

SHIN YANG SHIPPING CORPORATION BERHAD (“SYSCORP” OR THE “COMPANY”)

PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN MELINAU TRANSPORT SDN BHD (“MTSB”) FROM SHIN YANG HOLDING SDN BHD (“SHIN YANG HOLDING” OR “VENDOR”) FOR A TOTAL CASH CONSIDERATION OF RM43 MILLION

1. INTRODUCTION

The Board of Directors of SYSCORP (“**Board**”) wishes to announce that SYSCORP had on 8 February 2021 entered into a conditional share sale and purchase agreement (“**SSPA**”) with Shin Yang Holding to acquire 10,000,000 ordinary shares in MTSB (“**Sale Shares**”), representing the entire issued share capital of MTSB, for a total cash consideration of RM43,000,000 (“**Proposed Acquisition**”).

The Proposed Acquisition is deemed a 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 Acquisition. The details on the interests of the directors and major shareholders of SYSCORP and/or persons connected with them in relation to the Proposed Acquisition are set out in **Section 9** of this announcement.

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 the entire equity interest in MTSB comprising the Sale Shares from Shin Yang Holding for a total purchase consideration of RM43,000,000 (“**Purchase Consideration**”), to be fully satisfied in cash. Please refer to **Appendix I** of this announcement for further details on MTSB.

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, MTSB will become a wholly-owned subsidiary of SYSCORP.

2.2 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) MTSB’s net assets (“**NA**”) of approximately RM43 million, based on its audited consolidated financial statements for the financial year ended (“**FYE**”) 30 June 2020; and
- (ii) the future prospects of MTSB as set out in **Section 4.3** of this announcement.

The Board (save for the interested directors as set out in **Section 9** of this announcement) is of the view that the Purchase Consideration is justifiable after taking the abovementioned considerations.

2.3 Salient terms of the SSPA

The Purchase Consideration will be settled in the following manner:

- (i) payment of RM4.3 million, being 10% of the Purchase Consideration, upon the execution of the SSPA; and
- (ii) payment of RM38.7 million, being 90% of the Purchase Consideration ("**Balance Sum**") within 1 month from the fulfilment of all conditions precedent of the SSPA ("**Completion Period**").

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

2.4 Source of funding

The Purchase Consideration will be satisfied entirely in cash via internally generated funds and/or borrowings, the proportion of which will be determined later after taking into consideration SYSCORP's gearing level, interest costs and cash reserves.

2.5 Liabilities to be assumed

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

2.6 Additional financial commitment

Save for the Purchase Consideration, SYSCORP does not expect to incur additional financial commitment to put the business of MTSB on-stream.

2.7 Information on the Vendor

Shin Yang Holding was incorporated in Malaysia on 19 July 1989 as a private limited company under the Companies Act, 1965 (which was subsequently repealed and replaced with the Companies Act, 2016 ("**Act**").

As at 2 February 2021, being the latest practicable date prior to this announcement ("**LPD**"), the total issued share capital of Shin Yang Holding is RM25,000,000 comprising 25,000,000 ordinary shares in Shin Yang Holding.

The Shin Yang Holding group of companies ("**Vendor Group**") is a conglomerate with diversified business activities, which includes shipping and ship building, property development, civil engineering, trading, public transportation, tree plantation services, oil palm plantation, fuel bunkering and retailing, wooden product manufacturing as well as quarry operations. The business operations of the Vendor Group are predominantly in Sarawak and Sabah.

As at the LPD, the directors of Shin Yang Holding and their respective shareholdings in Shin Yang Holding are set out below:

Name	Direct		Indirect	
	No. of ordinary shares	(1) %	No. of ordinary shares	(1) %
Tan Sri Datuk Ling Chiong Ho	6,250,000	25.00	⁽²⁾ 18,750,000	75.00
Ling Chiong Pin	6,250,000	25.00	⁽²⁾ 18,750,000	75.00
Ling Chiong Sing	6,250,000	25.00	⁽²⁾ 18,750,000	75.00
Ling Chiong Sieng	6,250,000	25.00	⁽²⁾ 18,750,000	75.00
Ling Lu Kuang	-	-	-	-

Notes:

(1) Calculated based on 25,000,000 ordinary shares of Shin Yang Holding in issue.

(2) Deemed interested by virtue of shares held by his siblings pursuant to Section 8 of the Act.

2.8 Date and original cost of the Vendor's investment in MTSB

As at the LPD, the date and original cost of investment of Shin Yang Holding in MTSB are as follows:

Original date of investment	Ordinary shares of MTSB acquired	Cost RM
14 November 1995	2	2
30 November 1995	69,998	69,998
22 December 1995	280,000	280,000
08 March 2005	500,000	500,000
26 October 2006	150,000	150,000
15 February 2013	4,000,000	4,000,000
14 August 2013	5,000,000	5,000,000
Total	10,000,000	10,000,000

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is expected to grow the future earnings of the shipping segment of SYSCORP's group of companies ("SYSCORP Group").

The Proposed Acquisition will also enable SYSCORP Group to:

- (i) reduce outsourcing costs on land transport for inbound and outbound cargoes to and from Sibul, Miri, Bintulu, Kota Kinabalu and Kuching, where MTSB primarily operates in;
- (ii) leverage on MTSB'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 have 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.

Therefore, the Proposed Acquisition will establish SYSCORP Group's internal land transport capability and is a step towards positioning SYSCORP Group as an integrated shipping service provider which provides seamless shipping and transport solutions to its customers.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Overview of the Malaysian economy

The Malaysian economy contracted by 8.3% in the first half 2020, with a decline of 17.1% in the second quarter. The economy is expected to contract at a slower pace in the second half of the year, aided by the speedy implementation of various stimulus packages to support the people and revitalize the economy. In 2020, the economy is expected to contract by 4.5%. The impact of the packages is anticipated to have spill-over effects and provide an additional boost to the economy in 2021. With the anticipated improvement in global growth and international trade, the Malaysian economy is projected to rebound between 6.5% and 7.5% in 2021. Growth will continue to be supported by strong economic fundamentals and a well-diversified economy. However, the favourable outlook hinges on two major factors which are the successful containment of the COVID-19 pandemic and sustained recovery in external demand.

(Source: Economic Outlook 2021, Ministry of Finance)

4.2 Overview of the logistics sector

COVID-19, the viral outbreak that was first detected at the end of 2019, coincided with a worldwide economic slowdown amid trade tensions and commodity price volatility. As the virus spreads around the world, it has far-reaching consequences beyond the disease and the efforts to contain it. Various measure to contain the outbreak, such as border closures, physical distancing and lockdowns, have led to sluggish aggregate demand and disruptions in the supply chain. The transportation and storage subsector contracted significantly by 24% in the first half of 2020 with all segments severely affected by the border closure and lower trade activities. However, the subsector is anticipated to decline marginally by 0.5% in the second half following the lifting of interstate travel bans, increasing domestic travellers, improving trade activities and loosening of port restrictions. With prolonged border closure for tourism-related activities, the subsector is forecasted to record a decline of 11.9% in 2020.

The subsector is projected to rebound by 7.5% in 2021, driven by the land transport segment, following operations of new highways, including the Setiawangsa – Pantai Expressway, Damansara – Shah Alam Elevated Expressway and partial alignment of Pan Borneo Highway. In addition, the launching of seven sets of four-car trains for KL Monorail is expected to increase the daily ridership. Likewise, the air transport segment is anticipated to recover moderately, due to the increase in domestic passenger traffic and cargo movement. The water transport segment is forecasted to improve gradually, as world maritime trade recovers.

(Source: Economic Outlook 2021, Ministry of Finance)

Major manufacturing projects are emerging around the Sarawak state, with Malaysian and overseas investors attracted by Sarawak's abundant natural resources, such as land, water, plantations, and forests, and the availability of cheap and reliable hydro energy. The Sarawak state government has detailed plans to build on this demand, and is fast-tracking the development of heavy industries, information, communication and technology as well as service providers that can offer value to manufacturers of high tech components. This not only improves the economy but provides opportunities for logistics companies.

Major investments in Sarawak's transportation network are providing a substantial leap in capacity and capability which should provide a strong base for the expected growth in movement of goods and people in the coming years. The developments of the Samalaju Port in Bintulu and Tanjung Manis Integrated Port in Sibu will greatly improve the efficiency and export capacities of Sarawak, particularly within the primary growth nodes which in turn should give rise to lower logistics costs and encourage further investment. The most significant growth in paved roads was due to the infrastructure supporting the Sarawak Corridor of Renewable Energy ("**SCORE**") as well as improvements made along the state's primary road artery, the Pan-Borneo Highway. SCORE was introduced by the Federal Government of Malaysia in 2008 to stimulate investment-led growth in traditionally rural areas covering approximately 100,000 square kilometres which include Samalaju, Mukah, Tanjung Manis, Tunoh, Baram of central Sarawak as well as Miri and Limbang of northern Sarawak. The priority industries highlighted in SCORE includes palm oil, aquaculture, timber, aluminium, steel and ferroalloy, marine engineering, tourism, oil and gas, livestock and solar glass.

Supporting growth of the movement of passenger and cargo, Sarawak's 2021 budget has allocated approximately RM1.152 billion for major projects that would focus on the development of coastal road network, RM1.687 billion for the Regional Corridor Development Authority projects in the SCORE area and RM792 million for the Integrated Regional Samarahan Development Agency projects in the growing area of Samarahan, southern Sarawak. The Sarawak state government has also allocated approximately RM4.251 billion towards the hastening of the development in rural areas to bridge the development gap between the urban and rural areas.

(Source: Management of SYSCORP)

4.3 Future prospects of MTSB

SYSCORP intends to undertake the Proposed Acquisition to shore up its earnings. MTSB is expected to benefit directly from the opportunity to serve the logistical demand arising from the abovementioned outlook of the logistics sector. MTSB had been profitable in the last 3 FYEs and recorded a revenue and profit after tax ("**PAT**") of approximately RM52.8 million and RM5.2 million respectively for the FYE 30 June 2020. With the Proposed Acquisition, it is envisaged that MTSB will contribute positively to the financial performance and future profitability of SYSCORP Group. Further information on MTSB's financial information is outlined in **Section 5 of Appendix I** of this announcement.

MTSB's haulage activity remains relevant in the supply chain of the Sarawak economy due to its decentralised nature (i.e. route flexibility and ability to deliver directly to sites), which in turn enables just-in-time delivery particularly for the supply chain of perishable and essential goods such as agriculture products. Coupled with the recent drop in diesel prices which has reduced the variable costs of haulage, the decentralised haulage industry in Sarawak is also in a relatively good position to quickly respond to COVID-19 related disruptions.

With the Vendor Group as MTSB's captive clientele, the future prospects of MTSB is expected to be stable due to the Vendor Group's diversified operations, as set out in **Section 2.7** of this announcement. Moving forward, it is envisaged that MTSB will remain as the Vendor Group's preferred land transport service provider in the foreseeable future due to MTSB's ability to capitalise on its familiarity with the Vendor Group's operational requirements to efficiently service routes which are/were initially tailored exclusively for the Vendor Group's operations such as its quarry and timber segments. Hence, MTSB's continued relationship with the Vendor Group is expected to give MTSB a competitive advantage in the land transport business in Sarawak as it will enable MTSB to leverage these routes to service other customers.

The Proposed Acquisition will allow SYSCORP to hold the entire equity interest in MTSB and thus have control over its management and operations and reap the full benefits of all future revenues and profits. With the anticipation of the ongoing growth in the Vendor Group's businesses and potential external customer base, the Board believes that the Proposed Acquisition represents a good opportunity to further strengthen the future income of SYSCORP Group.

5. RISK FACTORS

The following risk factors (which may not be exhaustive) in relation to the Proposed Acquisition should be noted and taken into consideration:

5.1 Non-completion risk

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSPA, details of which are set out in **Appendix II** of this announcement, being met. There is no assurance that all the conditions precedent can be fulfilled and that the Proposed Acquisition can be completed within the time period permitted under the SSPA. If any one or more of the terms and conditions is/are not fulfilled by either the Shin Yang Holding and/or SYSCORP within the stipulated time set out in the SSPA, the Proposed Acquisition may be delayed or terminated.

Nevertheless, SYSCORP shall endeavour to ensure that the conditions precedent which it is responsible for are fulfilled within the stipulated timeframe.

5.2 Business risk

The land transportation services from port to destination and from warehouse to warehouse services already formed part of the services offered by SYSCORP Group, currently rendered through subcontract arrangements with MTSB and third parties. Notwithstanding that SYSCORP Group will be offering land transport services on an in-house basis following the Proposed Acquisition, the risks associated with MTSB's operations is to a certain extent contained because MTSB has its own management team to manage the operational aspects of MTSB's business such as financial, asset management and deployment, human resource and information technology.

The risks associated with MTSB's operations are further mitigated through, amongst others, SYSCORP's familiarity with MTSB's operations based on subcontracts awarded in the past, as well as the familiarity/overlap of customer base arising from both SYSCORP Group and MTSB's business relationships with the Vendor Group. Additionally, MTSB's operations are relatively small compared to SYSCORP Group as the audited total assets of MTSB represents only 4.76% of SYSCORP Group's audited total assets, both as at 30 June 2020.

5.3 Acquisition risk

The Proposed Acquisition is expected to provide SYSCORP Group with an additional and recurring revenue stream. However, there is no assurance that the expected income arising from the Proposed Acquisition will be realised or that sufficient profits will be generated from the Proposed Acquisition to offset the associated acquisition costs to be incurred by SYSCORP.

As a significant portion of MTSB's revenue is contributed by the Vendor Group, any adverse changes to the business environment of the Vendor Group or any of MTSB's major customers may also impact MTSB's performance indirectly. Further, the performance of MTSB is also tied to risks inherent in the industries in which MTSB provides its services to. Such risks include, amongst others, the ability to renew or procure contracts with existing and potential customers on similar or satisfactory terms that are acceptable to MTSB or at all, and the ability to maintain profitable operating margins.

Although these risks can be mitigated by, amongst others, expansion of MTSB's customer base, ensuring all terms and conditions of contracts are met as well as prudent financial policy and risk management, there is no assurance that said risks will not have a material adverse effect on the business of MTSB after the Proposed Acquisition. However, majority of the transport in East Malaysia still rely on land transport by heavy load vehicles for bulk cargoes where MTSB is able to capture growth opportunities in this transport sub-sector.

Nonetheless, due care has been exercised in considering the potential risks and benefits associated with the Proposed Acquisition and the Board believes that the Proposed Acquisition will be value accretive to the enlarged SYSCORP Group.

5.4 Integration risk

The Proposed Acquisition is also exposed to MTSB's business integration risks and the risks of SYSCORP Group not being able to fully realise the expected business synergies with the existing SYSCORP Group. Upon completion of the Proposed Acquisition, SYSCORP Group will undertake the necessary efforts to mitigate the various risks and ensure that a proper integration exercise and management structure be put in place to ensure its successful integration with MTSB's business.

However, there is no assurance that any integration efforts will not have a material adverse effect on the enlarged SYSCORP Group's business performance and prospects.

Nonetheless, SYSCORP does not expect significant integration risks in internally coordinating the logistics activities and unifying the management functions of MTSB due to the long-standing business relationship with MTSB since 2004.

5.5 General economic, social, political and regulatory risks in Malaysia

MTSB is exposed to any adverse changes in the political, social, economic and regulatory conditions in Malaysia which could have a negative impact on its business operations and financial performance. Changes in the political, social, economic and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, a pandemic breakout, changes in interest rates, inflation and taxation, and changes in monetary and fiscal policy.

In mitigating such risk, SYSCORP will continue to review the business development strategies of MTSB in response to the changes in political, social, economic and regulatory conditions. However, there is no assurance that any adverse developments in these areas will not materially affect MTSB's business operations and future financial performance.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition is not expected to have any effects on the share capital and the substantial shareholders' shareholding of SYSCORP as no new ordinary shares in SYSCORP will be issued.

6.2 NA, NA per share 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 2020 and assuming that the Proposed Acquisition had been effected on that date, are set out below:

	Audited as at 30 June 2020	After the Proposed Acquisition
	RM'000	RM'000
Share capital	1,216,972	1,216,972
Treasury shares	(8,853)	(8,853)
Retained earnings	1,010	⁽³⁾ 793
Other reserves	(297,861)	(297,861)
Equity attributable to owners of SYSCORP / NA	911,268	911,051
Non-controlling interests	5,822	5,822
Total equity	917,090	916,873
Number of SYSCORP shares in issue ('000)	1,168,579	1,168,579
NA per SYSCORP share (sen) ⁽¹⁾	0.78	0.78
Borrowings	308,620	⁽⁴⁾ 310,903
Gearing ratio (times) ⁽²⁾	0.34	0.34

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 estimated expenses relating to the Proposed Acquisition amounting to approximately RM217,300.

(4) After taking into consideration the total borrowings of MTSB amounting to RM2,283,307 as at 30 June 2020.

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6.3 Earnings and earnings per share (“EPS”)

For illustrative purposes, assuming that the Proposed Acquisition had been effected at the beginning of FYE 30 June 2020, the pro forma effects of the Proposed Acquisition on the earnings and EPS of SYSCORP are set out below:

	Audited for the FYE 30 June 2020	⁽¹⁾ EPS
	RM'000	sen
Consolidated PAT / (loss after tax) attributable to the shareholders of SYSCORP	(146,143)	(12.51)
Add: Consolidation of profit from MTSB	⁽²⁾ 4,530	0.39
Less: Estimated expenses in relation to the Proposed Acquisition	⁽³⁾ (217)	(0.02)
After the Proposed Acquisition	(141,830)	(12.14)

Notes:

- (1) Calculated based on 1,167,973,700 ordinary shares of SYSCORP in issue (excluding 32,026,300 treasury shares) as at the LPD.
- (2) After intercompany elimination between SYSCORP Group and MTSB, assuming that the Proposed Acquisition had been effected at the beginning of FYE 30 June 2020.
- (3) Comprises professional fees and miscellaneous costs incurred in relation to the Proposed Acquisition.

6.4 Convertible securities

SYSCORP does not have any existing convertible securities as at the LPD.

7. APPROVALS REQUIRED

The Proposed Acquisition does not require approval from the shareholders of SYSCORP or any regulatory authorities.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 4.76% based on the latest audited total assets of MTSB as at 30 June 2020 of RM67.24 million compared to the latest audited total assets of SYSCORP as at 30 June 2020 of RM1,412.65 million.

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

As at the LPD, the shareholdings of the major shareholders and directors of SYSCORP and/or persons connected with them are as set out below:

Name	Direct		Indirect	
	No. of ordinary shares in SYSCORP	(1) %	No. of ordinary shares in SYSCORP	(1) %
<u>Major shareholders:</u>				
Shin Yang Holding	660,412,796	56.54	-	-
Tan Sri Datuk Ling Chiong Ho	34,802,669	2.98	⁽²⁾ 660,412,796	56.54
Ling Chiong Sing	34,802,669	2.98	⁽²⁾ 660,412,796	56.54
Ling Chiong Pin	34,802,668	2.98	⁽²⁾ 660,412,796	56.54
Ling Chiong Sieng	12,948,568	1.11	⁽²⁾ 660,412,796	56.54
<u>Persons connected to major shareholders:</u>				
Ling Siew Ting ⁽³⁾	24,000,006	2.05	-	-
Ling Siu Chuo ⁽⁴⁾	36,000,009	3.08	-	-
Vincent Ling Lu Yew ⁽⁴⁾	100,000	0.01	-	-
<u>Directors:</u>				
Tan Sri Datuk Ling Chiong Ho	34,802,669	2.98	⁽²⁾ 660,412,796	56.54
Ling Chiong Sing	34,802,669	2.98	⁽²⁾ 660,412,796	56.54
Ling Chiong Pin	34,802,668	2.98	⁽²⁾ 660,412,796	56.54
Datuk Lawrence Lai Yew Son	330,000	0.03	-	-
Koh Ek Chong	119,000	0.01	-	-
Ling Siu Chuo	36,000,009	3.08	-	-
Vincent Ling Lu Yew	100,000	0.01	-	-
Arshad Bin Zainuddin	-	-	-	-

Notes:

- (1) Calculated based on 1,167,973,700 ordinary shares of SYSCORP in issue (excluding 32,026,300 treasury shares) as at the LPD.
- (2) Deemed interested by virtue of his shareholdings in Shin Yang Holding pursuant to Section 8 of the Act.
- (3) Sister of Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin and Ling Chiong Sieng.
- (4) Representatives of Shin Yang Holding on the Board of SYSCORP.

Save as disclosed below, as at the LPD, none of the major shareholders and directors of SYSCORP and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition:

- (i) Shin Yang Holding, being the direct major shareholder of SYSCORP is the holding company of MTSB;
- (ii) Tan Sri Datuk Ling Chiong Ho, who is an indirect major shareholder of SYSCORP, is also an indirect major shareholder of MTSB through Shin Yang Holding. Further, Tan Sri Datuk Ling Chiong Ho, who is the Non-Independent Non-Executive Chairman of SYSCORP, is also the Group Executive Chairman of Shin Yang Holding;
- (iii) Ling Chiong Sing, who is an indirect major shareholder of SYSCORP, is also an indirect major shareholder of MTSB through Shin Yang Holding. Further, Ling Chiong Sing, who is the Group Managing Director of SYSCORP, is also the Group Chief Executive Director of Shin Yang Holding;
- (iv) Ling Chiong Pin, who is an indirect major shareholder of SYSCORP, is also an indirect major shareholder of MTSB through Shin Yang Holding. Further, Ling Chiong Pin, who is the Executive Director of SYSCORP, is also the Executive Director of Shin Yang Holding;
- (v) Ling Chiong Sieng, who is an indirect major shareholder of SYSCORP, is also an indirect major shareholder of MTSB through Shin Yang Holding;
- (vi) Vincent Ling Lu Yew, who is the Non-Independent Executive Director of SYSCORP, is a representative of Shin Yang Holding on the Board of SYSCORP; and
- (vii) Ling Siu Chuo, who is the Non-Independent Non-Executive Director of SYSCORP, is a representative of Shin Yang Holding on the Board of SYSCORP,

(Shin Yang Holding, Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin and Ling Chiong Sieng are collectively referred to as “**Interested Major Shareholders**”, while Tan Sri Datuk Ling Chiong Ho, Ling Chiong Sing, Ling Chiong Pin, Vincent Ling Lu Yew and Ling Siu Chuo are collectively referred to as “**Interested Directors**”).

The Proposed Acquisition is deemed an RPT under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Major Shareholders and the Interested Directors.

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 SYSCORP.

10. TRANSACTIONS WITH THE VENDOR GROUP FOR THE PAST 12 MONTHS

The total amount transacted between the Vendor Group and SYSCORP and/or persons connected with them for the past 12 months preceding 31 December 2020 (including the recurrent related party transactions under SYSCORP’s general shareholders’ mandate) was approximately RM85.1 million for the provision of shipping, shipbuilding and fabrication services by SYSCORP Group and RM34.6 million in relation to purchase of supplies, spare parts, transportation services and rental of properties by SYSCORP Group.

11. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of SYSCORP (save for Ling Siu Chuo, being one of the Interested Directors), having considered all aspects of the Proposed Acquisition including but not limited to the Purchase Consideration, the terms of SSPA, rationale, risk factors and the financial effects of the Proposed Acquisition and after careful deliberation, is of the opinion that the Proposed Acquisition is:

- (i) in the best interest of SYSCORP;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of SYSCORP.

12. DIRECTORS' STATEMENT

The Board (save for the Interested Directors), having considered all aspects of the Proposed Acquisition including but not limited to the Purchase Consideration, the terms of SSPA, rationale, risk factors and the financial effects of the Proposed Acquisition and after careful deliberation, is of the opinion that the Proposed Acquisition is:

- (i) in the best interest of SYSCORP;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of SYSCORP.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Acquisition to be completed by the 2nd quarter of 2021.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The SSPA will be made available for inspection at the registered office of SYSCORP at Sublot 153 (Parent Lot 70), Jalan Kuala Baram, Kuala Baram, 98100 Miri, Sarawak, Malaysia, during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 8 February 2021.

By order of the Board

Richard Ling Peng Liing
Company Secretary

INFORMATION ON MTSB

1. HISTORY AND BUSINESS

MTSB was incorporated in Malaysia under the Act on 14 November 1995 as a private company limited by shares.

MTSB is involved in the road freight carriage and its core business activity is bulk cargo transportation primarily servicing major ports in the southern, central and northern region of Sarawak, namely Kuching, Sibul, Bintulu and Miri. It commenced operations in 1995 with a total staff strength of 25 employees and, at the time, only offered road carriage for stone products with 10 units of dump truck between Miri and Long Lama in Sarawak for Hollystone Quarry Sdn Bhd. Over the years, MTSB expanded its land transportation and hiring services to include the transportation of, among others, wood and plantation products, construction materials, spare parts, heavy machineries, cargo containers as well as diesel and chemical tanker routes throughout Sarawak and Sabah.

Scale of operations

As at the LPD, MTSB has 179 employees, 224 contract drivers and 4 local offices. It serves approximately 150 active customers and receives support from approximately 100 active suppliers. With the expansion of its operations, MTSB has expanded its physical asset base with its current fleet of 282 prime movers, 566 trailers, 463 dump/cargo trucks, 51 forklifts and 11 cranes.

As the Vendor Group's sole in-house road haulage arm, MTSB had in the past 3 FYEs derived on average approximately 73.7% of its revenue from the Vendor Group and persons connected with the Vendor Group's (other than SYSCORP Group) various business activities. MTSB's cargo and sales intake from the Vendor Group grew over the years in tandem with the Vendor Group's growth into a diversified conglomerate with market presence in Kuching, Sibul, Bintulu and Miri.

Over the past 3 FYEs, SYSCORP Group had on average only contributed approximately 9.1% and 8.5% of MTSB's revenue and profit before tax respectively. Hence, the Proposed Acquisition is expected to be earnings accretive to SYSCORP Group.

While catering for the road carriage needs of Vendor Group during its growth phase, MTSB was able to develop in-house expertise to undertake haulage tasks for a wide range of industries and customer specifications. This enabled MTSB to diversify its customer base to include customers external to Shin Yang Holding such as fast-moving consumer goods manufacturers and rice distributors.

As at the LPD, MTSB has a total fleet size of more than 1,200 heavy land vehicles with various cubic capacity for the transportation of a wide variety of goods from source to destination. MTSB offers its transport services, among others, within the following trade lanes in East Malaysia:

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

INFORMATION ON MTSB (CONT'D)**2. SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDER**

As at the LPD, the total issued share capital of MTSB is RM10,000,000 comprising 10,000,000 ordinary shares (“**MTSB Shares**”). As at the LPD, the sole shareholder of MTSB is Shin Yang Holding.

3. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, MTSB has no subsidiaries and/or associated companies.

4. BOARD OF DIRECTORS

As at the LPD, the directors of MTSB and their respective shareholdings in MTSB are set out below:

Name	Nationality	Direct		Indirect	
		No. of MTSB Shares	%	No. of MTSB Shares	%
Ling Chiong Pin	Malaysian	-	-	* 10,000,000	100.00
Ling Chiong Sieng	Malaysian	-	-	* 10,000,000	100.00
Ling Chiong Sing	Malaysian	-	-	* 10,000,000	100.00
Ling Lu Kiong	Malaysian	-	-	-	-
Ling Siew Ting	Malaysian	-	-	-	-
Alfred Ling Lu Khiing	Malaysian	-	-	-	-

Note:

* Deemed interested by virtue of his shareholdings in Shin Yang Holding pursuant to Section 8 of the Act.

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INFORMATION ON MTSB (CONT'D)

5. FINANCIAL SUMMARY

The summary of the key financial information of MTSB for the past 3 audited FYEs 30 June 2018 to 2020 is set out below:

	Audited for the FYE 30 June		
	2018 RM	2019 RM	2020 RM
Revenue	72,380,139	65,163,272	52,831,165
Gross profit	1,842,770	5,352,371	2,450,503
Profit before tax	5,741,223	7,455,781	6,151,711
PAT	4,970,531	5,617,815	5,234,874
Shareholders' funds/ NA	45,821,821	51,439,636	43,174,510
Borrowings	14,292,899	8,460,016	2,283,307
Number of MTSB Shares	10,000,000	10,000,000	10,000,000
Net EPS (RM)	0.50	0.56	0.52
NA per share (RM) ⁽¹⁾	4.58	5.14	4.32
Gearing ratio (times) ⁽²⁾	0.31	0.16	0.05

Notes:

- (1) Computed based on NA divided by the number of ordinary shares in issue.
- (2) Computed based on total borrowings divided by NA.

During the years under review:

- (i) there were no exceptional and/or extraordinary items;
- (ii) there have been no accounting policies adopted by MTSB which are peculiar to MTSB because of the nature of its business or the industry in which it is involved in; and
- (iii) there have been no audit qualifications to the financial statements of MTSB.

SALIENT TERMS OF THE SSPA

The salient terms of the SSPA are set out below:

1. Conditions precedent

The SSPA is subject to and conditional upon the following conditions being fulfilled on or before the period of 3 months from the date of the SSPA, with a further extension to be mutually agreed between SYSCORP and Shin Yang Holding ("**Conditional Period**"):

- (a) the completion of a legal due diligence review to be conducted on the affairs of MTSB to the satisfaction of SYSCORP;
- (b) the consent or statement of non-objection in writing from AmBank (M) Berhad for the change in the shareholding structure of MTSB resulting from the proposed disposal of the Sale Shares by Shin Yang Holding to SYSCORP; and
- (c) the release of guarantees given by Shin Yang Holding and the existing directors of MTSB to and in favour of AmBank (M) Berhad for banking facilities granted to MTSB or a letter of confirmation from the said bank consenting to the release of such guarantees,

(collectively referred to as the "**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 such Conditions Precedent which is required to be fulfilled for legal or regulatory reasons.

2. Non-fulfilment of the Conditions Precedent

SYSCORP and Shin Yang Holding 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 SYSCORP and Shin Yang Holding 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 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) Shin Yang Holding shall deliver or cause to be delivered to SYSCORP:
 - (a) the original share certificate(s) to the Sale Shares;

SALIENT TERMS OF THE SSPA (CONT'D)

- (b) the valid and registrable Form of Transfer of Securities in respect of the Sale Shares duly executed and completed by Shin Yang Holding 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 MTSB 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 Shin Yang Holding 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 MTSB; and
 - (iv) the appointment of SYSCORP's nominee(s) to the board of directors of MTSB and the variation of existing account signatories and mandates in relation to each bank account of MTSB to include and remove such persons as SYSCORP may select, with such variation to take effect from the Completion Date;
 - (e) the consent or statement of non-objection in writing from AmBank (M) Berhad for the change in the shareholding structure of MTSB resulting from the proposed disposal of the Sale Shares by Shin Yang Holding to SYSCORP; and
 - (f) the letter of confirmation from AmBank (M) Berhad, consenting to the release of the guarantees given by Shin Yang Holding and the existing directors of MTSB for banking facilities granted to MTSB;
- and
- (2) SYSCORP shall remit the Balance Sum to the designated bank account of Shin Yang Holding.

4. Post-completion obligations

Within 90 days from the Completion Date, Shin Yang Holding and SYSCORP will procure the release of guarantees given by Shin Yang Holding and the existing directors of MTSB to and in favour of AmBank (M) Berhad for the banking facilities granted to MTSB 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, Shin Yang Holding or SYSCORP neglect or by wilful default fail or refuse or be unable to complete the Proposed Acquisition in accordance with the SSPA;

SALIENT TERMS OF THE SSPA (CONT'D)

- (b) at any time prior to the completion of the Proposed Acquisition, 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 MTSB in excess of RM4.3 million as compared to the NA of MTSB in the audited accounts for financial year ended 30 June 2020;
 - (2) causing MTSB to incur expenditure in excess of RM4.3 million not in the ordinary course of business in the period of 12 months following completion of the Proposed Acquisition; or
 - (3) MTSB 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, 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 Shin Yang Holding 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 Act 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 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 Shin Yang Holding, Shin Yang Holding will refund the Purchase Consideration or any part thereof paid to it 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 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, Shin Yang Holding will forfeit the Deposit paid to it as agreed liquidated damages and refund all other monies free of interest to SYSCORP, within the Refund Period.

Within the Refund Period, SYSCORP will return all documents forwarded by Shin Yang Holding in relation to the SSPA.