser within a period of three (3) months from the date of any of the SSA 2 Trigger Events, whichever is the later).
- 2.2.6 In the event of Paragraph 2.2.5 above and the Purchaser has exercised the SSA 2 Put Option, the SSA 2 Parties agree as to the following:-
- (i) the SSA 2 Vendor shall refund all the money paid by the Purchaser to the SSA 2 Vendor under this SSA 2 (including all the SSA 2 Deposit and the SSA 2 Cash Balance Sum) to the Purchaser, with interests at the rate of three point five percent (3.5%) per annum, within seven (7) days from the receipt of the SSA 2 Put Notice;
 - (ii) the Purchaser shall be released and fully discharged from any further obligation to make the Consideration Treasury Shares to the SSA 2 Vendor;
 - (iii) the Purchaser shall, solely at the costs and expenses of the SSA 2 Vendor, transfer the SSA 2 Sale Shares back to the SSA 2 Vendor within **seven (7) days** after receipt of the refund of all the money paid by the Purchaser to the SSA 2 Vendor under this SSA 2 (including all the SSA 2 Deposit and the SSA 2 Cash Balance Sum) and interests as provided in sub-clause (i) above; and
 - (iv) save as otherwise provided herein, neither shall have any claim against the other whatsoever.

(The rest of this page has been intentionally left blank)

- 2.2.7 Notwithstanding any provisions in the SSA 2, in the event the SSA 2 Dealership Agreements have been renewed ("**SSA 2 Initial Renewal**"), the SSA 2 Vendor further irrevocably warrants that the SSA 2 Dealership Agreements will be further renewed until 31st December 2028 and during the period from the SSA 2 Initial Renewal up to 31st December 2028, if the SSA 2 Dealership Agreements are terminated or not renewed in substantially the same or equivalent terms, which is to be determined solely at the Purchaser's discretion, the SSA 2 Vendor shall compensate the Purchaser a cash amount of RM24,300,000.00 a year commencing from the date of termination of the SSA 2 Dealership Agreements or on the date of expiry of the SSA 2 Initial Renewal of the SSA 2 Dealership Agreements up to **31st December 2028**. The amount to be compensated was negotiated on a willing-buyer willing seller basis after taking into consideration the purchase consideration of RM117.0 million for Boulevard Motor Group and the number of years leading to 31 December 2028.
- 2.2.8 The SSA 2 Vendor irrevocably undertakes and warrants that they will procure Boulevard Motor to obtain the consent from the Principal to operate the centre Miri 2S Lot 3043 Block 5 Miri Concession Land District, 98000 Miri (now known as Lot 799 Miri Concession Land District) and to include the same in the SSA 2 Dealership Agreement and/or the SSA 2 Renewed Dealership Agreement. The SSA 2 Vendor further irrevocably undertakes and warrants that while pending such consent from the Principal, there is no likelihood of any termination of the SSA 2 Dealership Agreements and SSA 2 agency agreements and/or the granting of the renewal and/or extension of the SSA 2 Dealership Agreements and agency agreements for all the other centres.

3. Conditions precedent

The sale and purchase of the SSA 2 Sale Shares and the completion thereof are conditional upon all of the following conditions being fulfilled or waived ("**SSA 2 Conditions Precedent**"), at the option of the Purchaser by written notice to the SSA 2 Vendor, at or prior to the SSA 2 Stop Date (which is the date falling three (3) months after the date of the SSA 2 or such extended date as may be mutually agreed in writing by the Purchaser and the SSA 2 Vendor:

- (a) satisfactory legal and financial due diligence by the Purchaser on each of the SSA 2 Target Companies;
- (b) the SSA 2 Vendor has obtained and furnish to the Solicitors its Board's approval and Shareholders' Approval for entering into the SSA 2;
- (c) consent for change of shareholders and directors from the Principal under the SSA 2 Dealership Agreements and agency agreements;
- (d) the SSA 2 Purchaser shall have obtained board's approval and shareholders' approval for the SSA 2 and the SSA 1 and the Transfer of the Consideration Treasury Shares;
- (e) the SSA 2 Vendor shall have procured each of the SSA 2 Target Companies to obtain all relevant approvals, consents and notifications with regard to the change of shareholders/shareholding and directors contemplated in the SSA 2 from each of the SSA 2 Target Companies' bankers or financiers as required;
- (f) SSA 2 has been executed concurrently with the SSA 1; and
- (g) other approvals (if any).

The SSA 2 Vendor and the Purchaser shall upon a SSA 2 Condition Precedent being satisfied or being incapable of being satisfied (as the case may be), notify the other SSA 2 Party and the Solicitors in writing. The date when all the SSA 2 Conditions Precedent have been fulfilled or are satisfied or which is waived by the Purchaser, shall be deemed as the SSA 2 Unconditional Date. Where the Purchaser elects to rescind the SSA 2 in accordance with any of the provisions hereof, none of the SSA 2 Parties shall have any further claims against the others save and except for any antecedent breach.

Where the Purchaser elects to rescind the SSA 2 in accordance with any of the provisions therein, the SSA 2 Vendor shall forthwith refund all the SSA 2 Deposit to the Purchaser and upon receipt of the SSA 2 Deposit by the Purchaser, none of the SSA 2 Parties shall have any further claims against the others save and except for any antecedent breach.

4.0 Termination

4.1 Termination by the Purchaser: On the occurrence of any of the events which include breach of the SSA 2 or termination of SSA 1, insolvency, winding up or receiver is appointed over any of the assets or undertaking of the SSA 2 Vendor or each of the SSA 2 Target Companies or entry of arrangement or composition with the creditors by the SSA 2 Vendor or each of the SSA 2 Target Companies, cessation of business by the SSA 2 Vendor or each of the SSA 2 Target Companies, the Purchaser shall be entitled to give notice in writing to the SSA 2 Vendor specifying the default or breach requiring the SSA 2 Vendor to remedy the said default or breach within fourteen (14) days of the receipt of such notice, failing which, the SSA 2 may be terminated forthwith by notice in writing from the Purchaser. Without limiting any right or remedy available to the Purchaser at law or in equity (which includes the right to claim damages and to specific performance), the SSA 2 Vendor shall refund all monies paid by the Purchaser including the SSA 2 Deposit; and the SSA 2 Vendor shall indemnify the Purchaser for all damages, costs, charges and expenses incurred by it in connection with the negotiation and preparation, breach of or non-compliance with the SSA 2 and termination or rescission of the SSA 2 and all matters which are connected therewith provided that the total of such amounts shall not exceed the sum equivalent to the SSA 2 Deposit.

4.2 Termination by the SSA 2 Vendor: On the occurrence of any of the events which include breach of the SSA 2 or termination of SSA 1, insolvency, winding up or receiver is appointed over any of the assets or undertaking of the Purchaser or entry of arrangement or composition with the creditors by the Purchaser, cessation of business by Purchaser, the SSA 2 Vendor shall be entitled to give notice in writing to the Purchaser specifying the default or breach requiring the Purchaser to remedy the said default or breach within fourteen (14) days of the receipt of such notice, failing which, the SSA 2 may be terminated forthwith by notice in writing from the SSA 2 Vendor. Without limiting any right or remedy available to the SSA 2 Vendor at law or in equity (which includes the right to claim damages and to specific performance), the SSA 2 Vendor shall refund all monies paid by the Purchaser including the SSA 2 Deposit; and the Purchaser shall indemnify the SSA 2 Vendor for all damages, costs, charges and expenses incurred by it in connection with the negotiation and preparation, breach of or non-compliance with the SSA 2 and termination or rescission of the SSA 2 and all matters which are connected therewith provided that the total of such amounts shall not exceed the sum equivalent to the SSA 2 Deposit.

(The rest of this page has been intentionally left blank)

APPENDIX II(A): INFORMATION ON BOULEVARD JAYA

1. BACKGROUND INFORMATION

1.1 Corporate information

Boulevard Jaya was incorporated in Malaysia as a private limited company under the Companies Act 1965 on 9 February 2004 and is deemed registered under the Act. Boulevard Jaya commenced its operations since 2004 and is principally involved in the activities of car dealership and sales of spare parts and after-sales services.

As at the LPD, the issued share capital of Boulevard Jaya is RM35,000,000 comprising 15,000,000 ordinary shares.

Boulevard Jaya does not have any subsidiary and associated company as at LPD.

1.2 General nature of business

Boulevard Jaya is an authorised dealer of Toyota vehicles in Sarawak and currently has a dealership agreement dated 3 July 2023 with UMW Toyota. Under the dealership agreement, Boulevard Jaya has the right to sell certain Toyota products such as vehicles and parts directly to customers. Currently, Boulevard Jaya sells Toyota vehicles and parts and accessories and provides after sales services and body and paint repair works for Toyota vehicles. Some of the models of Toyota vehicles sold include Toyota Vios, Toyota Yaris, Toyota Fortuner, Toyota Innova, Toyota Hilux and Toyota Corolla Cross.

Boulevard Jaya is also an authorised agent of Lexus vehicles in Sarawak and has an agency agreement dated 5 January 2024 with UMW Toyota. Under the agency agreement, Boulevard Jaya is granted the right to sell and deliver Lexus vehicles on behalf of and in the name of UMW Toyota, provide after sales and body and paint works services. Currently, Boulevard Jaya sells Lexus vehicles on behalf of UMW Toyota and sells parts and accessories and provides after sales services and body and paint repair works for Lexus vehicles. Some of the models of Lexus vehicles sold on behalf of UMW Toyota include Lexus ES, Lexus UX and Lexus NX.

As at the LPD, Boulevard Jaya has the following centres:

No.	Centre	Description	Location
1	Toyota showroom	Sale of Toyota vehicles and parts and accessories	Lot 12648, Block 16, KCLD, Jalan Datuk Tawi Sli, 93250 Kuching, Sarawak
2	Toyota service centre	Servicing of Toyota vehicles	
3	Lexus showroom	Sale of Lexus vehicles and parts and accessories	
4	Lexus service centre	Servicing of Lexus vehicles	
5	Toyota and Lexus body and paint workshop	Body and paint repair work of Toyota and Lexus vehicles	Lot 1411 & 2115, Section 66, KTLA, Jalan Mersawa, Pending Industrial Area, 93450 Kuching, Sarawak

APPENDIX II(A): INFORMATION ON BOULEVARD JAYA (CONT'D)

The details of the centres owned or accounted for by Boulevard Jaya are as follows:

No.	Information	Centre ⁽¹⁾	
1	Location	Lot 12648, Block 16, KCLD, Jalan Datuk Tawi Sli, 93250 Kuching, Sarawak	Lot 1411 & 2115, Section 66, KTL D, Jalan Mersawa, Pending Industrial Area, 93450 Kuching, Sarawak
2	Description of building and land	A six (6) storey showroom / office / business centre and car parks, with basement as car parks, one (1) lower ground as offices / workshop / service area / customer's lounge and one (1) lower roof as mechanical and engineering floor	Single storey car body and paint centre ⁽²⁾
3	Building gross built-up area	252,952 sq ft	44,110 sq ft
4	Net book value as at 30 June 2023	Building and land: RM42,752,167	Building: RM11,865,360
5	Net useable and lettable area	252,952 sq ft	44,110 sq ft
6	Area to be self-occupied and let out	Self-occupied: 224,606 sq ft Let out: 28,346 sq ft	Self-occupied: 44,110 sq ft Let out: Nil sq ft
7	Percentage of occupancy	Approximately 80%	100%
8	Leasehold/freehold (land)	Leasehold	-
9	Land area	45,768 sq ft	-
10	Term of lease (land)	60 years	-
11	Expiry date of lease (land)	24 November 2080	-
12	Encumbrances	Charged to a financial institution	-

Notes:

- (1) A valuation by an independent valuer on the centres above has not been conducted for the purpose of the Proposed Acquisition and the details of the centres above are provided by the management of the Target Companies.
- (2) Boulevard Jaya constructed the building and accounted for it in its accounts as an asset. However, the land on which the building is constructed is leased and not owned by Boulevard Jaya.

APPENDIX II(A): INFORMATION ON BOULEVARD JAYA (CONT'D)

The number of vehicles sold by Boulevard Jaya for the past 3 FYE are as follows:-

FYE 30 June	FYE 2021	2022	2023
	No.	No.	No.
Vehicles sold	936	914	1,355

The breakdown of Boulevard Jaya's revenue for the FYE 30 June 2023 is as follows:-

Revenue	RM
Sales of motor vehicles	165,187,215
Sales of spare parts and services	7,550,109
Sales of body and paint	5,619,152
Total revenue	178,356,476

Based on the audited financial statements of Boulevard Jaya for the FYE 30 June 2023, the major assets and liabilities of Boulevard Jaya are as follows:-

FYE 30 June 2023	2023
	RM
Assets	
Property, plant and equipment	60,419,354
Inventories	4,651,902
Trade and other receivables ⁽¹⁾	4,162,811
Other current assets	66,346
Cash and bank balances	5,698,351
Total assets	74,998,764
Liabilities	
Borrowings	31,963,962
Trade and other payables ⁽²⁾	7,836,386
Deferred tax liability	1,218,890
Tax payable	769,220
Total liabilities	41,788,458

Notes:-

- (1) *Comprising trade receivables from third parties, amount due from related companies, sundry receivables, deposits and amount due from companies which the directors have interest.*
- (2) *Comprising trade payables due to third parties, accruals, sundry payables, amounts due to holding company, amounts due to related companies and amounts due to companies which the directors have interests.*

The major assets of Boulevard Jaya are mainly property, plant and equipment which consist of among others, the land and building set out above.

APPENDIX II(A): INFORMATION ON BOULEVARD JAYA (CONT'D)

1.3 Directors' and substantial shareholders shareholdings

As at LPD, the directors of Boulevard Jaya and their respective shareholdings in Boulevard Jaya are as follows:-

Directors	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Tan Sri Datuk Ling Chiong Ho	Malaysian	Director	-	-	14,799,999	98.7 ⁽¹⁾
Ling Chiong Sing	Malaysian	Director	1	0.0	14,799,999	98.7 ⁽¹⁾
Ling Chiong Pin	Malaysian	Director	-	-	14,799,999	98.7 ⁽¹⁾
Dennis Ling Lu Jing	Malaysian	Director	-	-	-	-
Chin Sheng Hung	Malaysian	Director	-	-	-	-

Note:-

(1) Deemed interested by virtue of their shareholdings in Shin Yang Holding.

As at LPD, the shareholders of Boulevard Jaya and their respective direct shareholdings in Boulevard Jaya are as follows:-

Shareholders	Nationality / Country of incorporation	No. of shares	%
Shin Yang Holding	Malaysia	14,799,999	98.7
KTE Motors	Malaysia	200,000	1.3
Ling Chiong Sing	Malaysian	1	0.0
Total		15,000,000	100.0

Please refer to Sections 2.2.1 and 2.2.2 of the Main Letter of this Circular for the shareholders of Shin Yang Holdings and KTE Motors.

2. FINANCIAL INFORMATION

A summary of the financial information of Boulevard Jaya based on its latest available audited financial statements for the past 3 years are as follows:-

FYE 30 June	Audited		
	2021 (RM)	2022 (RM)	2023 (RM)
Revenue	124,158,932	130,198,909	178,356,476
Gross profit	5,469,940	6,468,454	8,633,075
Profit/Loss before tax ("PBT")/("LBT")	(929,363)	2,525,194	6,751,258
Taxation	(52,000)	(298,744)	(2,081,524)
Profit/Loss after tax ("PAT")/("LAT")	<u>(981,363)</u>	<u>2,226,450</u>	<u>4,669,734</u>
Paid-up capital	35,000,000	35,000,000	35,000,000
Shareholders' funds / NA	26,314,122	28,540,572	33,210,306

APPENDIX II(A): INFORMATION ON BOULEVARD JAYA (CONT'D)

FYE 30 June	Audited		
	2021 (RM)	2022 (RM)	2023 (RM)
No. of ordinary shares in issue	15,000,000	15,000,000	15,000,000
NA per share	1.75	1.90	2.21
EPS	(0.07)	0.15	0.31
Total borrowings	44,580,227	40,652,633	31,963,962
Gearing (times)	1.69	1.42	0.96
Current ratio (times)	0.46	0.49	0.59

Commentary:-

FYE 30 June 2023 vs FYE 30 June 2022

Boulevard Jaya has recorded revenue of RM178.4 million in FYE 30 June 2023, representing an increase of 37% from the revenue recorded in the FYE 30 June 2022 of RM130.2 million. This was mainly due to the increase in vehicles sold during FYE 30 June 2023 due to the continued economic growth momentum and household spending.

Boulevard Jaya recorded a PAT of RM4.7 million in FYE 30 June 2023, representing an increase of 109.7% from the PAT recorded in FYE 30 June 2022 of RM2.2 million. This is mainly due to the increase in revenue and sales incentive from other income during the FYE 30 June 2023. As a result for achieving target sales, Boulevard Jaya received sales incentives from Toyota for its strong performance.

FYE 30 June 2022 vs FYE 30 June 2021

Boulevard Jaya recorded revenue of RM130.2 million in FYE 30 June 2022, representing an increase of 4.9% from the revenue recorded in FYE 30 June 2021 of RM124.2 million. This was primarily due to increase in some of Toyota cars' price to reflect the increase in cost of raw material such as steel materials.

Boulevard Jaya recorded a PAT of RM2.2 million in FYE 30 June 2022, representing a loss reversal of RM3.2 million from the LAT recorded in FYE 30 June 2021 of RM0.9 million. This was mainly due to Boulevard Jaya other income being sales incentives in FYE 30 June 2022 as compared to FYE 30 June 2021. The increase in PAT is also due to reduction in operating cost and finance cost.

3. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited financial statements of Boulevard Jaya for the FYE 30 June 2021 to FYE 30 June 2023, there are no accounting policies adopted by Boulevard Jaya which are peculiar due to the nature of the business or industry in which Boulevard Jaya is involved in.

There was no audit qualification for Boulevard Jaya's financial statements for the years under review.

Please refer to **Appendix III(A)** of this Circular for the latest audited financial statements of Boulevard Jaya.

4. MATERIAL LITIGATION, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL CONTRACTS**4.1 Material litigation**

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

4.2 Contingent liabilities

As at the LPD, there are no material contingent liabilities incurred or known to be incurred by Boulevard Jaya which upon being enforced may materially and adversely affect the financial position of Boulevard Jaya.

4.3 Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by Boulevard Jaya which upon being enforced may materially and adversely affect the financial position of Boulevard Jaya.

4.4 Material contracts

As at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Boulevard Jaya within 2 years immediately preceding the date of this Circular.

(The rest of this page has been intentionally left blank)

APPENDIX II(B): INFORMATION ON BOULEVARD MOTOR

1. BACKGROUND INFORMATION

1.1 Corporate information

Boulevard Motor was incorporated in Malaysia as a private limited company under the Act on 17 April 2017. Boulevard Motor commenced its operations since 2017 and is principally involved in the activities of retail of new motor vehicles and servicing and repairing of motor vehicles.

As at the LPD, the issued share capital of Boulevard Motor is RM2,500,000 comprising 2,500,000 ordinary shares.

Boulevard Motor does not have any subsidiary and associated company as at LPD.

1.2 General nature of business

Boulevard Motor is an authorised dealer and agent of Toyota vehicles in Sarawak and has a dealership agreement dated 3 July 2023 and agency agreement dated 18 December 2023 with UMW Toyota. Under the dealership agreement, Boulevard Motor has the right to sell certain Toyota products such as vehicles and parts directly to customers. Under the agency agreement, Boulevard Motor is granted the right to sell and deliver certain Toyota vehicles on behalf of and in the name of UMW Toyota. Currently, Boulevard Motor sells Toyota vehicles in Sarawak. Some of the models of Toyota vehicles sold include Toyota Vios, Toyota Yaris, Toyota Fortuner, Toyota Innova, Toyota Hilux and Toyota Corolla Cross. In addition, Boulevard Motor sells certain Toyota vehicles on behalf of UMW Toyota, which includes Toyota Harrier, Toyota Alphard, Toyota Veilfire, Toyota GR Supra and Toyota GR Yaris. Boulevard Motor also sells parts and accessories and provides after sales services and body and paint repair works for Toyota vehicles.

As at the LPD, Boulevard Motor operates the following centres:-

No.	Centre	Description	Location
1	Toyota showroom	Sale of Toyota vehicles and parts and accessories	Miri, 4S Lot 186, Block 5
2	Toyota service centre	Servicing of Toyota vehicles	MCLD, Lorong 6, Jalan Krokop, 98000 Miri, Sarawak
3	Toyota body and paint workshop	Body and paint repair work of Toyota vehicles	Lot 3043, Block 5 Miri Concession Land District, 98000 Miri (now known as Lot 799 Miri Concession Land District).
4	Toyota showroom	Sale of Toyota vehicles and parts and accessories	Bintulu 3S Lot 620, BDA Light Industrial Estate
5	Toyota service centre	Servicing of vehicles	Jalan Sultan Iskandar 97000 Bintulu Sarawak
6	Toyota showroom	Sale of Toyota vehicles and parts and accessories	Sibu 1S 16E-F, Lane 4, Jalan Lanang, 96000 Sibu, Sarawak

APPENDIX II(B): INFORMATION ON BOULEVARD MOTOR (CONT'D)

No.	Centre	Description	Location
7	Toyota Service centre	Servicing of Toyota vehicles	Sibu 2S No. 2, Lane 61, Jalan Lanang, 96000 Sibu, Sarawak
8	Toyota showroom	Sale of Toyota vehicles	Ground Floor of Lot 2463, 2464 and 2465, all of Block 5 Miri Concession Land District

All the building and lands of the centres above are leased by Boulevard Motor save as disclosed below which is owned by Boulevard Motor:

No.	Information	Centre ⁽¹⁾
1	Location	Bintulu 3S Lot 620, BDA Light Industrial Estate Jalan Sultan Iskandar 97000 Bintulu Sarawak
2	Description of building & land	Double storey office building for car showroom and service centre
3	Building gross built-up area	14,538 sq ft
4	Net book value as at 31 Dec 2023	Building and land: RM3,454,839
5	Net useable & lettable area	14,538 sq ft
6	Area to be self-occupied and let out	14,538 sq ft generally self-occupied save for a negligible desk space leased out to an external party
7	Percentage of occupancy	100%
8	Leasehold/freehold (land and building)	Leasehold
9	Land area	42,604 sq ft
10	Term of lease (land & building)	60 years
11	Expiry date of lease (land and building)	7 November 2043
12	Encumbrances	Charged to a financial institution

Note:

- (1) *A valuation by an independent valuer on the centre above has not been conducted for the purpose of the Proposed Acquisition and the details of the centre above are provided by the management of the Target Companies.*

APPENDIX II(B): INFORMATION ON BOULEVARD MOTOR (CONT'D)

The number of vehicles sold by Boulevard Motor for the past 3 FYE are as follows:-

FYE 31 December	2021	2022	2023
	No.	No.	No.
Vehicles sold	3,026	4,360	4,381

The breakdown of Boulevard Motor's revenue for the FYE 31 December 2023 is as follows:-

Revenue	RM
Sales of motor vehicles	562,200,423
Sales of spare parts and services	52,344,966
Total revenue	614,545,389

Based on the audited financial statements of Boulevard Motor for the FYE 31 December 2023, the major assets and liabilities of Boulevard Motor are as follows:-

FYE 31 December 2023	2023
	RM
Assets	
Property, plant and equipment	20,586,774
Inventories	17,674,913
Trade and other receivables ⁽¹⁾	67,409,401
Other current assets	128,862
Cash and bank balances	40,394,119
Total assets	146,194,069
Liabilities	
Borrowings	6,674,152
Trade and other payables ⁽²⁾	52,819,508
Deferred tax liability	239,170
Tax payable	5,070,575
Other current liabilities	122,566
Total liabilities	64,925,971

Notes:-

- (1) *Comprising trade receivables from third parties, trade receivables due from companies in which the directors have interest, refundable deposits, incentive receivables and sundry receivables.*
- (2) *Comprising trade payable due to third parties, accrued operating expenses, deposit received, dividend payable and sundry payables.*

The major assets of Boulevard Motor are mainly property, plant and equipment which consist of among others, land and building as set out above, trade and other receivables and cash and bank balances.

1.3 Directors' and substantial shareholders shareholdings

As at LPD, the directors of Boulevard Motor do not have any direct interest in Boulevard Motor. Their indirect equity interest in Boulevard Motor are as follows:-

Directors	Nationality	Designation	No. of shares	%
Tan Sri Datuk Ling Chiong Ho	Malaysian	Director	-	-
Ling Chiong Sing	Malaysian	Director	-	-
Dennis Ling Lu Jing	Malaysian	Director	2,500,000	33.3 ⁽¹⁾

Note:-

(1) Deemed interested by virtue of his shareholdings in Dwi Bumijaya.

As at LPD, all 2,500,000 ordinary shares of Boulevard Motor is wholly-owned by Dwi Bumijaya. Please refer to Section 2.2.3 of the Main Letter of this Circular for the shareholders of Dwi Bumijaya.

2. FINANCIAL INFORMATION

A summary of the financial information of Boulevard Motor based on its latest available audited financial statements for the past 3 years are as follows:-

FYE 31 December	Audited		
	2021 (RM)	2022 (RM)	2023 (RM)
Revenue	385,205,630	558,604,808	614,545,389
Gross profit	30,786,627	43,789,968	57,916,744
Profit before tax ("PBT")	16,015,012	26,878,055	51,244,879
Taxation	(4,701,534)	(6,181,476)	(12,419,544)
Profit after tax ("PAT")	11,313,478	20,696,579	38,825,335
Paid-up capital	2,500,000	2,500,000	2,500,000
Shareholders' funds / NA	35,996,184	50,192,763	81,268,098
No. of ordinary shares in issue	2,500,000	2,500,000	2,500,000
NA per share	14.40	20.08	32.51
EPS	4.53	8.28	15.53
Total borrowings	9,066,679	7,872,640	6,674,152
Gearing (times)	0.25	0.16	0.08
Current ratio (times)	1.47	1.60	2.05

(The rest of this page has been intentionally left blank)

Commentary:-

FYE 31 December 2023 vs FYE 31 December 2022

Boulevard Motor recorded revenue of RM614.5 million in FYE 31 December 2023, representing an increase of 10% from the revenue recorded in FYE 31 December 2022 of RM558.6 million. This is mainly due to the increase in number of vehicles sold during FYE 31 December 2023 due to fulfilment of backlog orders from FYE 31 December 2022 as there was shortages of supply chain in vehicles manufacturing. The increase is also driven by the extension of Sales and Service Tax ("SST") exemption for vehicles booked by 30 June 2022 but as long as the vehicles were registered by 31 March 2023.

Boulevard Motor recorded a PAT of 38.8 million in FYE 31 December 2023, representing an increase of 87.6% from the PAT recorded in FYE 31 December 2022 of RM20.7 million. This is mainly due to the increase in other income through sundry income generated.

FYE 31 December 2022 vs FYE 31 December 2021

Boulevard Motor recorded revenue of RM558.6 million in FYE 31 December 2022, representing an increase of 45% from the revenue recorded in FYE 31 December 2021 of RM385.2 million. This is mainly due to the increase in number of vehicles sold in FYE 31 December 2022. The Government announced that the SST exemption which was extended for another 6 months from 1 January 2022 to 30 June 2022. This has encouraged the customers to buy new vehicles and thus contributing to the increase in vehicles sold by Boulevard Motor in FYE 31 December 2022.

Boulevard Motor recorded a PAT of RM20.7 million in FYE 31 December 2022, an increase of 82.9% from the PAT recorded on FYE 31 December 2021 of RM11.3 million. This is primarily due to the increase in revenue in FYE 31 December 2021 but also due to the increase in other income through commission received by Boulevard Motor from selling more vehicles and a decrease in finance cost.

3. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited financial statements of Boulevard Motor for the FYE 31 December 2021 to FYE 31 December 2023, there are no accounting policies adopted by Boulevard Motor which are peculiar due to the nature of the business or industry in which Boulevard Motor is involved in.

There was no audit qualification for Boulevard Motor's financial statements for the years under review.

Please refer to **Appendix III(B)** of this Circular for the latest audited financial statements of Boulevard Motor.

(The rest of this page has been intentionally left blank)

4. MATERIAL LITIGATION, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL CONTRACTS

4.1 Material litigation

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

4.2 Contingent liabilities

As at the LPD, there are no material contingent liabilities incurred or known to be incurred by Boulevard Motor which upon being enforced may materially and adversely affect the financial position of Boulevard Motor.

4.3 Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by Boulevard Motor which upon being enforced may materially and adversely affect the financial position of Boulevard Motor.

4.4 Material contracts

As at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Boulevard Motor within 2 years immediately preceding the date of this Circular.

(The rest of this page has been intentionally left blank)

APPENDIX II(C): INFORMATION ON BOULEVARD MOTOR (SABAH)

1. BACKGROUND INFORMATION

1.1 Corporate information

Boulevard Motor (Sabah) was incorporated in Malaysia as a private limited company under the Act on 5 October 2017. Boulevard Motor (Sabah) commenced its operations since 2017 and is principally involved in the activities of retailing of passenger and commercial vehicles and repairing and servicing motor vehicles.

As at the LPD, the issued share capital of Boulevard Motor (Sabah) is RM2,500,000 comprising 2,500,000 ordinary shares.

Boulevard Motor (Sabah) does not have any subsidiary and associated company as at LPD.

1.2 General nature of business

Boulevard Motor (Sabah) is an authorised dealer and agent of Toyota vehicles in Sabah and has a dealership agreement dated 3 July 2023 and agency agreement dated 18 December 2023 with UMW Toyota. Under the dealership agreement, Boulevard Motor (Sabah) has the right to sell certain Toyota products such as vehicles and parts directly to customers. Under the agency agreement, Boulevard Motor (Sabah) is granted the right to sell and deliver certain Toyota vehicles on behalf of and in the name of UMW Toyota. Currently, Boulevard Motor (Sabah) sells Toyota vehicles in Sabah. Some of the models of Toyota vehicles sold include Toyota Hilux, Toyota Fortuner, Toyota Veloz, Toyota Vios and Toyota Corolla Cross. In addition, Boulevard Motor (Sabah) sells certain Toyota vehicles on behalf of UMW Toyota, which includes Toyota Harrier, Toyota Alphard, Toyota Vellfire, Toyota GR Supra and Toyota GR Yaris. Boulevard Motor (Sabah) also sells parts and accessories and provides after sales services and body and paint repair works for Toyota vehicles.

As at the LPD, Boulevard Motor (Sabah) has the following centres:

No.	Centre	Description	Location
1	Toyota showroom	Sale of Toyota vehicles and parts and accessories	Lahad Datu 1S, Lot 97 MDLD 3982 Fajar Centre 91100 Lahad Datu, Sabah
2	Toyota Service centre	Servicing of Toyota vehicles	Lahad Datu 2S Lot 11 & 12, Kimbell Light Industrial Estate, Mile 3 North Road 91100 Lahad Datu, Sabah
3	Toyota showroom	Sale of Toyota vehicles and parts and accessories	Sandakan 3S and B&P TL077598102, Mile 3 North Road 90000 Sandakan, Sabah
4	Toyota Service centre	Servicing of Toyota vehicles	
5	Toyota body and paint workshop	Body and paint repair work of Toyota vehicles	
6	Toyota showroom	Sale of Toyota vehicles and parts and accessories	Tawau 1S TB 16341, Mile 1/4 Jalan Bahagia 91000 Tawau, Sabah
7	Toyota Service centre	Servicing of Toyota vehicles	Tawau 2S TB 16342, Mile 1/4 Jalan Bahagia 91000 Tawau, Sabah

APPENDIX II(C): INFORMATION ON BOULEVARD MOTOR (SABAH) (CONT'D)

All the building and lands of the centres above are leased by Boulevard Motor (Sabah) save as disclosed below which are owned by Boulevard Motor (Sabah) as follows:

No.	Information	Centre ⁽¹⁾
1	Location	Tawau 2S TB 16342, Mile 1/4 Jalan Bahagia 91000 Tawau, Sabah
2	Description of building & land	Sandakan 3S and B&P TL077598102, Mile 3 North Road 90000 Sandakan, Sabah 1.5 storey showroom cum single storey service centre
3	Building gross built-up area	50,886 sq ft
4	Net book value as at 31 Dec 2023	Building and land: RM27,194,018
5	Net useable & lettable area	50,886 sq ft
6	Area to be self-occupied & let out	50,886 sq ft generally self-occupied save for a negligible desk space leased out to an external party
7	Percentage of occupancy	100%
8	Leasehold/freehold (land & building)	Leasehold
9	Land area	147,250 sq ft
10	Term of lease (land & building)	99 years
11	Expiry date of lease (land & building)	31 December 2117
12	Encumbrances	Charged to a financial institution

Note:

(1) A valuation by an independent valuer on the centres above has not been conducted for the purpose of the Proposed Acquisition and the details of the centres above are provided by the management of the Target Companies.

APPENDIX II(C): INFORMATION ON BOULEVARD MOTOR (SABAH) (CONT'D)

The number of vehicles sold by Boulevard Motor (Sabah) for the past 3 FYE are as follows:-

FYE 31 December	2021	2022	2023
	No.	No.	No.
Vehicles sold	1,742	2,559	2,546

The breakdown of Boulevard Motor (Sabah)'s revenue for the FYE 31 December 2023 is as follows:-

Revenue	RM
Sales of motor vehicles	357,316,950
Sales of spare parts and services	25,355,678
Total revenue	382,672,628

Based on the audited financial statements of Boulevard Motor (Sabah) for the FYE 31 December 2023, the major assets and liabilities of Boulevard Motor (Sabah) are as follows:-

FYE 31 December 2023	2023
	RM
Assets	
Property, plant and equipment	50,610,759
Inventories	9,033,295
Trade and other receivables ⁽¹⁾	37,202,542
Other current assets	89,493
Cash and bank balances	13,830,254
Total assets	110,766,343
Liabilities	
Borrowings	24,966,588
Trade and other payables ⁽²⁾	36,475,695
Deferred tax liability	310,609
Tax payable	2,766,852
Total liabilities	64,519,744

Notes:-

- (1) Comprising trade receivables from third parties, trade receivables due from companies in which the directors have interest, refundable deposits, incentive receivables and sundry receivables.
- (2) Comprising trade payable due to third parties, accrued operating expenses, deposit received, dividend payable and sundry payables.

The major assets of Boulevard Motor (Sabah) are mainly property, plant and equipment which consist of among others, the land and buildings as set out above, trade and other receivables and cash and bank balances.

1.3 Directors' and substantial shareholders shareholdings

As at LPD, the directors of Boulevard Motor (Sabah) do not have any direct interest in Boulevard Motor (Sabah). Their indirect equity interest in Boulevard Motor (Sabah) are as follows:-

Directors	Nationality	Designation	No. of shares	%
Tan Sri Datuk Ling Chiong Ho	Malaysian	Director	-	-
Ling Chiong Sing	Malaysian	Director	-	-
Tang Tiong Ing	Malaysian	Director	-	-
Dennis Ling Lu Jing	Malaysian	Director	2,500,000	33.3 ⁽¹⁾

Note:-

(1) Deemed interested by virtue of his shareholdings in Dwi Bumijaya.

As at LPD, all 2,500,000 ordinary shares of Boulevard Motor (Sabah) is wholly-owned by Dwi Bumijaya. Please refer to Section 2.2.3 of the Main Letter of this Circular for the shareholders of Dwi Bumijaya

2. FINANCIAL INFORMATION

A summary of the financial information of Boulevard Motor (Sabah) based on its latest available audited financial statements for the past 3 years are as follows:-

FYE 31 December	Audited		
	2021 (RM)	2022 (RM)	2023 (RM)
Revenue	223,621,670	335,130,443	382,672,628
Gross profit	18,964,300	27,434,325	44,218,276
Profit before tax ("PBT")	7,726,962	14,932,062	29,743,190
Taxation	(2,223,186)	(3,715,430)	(7,211,936)
Profit after tax ("PAT")	5,503,776	11,216,632	22,531,254
Paid-up capital	2,500,000	2,500,000	2,500,000
Shareholders' funds / NA	16,748,713	24,965,345	46,246,599
No. of ordinary shares in issue	2,500,000	2,500,000	2,500,000
NA per share	6.70	9.99	18.50
EPS	2.20	4.49	9.01
Total borrowings	30,986,843	28,173,879	24,966,588
Gearing (times)	1.85	1.13	0.54
Current ratio (times)	1.17	1.00	1.36

(The rest of this page has been intentionally left blank)

Commentary:-

FYE 31 December 2023 vs FYE 31 December 2022

Boulevard Motor (Sabah) recorded revenue of RM382.7 million in FYE 31 December 2023, representing an increase of 14.2% from the revenue recorded in FYE 31 December 2022 of RM335.1 million. This is primarily due to the increase in some of Toyota models' prices especially Toyota Hilux and Toyota Fortuner. Since Boulevard Motor (Sabah) mostly sold these models due to demand in its location, hence this explained the increase in revenue during FYE 31 December 2023.

Boulevard Motor (Sabah) recorded a PAT of RM22.5 million in FYE 31 December 2023, an increase of 100.9% from the PAT recorded in FYE 31 December 2022 of RM 11.2 million in line with its increase in revenue during the financial year.

FYE 31 December 2022 vs FYE 31 December 2021

Boulevard Motor (Sabah) recorded revenue of RM335.1 million in FYE 31 December 2022, representing an increase of 49.9% from the revenue recorded in FYE 31 December 2021 of RM223.6 million. This was mainly due to the increase in sales of vehicles in FYE 31 December 2022. The SST exemption announced by the Government was extended for another 6 months from 1 January 2022 to 30 June 2022. This has encouraged the customers to buy new vehicles and thus contributing to the increase in vehicles sold by Boulevard Motor (Sabah) in FYE 31 December 2022.

Boulevard Motor (Sabah) recorded a PAT of RM11.2 million in FYE 31 December 2022, an increase of 103.8% from the PAT recorded in FYE 31 December 2021 of RM5.5 million in line with its increase in revenue during the financial year.

3. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited financial statements of Boulevard Motor (Sabah) for the FYE 31 December 2021 to FYE 31 December 2023, there are no accounting policies adopted by Boulevard Motor (Sabah) which are peculiar due to the nature of the business or industry in which Boulevard Motor (Sabah) is involved in.

There was no audit qualification for Boulevard Motor (Sabah)'s financial statements for the years under review.

Please refer to **Appendix III(C)** of this Circular for the latest audited financial statements of Boulevard Motor (Sabah).

(The rest of this page has been intentionally left blank)

4. MATERIAL LITIGATION, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL CONTRACTS**4.1 Material litigation**

As at the LPD, Boulevard Motor (Sabah) is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against Boulevard Motor (Sabah) or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of Boulevard Motor (Sabah).

4.2 Contingent liabilities

As at the LPD, there are no material contingent liabilities incurred or known to be incurred by Boulevard Motor (Sabah) which upon being enforced may materially and adversely affect the financial position of Boulevard Motor (Sabah).

4.3 Material commitments

Save as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by Boulevard Motor (Sabah) which upon being enforced may materially and adversely affect the financial position of Boulevard Motor (Sabah).

Capital expenditureApproved and contracted for⁽¹⁾**RM**
9,752,405*Note:-**(1) For the construction of new showroom and service centre.***4.4 Material contracts**

As at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Boulevard Motor (Sabah) within 2 years immediately preceding the date of this Circular.

(The rest of this page has been intentionally left blank)

APPENDIX II(D): INFORMATION ON BOULEVARD MOTOR (LABUAN)

1. BACKGROUND INFORMATION

1.1 Corporate information

Boulevard Motor (Labuan) was incorporated in Malaysia as a private limited company under the Act on 14 November 2017. Boulevard Motor (Labuan) commenced its operations since 2017 and is principally involved in the activities of retailing of passenger and commercial vehicles and repairing and servicing motor vehicles.

As at the LPD, the issued share capital of Boulevard Motor (Labuan) is RM2,500,000 comprising 2,500,000 ordinary shares.

Boulevard Motor (Labuan) does not have any subsidiary and associated company as at LPD.

1.2 General nature of business

Boulevard Motor (Labuan) is an authorised dealer and agent of Toyota vehicles in Labuan and has a dealership agreement dated 3 July 2023 and agency agreement dated 18 December 2023 with UMW Toyota. Under the dealership agreement, Boulevard Motor (Sabah) has the right to sell certain Toyota products such as vehicles and parts directly to customers. Under the agency agreement, Boulevard Motor (Sabah) is granted the right to sell and deliver certain Toyota vehicles on behalf of and in the name of UMW Toyota. Currently, Boulevard Motor (Labuan) sells Toyota vehicles in Labuan. Some of the models of Toyota vehicles sold include Toyota Hilux, Toyota Vios, Toyota Veloz, Toyota Yaris and Toyota Corolla Cross. In addition, Boulevard Motor (Labuan) sells certain Toyota vehicles on behalf of UMW Toyota, which includes Toyota Harrier, Toyota Alphard, Toyota Vellfire, Toyota GR Supra and Toyota GR Yaris. Boulevard Motor (Labuan) also sells parts and accessories and provides after sales services and body and paint repair works for Toyota vehicles.

As at the LPD, Boulevard Motor (Labuan) has the following centre:

No.	Centre	Description	Location
1	Toyota showroom	Sale of Toyota vehicles and parts and accessories	Labuan 3S Lot 6, Car Showroom, 1KM Kampung Batu Arang 87020 Labuan, Sabah

The details of the centre owned by Boulevard Motor (Labuan) is as follows:

No.	Information	Centre ⁽¹⁾
1	Location	Labuan 3S Lot 6, Car Showroom, 1KM Kampung Batu Arang 87020 Labuan, Sabah
2	Description of building and land	2 storey detached building for showroom/office cum service centre
3	Building gross built-up area	16,540 sq ft
4	Net book value as at 31 Dec 2023	Building and land: RM4,658,539
5	Net useable and lettable area	16,540 sq ft
6	Area to be self-occupied and let out	Self-occupied: 16,540 sq ft Let out: Nil sq ft
7	Percentage of occupancy	100%

APPENDIX II(D): INFORMATION ON BOULEVARD MOTOR (LABUAN) (CONT'D)

No.	Information	Centre ⁽¹⁾
8	Leasehold/freehold (land and building)	Leasehold
9	Land area	43,486 sq ft
10	Term of lease (land and building)	60 years
11	Expiry date of lease (land & building)	31 December 2042
12	Encumbrances	Charged to a financial institution

Note:

(1) A valuation by an independent valuer on the centre above has not been conducted for the purpose of the Proposed Acquisition and the details of the centre above are provided by the management of the Target Companies.

The number of vehicles sold by Boulevard Motor (Labuan) for the past 3 FYE are as follows:-

FYE 31 December	2021	2022	2023
	No.	No.	No.
Vehicles sold	318	444	500

The breakdown of Boulevard Motor (Labuan)'s revenue for the FYE 31 December 2023 is as follows:-

Revenue	RM
Sales of motor vehicles	59,170,129
Sales of spare parts and services	4,914,356
Total revenue	64,084,485

Based on the audited financial statements of Boulevard Motor (Labuan) for the FYE 31 December 2023, the major assets and liabilities of Boulevard Motor (Labuan) are as follows:-

FYE 31 December 2023	2023
	RM
Assets	
Property, plant and equipment	6,303,283
Inventories	550,314
Trade and other receivables ⁽¹⁾	6,901,230
Other current assets	14,806
Cash and bank balances	4,851,994
Total assets	18,621,627
Liabilities	
Borrowings	4,804,015
Trade and other payables ⁽²⁾	5,289,593
Deferred tax liability	75,331
Tax payable	317,497
Total liabilities	10,486,436

APPENDIX II(D): INFORMATION ON BOULEVARD MOTOR (LABUAN) (CONT'D)

Notes:-

- (1) Comprising trade receivables from third parties, trade receivables due from companies in which the directors have interest, refundable deposits, incentive receivables and sundry receivables.
- (2) Comprising trade payable due to third parties, accrued operating expenses, deposit received, dividend payable and sundry payables.

The major assets of Boulevard Motor (Labuan) are mainly property, plant and equipment which consist of among others, the land and building as set out above, trade and other receivables and cash and bank balances.

1.3 Directors' and substantial shareholders shareholdings

As at LPD, the directors of Boulevard Motor (Labuan) do not have any direct interest in Boulevard Motor (Labuan). Their indirect equity interest in Boulevard Motor (Labuan) are as follows:-

Directors	Nationality	Designation	No. of shares	%
Tan Sri Datuk Ling Chiong Ho	Malaysian	Director	-	-
Ling Chiong Sing	Malaysian	Director	-	-
Dennis Ling Lu Jing	Malaysian	Director	2,500,000	33.3 ⁽¹⁾

Note:-

- (1) Deemed interested by virtue of his shareholdings in Dwi Bumijaya.

As at LPD, all 2,500,000 ordinary shares of Boulevard Motor (Labuan) is wholly-owned by Dwi Bumijaya. Please refer to Section 2.2.3 of the Main Letter of this Circular for the shareholders of Dwi Bumijaya.

2. FINANCIAL INFORMATION

A summary of the financial information of Boulevard Motor (Labuan) based on its latest available audited financial statements for the past 3 years are as follows:-

FY 31 December	Audited		
	2021 (RM)	2022 (RM)	2023 (RM)
Revenue	32,895,686	53,178,221	64,084,485
Gross profit	3,322,821	5,166,787	6,753,297
Profit before tax ("PBT")	737,426	2,101,320	4,540,829
Taxation	(354,539)	(494,089)	(1,147,972)
Profit after tax ("PAT")	382,887	1,607,231	3,392,857
Paid-up capital	2,500,000	2,500,000	2,500,000
Shareholders' funds / NA	4,635,103	5,742,334	8,135,191
No. of ordinary shares in issue	2,500,000	2,500,000	2,500,000
NA per share	1.85	2.30	3.25
EPS	0.15	0.64	1.36
Total borrowings	6,179,247	5,496,827	4,804,015
Gearing (times)	1.33	0.96	0.59
Current ratio (times)	1.13	1.15	1.39

Commentary:-

FYE 31 December 2023 vs FYE 31 December 2022

Boulevard Motor (Labuan) recorded revenue of RM64.1 million in FYE 31 December 2023, representing an increase of 20.5% from the revenue recorded in FYE 31 December 2022 of RM53.2 million. This is primarily due to Boulevard Motor (Labuan) sold more vehicles during FYE 31 December 2023 due to fulfilment of backlog orders from FYE 31 December 2022 as there was shortages of supply chain in vehicles manufacturing. In addition, the SST exemption for vehicles booked by 30 June 2022 but as long as the vehicles were registered by 31 March 2023 has contributed to increase in number of vehicles sold during the FYE 31 December 2023.

Boulevard Motor (Labuan) recorded a PAT of RM3.4 million in FYE 31 December 2023, an increase of 111.1% from the PAT recorded in FYE 31 December 2022 of RM1.6 million. This mainly due to the increase in revenue during the financial year. The increase is also supported by the increase in other income generated during FYE 31 December 2023 which Boulevard Motor (Labuan) generated high sundry income compared in FYE 31 December 2022.

FYE 31 December 2022 vs FYE 31 December 2021

Boulevard Motor (Labuan) recorded revenue of RM53.2 million in FYE 31 December 2022, representing an increase of 61.7% from the revenue recorded in FYE 31 December 2021 of RM32.9 million. This was mainly due to the increase in sales of vehicles in FYE 31 December 2022 as part of the effect from SST exemption which the Government announced that the exemption was extended for another 6 months from 1 January 2022 to 30 June 2022. This in returns has encouraged the customers to buy new vehicles and thus contributing to the increase in vehicles sold by Boulevard Motor (Labuan) in FYE 31 December 2022.

Boulevard Motor (Labuan) recorded a PAT of RM1.6 million in FYE 31 December 2022, an increase of 319.8% from the PAT recorded in FYE 31 December 2021 of RM0.3 million. This was primarily due to the increase in commission received in FYE 31 December 2022 since Boulevard Motor (Labuan) sold more vehicle than in FYE 31 December 2021. In addition, the increase of PAT was also due to the decrease in finance cost in FYE 31 December 2022

3. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited financial statements of Boulevard Motor (Labuan) for the FYE 31 December 2021 to FYE 31 December 2023, there are no accounting policies adopted by Boulevard Motor (Labuan) which are peculiar due to the nature of the business or industry in which Boulevard Motor (Labuan) is involved in.

There was no audit qualification for Boulevard Motor (Labuan)'s financial statements for the years under review.

Please refer to **Appendix III(D)** of this Circular for the latest audited financial statements of Boulevard Motor (Labuan).

4. MATERIAL LITIGATION, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL CONTRACTS

4.1 Material litigation

As at the LPD, Boulevard Motor (Labuan) is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against Boulevard Motor (Labuan) or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of Boulevard Motor (Labuan).

4.2 Contingent liabilities

As at the LPD, there are no material contingent liabilities incurred or known to be incurred by Boulevard Motor (Labuan) which upon being enforced may materially and adversely affect the financial position of Boulevard Motor (Labuan).

4.3 Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by Boulevard Motor (Labuan) which upon being enforced may materially and adversely affect the financial position of Boulevard Motor (Labuan).

4.4 Material contracts

As at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Boulevard Motor (Labuan) within 2 years immediately preceding the date of this Circular.

(The rest of this page has been intentionally left blank)