

General Announcement

Company Name : SHIN YANG SHIPPING CORPORATION BERHAD
Stock Name : SYSCORP
Date Announced : 22 FEBRUARY 2022
Type : Announcement
Subject : TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS)
COMBINATION OF TRANSACTIONS
Description : SHIN YANG SHIPPING CORPORATION BERHAD (“SYSCORP”) PROPOSED ACQUISITIONS OF:-
(i) 100% EQUITY INTEREST IN KUCHING BARRAGE MANAGEMENT SDN. BHD.
(ii) 50.50% EQUITY INTEREST IN MELINAU CONTAINER SERVICES SDN. BHD.

Announcement Details/Table Section:

1. INTRODUCTION

The Board of Directors of SYSCORP (“Board”) wishes to announce that SYSCORP had on 22 February 2022, entered into a conditional Share Sale and Purchase Agreement (“SSPA”) with the respective Vendors (as defined below) to purchase:-

- (i) 500,000 ordinary shares in Kuching Barrage Management Sdn Bhd (“KBMSB”), representing 100% equity interest in KBMSB for a cash consideration of RM 600,000.00 (“Proposed Acquisition of KBMSB”); and
- (ii) 252,500 ordinary shares in Melinau Container Services Sdn. Bhd. (“MCSSB”), representing 50.50% equity interest in MCSSB and 8,800,000 of 5% redeemable preference shares for a cash consideration of RM 8,800,002.00 (“Proposed Acquisition of MCSSB”).

The Proposed Acquisition of KBMSB and Proposed Acquisition of MCSSB are collectively referred to as the Proposed Acquisitions.

The total purchase consideration for the above Proposed Acquisitions is RM 9,400,002.00 (“Proposed Purchase Consideration”).

The Proposed Acquisitions are deemed to be related party transaction (“RPT”) in accordance with Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”), in view of the interests of certain directors and major shareholders of SYSCORP in the Proposed Acquisitions. Details on the interests of the directors and major shareholders of SYSCORP and/or persons connected with them in relation to the Proposed Acquisitions are set out in **Section 8** of this announcement.

(i) **KBMSB**

| Vendors of KBMSB | No. of Shares |
|---|----------------------|
| Kong Lee Luang ("KONG") | 17,500 |
| Azman Bin Sulaiman ("AZMAN") | 7,500 |
| Shin Yang Enterprise Sdn Bhd ("SYESB") ¹ | 475,000 |
| Total : | 500,000 |

Note:-

- 1 As at the date of this announcement, the Board of Directors and the shareholders of SYESB and their direct and indirect shareholding in SYESB are as follows:-

| Name | Direct | | Indirect | |
|------------------------------|----------------------|----------|----------------------|----------|
| | No. of shares | % | No. of shares | % |
| <u>Directors</u> | | | | |
| Tan Sri Datuk Ling Chiong Ho | 246,250 | 24.625 | - | - |
| Ling Chiong Pin | 246,250 | 24.625 | - | - |
| Ling Chiong Sing | 246,250 | 24.625 | - | - |
| Ling Chiong Sieng | 246,250 | 24.625 | - | - |
| <u>Shareholders</u> | | | | |
| Tan Sri Datuk Ling Chiong Ho | 246,250 | 24.625 | - | - |
| Ling Chiong Pin | 246,250 | 24.625 | - | - |
| Ling Chiong Sing | 246,250 | 24.625 | - | - |
| Ling Chiong Sieng | 246,250 | 24.625 | - | - |
| Ling Lu Kuang | 5,000 | 0.500 | - | - |
| Ling Lu Siong | 5,000 | 0.500 | - | - |
| Dennis Ling Lu Jing | 5,000 | 0.500 | - | - |

The original cost of investment to the Vendors of KBMSB is RM 1 per ordinary share. The date of allotment of the Vendors' shares in KBMSB is 30 May 2009. Upon completion of the Proposed Acquisition of KBMSB, KBMSB shall become 100% owned subsidiary of SYSCORP.

(ii) **MCSSB**

| Vendors of MCSSB | No. of Shares |
|--|----------------------|
| Shin Yang Holding Sdn Bhd ("SYHSB") ¹ | 245,000 |
| Azman Bin Sulaiman ("AZMAN") | 7,500 |
| Total : | 252,500 |

Note:-

- 1 As at the date of this announcement, the Board of Directors and the shareholders of SYHSB and their direct and indirect shareholding in SYHSB are as follows:-

| Name | Direct | | Indirect | |
|------------------------------|---------------------|----------|---------------------|----------|
| | No.of shares | % | No.of shares | % |
| <u>Directors</u> | | | | |
| Tan Sri Datuk Ling Chiong Ho | 6,250,000 | 25.0 | - | - |
| Ling Chiong Pin | 6,250,000 | 25.0 | - | - |
| Ling Chiong Sing | 6,250,000 | 25.0 | - | - |
| Ling Chiong Sieng | 6,250,000 | 25.0 | - | - |
| Datuk Ling Lu Kiong | - | - | - | - |
| <u>Shareholders</u> | | | | |
| Tan Sri Datuk Ling Chiong Ho | 6,250,000 | 25.0 | - | - |
| Ling Chiong Pin | 6,250,000 | 25.0 | - | - |
| Ling Chiong Sing | 6,250,000 | 25.0 | - | - |
| Ling Chiong Sieng | 6,250,000 | 25.0 | - | - |

The original cost of investment to the Vendors of MCSSB is RM 1 per ordinary share. The date of allotment of the Vendors' shares in MCSSB is 04 October 2011. Upon completion of the Proposed Acquisition of MCSSB, MCSSB shall become 50.50% owned subsidiary of SYSCORP. The remaining 49.50% of the entire issued share capital of MCSSB shall continue to be held by the existing shareholder, Cambridge Alliance Sdn. Bhd. (Registration No. 199501020590 (349793-X), a private company limited by shares incorporated and registered in Malaysia.

Further details of the Proposed Acquisitions are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ACQUISITIONS

2.1 Information on KBMSB

KBMSB was incorporated in Malaysia on 27 August 1997 under Companies Act, 1965 and deemed registered under the Companies Act 2016. As at the date of this announcement, KBMSB has a total issued share capital of RM500,000.00 comprising 500,000 ordinary shares. The principal activities of KBMSB are the operations and maintenance of a barrage and shiplock located in Muara Tebas Land District, Kuching Sarawak, owned by Government of Sarawak and regulated by Lembaga Sungai-Sungai Sarawak (LSSS).

KBMSB has been awarded 5 contracts to operate and maintain of barrage and shiplock under the Sungai Sarawak Regulation Scheme (SSRS) since the commencement of the project in 1997. The first four contracts have been completed successfully and were in compliance with the terms and conditions the contracts with LSSS.

The fifth contract is still ongoing and is expected to be completed by 30 September 2023 with a total value of RM 23.3 million and RM 9.99million for the extended portion of the contract.

A summary of the financial information of KBMSB for the financial year ended (“FYE”) 30 June 2019 to 2021 is set out below:-

| <u>Audited</u> | <u>FYE 2019</u> | <u>FYE 2020</u> | <u>FYE 2021</u> |
|---|------------------------|------------------------|------------------------|
| | <u>(RM)</u> | <u>(RM)</u> | <u>(RM)</u> |
| Revenue | 5,503,487 | 4,433,409 | 4,429,197 |
| Profit before tax | 396,478 | 509,415 | 268,679 |
| Profit after tax | 317,024 | 436,869 | 231,419 |
| Shareholders fund / net asset (“NA”) | 1,507,608 | 1,394,477 | 1,075,896 |

2.2 Information on MCSSB

MCSSB was incorporated in Malaysia on 06 December 2006 under Companies Act, 1965 and deemed registered under the Companies Act 2016. As at the date of this announcement, MCSSB has a total issued share capital of RM500,000.00 comprising 500,000 ordinary shares.

On 24 June 2021, MCSSB allotted and issued 8,800,000.00 redeemable preference shares (“RPS”) at the coupon rate of 5% per annum per RPS, to SYHSB. The RPS are redeemable on or after the fifth (5th) anniversary from the date of allotment of RPS, and are transferable with the approval of the board of directors of MCSSB.

MCSSB is principally involved in road freight carriage and its core business activity is in cargo container transportation primarily servicing major ports in Sarawak and Sabah, namely Miri, Bintulu, Sibul, Kuching and Kota Kinabalu.

As at the date of this announcement, MCSSB has 97 employees, 39 contract drivers and 3 local offices. It serves approximately 5 active customers and receives support from approximately 15 active vendors. MCSSB has a fleet of 45 prime movers, 105 trailers, 8 side loaders, 3 pick up and 1 forklift.

MCSSB offers its transport services, among others, within the following trade lanes in East Malaysia:

- Miri - Bintulu
- Sibul – Kuching
- Kuching – Miri
- Kuching - Bintulu
- Within Kota Kinabalu
- Kota Kinabalu – Sandakan
- Kota Kinabalu – Labuan
- Kota Kinabalu – Tawau
- Kota Kinabalu - Limbang

A summary of the financial information of MCSSB for the FYE 31 December 2018 to 2020 is set out below:-

| <u>Audited</u> | <u>FYE 2018</u> | <u>FYE 2019</u> | <u>FYE 2020</u> |
|---------------------------|------------------------|------------------------|------------------------|
| | <u>(RM)</u> | <u>(RM)</u> | <u>(RM)</u> |
| Revenue | 12,657,128 | 11,283,634 | 10,608,467 |
| Profit before tax | 3,849 | (632,413) | (211,758) |
| Profit after tax | 3,849 | (632,746) | (212,355) |
| Shareholders fund / NA | (850,614) | (1,483,360) | (2,195,715) |

2.3 Basis and justification for the Proposed Purchase Consideration

The Proposed Purchase Consideration was arrived at on a “willing-buyer willing seller” basis after taking into consideration the following:

- (i) KBMSB’s NA of approximately RM 651,448, based on its unaudited financial statements for the FYE 31 December 2021;
- (ii) MCSSB’s NA of approximately RM 6,760,388 (after taking into consideration proceeds from the issuance of RPS of RM8.8 million), based on its unaudited financial statements for the FYE 31 December 2021;
- (iii) the rationale of the Proposed Acquisitions as mentioned in Section 3 of this announcement;
- (iv) the historical financial and operation performance of KBMSB and MCSSB.

2.4 Source of funding

The Proposed Purchase Consideration will be satisfied in cash via internally generated funds in SYSCORP Group.

2.5 Liabilities to be assumed

Save for the obligations and liabilities of SYSCORP arising from or in connection with the SSPA, there are no other liabilities including contingent liabilities and/or guarantees to be assumed by SYSCORP arising from the Proposed Acquisitions.

2.6 Additional financial commitment

SYSCORP does not expect to incur additional financial commitment to put the business of the KBMSB and MCSSB on-stream in view that KBMSB and MCSSB are ongoing operations.

3. RATIONALE FOR THE PROPOSED ACQUISITIONS

(i) **KBMSB**

The Proposed Acquisition of KBMSB is expected to contribute positively to the future earnings from the management of the barrage and shiplock and the metal fabrication segment of SYSCORP group (“**SYSCORP Group**”).

The Proposed Acquisition of KBMSB will also enable SYSCORP Group to:

- (i) raise SYSCORP's profile as the sole operator of the Kuching barrage and shiplock, the first of its kind of barrages and shiplocks in Southeast Asia;
- (ii) to consolidate the marine related businesses under SYSCORP Group; and
- (iii) strengthen its metal fabrication services as all repair and maintenance of the barrage and shiplock system had been and will continue to be handled by SYSCORP's metal fabrication sector including new installation and replacement of barrage and shiplock systems.

(ii) **MCSSB**

The Proposed Acquisition of MCSSB is expected to strengthen and complement haulage activities of SYSCORP Group.

The Proposed Acquisition of MCSSB will also enable SYSCORP Group to:

- (i) reduce outsourcing costs on land transport for inbound and outbound cargoes to and from Kota Kinabalu and Kuching, where MCSSB primarily operates in;
- (ii) leverage on MCSSB's network and client base to cross-sell SYSCORP Group's other shipping services such as transportation, door-to-door services, custom clearing, import and export documentation and port related services under a unified “SYSCORP” franchise; and
- (iii) strengthen its shipping offerings by reducing the reliance on external land transport service provider and has better control over delivery routes as well as the reliability, timing and manner of cargoes delivery to hinterland destinations, particularly in the course of servicing and tendering for multi-national contracts involving the provision of logistic services.

4. SALIENT TERMS OF THE SSPA

(i) **KBMSB**

The purchase consideration of KBMSB will be settled by SYSCORP to the Vendors of KBMSB in their respective proportion under the SSPA, in the following manner:

- (i) payment of RM 60,000.00, being 10% of the purchase consideration, upon the execution of the SSPA; and
- (ii) payment of RM 540,000.00, being 90% of the purchase consideration (“Balance Sum for KBMSB”) within 3 months from the fulfilment of all conditions precedent of the SSPA (“Completion Period of KBMSB”).

If SYSCORP fails to pay the Balance Sum for KBMSB within the Completion Period of KBMSB, SYSCORP shall be entitled to an automatic extension of 1 month from the Completion Period of KBMSB to pay the Balance Sum for KBMSB, subject to an interest rate of 8% per annum on daily rest from the expiry of the Completion Period of KBMSB until the date of the full payment.

Please refer to **Appendix I** of this announcement for further details on the salient terms of the SSPA in relation to the Proposed Acquisition of KBMSB.

(ii) **MCSSB**

The purchase consideration of MCSSB will be settled by SYSCORP to the Vendors of MCSSB in their respective proportion under the SSPA, in the following manner:

- (i) payment of RM 880,000.00, being 10% of the purchase consideration, upon the execution of the SSPA; and
- (ii) payment of RM 7,920,002.00, being 90% of the purchase consideration (“Balance Sum for MCSSB”) within 3 months from the fulfilment of all conditions precedent of the SSPA (“Completion Period of MCSSB”).

If SYSCORP fails to pay the Balance Sum for MCSSB within the Completion Period of MCSSB, SYSCORP shall be entitled to an automatic extension of 1 month from the Completion Period of MCSSB to pay the Balance Sum for MCSSB, subject to an interest rate of 8% per annum on daily rest from the expiry of the Completion Period of MCSSB until the date of the full payment.

Please refer to **Appendix II** of this announcement for further details on the salient terms of the SSPA in relation to the Proposed Acquisition of MCSSB.

5. RISKS OF THE PROPOSED ACQUISITIONS

Save as disclosed below, the Board does not foresee any other specific risks arising from the Proposed Acquisitions which could materially or adversely affect the financial and operating condition of the Company.

5.1. Transaction risk

The completion of the Proposed Acquisitions is conditional upon the conditions precedent of the SSPA being satisfied. There can be no assurance that such conditions will be satisfied within the timeframe stipulated in the SSPA. In the event that the condition precedents are not satisfied, the SSPA will be terminated and the Proposed Acquisitions will not be completed. However, SYSCORP will endeavour to use all reasonable steps to ensure satisfaction and/or waiver, as the case maybe, to ensure completion of the Proposed Acquisitions.

5.2. Investment risk

The Proposed Acquisitions are expected to be beneficial to SYSCORP Group. Moving forward, SYSCORP will continue to leverage on the experience and expertise of KBMSB's and MCSSB's management to generate positive returns in SYSCORP Group.

However, there is no guarantee that the anticipated benefits from the Proposed Acquisitions will be realised or that SYSCORP will be able to generate sufficient returns from the Proposed Acquisitions to offset its cost of investment.

6. EFFECTS OF THE PROPOSED ACQUISITIONS

6.1. Share capital and substantial shareholder's shareholdings

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

6.2. NA and gearing

The Proposed Acquisitions will not have a material effect on the NA of SYSCORP Group for the FYE 30 June 2022. As set out in Section 2.4, the Proposed Acquisitions will be funded through a internally generated funds in SYSCORP Group.

7. APPROVAL REQUIRED

The Proposed Acquisitions are not subject to the approval of the shareholders of SYSCORP and/ or other relevant authorities.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

8.1 KBMSB

Tan Sri Datuk Ling Chiong Ho, Ling Chiong Pin and Ling Chiong Sing, the directors and major shareholders of SYSCORP are also the directors and indirect major shareholders of KBMSB. As such, they are deemed to have an interest in the Proposed Acquisition of KBMSB by virtue of their common directorship and being the major shareholders of SYSCORP and KBMSB.

8.2 MCSSB

Tan Sri Datuk Ling Chiong Ho, Ling Chiong Pin and Ling Chiong Sing, the Directors and major shareholders of SYSCORP are also the Directors and indirect major shareholders of MSSSB. As such, they are deemed to have an interest in the Proposed Acquisition of MCSSB by virtue of their common directorship and being the major shareholders of SYSCORP and MCSSB.

Saved as disclosed above, none of the Directors and /or major shareholders or persons connected to them had any interest, direct or indirect, in the Proposed Acquisitions.

8.3 SYSCORP

As at the date of this announcement, the direct and/or indirect shareholdings of the interested directors and interested major shareholders in SYSCORP are as follows:

| Name | Direct | | Indirect | |
|--|-----------------------------------|-------|-----------------------------------|-------|
| | No. of ordinary shares in SYSCORP | (1) % | No. of ordinary shares in SYSCORP | (1) % |
| <u>Interested Directors:</u> | | | | |
| Tan Sri Datuk Ling Chiong Ho | 34,802,669 | 3.01 | (2) 660,412,796 | 57.21 |
| Ling Chiong Sing | 34,802,669 | 3.01 | (2) 660,412,796 | 57.21 |
| Ling Chiong Pin | 34,802,668 | 3.01 | (2) 660,412,796 | 57.21 |
| <u>Interested shareholders:</u> | | | | |
| Shin Yang Holding Sdn Bhd | 660,412,796 | 57.21 | - | - |
| Tan Sri Datuk Ling Chiong Ho | 34,802,669 | 3.01 | (2) 660,412,796 | 57.21 |
| Ling Chiong Sing | 34,802,669 | 3.01 | (2) 660,412,796 | 57.21 |
| Ling Chiong Pin | 34,802,668 | 3.01 | (2) 660,412,796 | 57.21 |

Notes:

- (1) Calculated based on 1,154,329,700 ordinary shares of SYSCORP in issue (excluding 45,670,300 treasury shares) as at the LPD.
- (2) Deemed interested by virtue of his shareholdings in Shin Yang Holding Sdn Bhd pursuant to Section 8 of the Act.

9. DIRECTORS' AND AUDIT COMMITTEE'S STATEMENT

9.1 Directors' statement

The Board (save for Tan Sri Datuk Ling Chiong Ho, Ling Chiong Pin and Ling Chiong Sing) is of the opinion that the Proposed Acquisitions are in the best interest of the SYSCORP Group.

9.2 Audit Committee's Statement

The Audit Committee of the Company, after having considered all aspects of the Proposed Acquisitions, including the rationale and effects of the Proposed Acquisitions, basis and justification for the Proposed Purchase Consideration, is of the view that the Proposed Acquisitions are fair, reasonable and on normal commercial terms and are in the best interest of the SYSCORP Group.

In addition, the Audit Committee of SYSCORP is also of the view that the Proposed Acquisitions are not detrimental to the interest of the minority shareholders of SYSCORP Group.

10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 1.10%.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals (if any) being obtained, the Proposed Acquisitions are expected to be completed by the second quarter of 2022.

12. DOCUMENT AVAILABLE FOR INSPECTION

Each of the SSPA in relation to the Proposed Acquisitions are available for inspection during normal business hours at the registered office of SYSCORP at Sublot 153 (Parent Lot 70), Jalan Kuala Baram, Kuala Baram, 98100 Miri, Sarawak from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 22 February 2022.

SAILENT TERMS OF SSPA IN RELATION TO THE PROPOSED ACQUISITION OF KBMSB

The salient terms of the SSPA in relation to the Proposed Acquisition of KBMSB are set out below:

1. Condition precedent

The SSPA is subject to and conditional upon the the completion of a legal due diligence review to be conducted on the affairs of KBMSB to the satisfaction of SYSCORP within the period of 3 months from the date of SSPA, with a further extension to be mutually agreed between the Vendors of KBMSB and SYSCORP ("**Conditional Period**").

2. Non-fulfilment of the Condition Precedent

KONG, AZMAN, SYESB and SYSCORP may mutually agree in writing to extend the Conditional Period to an extended period as may be necessary to fulfill the Condition Precedent, whether with or without conditions ("**Extended Conditional Period**").

If no mutual agreement is reached by KONG, AZMAN, SYESB and SYSCORP to extend the Conditional Period or if the Conditional Period is mutually extended but the Condition Precedent is not fulfilled or waived by the expiry of the Extended Conditional Period, SYSCORP is not bound to proceed with the Proposed Acquisition of KBMSB and may terminate the SSPA whereupon the Deposit shall be fully refundable to SYSCORP.

The SSPA shall become unconditional on the date when the Condition Precedent has been fulfilled ("**Effective Date**").

3. Completion

The Proposed Acquisition of KBMSB shall be completed simultaneously with the payment of the Balance Sum, together with interest accrued thereon for late payment, if any, on a day falling within the Completion Period or within the extended 1 month from the expiry of the Completion Period, as the case may be ("**Completion Date**").

On the Completion Date, the following shall take place:

- (1) KONG, AZMAN and SYESB shall deliver or cause to be delivered to SYSCORP:
 - (a) the original share certificates to the Sale Shares;
 - (b) the valid and registrable Form of Transfer of Securities in respect of the Sale Shares duly executed and completed by KONG, AZMAN and SYESB in favour of SYSCORP;

- (c) all such other documents, including such waivers or consents, as SYSCORP may require to enable SYSCORP to be registered as the registered shareholder of the Sale Shares;
- (d) the resignation letters of the nominees of KONG, AZMAN and SYESB as directors of KBMSB without any compensation, damages, claims or any payment whatsoever against KBMSB;
- (e) the resolution of the board of directors of KBMSB approving:
 - (i) the transfer of the Sale Shares to and in favour of SYSCORP;
 - (ii) the cancellation of the existing share certificates in respect of the Sale Shares in the name of KONG, AZMAN and SYESB and the issuance of new share certificates in respect of the Sale Shares in favour of SYSCORP;
 - (iii) the registration of SYSCORP as the new holder of all of the Sale Shares and member of KBMSB; and
 - (iv) the appointment of SYSCORP's nominee(s) to the board of directors of KBMSB and the variation of existing account signatories and mandates in relation to each bank account of KBMSB to include and remove such persons as SYSCORP may select, with such variation to take effect from the Completion Date;

and

- (2) SYSCORP shall remit the Balance Sum to KONG, AZMAN and SYESB in proportion to their respective share of the Sale Shares, by way of cheque or electronic transfer of funds for same day value to their respective bank account.

4. Termination

The SSPA may be terminated if:

- (a) prior to the completion of the Proposed Acquisition of KBMSB, KONG, AZMAN and SYESB or SYSCORP neglect or by wilful default fail or refuse or be unable to complete the Proposed Acquisition of KBMSB in accordance with the SSPA;
- (b) at any time prior to the completion of the Proposed Acquisition of KBMSB, it comes to the attention of SYSCORP that a breach of any of the provisions of the SSPA or any fact, matter or event occurs which:
 - (i) would constitute a material breach of any of the representations and warranties; or

- (ii) would constitute a material adverse change in any event, change, circumstances, effect or matter which has or likely to have the effect of:
 - (1) a net decrease in the NA of KBMSB in excess of RM65,144.67 as compared to the NA of KBMSB in the audited balance sheets, profits and loss accounts and cashflow statements of KBMSB for the financial period ended 31 December 2021;
 - (2) causing KBMSB to incur one-off expenditure in excess of RM65,144.67 not in the ordinary course of business in the period of 12 months following the completion of the Proposed Acquisition of KBMSB; or
 - (3) KBMSB not being able to meet internally prepared projections, budgets, plans or forecasts of revenues, earnings or other financial performance measures;
- (c) prior to the completion of the Proposed Acquisition of KBMSB, SYSCORP breaches any material terms or conditions of the SSPA or fails to perform or observe any material obligation on its part to be performed under the SSPA or any material representation or warranty which SYSCORP has refused or is unable to remedy within 14 business days from the date of a notice of breach given by KONG, AZMAN and SYESB to SYSCORP; or
- (d) there is an order made or resolution passed for the winding up or dissolution of any party or if any party is deemed unable to pay its debts under Section 466(1) of the Companies Act 2016 or any party has a receiver and manager appointed over all or a substantial part of its undertakings and assets.

Termination of the SSPA is to be effected by way of written notice, by the non-defaulting party giving to the defaulting party 14 business days from the date of written notice ("**Remedy Period**") to remedy the breach. If the breach is not remedied within the Remedy Period, the non-defaulting party may then elect to terminate the SSPA or if the breach is not a breach of an event arising from or in connection with sub-paragraph (d) above, to complete the Proposed Acquisition of KBMSB with the right to claim for remedy of specific performance.

5. **Consequences of termination**

Upon termination of the SSPA:

- (a) if the defaulting party is the Vendors of KBMSB, KONG, AZMAN and SYESB will refund the Purchase Consideration or any part thereof paid to them in proportion to which they had received from SYSCORP together with interest at the rate of 8% per annum calculated on monthly basis from the date of payment of such monies until the date of actual receipt by SYSCORP of the refund of such monies, and further pay a sum equivalent to the Deposit in their respective proportion as agreed liquidated damages, within 7 business days from the expiry of the Remedy Period ("**Refund Period**"); and

- (b) if the defaulting party is SYSCORP, KONG, AZMAN and SYESB will forfeit the Deposit paid to them in the same proportion which they had received from SYSCORP as agreed liquidated damages and refund all other monies free of interest to SYSCORP in their respective proportion, within the Refund Period.

Within the Refund Period, SYSCORP will:

- (i) cause SYSCORP's directors appointed, if any, to resign without any compensation from or claim whatsoever against KBMSB; and
- (ii) return all documents forwarded by KONG, AZMAN and SYESB in relation to the SSPA.

SAILENT TERMS OF SSPA IN RELATION TO THE PROPOSED ACQUISITION OF MCSSB

The salient terms of the SSPA in relation to the Proposed Acquisition of MCSSB are set out below:

1. Conditions precedent

The SSPA is subject to and conditional upon the following conditions being fulfilled within the period of 3 months from the date of the SSPA, with a further extension to be mutually agreed between AZMAN, SYHSB and SYSCORP ("**Conditional Period**");

- (a) the completion of a legal due diligence review to be conducted on the affairs of MCSSB to the satisfaction of SYSCORP;
- (b) the release of guarantees given by SYHSB and the directors of SYHSB to and in favour of AmBank (M) Berhad for overdraft facilities granted to MCSSB or a letter of confirmation from the said bank consenting to the release of such guarantees; and
- (c) the approval of the board of directors of MCCSB for the transfer of the RPS by SYHSB to SYSCORP,

(collectively referred to as the "**Conditions Precedent**").

2. Non-fulfilment of the Conditions Precedent

AZMAN, SYHSB and SYSCORP may mutually agree in writing to extend the Conditional Period to an extended period as may be necessary to fulfil the remaining Conditions Precedent, whether with or without conditions ("**Extended Conditional Period**").

If no mutual agreement is reached by AZMAN, SYHSB and SYSCORP to extend the Conditional Period or if the Conditional Period is mutually extended but any of the remaining Conditions Precedent is not fulfilled or waived by the expiry of the Extended Conditional Period, SYSCORP is not bound to proceed with the Proposed Acquisition of MCSSB and may terminate the SSPA whereupon the Deposit shall be fully refundable to SYSCORP.

The SSPA shall become unconditional on the date when the last of the Conditions Precedent has been fulfilled ("**Effective Date**").

3. Completion

The Proposed Acquisition of MCSSB shall be completed simultaneously with the payment of the Balance Sum, together with interest accrued thereon for late payment, if any, on a day falling within the Completion Period or within the extended 1 month from the expiry of the Completion Period, as the case may be (“**Completion Date**”).

On the Completion Date, the following shall take place:

- (1) AZMAN and SYHSB shall deliver or cause to be delivered to SYSCORP:
 - (a) the original share certificates to the Sale Shares;
 - (b) the valid and registrable Form of Transfer of Securities in respect of the Sale Shares duly executed and completed by AZMAN and SYHSB in favour of SYSCORP;
 - (c) all such other documents, including such waivers or consents, as SYSCORP may require to enable SYSCORP to be registered as the registered shareholder of the Sale Shares;
 - (d) the resignation letters of the nominees of of the Vendors of MCSSB without any compensation, damages, claims or any payment whatsoever against MCSSB;
 - (e) the resolution of the board of directors of MCSSB approving:
 - (i) the transfer of the Sale Shares to and in favour of SYSCORP;
 - (ii) the cancellation of the existing share certificates in respect of the Sale Shares in the name of AZMAN and SYHSB and the issuance of new share certificates in respect of the Sale shares in favour of SYSCORP;
 - (iii) the registration of SYSCORP as the new holder of all of the Sale Shares and member of MCSSB; and
 - (iv) the appointment of SYSCORP’s nominee(s) to the board of directors of MCSSB and the variation of existing account signatories and mandates in relation to each bank account of MCSSB to include and remove such persons as SYSCORP may select, with such variation to take effect from the Completion Date;
- and
- (3) SYSCORP shall remit the Balance Sum to the designated bank account of AZMAN and SYHSB in proportion to their respective share of the Sale Shares, by way of cheque or electronic transfer of funds for same day value to their respective bank account.

4. Post-completion obligations

Within ninety (90) days from the Completion Date, SYSCORP and the Vendors of MCSSB shall procure the release of guarantees given by SYHSB, and the other guarantors to and in favour of AmBank (M) Berhad for the overdraft facilities granted to MCSSB if the release of such guarantees had not been effected within the Conditional Period or the Extended Conditional Period.

5. Termination

The SSPA may be terminated if:

- (a) prior to the completion of the Proposed Acquisition of MCSSB, AZMAN and SYHSB or SYSCORP neglect or by wilful default fail or refuse or be unable to complete the Proposed Acquisition of MCSSB in accordance with the SSPA;
- (b) at any time prior to the completion of the Proposed Acquisition of MCSSB, it comes to the attention of SYSCORP that a breach of any of the provisions of the SSPA or any fact, matter or event occurs which:
 - (i) would constitute a material breach of any of the representations and warranties; or
 - (ii) would constitute a material adverse change in any event, change, circumstances, effect or matter which has or likely to have the effect of:
 - (1) a net decrease in the NA of MCSSB in excess of RM676,038.77 as compared to the NA of MCSSB in the audited balance sheets, profits and loss accounts and cashflow statements of MCSSB for the financial year ended 31 December 2021;
 - (2) causing MCSSB to incur one-off expenditure in excess of RM676,038.77 not in the ordinary course of business in the period of 12 months following the completion of the Proposed Acquisition of MCSSB; or
 - (3) MCSSB not being able to meet internally prepared projections, budgets, plans or forecasts of revenues, earnings or other financial performance measures;
- (c) prior to the completion of the Proposed Acquisition of MCSSB, SYSCORP breaches any material terms or conditions of the SSPA or fails to perform or observe any material obligation on its part to be performed under the SSPA or any material representation or warranty which SYSCORP has refused or is unable to remedy within 14 business days from the date of a notice of breach given by AZMAN and SYHSB to SYSCORP; or
- (d) there is an order made or resolution passed for the winding up or dissolution of any party or if any party is deemed unable to pay its debts under Section 466(1) of the Companies Act 2016 or any party has a receiver and manager appointed over all or a substantial part of its undertakings and assets.

Termination of the SSPA is to be effected by way of written notice, by the non-defaulting party giving to the defaulting party 14 business days from the date of written notice ("**Remedy Period**") to remedy the breach. If the breach is not remedied within the Remedy Period, the non-defaulting party may then elect to terminate the SSPA or if the breach is not a breach of an event arising from or in connection with sub-paragraph (d) above, to complete the Proposed Acquisition of MCSSB with the right to claim for remedy of specific performance.

6. **Consequences of termination**

Upon termination of the SSPA:

- (a) if the defaulting party is the Vendors of MCSSB, AZMAN and SYHSB will refund the Purchase Consideration or any part thereof paid to them in proportion to which they had received from SYSCORP together with interest at the rate of 8% per annum calculated on monthly basis from the date of payment of such monies until the date of actual receipt by SYSCORP of the refund of such monies, and further pay a sum equivalent to the Deposit in their respective proportion as agreed liquidated damages, within 7 business days from the expiry of the Remedy Period ("**Refund Period**"); and
- (b) if the defaulting party is SYSCORP, AZMAN and SYHSB will forfeit the Deposit paid to them in the same proportion which they had received from SYSCORP as agreed liquidated damages and refund all other monies free of interest to SYSCORP in their respective proportion, within the Refund Period.

Within the Refund Period, SYSCORP will:

- (i) cause SYSCORP's directors appointed, if any, to resign without any compensation from or claim whatsoever against MCSSB; and
- (ii) return all documents forwarded by AZMAN and SYHSB in relation to the SSPA.