

## General Announcement

Company Name : SHIN YANG SHIPPING CORPORATION BERHAD  
Stock Name : SYSCORP  
Date Announced : 31 MAY 2023  
Type : Announcement  
Subject : OTHERS  
Description : SHIN YANG SHIPPING CORPORATION BERHAD (“SYSCORP”) PROPOSED ACQUISITION OF 60% EQUITY INTEREST IN MEWAH EXIM SDN. BHD.

Announcement Details/Table Section:

### 1. INTRODUCTION

The Board of Directors of Shin Yang Shipping Corporation Berhad (“**SYSCORP**” or “**the Board**”) wishes to announce that SYSCORP had on 31 May 2023, entered into a conditional Share Sale and Purchase Agreement (“**SSPA**”) with the respective Vendors (as defined below) to purchase 600,000 ordinary shares in Mewah Exim Sdn Bhd (“**Mewah Exim**”), representing 60% of the entire equity interest in Mewah Exim for a purchase consideration of RM 9,538,200.00 (“**Proposed Acquisition**”).

#### Vendors

Vendors	No. of Shares
Lim Miang Chiang (“LMC”)	225,000
K.Purushothaman A/L Kunjamboo (“Puru”)	150,000
Lee Sai Kiau (“Lee”)	135,000
Lilah A/P Nanu (“Lilah”)	90,000
<b>Total :</b>	<b>600,000</b>

The original cost and date of investment in Mewah Exim by the Vendors are set out below:

Vendors	Date of investment	No. of Mewah Exim shares	Consideration (RM)
LMC	13.01.2012	1	1.00
	11.02.2012	30,000	30,000.00
	04.09.2012	60,000	60,000.00
	29.10.2012	45,000	45,000.00
	15.11.2013	67,500	67,500.00
	15.03.2016	29,999	29,999.00
	01.11.2016	232,500	232,500.00
Puru	13.01.2012	1	1.00
	11.02.2012	20,000	20,000.00
	04.09.2012	40,000	40,000.00
	29.10.2012	30,000	30,000.00
	15.11.2013	45,000	45,000.00
	15.03.2016	19,999	19,999.00
	01.11.2016	155,000	155,000.00

Lee	04.09.2012	30,000	30,000.00
	29.10.2012	15,000	15,000.00
	15.11.2013	22,500	22,500.00
	01.11.2016	67,500	67,500.00
Lilah	04.09.2012	20,000	20,000.00
	29.10.2012	10,000	10,000.00
	15.11.2013	15,000	15,000.00
	01.11.2016	45,000	45,000.00
<b>TOTAL</b>		<b>1,000,000</b>	<b>1,000,000</b>

LMC and Puru shall remain as shareholders in Mewah Exim, holding 24% and 16% respectively, of the entire issued share capital of Mewah Exim after the completion of the Proposed Acquisition. LMC and Puru shall also continue to remain as directors in Mewah Exim for at least 5 years after the completion of the Proposed Acquisition.

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

## **2. DETAILS OF THE PROPOSED ACQUISITION**

### **2.1 Background information on the Proposed Acquisition**

The Proposed Acquisition involves the acquisition by SYSCORP of 600,000 ordinary shares representing 60% of the entire equity interest in Mewah Exim ("**Sale Shares**") from the Vendors for a total purchase consideration of RM9,538,200.00 ("**Purchase Consideration**").

The Sale Shares will be acquired free from all claims, encumbrances, liens, charges and equities whatsoever, together with all rights accruing to those Sale Shares, including all dividends, rights and distributions declared paid or made in respect thereof, as from the date of completion of the Proposed Acquisition, subject to the terms and conditions of the SSPA.

Upon completion of the Proposed Acquisition, Mewah Exim will become a subsidiary of SYSCORP, holding 60% of the entire equity interest in Mewah Exim.

### **2.2 Information on Mewah Exim**

Mewah Exim was incorporated in Malaysia as a private company limited by shares on 13 January 2012 under Companies Act, 1965 and deemed registered under the Companies Act 2016. As at the date of this announcement, Mewah Exim has a total issued share capital of RM1,000,000.00 comprising 1,000,000 ordinary shares.

Mewah Exim is principally involved in shipping freight and forwarding and its core business activity is as freight forwarder primarily servicing major ports in Sarawak and Sabah.

Mewah Exim is the sole delegated shipping agent in Johor region of Shin Yang Shipping Sdn Bhd, one of the subsidiaries of SYSCORP. With a wide connection and market know-how, Mewah Exim manages to sustain more than 35% of the export volume from Pasir Gudang to various ports in Sabah and Sarawak.

A summary of the financial information of Mewah Exim for the FYE 31 January 2020 to 2023 is set out below:-

	<u>Audited</u>	<u>Audited</u>	<u>Audited</u>	<u>Management</u>
	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>account</u>
	<u>(RM)</u>	<u>(RM)</u>	<u>(RM)</u>	<u>FYE 2023</u>
				<u>(RM)</u>
Revenue	3,321,543	3,647,417	4,513,925	6,408,230
Profit before tax	1,194,018	1,542,080	1,949,790	3,435,596
Shareholders fund / Net Asset ("NA")	4,854,207	5,561,605	6,019,576	8,955,174

Mewah Exim has 4 related companies, namely Mewah Logistik Sdn Bhd, Mewahtrans Logistic Sdn Bhd, Seatrade Agency Services Sdn Bhd and Mewah Autoworks Sdn Bhd, (collectively referred to as "**Mewah Exim Group**") by virtue of LMC and Puru, being the current directors and shareholders in Mewah Exim, and also the substantial shareholders in each of the Mewah Exim Group.

Mewah Exim is carrying out a corporate restructuring exercise which will culminate in Mewah Exim becoming the holding company of Mewah Exim Group, and each of the Mewah Exim Group becoming subsidiaries and associate of Mewah Exim. This corporate restructuring exercise will be completed before the completion of the Proposed Acquisition.

As at the date of this announcement, Mewah Exim group has 61 employees, 23 contract drivers, 1 workshop and 2 local offices. Mewah Exim group has a fleet of 23 prime movers, 161 trailers and 1 side loaders.

### **2.3 Basis and justification for the Purchase Consideration**

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

- (i) Mewah Exim's net asset of approximately RM 9,663,268, based on its unaudited financial statements for period ended 31 March 2023;
- (ii) the rationale of the Proposed Acquisition as mentioned in Section 3 of this announcement;
- (iii) the historical financial and operation performance of Mewah Exim group.

The Board is of the view that the Purchase Consideration is justifiable after taking into account the abovementioned considerations.

## **2.4 Liabilities to be assumed**

There are no liabilities, contingent liabilities or guarantees to be assumed by SYSCORP pursuant to the Proposed Acquisition, save for the liabilities stated in the financial statements of Mewah Exim group.

## **2.5 Additional financial commitment**

SYSCORP does not expect to incur additional financial commitment to put the business of the Mewah Exim Group on-stream in view that Mewah Exim and each of the Mewah Exim Group presently have ongoing operations.

## **3. RATIONALE FOR THE PROPOSED ACQUISITION**

Mewah Exim is a well established shipping freight and forwarding agent in Johor region. The Proposed Acquisition is part of SYSCORP's plan to expand its business to both Sabah & Sarawak and Peninsular Malaysia regions. The Proposed Acquisition would increase the presence of SYSCORP Group especially for transshipment cargoes from the international routes to Malaysia as well as enhance timely and reliable delivery services to SYSCORP Group's overall operations.

In addition, Mewah Exim is also able to provide an integrated total logistics solution and door to door delivery service using a single entry point. The Board also believes that the Proposed Acquisition would provide SYSCORP Group with more opportunities to participate through a wider network of offices in Peninsular Malaysia for efficient coordination of transportation shipments and scheduling as a whole.

## **4. SALIENT TERMS OF THE SSPA**

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

- (a) upon the execution of the SSPA, payment in cash of RM 953,820.00, being 10% of the purchase consideration, as deposit and part payment towards the Purchase Consideration; and
- (b) on a date falling within the Completion Period to be agreed upon between the Vendors and SYSCORP for completion of the Proposed Acquisition to take place, the sum of RM 8,584,380.00, being 90% of the purchase consideration ("**Balance Sum**") , will be satisfied as follows:-
  - (i) Payment in cash of the sum of RM 7,384,380.00; and
  - (ii) Utilisation of 2,000,000 existing treasury shares of SYSCORP ("**Consideration Shares**") to be allotted and issued to the Vendors to satisfy the final balance of RM1,200,000.00.

Refer to Appendix for further details on salient terms of SSPA in relation to the Proposed Acquisition

## **5. RISKS OF THE PROPOSED ACQUISITION**

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

### **5.1. Transaction risk**

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSPA being satisfied within 3 months from the SSPA. There can be no assurance that such conditions will be satisfied within the timeframe stipulated in the SSPA. In the event that any of the conditions precedent is not satisfied, the Vendors and SYSCORP may mutually agree to extend the stipulated timeframe to an extended period as may be necessary to fulfil the remaining conditions precedent, with or without conditions. If no such agreement is reached by the parties to extend the stipulated timeframe, the SSPA will be terminated and the Proposed Acquisition 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 Acquisition.

### **5.2. Investment risk**

The Proposed Acquisition is expected to be beneficial to SYSCORP Group. Moving forward, SYSCORP will continue to leverage on the experience and expertise of Mewah Exim's management to generate positive returns to SYSCORP Group.

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

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

### **6.1 Share capital and substantial shareholder's shareholdings**

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings of SYSCORP as the Proposed Acquisition does not involve any issuance of new ordinary shares in SYSCORP, but only the Consideration Shares.

### **6.2 Net Asset ("NA") and gearing**

For illustrative purposes only, the pro forma effects of the Proposed Acquisition on the consolidated NA, NA per share and gearing of SYSCORP based on the audited consolidated statement of financial position of SYSCORP as at 30 June 2022 and assuming that the Proposed Acquisition had been effected on that date, are set out below:

	<b>Audited as at 30 June 2022</b>	<b>After the Proposed Acquisition</b>
	<b>RM'000</b>	<b>RM'000</b>
Share capital	1,216,972	1,216,972
Treasury shares	(16,572)	<sup>(3)</sup> (15,372)
Retained earnings	159,985	<sup>(4)</sup> 159,890
Other reserves	(297,861)	(297,861)
<b>Equity attributable to owners of SYSCORP / NA</b>	<b>1,062,524</b>	<b>1,063,629</b>
Non-controlling interests	4,378	4,378
<b>Total equity</b>	<b>1,066,902</b>	<b>1,068,007</b>
Number of SYSCORP shares in issue ('000)	1,148,545	1,148,545
NA per SYSCORP share (sen) <sup>(1)</sup>	0.93	0.93
Borrowings	206,303	<sup>(5)</sup> 210,278
Gearing ratio (times) <sup>(2)</sup>	0.19	0.20

**Notes:**

- (1) Computed based on NA divided by the number of ordinary SYSCORP shares in issue.
- (2) Computed based on total borrowings divided by NA.
- (3) After deducting the Issued Share relating to the Proposed Acquisition amounting to approximately RM1,200,000.
- (4) After deducting the estimated expenses relating to the Proposed Acquisition amounting to approximately RM95,000.
- (5) After taking into consideration the total borrowings of Mewah Exim amounting to RM3,975,488 as at 31 March 2023.

## **7. APPROVAL REQUIRED**

The Proposed Acquisition is not subject to the approval of the shareholders of SYSCORP and/or other relevant authorities but to Hong Leong Islamic Bank Berhad as detailed in the SSPA.

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

None of the Directors and /or major shareholders of SYSCORP and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition.

## **9. DIRECTORS' AND AUDIT COMMITTEE'S STATEMENT**

### **9.1 Directors' statement**

The Board after having considered all aspects of the Proposed Acquisition, and after careful deliberation, is of the opinion that the Proposed Acquisition is 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 Acquisition, including the rationale & effects of the Proposed Acquisition and basis & justification for the Proposed Purchase Consideration, are of the view that the Proposed Acquisition is fair, reasonable and on normal commercial terms and is in the best interest of the SYSCORP Group.

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

## **10. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 3.95%.

## **11. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all approvals (if any) being obtained, the Proposed Acquisition is expected to be completed by the third quarter of 2023.

## **12. DOCUMENT AVAILABLE FOR INSPECTION**

The following documents shall be 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.

- (a) The SSPA in relation to the Proposed Acquisition;
- (b) The constitution of SYSCORP;
- (c) The constitution of Mewah Exim;
- (d) Audited Accounts of the SYSCORP Group for the past two (2) financial years ended 30 June 2021 and 2022; and
- (e) Audited Accounts of Mewah Exim for the past two (2) financial years ended 31 January 2021 and 2022.

This announcement is dated 31 May 2023.



## APPENDIX

### SALIENT TERMS OF SSPA IN RELATION TO THE PROPOSED ACQUISITION

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

#### 1. Condition precedent

The SSPA is subject to and conditional upon the following conditions being fulfilled within the period of 3 months from the date of SSPA (“**Conditional Period**”):

- (a) the completion of a legal due diligence review to be conducted on the affairs of Mewah Exim Group to the satisfaction of SYSCORP;
- (b) the completion of a corporate restructuring exercise involving Mewah Exim Group, culminating in Mewah Exim becoming the holding company, and each of the Mewah Exim Group becoming the subsidiary of Mewah Exim;
- (c) the resolution of the directors of Mewah Exim approving the declaration and distribution of dividends of not exceeding RM13,425,000.00 to the existing entitled shareholders of Mewah Exim, and the payment of such dividends at such time and in such amount as set out in Schedule 8 of the SSPA, and the solvency statement in compliance with the provisions in Part III Subdivision 6 of the Companies Act 2016;
- (d) a letter or statement in writing from Hong Leong Islamic Bank Berhad, consenting to each of the following to be undertaken by Mewah Exim in connection with paragraph 1(b) and (c) above:
  - (i) Mewah Exim undertaking a corporate restructuring exercise culminating in Mewah Exim becoming the holding company in Mewah Exim Group; and
  - (ii) Mewah Exim declaring and distributing dividends to the existing entitled shareholders of Mewah Exim;
- (e) a letter or statement in writing from Hong Leong Islamic Bank Berhad, consenting to each of the following changes arising from the disposal of the Sale Shares by the Vendors to SYSCORP pursuant to the SSPA:
  - (i) a change in the shareholding structure of Mewah Exim; and
  - (ii) a change in the board of directors and key management personnel of Mewah Exim;and
- (f) the approval of the board of directors of SYSCORP on the acquisition of the Sale Shares by SYSCORP at the consideration and upon the terms set out in the SSPA, and in particular, the transfer of the Consideration Shares to the Vendors as part settlement of the Purchase Consideration,

(collectively referred to as “**Conditions Precedent**”).

The Conditions Precedent are inserted for the sole benefit of SYSCORP and may be waived by SYSCORP in whole or in part with or without terms or conditions except for those condition precedent which is required to be fulfilled for legal or regulatory reasons.

## **2. Non-fulfilment of the Condition Precedent**

The Vendors of Mewah Exim and SYSCORP may mutually agree in writing to extend the Conditional Period to an extended period as may be necessary to fulfil the remaining Condition Precedent, whether with or without conditions ("**Extended Conditional Period**").

If no mutual agreement is reached 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 and may terminate the SSPA whereupon the Deposit shall be fully refundable to SYSCORP.

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

## **3. Completion**

The Proposed Acquisition shall be completed on a day falling within the Completion Period ("**Completion Date**").

On the Completion Date, the following shall take place:

- (1) the Vendors 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 LMC, Puru, Lee and Lilah 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 resolution of the board of directors of Mewah Exim 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 Vendors 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 Mewah Exim; and

- (iv) the appointment of SYSCORP's nominee(s) to the board of directors of Mewah Exim and the variation of existing account signatories and mandates in relation to each bank account of Mewah Exim to include and remove such persons as SYSCORP may select, with such variation to take effect from the Completion Date;
  - (e) the letter or statement of consent in writing from Hong Leong Islamic Bank Berhad in accordance with **the condition precedent in paragraph 1(d) above**;
  - (f) the letter or statement of consent in writing from Hong Leong Islamic Bank Berhad in accordance with **the condition precedent in paragraph 1(e) above**;
  - (g) the resolution of the board of directors of Mewah Exim approving the declaration and distribution of dividends to the existing entitled shareholders of Mewah Exim in accordance with the condition precedent in **paragraph 1(c) above**, and the solvency statement for the purpose of such declaration and distribution of dividends; and
  - (h) the relevant instrument of transfer signed and stamped in connection with the corporate restructuring exercise of Mewah Exim Group under the condition precedent in **paragraph 1(b)** and such other documents as shall be necessary to show Mewah Exim as the holding company of Mewah Exim Group,
- and
- (2) SYSCORP shall settle the payment of the Balance Sum to the Vendors in the following manner:
    - (i) the payment of the aggregate sum of RM7,384,380.00 only by SYSCORP in cash to the Vendors in proportion to their respective share of the Sale Shares as set out in the SSPA; and
    - (ii) the allotment and issue of the Consideration Shares to the Vendors in the proportion set out in the SSPA, in satisfaction of RM1,200,000.00 representing the final balance of the Balance Sum.

#### 4. Consideration Shares

The Consideration Shares shall:

- (a) have a value of RM0.60 only each share based on the weighted average market price for such shares for the 5 market days immediately preceding the Completion Date;
- (b) rank *pari passu* in all respects with the ordinary shares of SYSCORP in issue at the date of SSPA, except that they shall not rank for any dividend or other distribution declared, paid or made in respect of the financial year of SYSCORP ended 30 June 2022.

4.4 SYSCORP warrants to and agrees with the Vendors that:

- (a) the existing issued ordinary share capital of SYSCORP is listed on the Main Market of Bursa Malaysia Securities Berhad;
- (b) SYSCORP shall make the application for admission of the Consideration Shares to the Main Market and for admission to trading by Bursa Malaysia Securities Berhad on or before Completion and shall use all reasonable endeavours to procure that such admission takes place on or as soon as reasonably practicable after the Completion Date; and
- (c) the directors of SYSCORP will be duly authorised to allot the Consideration Shares under section 75 of the Companies Act 2016 and that all the other requirements of Part III of that Act in relation to that allotment have been complied with or will be complied with not later than Completion.

4.5 The Vendors agree that they shall not dispose of any interest in or create any encumbrance over any of the Consideration Shares within 12 months immediately following Completion, without the prior written consent of SYSCORP.

## 5. Termination

The SSPA may be terminated if prior to the completion of the Proposed Acquisition:

- (a) the Vendors or SYSCORP neglect or by wilful default fail or refuse or be unable to complete the Proposed Acquisition in accordance with the SSPA;
- (b) 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 Mewah Exim in excess of RM1,282,463 as compared to the NA of Mewah Exim in the audited balance sheets, profits and loss accounts and cashflow statements of Mewah Exim for the financial period ended 31 January 2023;
    - (2) causing Mewah Exim to incur one-off expenditure in excess of RM 1,282,463 not in the ordinary course of business in the period of 12 months following the completion of the Proposed Acquisition; or
    - (3) Mewah Exim not being able to meet internally prepared projections, budgets, plans or forecasts of revenues, earnings or other financial performance measures;

- (c) 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 to it by the Vendors; 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 subparagraph (d) above, to complete the Proposed Acquisition 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, they 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, the Vendors 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 Mewah Exim; and
- (ii) return all documents forwarded by the Vendors in relation to the SSPA.