THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

MIECO CHIPBOARD BERHAD
Registration No. 197201001235 (12849-K)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PART A

I. PROPOSED PRIVATE PLACEMENT OF UP TO 167,999,993 NEW ORDINARY SHARES IN MIECO CHIPBOARD BERHAD ("MIECO" OR THE "COMPANY"), REPRESENTING APPROXIMATELY 20% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF MIECO, TO INDEPENDENT THIRD PARTY INVESTOR(S), WHO QUALIFY UNDER SCHEDULES 6 AND 7 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007, TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED PRIVATE PLACEMENT"); AND

II. PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN SENG YIP FURNITURE SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SYF RESOURCES BERHAD, FOR A PURCHASE CONSIDERATION OF RM50,000,000 TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED ACQUISITION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MIECO CHIPBOARD BERHAD IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser and Placement Agent

UOB KAY HIAN SECURITIES (M) SDN BHD
Registration No.: 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

STRATEGIC CAPITAL ADVISORY SDN BHD
Registration No.: 199901003253 (478153-U)
(Investment Adviser – Corporate Finance CMSL/A0124/2007)
(Licensed by Securities Commission Malaysia)

The Extraordinary General Meeting ("**EGM**") of MIECO, will be conducted entirely through live streaming from the broadcast venue at Board Room, No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor on Tuesday, 14 December 2021 at 10:00 a.m. The Notice of the EGM and the Form of Proxy are enclosed herein.

A member who is entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his/ her behalf. In such event, the Form of Proxy must be lodged at the office of the Company's Share Registrar at 35th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur ("**Share Registrar Office**") not less than 48 hours before the time appointed for holding the EGM, either by hand or post to the Share Registrar Office or email to corporate@mweh.com.my. In the case where the instrument appointing a proxy is delivered by email, the original instrument appointing a proxy shall be deposited at the Share Registrar Office, either by hand or post not less than 48 hours before the time for holding the EGM, or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Sunday, 12 December 2021, at 10:00 a.m.
Date and time of the EGM	:	Tuesday, 14 December 2021, at 10:00 a.m.

This Circular is dated 29 November 2021

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016
"Board"	:	The Board of Directors of MIECO
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
"COVID-19"	:	Coronavirus disease 2019
"Circular"	:	This circular dated 29 November 2021 in relation to the Proposals
"Dato' Sri Ng" or the "Interested Director"	:	Dato' Sri Ng Ah Chai who is deemed as the interested director in this Proposals
"Director(s)"	:	The director(s) of MIECO and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	:	Extraordinary General Meeting of the Company
"EPS/ (LPS)"	:	Earnings/ (Loss) per Share
"FPE"	:	Financial period ended/ ending, as the case may be
"FYE"	:	Financial year ended/ ending, as the case may be
"IAL"	:	Independent advice letter to the non-interested shareholders of MIECO in relation to the Proposed Private Placement and the Proposed Acquisition
"Interested Director(s)"	:	Dato' Sri Ng Ah Chai and Mr Ng Wei Ping, Keith
"Keith" or the "Interested Director"	:	Ng Wei Ping, Keith who is deemed as the interested director in this Proposals
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	23 November 2021, being the latest practicable date prior to the printing and despatch of this Circular
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"MIECO" or the "Company" or the "Purchaser"	:	Mieco Chipboard Berhad (197201001235 (12849-K))
"MIECO Group" or the "Group"	:	MIECO and its subsidiary companies, collectively
"MIECO Share(s)" or "Share(s)"	:	Ordinary shares in MIECO
"NA"	:	Net assets attributable to equity holders

"PAT/ (LAT)"	:	Profit/ (Loss) after tax
"PBT/ (LBT)"	:	Profit/ (Loss) before tax
"Placement Shares"	:	Up to 167,999,993 new Shares to be issued pursuant to the Proposed Private Placement
"Proposals"	:	The Proposed Private Placement and the Proposed Acquisition, collectively
"Proposed Acquisition"	:	Proposed acquisition of the entire equity interest in SYFSB, a wholly-owned subsidiary of SYF, for a purchase consideration of RM50,000,000 to be satisfied entirely via cash
"Proposed Private Placement"	:	Proposed private placement of up to 167,999,993 new Shares, representing approximately 20% of the existing total number of issued Shares, to independent third party investor(s), who qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007, to be identified later at an issue price to be determined and announced later
"Purchase Consideration"	:	The purchase consideration of RM50,000,000 for the Proposed Acquisition to be fully satisfied entirely via cash
"Record of Depositors"	:	A record of security holders provided by Bursa Depository pursuant to the Rules of Bursa Depository
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RPT"	:	Related party transaction pursuant to Paragraph 10.08 of the Listing Requirements
"Rules"	:	Rules on Takeovers, Mergers and Compulsory Acquisition
"SC"	:	Securities Commission Malaysia
"SCA" or the "Independent Adviser"	:	Strategic Capital Advisory Sdn Bhd (199901003253 (478153-U))
"SSA"	:	The conditional share sale agreement dated 6 October 2021 and the addendum to the SSA dated 26 November 2021 entered into between MIECO and the Vendor in respect of the Proposed Acquisition
"SYF" or the "Vendor"	:	SYF Resources Berhad (199501035170 (364372-H)
"SYFSB"	:	Seng Yip Furniture Sdn Bhd (199301004255 (258992-X))
"SYFSB Share(s)" or "Sale Share(s)"	:	Ordinary shares in SYFSB
"sq m"	:	Square meters or square meter, as the case may be
"UOBKH" or the "Principal Adviser" or the "Placement Agent"	:	UOB Kay Hian Securities (M) Sdn Bhd (199001003423 (194990-K))
"VWAP"	:	Volume weighted average market price

All references to the "**Company**" and "**MIECO**" in this Circular are made to Mieco Chipboard Berhad (Registration No. 197201001235 (12849-K)) and references to the "**Group**" are made to the **MIECO** Group and the subsidiary companies. All references to "we", "us", "our" and "ourselves" are made to the Company, or where the context requires, shall include the subsidiaries.
All references to "you" in this Circular are made to the shareholders who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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TABLE OF CONTENTS

This Executive Summary highlights only the salient information of the Proposals. You are advised to read Part A of this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposals before voting at the forthcoming EGM.

Key information	Description	Reference to Circular
Summary of the Proposals	**Proposed Private Placement** ➢ The Proposed Private Placement involves the issuance of new MIECO Shares, representing up to 20% of the existing total number of issued shares in MIECO, at an issue price to be determined later. ➢ A total of up to 167,999,993 Placement Shares, representing approximately 20% of the existing total number of issued Shares, may be issued pursuant to the Proposed Private Placement. ➢ The gross proceeds to be raised from the Proposed Private Placement will be utilised in the following manner:-	Sections 2 and 3

	Timeframe for utilisation from receipt of funds	Amount of proceeds RM'000
Purchase Consideration for the Proposed Acquisition	Upon completion of the Proposed Acquisition	50,000
Working capital	Within 12 months	17,544
Estimated expenses in relation to the Proposals	Upon completion	530
Total gross proceeds		**68,074**

Key information	Description	Reference to Circular
	Proposed Acquisition ➢ On 6 October 2021, MIECO entered into the SSA with the Vendor for the Proposed Acquisition, which entails the acquisition of the entire issued share capital of SYFSB, for a purchase consideration of RM50,000,000 which shall be satisfied entirely via cash. ➢ SYFSB is a long-established furniture and rubberwood components manufacturer in Malaysia and currently, SYFSB is principally engaged in the manufacturing and trading of moulded timber, rubberwood dining furniture sets and timber treatment processing. The holding company of SYFSB is SYF, a public listed company listed on the Main Market of Bursa Securities which holds 100% equity interest in SYFSB. ➢ Pursuant to the terms of the SSA, the Purchase Consideration shall be satisfied entirely via cash, to be paid by MIECO on completion which is a date within 30 business days from the date the SSA becomes unconditional subject to the terms and conditions of the SSA.	
Rationale	**Proposed Private Placement** ➢ To raise additional funds without incurring interest costs as compared to conventional bank borrowings which may affect the Group's bottom line as well as upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen the financial position of the Company and improve the gearing level of the Group.	Section 4

Key information	Description	Reference to Circular
	Proposed Acquisition ➢ The Proposed Acquisition, which is in line with the Group's business expansion objectives and growth strategy in the longer term, provides the Group with an opportunity to expand its wood based products offering, while simultaneously enabling MIECO to derive synergistic benefits with SYFSB through the acquisition of the entire equity interest in SYFSB.	
Risk factors	The potential risks that may have an impact on the enlarged Group, which may not be exhaustive pertaining to the Proposals are as follows:- ➢ Acquisition risk ➢ Completion risk	Section 6
Approvals required	The Proposals are subject to and conditional upon the following approvals being obtained:- ➢ The approval from Bursa Securities, the approval of which has been obtained vide its letter dated 23 November 2021; ➢ The approval from the shareholders of MIECO for the Proposals at the forthcoming EGM; and ➢ Any other relevant authority and/ or third parties, if required.	Section 10
Conditionality	➢ The Proposed Private Placement and the Proposed Acquisition are inter-conditional upon each other. ➢ The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.	Section 10
Interested parties	Save as disclosed below, none of the Directors and/ or major shareholder, chief executive of MIECO and/ or persons connected with them has any interests, direct or indirect in the Proposals:- ➢ Dato' Sri Ng is the Group Managing Director and the major shareholder of MIECO. In addition, Dato' Sri Ng is also the Managing Director and the major shareholder of SYF and currently a director of SYFSB; and ➢ Keith is the Executive Director of MIECO. He is also the Executive Director of SYF. In addition, Keith is the son of Dato' Sri Ng.	Section 12
Board's recommendation	The Board (save for Dato' Sri Ng, Keith and Dato' Abdul Rashid Bin Mat Amin), having considered and deliberated on all aspects of the Proposals, including but not limited to the terms and conditions of the SSA, the rationale and pro forma effects of the Proposals, the outlook of the furniture industry, and the prospects of MIECO Group, is of the opinion that the Proposals are in the best interests of the Group. Accordingly, the Board (save for Dato' Sri Ng, Keith and Dato' Abdul Rashid Bin Mat Amin), recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the EGM of the Company, the details of which are set out in the cover page of this Circular, or the Notice of EGM as enclosed.	Section 13

PART A

LETTER TO THE SHAREHOLDERS OF MIECO IN RELATION TO THE PROPOSALS

MIECO CHIPBOARD BERHAD
Registration No. 197201001235 (12849-K)
(Incorporated in Malaysia)

Registered Office

No. 1, Block C, Jalan Indah 2/6
Taman Indah, Batu 11
43200 Cheras
Selangor Darul Ehsan

29 November 2021

Board of Directors

Datuk Dr. Roslan Bin A. Ghaffar (*Independent Non-Executive Chairman*)
Dato' Sri Ng Ah Chai (*Group Managing Director*)
Mr. Ng Wei Ping, Keith (*Executive Director*)
Mr. Cheam Tow Yong *(Independent Non-Executive Director)*
Dato' Abdul Rashid Bin Mat Amin (*Independent Non-Executive Director*)
Mr. Kajendra A/L Pathmanathan (*Independent Non-Executive Director)*

To: The shareholders of Mieco Chipboard Berhad

Dear Sir/ Madam,

I. PROPOSED PRIVATE PLACEMENT; AND

II. PROPOSED ACQUISITION

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1. INTRODUCTION

On behalf of the Board, UOBKH had on 6 October 2021, announced that the Company proposed to undertake the following:-

i. a fundraising exercise via a private placement which involves the issuance of new MIECO Shares representing up to 20% of the total number of issued shares of MIECO (excluding treasury shares) to third party investor(s) to be identified later at an issue price to be determined later.

   For avoidance of doubt, the Proposed Private Placement is not undertaken in accordance with a general mandate pursuant to Sections 75 and 76 of the Act and that the Proposed Private Placement is subject to specific shareholder approval pursuant to Paragraph 6.05 of the Listing Requirements; and

ii. MIECO had on even date, entered into the SSA with the Vendor for the acquisition of the entire equity interest in SYFSB, a wholly-owned subsidiary of SYF, for a purchase consideration of RM50,000,000 to be satisfied entirely via cash.

In view of the interest of the Interested Directors in the Proposals, the Proposed Acquisition is deemed as a RPT under Paragraph 10.08 of the Listing Requirements. As such, the Board had, on 6 October 2021, appointed SCA to act as the Independent Adviser to undertake the following in relation to the Proposals:-

(i) Comment as to:-

(a) whether the Proposals are fair and reasonable in so far as the non-interested Directors and non-interested shareholders of MIECO are concerned; and

(b) whether the Proposals are to the detriment of the non-interested Directors and non-interested shareholders of MIECO,

and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) Advise the non-interested shareholders of MIECO whether they should vote in favour of the Proposals; and

(iii) Take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subsections (i) and (ii) above.

On 23 November 2021, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 23 November 2021, resolved to approve the listing and quotation of the Placement Shares pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the conditions as disclosed in **Section 10, Part A** of this Circular.

For your information, the shareholders' approvals for both the Proposed Private Placement and the Proposed Acquisition will be sought concurrently in the same EGM of MIECO on 14 December 2021.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS, AS WELL AS TO SET OUT THE RECOMMENDATION OF THE BOARD, AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

The Proposed Private Placement involves the issuance of new MIECO Shares, representing up to 20% of the existing total number of issued shares in MIECO, at an issue price to be determined later. As at the LPD, the total issued share capital of MIECO is RM215,866,000 comprising 839,999,966 MIECO Shares. Accordingly, a total of up to 167,999,993 Placement Shares, representing approximately 20% of the existing total number of issued Shares, may be issued pursuant to the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 10, Part A** of this Circular, where applicable. The effects of the Proposed Private Placement are further set out in **Section 7, Part A** of this Circular.

2.2 Basis and justification for the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 10% to the 5-day VWAP of MIECO Shares up to and including the last trading day immediately preceding the price-fixing date, to be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement. The Board has not set any minimum issue price or minimum proceeds to be raised from the Proposed Private Placement.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price fixing dates and issue prices. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to MIECO to procure interested investor(s) to subscribe for the Placement Shares expediently within the period as approved by Bursa Securities.

For illustration, the indicative issue price of the Placement Shares is assumed at RM0.4052 per Placement Share, which represents a discount of approximately 10% to the 5-day VWAP of MIECO Shares up to and including the LPD of RM0.4502 *(Source: Bloomberg)*.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing MIECO Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation of the Placement Shares

Bursa Securities had, vide its letter dated 23 November 2021, approved the listing and quotation for the Placement Shares on the Main Market of Bursa Securities pursuant to the Proposed Private Placement.

2.5 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

Additionally, the Placement Shares will not be placed out to the following parties:-

(i) director, major shareholder or chief executive of MIECO or a holding company of MIECO, if applicable ("**Interested Person**");

(ii) a person connected with an Interested Person; and

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

If the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

2.6 Utilisation of proceeds

Based on the indicative issue price of RM0.4052 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM68.07 million. The gross proceeds from the Proposed Private Placement is intended to be utilised in the following manner:-

	Timeframe for utilisation from receipt of funds	Amount of proceeds RM'000
Purchase Consideration for the Proposed Acquisition[*1]	Upon completion of the Proposed Acquisition	50,000
Working capital[*2]	Within 12 months	17,544
Estimated expenses in relation to the Proposals[*3]	Upon completion	530
Total		**68,074**

Notes:-

*1 *It is the intention of the Board to earmark proceeds that may be raised from the Proposed Private Placement to finance the Purchase Consideration for the Proposed Acquisition (being subject matter of this Circular. Details of the Proposed Acquisition are set out in* ***Section 3, Part A*** *of this Circular. In the event that the Company is unable to implement and raise necessary fund for the full payment of the Purchase Consideration within the proposed timeframe (i.e. If MIECO is unable to identify placee(s) or raise sufficient funds at an attractive price to fully satisfy the Purchase Consideration) prior to completion of the Proposed Acquisition, the Company may source from internally generated funds and/ or bank borrowings to satisfy the Purchase Consideration in whole or in part. For information purposes, based on the latest unaudited quarterly report of MIECO Group for the 6-month FPE 30 June 2021, the Group's cash and bank balances stood at RM14.23 million with its net cash flow from operating activities of RM33.62 million while its total bank borrowings stood at RM185.14 million which translates into a gearing ratio of 0.54 times.*

*2 *MIECO Group may utilise the proceeds to fund its working capital requirements, which include, but are not limited to, for procurement of raw materials for the Group's existing business, general administrative and daily operational expenses such as staff-related costs and utilities. In addition, the proceeds to be raised from the Proposed Private Placement may also be utilised for the enlarged MIECO Group's working capital requirements, i.e. for the procurement of a larger quantity of wood-based raw materials to facilitate the Group's expansion on a wider range of product offerings for its manufacturing business moving forward. The exact allocation of such proceeds cannot be determined at this juncture given that such allocation will be dependent on the operating and funding requirements at the time of utilisation. Notwithstanding that, and on best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows, subject to the operating and funding requirements of the Group at the time of utilisation:-*

	Est. allocation of proceeds (%)
Procurement of raw materials for the Group's existing business (i.e. general raw materials for the Group's existing business such as tailor-made adhesive for the wood/ timber, wood particles which include, amongst others, wood chips, sawdust, tree trunks and planer shavings, which are the primary raw materials used in the process for manufacture of particle boards)	*80.0*
General administrative and daily operational expenses such as staff-related costs (i.e. staff salaries, allowances, staff benefits such as insurance and staff training and development programs) and utilities	*20.0*
Total	***100.0***

*3 *The proceeds earmarked for estimated expenses in relation to the Proposals will be utilised as follows:-*

	RM'000
Professional fees (i.e. advisers and placement agent)	*400*
Regulatory fees	*30*
Other incidental expenses in relation to the Proposals	*100*
Total	***530***

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. In the event the actual gross proceeds raised is less than the intended gross proceeds to be raised from the Proposed Private Placement, the gross proceeds will be utilised in the following priority:-

(i) Purchase Consideration for the Proposed Acquisition;

(ii) Estimated expenses in relation to the Proposals; and

(iii) Working capital.

Any excess in the actual gross proceeds raised and the intended gross proceeds to be raised from the Proposed Private Placement will be allocated to working capital of MIECO.

Pending utilisation of the proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional general working capital for the Group.

Should the Board wish to vary the utilisation of proceeds as allocated above, MIECO will first make the relevant announcement, and procure shareholders' approval for the variation of the use of funds if the variance of the utilisation of proceeds is equal to or more than 25.0% from the intended purpose of utilisation of proceeds as disclosed above.

2.7 Other fund raising exercises in the past 12 months

Save for the Proposed Private Placement, MIECO has not undertaken any other fund raising exercises in the past 12 months up to the LPD.

3. DETAILS OF THE PROPOSED ACQUISITION

MIECO had on 6 October 2021 entered into the SSA with the Vendor for the Proposed Acquisition. The Proposed Acquisition entails the acquisition of the entire issued share capital of SYFSB, for a purchase consideration of RM50,000,000 which shall be satisfied entirely via cash. Please refer to **Appendix II** of this Circular for the salient terms of the SSA. SYFSB is currently a wholly-owned subsidiary of SYF, a public listed company currently listed on the Main Market of Bursa Securities. Upon completion of the Proposed Acquisition, MIECO will hold 100% equity interest in SYFSB and accordingly, SYFSB will become a wholly-owned subsidiary of MIECO.

Subject to the terms and conditions of the SSA, the Sale Shares will be acquired free from all liens, charges and encumbrances and with full legal and beneficial title with all rights, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof) and on the basis of the warranties provided by the Vendor.

3.1 Information on SYFSB

SYFSB is a long-established furniture and rubberwood components manufacturer in Malaysia and was incorporated on 5 March 1993 in Malaysia under the Companies Act, 1965 as a private limited company under the present name.

Currently, SYFSB is principally engaged in the manufacturing and trading of moulded timber, rubberwood dining furniture sets and timber treatment processing. The holding company of SYFSB is SYF, a public listed company listed on the Main Market of Bursa Securities which holds 100% equity interest in SYFSB. As at the LPD, SYFSB does not have any subsidiaries, associates or joint venture companies. SYFSB has an issued share capital of RM20,000,000 comprising 20,000,000 SYFSB Shares as at the LPD.

Set out below are the details of the directors and their respective direct and indirect shareholdings in SYFSB as at the LPD:-

		< --------- Direct -------- >		< ------- Indirect ------- >	
Name	**Nationality**	**No. of SYFSB Shares**	**%**	**No. of SYFSB Shares**	**%**
Dato' Sri Ng	Malaysian	-	-	20,000,000	100.0[*1]
Lee Oon Kar	Malaysian	-	-	-	-

Note:-

[*1] *Deemed interested by virtue of his 23.60% direct equity interest in SYF, which in turn is a holding company of SYFSB pursuant to Section 8 of the Companies Act 2016.*

A summary of the key financial information of SYFSB for the past 4 financial years up to the latest audited FYE 31 July 2021 is set out below:-

	< ----------------- Audited FYE 31 July ---------------- >			
	2018 RM'000	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**
Revenue	148,817	131,926	108,016	119,489
Gross profit/ loss	7,815	(26,771)	(4,124)	3,087
PBT/ (LBT)	2,738	(33,542)	(7,706)	(112)
PAT/ (LAT)	1,903	(25,625)	(6,423)	(195)
NA	106,858	81,233	74,507	74,311
Cash and bank balances	7,927	13,982	4,726	1,062
Total borrowings	66,953	54,898	20,782	13,860
Total issued shares (units) ('000)	20,000	20,000	20,000	20,000
EPS/ (LPS)	0.95	(1.28)	(0.32)	(0.01)
NA per share	5.34	4.06	3.73	3.72
Current ratio (times)	1.34	1.00	0.81	0.82
Gearing (times)	0.63	0.68	0.28	0.19
Net cash flow (used in)/ from operating activities	2,881	5,048	20,036	(14,070)

As illustrated in the table above, SYFSB's revenue has been decreasing over the past 3 financial years up to the FYE 31 July 2020 mainly due to the rationalisation exercise undertaken during the FYE 31 July 2019 (i.e. downsizing measures on the manufacturing activities for rubberwood dining furniture division) coupled with the temporary disruption of business activities as a result of the implementation of several MCO nationwide due to COVID-19 during the FYE 31 July 2020.

SYFSB's recorded LBT of RM33.54 million in the FYE 31 July 2019 mainly due to obsolete inventories write down (i.e RM8.00 million) and inventories written off (i.e RM9.70 million) arising from the downsizing measures undertaken of its rubberwood dining furniture sets division. SYFSB's recorded LBT of RM7.71 million in the FYE 31 July 2020 as the loss position was further protracted by the on-set of the COVID-19 pandemic in 2020. Notwithstanding the foregoing, with global economic conditions showing a recovery in second half of 2020 coupled with the benefit of its rationalise operation, there has been an improvement in SYFSB' financial performance as evident by the LBT of RM0.11 million recorded.

Please refer to **Appendix I** of this Circular for further details on SYFSB.

3.2 Basis and justification for arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis between MIECO and SYF, after taking into consideration the following:-

(i) the valuation of the entire equity interest in SYFSB of approximately RM45.34 million, based on discounted cash flow to equity methodology ("**Valuation**") prepared by SCA, being the Independent Adviser for the Proposals, to support their view and opinion for arriving at the Purchase Consideration;

(ii) the audited and unaudited net tangible assets of SYFSB as at 31 July 2020 and 31 July 2021 of RM74.51 million and RM74.43 million, respectively; and

(iii) the rationale and future prospects of MIECO Group, further details of which are set out in **Sections 4.2** and **5.4, Part A** of this Circular.

The Valuation of the entire equity interest in SYFSB was arrived after taking into consideration the cash flows derived from the financial forecast and projections of SYFSB for 5 years up to the financial year ending 31 July 2026 as provided by the Vendor and a perpetuity growth rate of 2.8% applied from the 5th year onwards. The expected future free cash flows to equity is discounted to present value using the discount rate of approximately 8.72% and thereafter, a discount for lack of marketability of 30% is applied to account for the lack of liquidity of SYFSB's shares as a private company.

Further details on the key basis and assumptions undertaken pursuant to the Valuation are set out below:-

(i) the discount rate of 8.72% was arrived at after taking into consideration the following:-

Risk free rate *(Based on the yield of 10-year Malaysian Government Securities as extracted from Bank Negara Malaysia website as at 14 September 2021)*	3.30%
Expected market rate of return *(Based on 10-year historical average return of FTSE Bursa Malaysia Top 100 Index as at 14 September 2021)*	9.41%
Adjusted Beta *(The betas of companies listed on Bursa Securities with principal activities that are considered broadly comparable to SYFSB are adjusted (un-levered) for their individual gearing ratios, and the median gearing of these comparable companies is then re-levered based on the median net debt-to-equity ratio of these comparable companies as at 14 September 2021)*	0.89

(Source: Bloomberg)

(ii) the terminal value is computed based on the projected free cash flows for the FYE 31 July 2026 at a terminal growth rate of 2.8%, after taking into consideration, amongst others, the inflationary effect as well as the external factors that may directly or indirectly affect the long term growth prospects of SYFSB. The terminal value computed attributed to approximately 80% of the total value of equity interest derived therefrom; and

(iii) an illiquidity discount of 30% was applied for evaluation of equity interest in private companies to account for illiquidity and any unsystematic risks.

For information purposes, the following formula was adopted to derive the fair value of SYFSB:-

Fair value =	*Present value of projected free cash flow ("FCF") based on the financial forecast and projections of SYFSB for the 5 financial years ending FYE 31 July 2026 ("Future Financials")*	+	*Present Value of Terminal Value*
	$V_o = \frac{FCF_1}{(1+DR)^1} + \frac{FCF_n}{(1+DR)^n}$		*Present value of terminal value* $= \frac{\text{Terminal value}}{(1+DR)^n}$

Where:-

V_o = *Value today*
FCF_1 = *Expected free cash flow in year 1*
n = *Represent time, in years into the future*
DR = *Discount rate built upon the Capital Asset Pricing Model, with the following formula:-*

Risk-Free Rate + [Adjusted Beta X (Expected Market Return – Risk-Free Rate)]

$$\text{Terminal Value} = \frac{FCF_n \times (1+g)}{DR-g}$$

And where:-

n = *Represent time, last year of the Future Financials*
g = *Terminal growth rate*

Based on the above, the Purchase Consideration represents a premium of approximately 10.28% to the Valuation. Notwithstanding that the foregoing, the Board has also taken into account further justifications in arriving at the Purchase Consideration as follows:-

(i) the Purchase Consideration represents a discount of approximately 33% from the audited NA of SYFSB as at 31 July 2021;

(ii) upon completion of the Proposed Acquisition, the Group is expected to immediately recognise an estimated one-off gain on bargain purchase of RM24.31 million, further details of which is set out in **Section 7.4.2, Part A** of this Circular;

(iii) the Purchase Consideration also takes consideration of the potential strategic benefits to be accrued to MIECO via the Proposed Acquisition such as, amongst others, MIECO will capitalise on the combined customer base as well as expanded product offering as SYFSB's intermediate wood products such as solid rubberwood laminated board and related items will complement MIECO's chipboard and medium density fibre boards ("**MDF**") products; and

(iv) at present, MIECO's production plants require substantial quantities of wood-based raw materials such as saw dust and off cuts to manufacture its chipboards and MDF. As such, due to seasonal market conditions and scarcity of such materials, MIECO from time to time, faces inconsistency of product quality, limited supply as well as volatility in the cost of such raw materials. Pursuant thereto, the Proposed Acquisition serves as a security for MIECO to rationalise and streamline the enlarged MIECO Group's operations in order to gradually increase the amount of in-house supply of raw materials and lessening reliance on external sources.

Premised on the above assessment, the Board deemed the Purchase Consideration reasonable after taking into consideration the Valuation, as well as rationale for the Proposed Acquisition and future prospects of MIECO Group as set out in **Sections 4.2 and 5.2, Part A** of this Circular, respectively.

In addition thereto, SCA has also been appointed as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MIECO as to whether the Proposals are fair and reasonable so far as the non-interested directors and non-interested shareholders of the Company are concerned, and whether the Proposals are to the detriment of the non-interested shareholders of MIECO, the opinion and details of which are set out in the IAL in Part B of this Circular.

3.3 Mode of settlement and source of funding of the Purchase Consideration

Pursuant to the terms of the SSA, the Purchase Consideration shall be satisfied entirely via cash, to be paid by MIECO on completion which is a date within 30 business days from the date the SSA becomes unconditional subject to the terms and conditions of the SSA, further details of which is set out in **Appendix II** of this Circular.

The purchase consideration amounting to RM50,000,000 shall be funded by MIECO through a combination of proceeds to be raised from the Proposed Private Placement, either in whole or in part, subject to the successful procurement of placee(s) (as further elaborated in **Section 2.6, Part A** of this Circular), internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals.

For clarification purpose, it is the intention of the Board to complete the Proposed Private Placement first prior to the completion of the Proposed Acquisition. Nevertheless, in the event the completion of the Proposed Private Placement takes place after the completion of the Proposed Acquisition, the Board intends to finance the Purchase Consideration via internally generated funds and/ or bank borrowings as an interim measure to address the funding requirements for the Purchase Consideration, the exact quantum of which will be determined by the Board at a later date, if required.

Purely for shareholders' information purposes, based on the latest unaudited quarterly report of MIECO Group for the 6-month FPE 30 June 2021, the Group's cash and bank balances stood at RM14.23 million with its net cash flow from operating activities of RM33.62 million while its total bank borrowings stood at RM185.14 million which translates into a gearing ratio of 0.54 times.

3.4 Liabilities to be assumed by MIECO

Save for the obligations and liabilities stated in and arising from, pursuant to or in connection with the SSA, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by MIECO arising from the Proposed Acquisition.

3.5 Additional financial commitment required

Save for the purchase consideration of RM50,000,000, there is no additional financial commitment required by MIECO to put the business of SYFSB on-stream as SYFSB is already an on-going business entity.

The key financial position for the past 4 financial years up to the FYE 31 July 2021 for SYFSB are set out below:-

	< ------------------------- Audited FYE 31 July ------------------------- >			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Revenue	148,817	131,926	108,016	119,489
PBT/ (LBT)	2,738	(33,542)	(7,706)	(112)
Cash and bank balances	7,927	13,982	4,726	1,062
Total borrowings	66,953	54,898	20,782	13,860
Net cash flow (used in)/ from operating activities	2,881	5,048	20,036	(14,070)
Gearing (times)	0.63	0.68	0.28	0.19
PBT/ (LBT) margin (%)	1.84	(25.42)	(7.13)	(0.57)

As depicted in the table above, notwithstanding that SYFSB has recorded LBT in the past 2 financial years up to the FYE 31 July 2020, SYFSB has recorded positive operating cash flow for the past 3 financial years up to the FYE 31 July 2020 and reduction in its gearing ratio from 0.63 times (FYE 31 July 2018) to 0.19 times (FYE 31 July 2021) primarily due to the downsizing measures on the manufacturing activities for rubberwood dining furniture division of SYFSB as well as the disposal of none core assets to pare down SYFSB's borrowings.

With global economic conditions showing further sign of recovery on the back of the vaccine roll out and indication of eventual global reopening, the Board is positive that SYFSB would be able to sustain its cash flows and business operation through its ordinary course of business, and consequently no additional financial commitment is required from MIECO to put the business of SYFSB on stream.

3.6 Original cost and date of investment in SYFSB

The original cost of investment of SYF in SYFSB and the date of such investments are set out below:-

Date of investment	No. of SYFSB Shares	Cost of investment RM
10.06.1999	2,550,000	16,500,000
12.06.2000	2,450,000	16,000,000
31.07.2007	15,000,000	15,000,000

3.7 Information on the Vendor

SYF was incorporated as a private limited company under the name of Exclusive Symbol Sdn Bhd on 20 October 1995 in Malaysia under the Companies Act, 1965. On 2 February 1996, it changed its name to Tomisho Holding Sdn Bhd and subsequently to Tomisho Holdings Sdn Bhd on 27 November 1996. On 16 December 1997, SYF converted into a public limited company under the name of Tomisho Holdings Berhad and on 13 February 2004, it assumed its present name.

SYF was listed on the former Second Board of Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 8 March 2000 and subsequently transferred its listing status to the Main Board of Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 3 August 2009, following the merger of the former Main Board and Second Board of Bursa Securities.

SYF is principally an investment holding company and through its subsidiaries, SYF is engaged in the manufacturing and trading of furniture products and molded timber, and property development. As at the LPD, the issued share capital of SYF is RM143,527,253, comprising 574,109,012 ordinary shares (including 5,236,000 treasury shares).

4. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

4.1 Proposed Private Placement

As set out in **Section 2.6, Part A** of this Circular, the proceeds to be raised from the Proposed Private Placement is intended to be utilised in the following manner:-

(i) a majority of the proceeds is intended for the Group to finance the Proposed Acquisition, either in whole or in part, subject to the successful procurement of placee(s) and implementation of the placement prior to completion of the Proposed Acquisition. Premised on the rationale set out in **Section 4.2, Part A** of this Circular, the Board anticipates that the Proposed Acquisition is expected to augur well for the growth prospects of MIECO Group moving forward; and

(ii) up to RM17.54 million is intended to fund the Group's immediate working capital requirements. Such proceeds will enable the Group to retain an adequate cash level and flexibility in respect of financial allocations for its operational requirements and short term obligations and liabilities, which in turn may enable the Group to carry out its day-to-day operations in a more efficient and timely manner.

After due consideration of the various methods of fund raising, the Board opines that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings which may affect the Group's bottom line. Additionally, the Proposed Private Placement represents an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as a rights issue, as the placement funds from the Proposed Private Placement will be paid within 5 market days from the relevant price-fixing date.

Upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen the financial position of the Company and improve the gearing level of the Group.

4.2 Proposed Acquisition

The Proposed Acquisition entails the acquisition of 100% equity interest in SYFSB, which is principally engaged in the manufacturing and trading of moulded timber, furniture and timber treatment processing.

At the present, MIECO is primarily involved in the manufacturing and sale of wood based products, specifically in particle boards, or otherwise known as chipboards, with a primary focus on plain boards, melamine faced boards ("**MFC**") and MDF. On the other hand, SYFSB is principally engaged in the manufacturing and trading of moulded timber, rubberwood dining furniture sets and timber treatment processing. Specifically, SYFSB primarily operates in the wood products manufacturing activities, focusing on sawmilling, timber treatment and processing of timber into intermediate components such as surfaced on 4 sides ("**S4S**") lumber, finger joint strips and laminated board. For shareholders' information purposes, a summary of the business activities of MIECO and SYFSB is illustrated in the diagram below:-

Wood based products manufacturing activities		
Company name	MIECO	SYFSB
The economic sector / sub-sector and industry mainly involved in	Manufacturing/ Wood based and furniture industry	Manufacturing/ Wood based and furniture industry
Business activities	Manufacturing and sale of wood based products	Manufacturing and trading of moulded timber, rubberwood and timber treatment processing whereas the production of the dining furniture sets are on a minimal scale
Main products	Specifically in particle boards, or otherwise known as chipboards, with a primary focus on plain boards, MFC and MDF	Processing of timber into intermediate components such as S4S lumber, finger joint strips and laminated board as well as by-products such as small rubber log, slabs, offcut and saw dust
Main raw material	Saw dust, off cuts, slabs and small logs	Rubberwood

As illustrated in the diagram above, the Proposed Acquisition, which is in line with the Group's business expansion objectives and growth strategy in the longer term, provides the Group with an opportunity to expand its wood based products offering, while simultaneously enabling MIECO to derive synergistic benefits with SYFSB through the acquisition of the entire equity interest in SYFSB. Upon the completion of the Proposed Acquisition, MIECO is expected to achieve economies of scale through the enlarged networks of customers, consolidation of operations as well as elimination of duplicate resources within the enlarged MIECO Group. The effects of the aforementioned synergies are expected to improve the revenue and profitability of the enlarged MIECO Group. In capitalising on SYFSB's existing customer base, the integration of intermediate wood products in MIECO's product offering is expected to provide an additional stream to MIECO Group's existing revenue.

Furthermore, the Proposed Acquisition will allow MIECO Group to derive synergistic benefits with SYFSB as the by-products of SYFSB's manufacturing processes such as saw dust and off cuts, are the raw materials that MIECO requires to manufacture its particle boards. While MIECO and SYFSB already have an established buyer-supplier relationship, SYFSB only supplies a small portion of raw materials to MIECO, while the majority of MIECO's supply are from external sources. For shareholders information, upon completion of the Proposed Acquisition, MIECO will gain immediate exposure to the clientele of SYFSB and vice versa, without incurring additional marketing and time costs to generate sales leads. In addition, it is also the intention of SYFSB to increase its supply portion of raw materials to MIECO, while maintaining its existing customer base. Accordingly, the Proposed Acquisition may allow MIECO to further streamline and rationalise the supply of raw materials and enable MIECO to achieve greater cost efficiency and production capacity which should contribute to a healthier growth of MIECO's market share.

The purchase consideration of RM50,000,000 represents a premium of approximately 10.28% to the Valuation. Notwithstanding that the foregoing, the Board has also taken into account further justifications in arriving at the Purchase Consideration, further details of which are set out in **Section 3.2, Part A** of this Circular. Furthermore, the Group is expected to immediately recognise an estimated one-off gain on bargain purchase of RM24.31 million following the successful completion of the Proposed Acquisition. Additionally, the Proposed Acquisition will also allow the consolidation of business between MIECO and SYFSB under a single entity, given that SYFSB will become the wholly-owned subsidiary of MIECO upon completion of the Proposed Acquisition.

In terms of similarity between the core businesses of MIECO and SYFSB, they are both operating in the wood products manufacturing segment. SYFSB's manufacturing activities primarily focusing on sawmilling, timber treatment and processing of timber into intermediate wood based products and furniture component parts, whereas the production of its dining furniture sets are operating on a minimal scale. For clarity, the Proposed Acquisition provides the Group with an opportunity to expand its wood based product offering as SYFSB's intermediate wood products such as solid rubberwood laminated board and related items will complement the existing wood based products of MIECO Group (e.g. chipboard and MDF). As such, the Proposed Acquisition would not constitute a diversification in operations for MIECO Group pursuant to Paragraph 10.13 of the Listing Requirements.

Barring any unforeseen circumstances and based on the above, the Proposed Acquisition represents a strategic opportunity for MIECO Group to improve the cost efficiency and scale of its particle boards and MDFs manufacturing processes, while also creating future expansions possibilities in to other wood based products. In summary, the Board is of the view that the Proposed Acquisition is expected to augur well for the growth prospects of MIECO Group in the long term, as the Proposed Acquisition provide the Group with an opportunity to expand its income stream and growth prospect.

5. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF THE GROUP

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy experienced renewed demand and supply shocks arising from strict containment measures under the National Recovery Plan ("**NRP**") during the third quarter of 2021. As a result, the economy contracted by 4.5% in the third quarter of 2021 (2Q 2021: +16.1%). Economic activity was particularly impacted in July 2021 under Phase 1 of the NRP, but subsequently recovered as more states transitioned into Phase 2 with less restrictive containment measures. On the supply side, all economic sectors registered a contraction, particularly the construction sector, which was constrained by operating capacity limits. On the demand side, the restrictions on mobility, especially on inter-district and inter-state travel, has weighed on consumption and investment activity, while continued increase in public sector consumption spending provided some support to overall growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 3.6% in the third quarter of 2021 (2Q 2021: -1.9%).

Domestic demand declined by 4.1% in the third quarter of 2021 (2Q 2021: 12.4%) in the third quarter of 2021, as private consumption and investment activities were affected by the imposition of phased restrictions under NRP. On the external front, net exports contracted by 37.5% in the third quarter of 2021 (2Q 2021: 34.3%) as growth in imports outpaced the growth in exports.

Private consumption declined by 4.2% in the third quarter of 2021 (2Q 2021: 11.7%), as the stringent containment measures and mobility restrictions weighed on household spending in the first half of the quarter. Similarly, labour market conditions also weakened in the same period with weaker income and employment growth. Nevertheless, various policy measures, including the Employees Provident Fund ("**EPF**") i-Sinar and i-Citra withdrawals as well as Bantuan Khas COVID-19, continued to provide support to affected households.

Private investment declined by 4.8% in the third quarter of 2021 (2Q 2021: 17.4%), as the containment measures had constrained firms' operating capacity and affected the realisation of investments, particularly in structures. The impact however, was mitigated by the increase in capital spending for information communication technology equipment and research and development, especially as firms in the export-oriented sectors continued to expand their capacity.

Public investment recorded a contraction of 28.9% (2Q 2021: 12.0%). Fixed assets spending by the general government declined, especially in construction and repairs of buildings and facilities, while capital expenditure by public corporations were lower across all sectors.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2021, Bank Negara Malaysia)

The Malaysian economy expanded by 7.1% in the first half of 2021. Growth is expected to continue in the second half of the year, particularly in the fourth quarter, as more economic and social sectors operate at full capacity. The expected growth trajectory aligns with the successful vaccination programme under the National COVID-19 Immunisation Programme ("**PICK**") and various stimulus and assistance packages to support the people and revitalise the economy. Overall economic growth is expected to expand between 3% and 4% in 2021. Continuation of the packages to combat the COVID-19 will have spillover effects and boost the economy in 2022. Hence, with strong economic fundamentals and a diversified structure, the domestic economy is forecast to expand between 5.5% and 6.5% in 2022. Nevertheless, the favourable outlook is predicated on other factors, including the successful containment of the pandemic, effective PICK implementation, and strong global economic prospects.

Against the backdrop of global uncertainties amid the COVID-19 outbreak, domestic demand remains resilient and continue to spearhead growth. After registering a contraction of 5.8% in 2020, domestic demand is projected to rebound to 3.1% in 2021, with private and public sectors' expenditure increasing by 3.5% and 1.6%, respectively. The recovery is driven by robust domestic demand performance in the first half of 2021, which expanded by 5% following low base effect in 2020 due to strict containment measures to curb the COVID-19 pandemic. The ongoing stimulus packages and economic assistance, such as Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI), Strategic Programme to Empower the People and Economy ("**PEMERKASA**"), PEMERKASA Plus ("**PEMERKASA+**") and PEMULIH, the gradual reopening of economic sectors and the recovery in external demand are expected to provide a lift to consumer and business sentiments.

Private consumption remained as the significant growth determinant and increased by 4.3% during the first half of 2021 attributable to improvements in disposable income arising from the gradual recovery in the labour market condition, accommodative interest rates, favourable commodity prices as well as ongoing economic stimulus packages and assistance. In the second half of the year, private consumption is projected to increase by 3.9%, following the gradual reopening of economic sectors. Overall, private consumption in 2021 is expected to expand by 4.1% supported mainly by the continued assistance and stimulus measures, such as wage subsidies, Bantuan Prihatin Rakyat ("**BPR**"), targeted moratorium, Special COVID-19 Assistance as well as i-Sinar and i-Citra assistance. As at 19 August 2021, RM20.2 billion has been approved for 4.9 million applicants for i-Citra, and RM58.4 billion has been disbursed for 6.6 million applicants for i-Sinar. Furthermore, as at 24 September 2021, RM14.3 billion has been disbursed for the wage subsidy programme, which has benefitted about 3.3 million employees.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

5.2 Overview and outlook of the manufacturing industry in Malaysia

The manufacturing sector rebounded by 15.8% in the first half of 2021, supported by positive growth in all subsectors. The growth momentum is expected to continue in the second half of 2021 with an expansion rate of 1.5%, mainly driven by the export-oriented industries. The main subsectors which will significantly contribute to the industries are electrical, electronics and optical products as well as petroleum, chemical, rubber and plastic products.

For the year of 2021, the sector is expected to post a sturdy growth of 8.1% attributed to both the export- and domestic-oriented industries. Within the export-oriented industries, the electrical and electronics ("**E&E**") segment is projected to improve, following higher demand for semiconductor items, which is reflected by the rising sales across the range of chip products. In addition, the rubber and textiles segments are anticipated to expand, following increasing demand for rubber gloves and personal protective equipment (PPE) amid the prolonged COVID-19 pandemic. Similarly, within the domestic-oriented industries, the basic pharmaceuticals and medicinal chemical products, and food products segments are projected to increase in line with the economic expansion.

The manufacturing sector is expected to expand by 4.7% in 2022, attributed to the steady performance of both export- and domestic-oriented industries. As one of the key players in the world semiconductor trade, the stronger global demand for E&E products will continue to provide the impetus for Malaysia's manufacturing sector. Stricter global healthcare regulations and increasing hygiene awareness will help in boosting production in the rubber and chemical related segments. Concurrently, the anticipation of more vibrant industrial and construction activities as well as higher demand for household-related products are expected to give an additional boost to the sector.

(Source: Economic Outlook 2022, Ministry of Finance, Malaysia)

5.3 Overview and wood based and furniture industry in Malaysia

Malaysia is an important player in the international market for tropical wood and wood products, and is also the leading exporter of wooden furniture globally. For the past 20 years, Malaysia's wood-based industry has become one of the major revenue contributors to the country's economic growth, encompassing the production of sawn timber, veneer, panel products (plywood, particleboard, chipboard, and fibreboard), mouldings, and builder joinery and carpentry (BJC), as well as furniture and furniture components.

In 2020, with regards of the wood and wood products, there is 29 approved projects, RM759 million approved investments comprises foreign investment of approximately RM491.7 million (65%) and domestic investment contributing approximately RM267.3 million (35%) whereas, with regards of the furniture and fixtures, there is 47 approved projects, RM719.2 million approved investments comprises foreign investment of approximately RM353.7 million (52%) and domestic investment contributing approximately RM365.5 million (48%).

In order for the wood-based and furniture industry to improve its export ranking, the industry has to adopt new and state-of-the-art technologies to overcome production bottlenecks that would result in newer and sophisticated products and reduce dependency on unskilled foreign labour. This can be achieved by identifying and exploiting innovation gains through the promotion of knowledge intensive industries, technical breakthroughs and design and development initiatives.

Malaysian Investment Development Authority ("**MIDA**") encourages industry players to focus on creativity and innovation in their production processes, moving up the value chain from an original equipment manufacturer (OEM) to becoming an original design manufacturer (ODM) or own- brand manufacturer (OBM).

Malaysian manufacturers have started to raise capital expenditures for technological investments despite the associated high costs, enabling them to start venturing into automation and Industry 4.0.

The Malaysian Government continues to encourage more local companies to produce high value-added products and leverage on automation as well as invest in the upskilling of their talents. Some of the available incentives for companies in this industry include:-

(i) Industry4WRD Intervention Fund
(ii) Domestic Investment Strategic Fund (DISF)
(iii) Automation Capital Allowance (ACA)

Under the Promotion of Investments Act ("**PIA**"), 1986 the incentives offered are as follows:-

(i) Pioneer Status (PS) with income tax exemption of 70% of statutory income for 5 years. OR
(ii) Investment Tax Allowance (ITA) of 60% of qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% of statutory income in the year of assessment.

Companies in this industry are also eligible for Reinvestment Incentives under the PIA 1986:-

(i) Pioneer Status (PS) with income tax exemption of 70% of statutory income for 5 years. OR
(ii) Investment Tax Allowance (ITA) of 60% of qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% of statutory income in the year of assessment.

(Source: Wood-Based and Furniture, MIDA)

The world has been astounded by the spread of the COVID-19 virus at the start of the year 2020. The Malaysian economy was also affected, notably smaller businesses and vulnerable groups such as lower income individuals, daily wage earners and workers. Proactively, Malaysia implemented the MCO since 18 March 2020 to battle the pandemic. Selected economic sectors were, however allowed to operate subject to strict adherence to the standard operating procedures (SOPs) for the respective sector.

Speaking on the COVID-19 pandemic and MCO, the President of the Muar Furniture Association (MFA) shared that the furniture business and associated players have been affected in the first quarter of 2020. MFA also added that by not being in operation for 28 days, the furniture factories in Muar are expecting losses amounting to RM500 million, in addition to fines due to potential violation of agreements of approximately RM10 million.

Categorised as non-essential, the wood-based industry is among the sectors affected by the MCO. For the past 20 years, Malaysia's wood-based industry has become one of the major revenue contributors to the country's economic growth.

Employing approximately 240,000 workers, the industry encompasses the production of sawn timber, veneer, panel products (plywood, particleboard, chipboard, and fibreboard), mouldings, and builder joinery and carpentry (BJC), as well as furniture and furniture components.

In 2019, Malaysia's exported wood and wood products valued at RM22.5 billion. Of this, 40.6 per cent was from wooden furniture and 15.1 per cent, from plywood. Notably, furniture companies in Muar, Johor play a critical role in contributing to Malaysia's exports of wood and wood products, accounting for 60 per cent of the export value.

At this challenging time, small and medium-sized enterprises (SMEs), including those within the woodbased industry, are strongly encouraged to use technology to create new value in business models, customer experiences and the internal capabilities that support their core operations. This will accelerate the recovery phase and enable the companies to become highly adaptable towards the post-MCO era.

(Source: The wood-based industry in Malaysia: The impact of COVID-19 and the Movement Control Order, MIDA)

Wood-based materials are the most common material used in the future manufacturing process in Malaysia. As a mature industry with many establishments operating since the early 1970s, the wooden furniture industry has undergone a dynamic transformation from a traditional cottage operation to an export-oriented industry, driven by design, innovation and technology. The wood-based industry, which encompasses wooden furniture, has been one of the major contributors to Malaysia's economic growth over the past few decades. According to the Malaysian Industrial Development Authority, Malaysian furniture exports ranked number eighth in the world.

Different wood materials such as rubberwood, panel boards, tropical hardwood, softwood, etc, are used in the manufacturing of wooden furniture. Using various forms of product and design upgrading as well as improved production processes, the wooden furniture industry is capable of manufacturing various versions of furniture sets of different designs, materials, functionalities, colours and sizes, as well as versions for knocked down, semi-knocked down and complete assembly. Wooden furniture manufacturers have given emphasis to aesthetics, designs and higher quality to cater for today's more affluent household customers.

The market size for wooden furniture in Malaysia, in terms of ex-factory sales, amounted to RM10.98 billion in 2020, a decrease of 7.8% over the RM11.91 billion registered in 2019.

(Source: Department of Statistics)

5.4 Future prospects of the Group

At the present, MIECO is principally involved in the manufacturing and sale of wood based products, particularly particle boards, otherwise known as chipboards, with a primary focus on plain boards, MFCs and MDFs. Through the acquisition of the entire equity interest in SYFSB, the Proposed Acquisition represents an opportunity for MIECO to expand its wood products manufacturing activities to include sawmilling, timber treatment and processing into intermediate wood products components. This will provide MIECO an immediate access and opportunity to obtain control of a company that plays an important role in the supply chain of wood-based and furniture industry.

For information purposes, MIECO's production plants require substantial quantities of wood-based raw materials such as saw dust and off cuts to manufacture its chipboards and MDF. Currently, most of these materials are procured from external sources with only a small portion sourced from SYFSB. Due to seasonal market conditions and scarcity of such materials, MIECO from time to time, faces inconsistency of product quality, limited supply as well as volatility in the cost of such raw materials.

Pursuant to the Proposed Acquisition, MIECO will seek to rationalise and streamline the enlarged MIECO Group's operations in order to gradually increase the amount of in-house supply of raw materials and lessening reliance on external sources. The successful completion of the Proposed Acquisition is expected to contribute consistent and stable raw material supply as well as mitigate raw materials price volatility.

In addition to the synergy in raw material procurement, MIECO will capitalise on the combined customer base as well as expanded product offering as SYFSB's intermediate wood products such as solid rubberwood laminated board and related items will complement MIECO's chipboard and MDF products. As such, MIECO will seek to derive advantages expressed in **Section 4.2, Part A** of this Circular to achieve more efficient and effective marketing efforts.

Upon completion of the Proposed Acquisition, MIECO will hold the entire equity interest in SYFSB and accordingly, SYFSB will become wholly-owned subsidiary company. For information purposes, the present management of SYFSB will remain to carry out the day-to-day operations of SYFSB. Nevertheless, the Board and senior management of MIECO will monitor and review SYFSB's business operations from time to time with the intention to further improve its financial performance.

As mentioned in **Section 2.6, Part A** of this Circular, the gross proceeds raised from the Proposed Private Placement that are residual after financing the Purchase Consideration for the Proposed Acquisition will be utilised to finance working capital requirements of MIECO. Against such uncertainties of the global markets and economies mainly due to the on-going COVID-19 pandemic, specific strategies need to be devised to overcome such adversities. Towards this, the Group intends to reinforce its strategy to target growth from SYFSB's upstream business segment as well as to be opportunistic with its working capital in order to have flexibility in respect of its financial allocations for its operational requirements and short term obligations and liabilities, to carry out its daily operations in a more efficient and timely manner. Accordingly, the Group will be able to have a better competitive edge over smaller wood based products manufacturers to achieve better efficiencies from an economic scale of operations upon successful completion of the Proposals.

As set out in **Appendix I** of this Circular, the utilisation rate for SYFSB's manufacturing plant has decreased from 70.27% in the FYE 31 July 2019 to 57.45% in the FYE 31 July 2020. The decrease was mainly due to the temporary disruption of SYFSB's manufacturing and trading activities during the FYE 31 July 2020 as a result of the implementation of several Movement Control Orders ("**MCOs**") nationwide to contain the spread of the COVID-19 pandemic in Malaysia. However, in line with the recovery in Malaysian economy following the gradual recovery of the COVID-19 pandemic as highlighted in **Section 5.1, Part A** of this Circular, SYFSB managed to improve its utilisation rate for its manufacturing plant to 61.65% in the FYE 31 July 2021. In view of the expected gradual recovery of the manufacturing and furniture industry, the Board is of the opinion that the market demand within the wood based and furniture industry is expected to improve, resulting in possibly higher utilisation rate for SYFSB's manufacturing plant moving forward.

5.4.1 Current financial position of MIECO Group

The financial summary of MIECO Group based on the audited consolidated results for the past 3 financial years up to the FYE 31 December 2020 and the latest unaudited quarterly results for the 6-month FPE 30 June 2021, is set out below:-

	<------------------Audited	**---------------->**		**<-Unaudited->**
	FYE 31 December 2018 RM'000	**FYE 31 December 2019 RM'000**	**FYE 31 December 2020 RM'000**	**6-month FPE 30 June 2021 RM'000**
Revenue	419,847	427,282	377,332	179,534
PBT/ (LBT)	(55,655)	(513)	(3,905)	7,639
PAT/ (LAT)	(60,583)	1,651	(4,478)	7,639
Earnings/ (Loss) per Share (sen)	(11.54)	0.31	(0.85)	0.91

	<------------------Audited---------------->			<-Unaudited->
	FYE 31 December 2018 RM'000	FYE 31 December 2019 RM'000	FYE 31 December 2020 RM'000	6-month FPE 30 June 2021 RM'000
Cash and bank balances	23,535	9,812	8,637	14,233
Total borrowings	236,318	233,474	204,608	186,933
Gearing ratio (times)	0.70	0.69	0.61	0.55
Current assets	163,815	176,902	139,656	132,595
Non-current assets	567,067	528,143	506,908	497,762
Current liabilities	239,347	252,543	196,689	179,292
Non-current liabilities	152,631	111,963	114,875	108,426
Current ratio (times)	0.68	0.70	0.71	0.74
Shareholders' funds/ NA	338,904	340,539	335,000	342,639
Number of MIECO Shares in issue ('000)	525,000	525,000	525,000	840,000
NA per share (attributable to owners of the parent) (RM)	0.65	0.65	0.64	0.41
Net cash generated from operating activities	59,044	20,762	40,968	33,617

<u>FYE 31 December 2019 compared with FYE 31 December 2018</u>

MIECO recorded revenue of RM427.28 million for FYE 31 December 2019 which represents an increase of RM7.43 million or 1.77% as compared to RM419.85 million for FYE 31 December 2018. The increase in revenue was mainly due to higher average selling price of wood based products as a result of improved margins from the product mix strategies undertaken by the Company (i.e. strategies to improve product mix with higher grade boards) during the financial year under review.

MIECO recorded LBT of RM0.51 million for FYE 31 December 2019 which represents a decrease of RM55.15 million or 99.08% as compared to RM55.66 million for FYE 31 December 2018. The improvement in LBT was mainly due to the increase in its revenue coupled with lower changes in inventories of finished goods and work-in-progress recorded in the financial year under review.

<u>FYE 31 December 2020 compared with FYE 31 December 2019</u>

MIECO recorded revenue of RM377.33 million for FYE 31 December 2020 which represents a decrease of RM49.95 million or 11.69% as compared to RM427.28 million for FYE 31 December 2019. The decrease in revenue was mainly due to lower sale of wood based products primarily due to the business stoppage and temporary disruption of its manufacturing and trading activities as a result of the implementation of several MCOs nationwide due to COVID-19 in the financial year under review.

Despite the decrease in revenue contribution from its manufacturing and trading activities, MIECO continued to incur certain fixed operating expenses associated with the aforesaid business activities such as depreciation expenses, upkeep of machineries and equipment, utilities, operations staff salaries and rental charges, which further eroded the total revenue recognised by MIECO and resulting in the increase of its loss making position during the FYE 31 December 2020. Accordingly, MIECO recorded LBT of RM3.91 million for FYE 31 December 2020 which represents an increase of RM3.40 million or 666.70% as compared to RM0.51 million for FYE 31 December 2019.

<u>6-month FPE 30 June 2021 compared with 6-month FPE 30 June 2020</u>

MIECO recorded revenue of RM179.53 million for 6-month FPE 30 June 2021 which represents an increase of RM28.02 million or 18.49% as compared to RM151.51 million for 6-month FPE 30 June 2020. The increase in revenue was mainly due to higher average selling price and sales volume of wood based products arising from the recovery of the Malaysian economy in the financial period under review.

MIECO recorded PBT of RM7.64 million for 6-month FPE 30 June 2021 as compared to LBT of RM34.19 million for 6-month FPE 30 June 2020. The PBT recorded was in tandem with the increase in revenue in the financial period under review.

5.4.2 Value creation and impact of the Proposals to the Company and shareholders

As highlighted in **Section 2.6** of this Circular, the Proposed Private Placement is expected to raise gross proceeds of up to RM68.07 million. The Proposed Private Placement is undertaken with the intention to raise funds in an expeditious manner mainly to finance the Purchase Consideration for the Proposed Acquisition. In addition, a portion of the proceeds to be raised from the Proposed Private Placement will be used to fund the working capital requirements of MIECO Group, which will provide the Group with additional working capital for its existing business operations.

The Proposed Private Placement will also provide MIECO Group with the flexibility and control over internally generated funds while reducing reliance on conventional bank borrowings which will require MIECO Group to service interest and repay the principal sum on a periodic basis. This in turn may place MIECO Group on a better financial and/ or liquidity position to sustain the Group's operating cycle moving forward.

Further, MIECO Group is currently involved in the manufacturing and sale of wood based products, specifically in particle boards, or otherwise known as chipboards, with a primary focus on plain boards, MFC and MDF. Pursuant thereto, the Proposed Acquisition provides the Group with an opportunity to expand its wood based products offering (i.e. to include but not limited to moulded timber, component parts and rubberwood dining furniture sets) which is expected to provide an additional stream to the Group's existing revenue.

In addition, given that SYFSB will become the wholly-owned subsidiary of MIECO upon completion of the Proposed Acquisition, MIECO will be able to further streamline and rationalise the supply of raw materials. Furthermore, the Proposed Acquisition involve the consolidation of business between MIECO and SYFSB under a single entity which in turn, may enable MIECO to achieve greater cost efficiency and production capacity which should contribute to a healthier growth of MIECO's market share. As such, the Board envisages the Proposals will contribute positively to the business operations and may potentially enhance the shareholders' value in the future.

5.4.3 The adequacy of the Proposals in addressing the Group's financial concerns and steps taken to improve the financial condition of the Group

In an effort to enhance the financial performance of the Group as well as to address its financial concerns, the Group intends to undertake the Proposals to further expand its existing business and to fund the Group's medium term working capital requirements. Additionally, the Purchase Consideration represents a discount of approximately 33% from the audited NA of SYFSB as at 31 July 2021. Accordingly, upon completion of the Proposed Acquisition, the Group is expected to immediately recognise an estimated one-off gain on bargain purchase of RM24.31 million. Premised on **Section 5.4.2** above as well as the effects of the Proposals as set out in **Section 7** of this Circular, the Board is of the view that the Proposals are adequate to address the Group's financial requirements at this juncture.

The Proposed Acquisition is undertaken with the intention to increase MIECO Group's revenue and earnings base by acquiring a company in similar industry and/ or business activities and the proceeds raised from the Proposed Private Placement will be used to fund the Purchase Consideration. Additionally, a portion of proceeds to be raised from the Proposed Private Placement will be used to fund the working capital requirements and is expected to provide sufficient working capital to the enlarged MIECO Group to carry out its business activities in the immediate future.

In view of the above, the Board is currently not considering any other corporate exercises to address MIECO Group's financial concerns and/ or financial performance. Nevertheless, the Board will continue to monitor funding requirements (including MIECO Group's capital structure and cost of funds) and financial performance over the longer term, and may consider undertaking future corporate exercises should the need/ opportunity arise.

Barring any unforeseen circumstances, the Board, having considered all the relevant aspect, including the financial performance of SYFSB, the rationale and justification for the Proposals as set out in **Section 4** of this Circular and the industry outlook as set out in **Sections 5.1, 5.2 and 5.3** of this Circular, is of the view that the Proposals are expected to contribute positively to the future financial performance of the enlarged MIECO Group. Accordingly, the Board is optimistic of the future prospects of the enlarged MIECO Group.

(Source: Management of MIECO)

6. RISK FACTORS

Save as disclosed below, the Board does not foresee any material risk pursuant to the Proposed Acquisition. Additional potential risks that may have an impact on MIECO Group, which may not be exhaustive pertaining to the Proposed Acquisition are set out below:-

6.1 Acquisition risk

The Proposed Acquisition is expected to contribute positively to the future performance of the enlarged MIECO Group in the long term. However, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised after the completion of the Proposed Acquisition. Accordingly, there can be no assurance that the anticipated benefits from the Proposed Acquisition will be realised, and the enlarged MIECO Group will be able to generate sufficient revenue or earnings to offset the associated costs arising from the Proposed Acquisition.

MIECO will constantly monitor the progress and performance of SYFSB and to leverage on its management expertise and experience to properly manage the operations of SYFSB. Additionally, the Board will continue to exercise due care and take appropriate measures such as, amongst others, identifying and evaluating the risks in planning the successful integration of SYFSB with MIECO's existing business operations.

6.2 Completion risk

The completion of the Proposed Acquisition is subject to, amongst others, the fulfillment of the conditions precedent as disclosed in **Appendix II** of this Circular. In the event any of the conditions precedent has not been fulfilled, the Proposed Acquisition may not be completed, which may result in the failure of MIECO Group to achieve the objectives and benefits of the Proposed Acquisition. Notwithstanding that, the Board and management of MIECO shall use their best endeavours to ensure every effort is taken to procure all necessary approvals to satisfy the aforesaid conditions precedent.

The success of the Proposed Private Placement to raise necessary funds for the Proposed Acquisition is essential to the completion of the Proposed Acquisition. Partial success, or failure of MIECO to successfully undertake the Proposed Private Placement will require MIECO to raise alternative funding for the Proposed Acquisition internally or externally, to avoid non-completion of the Proposed Acquisition.

7. EFFECTS OF THE PROPOSALS

The effects of the Proposals on the issued share capital, NA per Share, gearing level, substantial shareholders' shareholdings of the Company, earnings and EPS as well as the convertible securities of MIECO, if any, are set out below:-

7.1 Issued share capital

The Purchase Consideration will be satisfied fully via cash and does not involve any issuance of MIECO Shares. As at the LPD, no treasury shares were held by MIECO.

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:-

	No. of Shares	RM '000
Issued share capital as at the LPD	839,999,966	215,866
No. of Placement Shares to be issued pursuant to the Proposed Private Placement	167,999,993	68,074[*1]
Enlarged issued share capital	**1,007,999,959**	**283,940**

Note:-

[*1] *Computed based on the indicative issue price of RM0.4052 per Placement Share, which represents a discount of 9.94% to the 5-day VWAP of MIECO Shares up to and including the LPD of RM0.4502*

7.2 NA per Share and gearing level

Based on the latest audited consolidated financial statements of the Group for FYE 31 December 2020, the pro forma effects of the Proposed Acquisition and the Proposed Private Placement on the NA per Share and gearing ratio of the Group are set out below:-

	Audited as at FYE 31 December 2020 RM'000	I After adjusting for subsequent events[*1] RM'000	II After I and the Proposed Private Placement RM'000	III After II and the Proposed Acquisition RM'000
Share capital	215,866	215,866	283,940[*2]	283,940
Foreign currency translation reserve	(43)	(43)	(43)	(43)
Retained earnings	119,177	119,177	118,647[*3]	118,647
Shareholders' equity/ NA	**335,000**	**335,000**	**402,544**	**402,544**
No. of Shares in issue ('000)	525,000	840,000	1,008,000	1,008,000
NA per Share (RM)	0.64	0.40	0.40	0.40
Total borrowings (RM'000)	204,608	204,608	204,608	218,468[*4]
Gearing ratio (times)	0.61	0.61	0.51	0.54

Notes:-

[*1] *After adjusting for the issuance of 314,999,966 new Shares which was listed on 16 April 2021, pursuant to the announcement made by the Company on 2 March 2021 pertaining to the proposed bonus issue of 314,999,966 new Shares ("**Bonus Shares**") on the basis of 3 Bonus Shares for every 5 existing MIECO Shares which was completed on 16 April 2021 ("**Bonus Issue**")*

[*2] *Assuming 167,999,993 Placement Shares are issued at the indicative issue price of RM0.4052 per Placement Share*

[*3] *After deducting estimated expenses of RM530,000 in relation to the Proposals*

[*4] *After consolidating the existing bank borrowings of SYFSB based on its latest audited financial statements for the FYE 31 July 2021 of approximately RM13.86 million*

7.3 Substantial shareholders' shareholdings structure

The pro forma effects of the Proposed Private Placement and the Proposed Acquisition on the substantial shareholders' shareholdings as at the LPD are set out below:-

	Shareholdings as at the LPD				I After the Proposed Private Placement[*1]			
	<-------Direct------->		<----Indirect---->		<-------Direct------->		<----Indirect---->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Sri Ng	482,472,219	57.44	-	-	482,472,219	47.86	-	-

Note:-

[*1] *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)*

7.4 Earnings and EPS

7.4.1 Proposed Private Placement

The Proposed Private Placement is not expected to have any material impact on the earnings of the Group for FYE 31 December 2021. However, the EPS of the Group is expected to be diluted upon completion of the Proposed Private Placement as a result of the increase in the number of MIECO Shares in issue arising from the Proposed Private Placement.

The Proposed Private Placement is expected to contribute positively to the future earnings of the Group when the benefits from the utilisation of proceeds to be raised from the Proposed Private Placement as set out in **Section 2.6, Part A** of this Circular are realised.

7.4.2 Proposed Acquisition

For illustration only, assuming that the Proposed Acquisition had been effected on 1 January 2020 (being the beginning of the latest audited FYE 31 December 2020 of MIECO), the pro forma effects of the Proposed Acquisition on the earnings and the EPS of MIECO Group are as follows:-

	Audited as at FYE 31 December 2020 RM'000	**I After adjusting for subsequent events[*1] RM'000**	**II After I and the Proposed Private Placement RM'000**	**III After II and the Proposed Acquisition RM'000**
LAT attributable to the equity holders of MIECO	(4,478)	(4,478)	(4,478)	(4,478)
Add: Estimated gain on bargain purchase from the Proposed Acquisition[*2]	-	-	-	24,311
Less: Estimated expenses for the Proposals	-	-	-	(530)
Pro forma PAT/ (LAT) attributable to the equity holders of MIECO	**(4,478)**	**(4,478)**	**(4,478)**	**19,303**
No. of Shares in issue ('000)	525,000	840,000	1,008,000	1,008,000
Basic EPS/ (LPS)[*3] (sen)	**(0.85)**	**(0.53)**	**(0.44)**	**1.93**

Notes:-

*1 *After adjusting for the issuance of 314,999,966 new Shares which was listed on 16 April 2021, pursuant to the announcement made by the Company on 2 March 2021 pertaining to the Bonus Issue*

*2 *The estimated gain on bargain purchase is calculated based on the excess of the net assets of SYFSB for the FYE 31 July 2021 over the Purchase Consideration, further details as follows:-*

	RM'000
Purchase Consideration	*50,000*
Less: Audited NA of SYFSB for the FYE 31 July 2021	*74,311*
Estimated gain on bargain purchase from the Proposed Acquisition	***24,311***

For avoidance of doubt, the estimated gain on the abovementioned bargain purchase is a one-off event pursuant to the Proposed Acquisition. The actual earnings and EPS of MIECO Group subsequent to the completion of the Proposed Acquisition will depend on the future financial performance of the enlarged MIECO Group

*3 *Computed based on PAT/ (LAT) divided by number of Shares*

Notwithstanding the above, the impact of the Proposed Acquisition on the earnings and EPS of MIECO Group moving forward will depend on the future earnings generated from SYFSB.

7.5 Convertible securities

As at the LPD, the Company does not have any other existing convertible securities.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of MIECO Shares as traded on Bursa Securities for the past 12 months from November 2020 to October 2021 are set out below:-

	Low RM	High RM
2020		
November	0.294	0.469
December	0.450	0.578
2021		
January	0.472	0.587
February	0.528	0.619
March	0.525	0.600
April	0.531	0.625
May	0.435	0.700
June	0.440	0.545
July	0.510	0.575
August	0.505	0.545
September	0.480	0.520
October	0.425	0.585
Last transacted market price of MIECO Shares as at 5 October 2021 (being the latest trading day prior to the announcement on the Proposals)		RM0.505
Last transacted market price on LPD		RM0.500

(Source: Bloomberg)

9. HIGHEST PERCENTAGE RATIOS APPLICABLE

The highest percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 22.24% calculated based on the audited NA of SYFSB of approximately RM74.51 million for the FYE 31 July 2020 over the latest audited NA of MIECO Group of approximately RM335.00 million for the FYE 31 December 2020.

10. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSALS

The Proposals are subject to the following approvals being obtained:-

(i) Bursa Securities for the listing and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities. The approval of Bursa Securities was obtained vide its letter dated 23 November 2021 and subject to the following conditions:-

	Conditions	Status of compliance
(a)	MIECO and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;	To be complied
(b)	MIECO and UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement;	To be complied
(c)	MIECO/ UOBKH to furnish Bursa Securities with certified true copy of the resolutions passed by shareholders at the forthcoming general meeting for the Proposed Private Placement and Proposed Acquisition before the listing of the new ordinary shares to be issued pursuant to the Proposed Private Placement; and	To be complied
(d)	MIECO and UOBKH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be complied

(ii) the shareholders of MIECO at an EGM to be convened; and

(iii) any other relevant authority and/ or party, if required.

The Proposed Private Placement and the Proposed Acquisition are inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

11. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (being subject matters of this Circular), the Board confirms that there are no other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors and/ or major shareholder, chief executive of MIECO and/ or persons connected with them has any interests, direct or indirect in the Proposals.

The Interested Directors are deemed to be interested in the Proposed Acquisition in view of the following:-

(i) Dato' Sri Ng is the Group Managing Director and the major shareholder of MIECO. In addition, Dato' Sri Ng is also the Managing Director and the major shareholder of SYF and currently a director of SYFSB; and

(ii) Keith is the Executive Director of MIECO. He is also the Executive Director of SYF. In addition, Keith is the son of Dato' Sri Ng.

The Interested Directors' direct and indirect shareholdings in MIECO as at the LPD are set out below:-

	<---------------Direct--------------->		<---------------Indirect--------------->	
	No. of MIECO Shares	%*1	No. of MIECO Shares	%*1
Dato' Sri Ng	482,472,219	57.44	-	-
Keith	-	-	-	-

Note:-

*1 *Based on total issued share capital of 839,999,966 in MIECO.*

In addition, the Interested Directors are deemed to be interested in the Proposed Private Placement as the proceeds raised from the Proposed Private Placement will be primarily utilised to finance the Proposed Acquisition, and the Proposals are inter-conditional upon each other.

Premised on the foregoing and in compliance with Paragraph 10.08(6) of the Listing Requirements, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meetings. The Interested Directors will abstain and have undertaken to ensure that the persons connected with them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM of the Company.

In addition, Dato' Abdul Rashid Bin Mat Amin, who is the Independent Non-Executive Director of both MIECO and SYF, has voluntarily abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meetings. Dato' Abdul Rashid Bin Mat Amin will abstain from voting in respect of his direct and/ or indirect shareholdings in the Company, if any, on the resolutions pertaining to the Proposals to be tabled at the EGM of the Company.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for Dato' Sri Ng, Keith and Dato' Abdul Rashid Bin Mat Amin), having considered and deliberated on all aspects of the Proposals, including but not limited to the terms and conditions of the SSA, the rationale and pro forma effects of the Proposals, the outlook of the furniture industry, and the prospects of MIECO Group, is of the opinion that the Proposals are in the best interests of the Group. Accordingly, the Board (save for Dato' Sri Ng, Keith and Dato' Abdul Rashid Bin Mat Amin), recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the EGM of the Company.

14. ESTIMATED TIMEFRAME FOR AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to the fulfilment of all the conditions precedent to the SSA, including all the required approvals being obtained, the Proposals are expected to be completed by the fourth quarter of 2021.

The tentative timetable for the implementation of the Proposals is set out below:-

Month	Events
14 December 2021	• Convening of EGM for the Proposals
Mid December 2021	• Implementation of the Proposed Private Placement • Listing and quotation for the Placement Shares on the Main Market of Bursa Securities • Completion of the Proposed Private Placement
End December 2021	• Fulfilment of the Conditions Precedent to the SSA • Completion of the Proposed Acquisition

15. AUDIT COMMITTEES' STATEMENT

The Audit Committee of MIECO (save for Dato' Abdul Rashid Bin Mat Amin), after having considered the views of the Independent Adviser as well as the relevant aspects in respect of the Proposals including but not limited to the rationale and financial effects, the basis and justification in arriving at the Purchase Consideration and the salient terms of the SSA, is of the opinion that the Proposals are:-

i. in the best interest of the Group;

ii. fair, reasonable and on normal commercial terms; and

iii. not detrimental to the interest of the non-interested shareholders of MIECO.

In forming its views, the Audit Committee of MIECO (save for Dato' Abdul Rashid Bin Mat Amin) has taken into consideration, amongst others, the following:-

i. the rationale and justification for the Proposals;

ii. the salient terms of the SSA;

iii. the basis and justification for arriving at the Purchase Consideration; and

iv. the effects of the Proposals.

16. TRANSACTIONS WITH RELATED PARTY(IES) FOR THE PRECEDING 12 MONTHS

Save for the Proposed Acquisition and the recurrent related party transactions which have been tabled and approved at the 48th annual general meeting of MIECO on 27 May 2021, MIECO Group has not entered into any other RPT with the Interested Directors during the 12 months preceding the LPD.

17. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted entirely through live streaming from the broadcast venue at Board Room, No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor on Tuesday, 14 December 2021 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modification, the resolution to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be lodged at the office of the Share Registrar at 35th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur ("**Share Registrar Office**") not less than 48 hours before the stipulated time for holding the EGM, either by hand or post to the Share Registrar Office or email to corporate@mweh.com.my. In the case where the instrument appointing a proxy is delivered by email, the original instrument appointing a proxy shall be deposited at the Share Registrar Office, either by hand or post not less than 48 hours before the time for holding the EGM, or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM, should you subsequently wish to do so.

18. FURTHER INFORMATION

You are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
MIECO CHIPBOARD BERHAD

DATUK DR. ROSLAN BIN A. GHAFFAR
Independent Non-Executive Chairman

PART B

IAL TO THE NON-INTERESTED SHAREHOLDERS OF MIECO IN RELATION TO THE PROPOSED PROPOSALS

EXECUTIVE SUMMARY

ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE "DEFINITIONS" SECTION OF THE CIRCULAR, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES OR WHERE OTHERWISE DEFINED IN THIS IAL.

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSALS. NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ CAREFULLY THE CONTENTS OF THIS IAL IN ITS ENTIRETY FOR FURTHER INFORMATION AND THE RECOMMENDATIONS FROM SCA, BEING THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSALS. THIS IAL SHOULD ALSO BE READ IN CONJUNCTION WITH PART A OF THE CIRCULAR, INCLUDING THE APPENDICES THEREIN, FOR ANY OTHER RELEVANT INFORMATION BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF MIECO.

1. INTRODUCTION

On 6 October 2021, UOBKH, on behalf of the Board, announced that MIECO proposes to undertake the Proposed Acquisition. Pursuant thereto, UOBKH on behalf of the Board, also announced the Proposed Private Placement.

In view of the interests of the Interested Directors as set out in Section 12, Part A of the Circular, the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

In this respect, the Board (save for the Interested Directors) had on 6 October 2021 appointed SCA as the independent adviser to advise the non-interested Directors and non-interested shareholders of the Company on the fairness and reasonableness of the terms of the Proposed Acquisition. Further, the Proposed Private Placement is inter-conditional with the Proposed Acquisition as set out in Section 10, Part A of the Circular and as such SCA have also commented on the Proposed Private Placement.

The purpose of this IAL is to provide the non-interested Directors and non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposals and whether the said proposals is to the detriment of the non-interested shareholders as well as to provide a recommendation thereon on the voting of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

2. EVALUATION OF THE PROPOSALS

In arriving at our opinion and recommendation on the Proposals, we had taken into consideration the following bases and analysis:

Consideration factors	Section	Our evaluation
(i) Rationale of the Proposals	5.1	We are of the opinion that the rationale for the Proposals is fair and reasonable as it will enable MIECO to improve the financial position of the Group by increasing its net assets while lowering its gearing and potentially enhance the earnings of the Group.
(ii) Evaluation of the Proposed Private Placement	5.2	We are of the opinion that the issue price of the Proposed Private Placement is fair and reasonable as it is based on market pricing principles. We also note that the proceeds from the Proposed Private placement are raised mainly to finance the Proposed Acquisition and for working capital purposes and is not detrimental to the non-interested shareholders of MIECO.

Consideration factors	Section	Our evaluation
(iii) Evaluation of the Proposed Acquisition	5.3	We are of the opinion that the Proposed Acquisition will allow the Group to derive synergistic benefits with SYFSB, potentially increasing the supply of raw materials and cross selling of more products to their customers thereby improving the Group's profit margins moving forward.
(a) Basis and justification of the Purchase Consideration	5.3.1	We are of the opinion that the basis and justification for the Purchase Consideration is fair and reasonable as it falls within the range of the computed equity range based on the DCF Methodology and the NA value, an alternative gauge to the equity value of SYFSB.
(b) Salient terms of the SSA	5.3.2	We are of the view that the overall terms and conditions of the SSA are fair and reasonable and not detrimental to the non-interested shareholders of MIECO.
(iv) Industry overview and prospects	5.4	The short-term economic indicator shows that the Malaysian economy is anticipated to face challenges in preserving the recovery momentum. However, looking forward, the increase in furniture demand globally signifies growth opportunities for the furniture industry in Malaysia. The Government will continue to support the development of the furniture industry in Malaysia through various initiatives to ensure its rapid and sustainable growth.
(v) Risk factor relating to the Proposed Acquisition	5.5	We wish to highlight that although efforts and measures will be taken by the Group to mitigate the risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of the risk factors as stated in Section 6, Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of the Group, its financial performance, financial position or prospects thereon.
(vi) Financial effects of the Proposals	5.6	The financial effects of the Proposed Acquisition on the Group as disclosed in Section 7, Part A of the Circular are as follows: (i) The Proposed Acquisition will not have any effects on the issued share capital and substantial shareholders' shareholdings of MIECO as it will be fully satisfied in cash whilst the Proposed Private Placement will increase the issued share capital of MIECO and reduce the substantial shareholders' shareholdings in MIECO. (ii) The Proposals will increase the NA of MIECO whilst the Group's gearing ratio will decrease as the Proposed Acquisition will be funded from the proceeds of the Proposed Private Placement. (iii) The Proposed Acquisition is not expected to have immediate effects on the Group's earnings for the FYE 31 December 2021 as the Proposed Acquisition is expected to be completed by fourth quarter of year 2021 (subject to a purchase price allocation exercise to be conducted). The impact of the Proposals on the earnings and EPS of the MIECO Group moving forward will depend on the future earnings generated from SYFSB.

Consideration factors	Section	Our evaluation
		The financial effects of the Proposals are not detrimental to the interest of the non-interested shareholders of MIECO.

3. CONCLUSION AND RECOMMENDATION

Premised on our overall assessment of the Proposals, we are of the opinion that the terms of the Proposals are **fair and reasonable** and are **not detrimental** to the interests of the non-interested shareholders of the Company.

Accordingly, we recommend that the non-interested shareholders to vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholders. We recommend that any non-interested shareholders who require advice in relation to the Proposals in the context of their individual investment objectives, financial situation or particular needs, consult their respective stockbrokers, bank managers, accountants, solicitors or other professional advisers.

NON-INTERESTED SHAREHOLDERS OF MIECO ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF MIECO.

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Date: 29 November 2021

To: The Non-Interested Shareholders of Mieco Chipboard Berhad

Dear Sir/Madam,

MIECO CHIPBOARD BERHAD ("MIECO" OR "THE COMPANY")

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSALS

This IAL is prepared for inclusion in the Circular and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 6 October 2021, UOBKH, on behalf of the Board, announced that MIECO proposes to undertake the Proposed Acquisition. Pursuant thereto, UOBKH on behalf of the Board, also announced the Proposed Private Placement.

In view of the interests of the Interested Directors as set out in Section 12, Part A of the Circular, the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

In this respect, the Board (save for the Interested Directors) had on 6 October 2021 appointed SCA as the independent adviser to advise the non-interested Directors and non-interested shareholders of the Company on the fairness and reasonableness of the terms of the Proposed Acquisition. Further, the Proposed Private Placement is inter-conditional with the Proposed Acquisition as set out in Section 10, Part A of the Circular and as such SCA have also commented on the Proposed Private Placement.

The purpose of this IAL is to provide the non-interested Directors and non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposals and whether the said proposals are to the detriment of the non-interested shareholders as well as to provide a recommendation thereon on the voting of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

Other than for this intended purpose, this IAL should not be used for any other purpose and/or by any other persons and/or reproduced, wholly or partially, without our express written consent.

Non-interested shareholders of the Company are advised to read this IAL and Part A of the Circular together with the appendices thereon, and to carefully consider the recommendations contained herein before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company. If you are in doubt about the course of action to be taken, you should consult your stock broker, bank manager, accountant, solicitor or other professional adviser immediately.

2. DETAILS OF THE PROPOSALS

The details of the Proposed Private Placement and the Proposed Acquisition are set out in Section 2 and Section 3, Part A of the Circular respectively and should be read in their entirety.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

The interests of the Interested Directors and/or persons connected to them are set out in Section 12, Part A of the Circular.

4. LIMITATIONS TO THE EVALUATION OF THE PROPOSALS

SCA was not involved in the formulation of the Proposals or any deliberation and negotiation on the terms and conditions of the Proposed Acquisition (including the Proposed Private Placement which is inter-conditional with the Proposed Acquisition).

Our role as an Independent Adviser does not extend to expressing an opinion on the commercial merits of the Proposals which is solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. As such, where comments or points of the consideration are included on matters, which may be commercially oriented, these are incidental to our overall financial evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposals. SCA's terms of reference as Independent Adviser is limited to expressing our independent evaluation of the Proposals which is based on the sources of information as highlighted below.

In rendering our advice, we have taken note of the pertinent issues which we have considered important in enabling us to assess the implication of the Proposals, and therefore of general concern to the non-interested shareholders of the Company, as such:

(i) The scope of SCA's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions of the Proposals and other implications of the said proposal only. Comments or points of the consideration which may be commercially oriented such as the rationale and potential benefits of the Proposals are included in our overall evaluation as we deem it necessary for disclosure purposes to enable the non-interested shareholders of the Company to consider and form their views thereon;

(ii) SCA's views and advice as contained in this IAL only caters to the non-interested shareholders of the Company at large and not to any non-interested shareholders individually. Hence, in carrying out our evaluation, we have not given consideration the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders; and

(iii) We recommend that any individual non-interested shareholder or group of non-interested shareholders of the Company who is in doubt as to the action to be taken or required advice in relation to the Proposals in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately. We shall not be liable for any damage or loss sustained or suffered by any individual shareholders or any group of shareholders.

In performing our evaluation, we have relied on the following sources of information:

(i) The SSA;
(ii) MIECO's announcements dated 6 October 2021 in relation to the Proposals;
(iii) The audited financial statements of SYFSB for the FYE 31 July 2018, 2019, 2020 and 2021;

(iv) The financial forecast and projections of SYFSB for the five (5) financial years ending FYE 31 July 2026 ("**Future Financials**");
(v) Information contained in Part A of the Circular and the appendices attached thereto;
(vi) Other relevant information furnished to us by the management of the Company; and
(vii) Other publicly available information which we deemed relevant.

We have made all reasonable enquiries and have relied on the Board and management of the Company to exercise due care to ensure that all information, documents as mentioned above and relevant facts, information and representation for our evaluation of the Proposals had been disclosed to us and that such information is accurate, reasonable, complete, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate.

We have not undertaken an independent investigation into the business of SYFSB, and are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. We have also assumed that the Proposed Acquisition will be implemented based on the terms as set out in the SSA and Appendix II of the Circular, without material waiver or modification.

The Board has, individually and collectively, accepted full responsibility that all material facts, financial and other information essential to our evaluation have been disclosed to us, that they have seen this IAL, and for the accuracy of the information in respect of the Proposals (save for those in relation to our evaluation and opinion pertaining to the same) as prepared herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission, of which would make any statement herein incomplete, false and/or misleading.

We are satisfied with the disclosures from the Board and management of the Company and that sufficient information has been obtained, and to the best of our knowledge and belief, the information is accurate, reasonable, complete, valid and there is no omission of material facts. We have also performed our reasonableness check and where possible, corroborating such information with independent sources. Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time.

Accordingly, our evaluation and recommendation expressed herein do not take into account of the information, events and conditions arising after the date hereof. After the dispatch of this IAL, should SCA become aware of any significant change affecting the information contained in this IAL or have reasonable grounds to believe that there is material omission in this IAL, we will immediately notify the shareholders. If circumstances require, a supplementary IAL will be sent accordingly to the shareholders.

SCA confirms that it is not aware of any circumstances which exist or likely to give rise to a possible conflict of interest situation for SCA to carry out the role as the Independent Adviser in connection with the Proposals. SCA also confirms that it has not had any professional relationship with the Company, and their related parties in the past two (2) years, other than acting as an Independent Adviser for the subscription by SYF Development Sdn Bhd, an indirect wholly-owned subsidiary of SYF Resources Berhad, of 12,000,000 new ordinary shares in Darul Majumas Sdn Bhd ("**Darul Majumas**"), representing 75% of the enlarged issued share capital in Darul Majumas for a cash consideration of RM1,500,000 via a subscription agreement dated 11 February 2020, as per our independent advice letter dated 29 June 2020.

SCA is an approved corporate financial adviser within the meaning of the SC's Principal Adviser Guidelines. SCA has undertaken the role as an independent adviser for corporate exercises in the past two (2) years before the date of this IAL, which include amongst others:

(i) the acquisition by Innoceria Sdn Bhd, a wholly-owned subsidiary of Grand-Flo Berhad, of a parcel of freehold land held under H.S.(D) 51646, Lot PT 65076, Mukim of Dengkil, District of Sepang, State of Selangor Darul Eshan ("**Land**") and an ongoing development project undertaken on the Land, known as "the Acacia Residences" for a total cash consideration of RM17,000,000 from NCT United Development Sdn Bhd via a land and development purchase agreement dated 24 February 2020, as per our independent advice letter dated 20 May 2020;

(ii) the disposal of the entire equity interest in Ace Logistics Sdn Bhd by Metex Steel Sdn Bhd, a wholly-owned subsidiary of Chin Hin Group Berhad ("**Chin HIn**"), to PP Chin Hin Realty Sdn Bhd for a cash consideration of RM20,000,000; the disposal of 11 units of shop offices together with 89 units of car parks located at Kuala Lumpur, 1 unit of factory located at Shah Alam, Selangor and 23 units of shop offices located at Alor Setar, Kedah, by PP Chin Hin Sdn Bhd, a wholly-owned subsidiary of Chin Hin, to Midas Signature Sdn Bhd, for a total cash consideration of RM55,650,000; and the tenancy of the properties by PP Chin Hin Sdn Bhd from Midas Signature Sdn Bhd via agreements dated 8 November 2019, as per our independent advice letter dated 29 May 2020;

(iii) the acquisition by Supreme Steelmakers Sdn Bhd, a wholly-owned subsidiary of Leon Fuat Berhad of a parcel of freehold land measuring approximately 9,946 square meters known as lot 60240, Pekan Kajang, Daerah Hulu Langat, Negeri Selangor Darul Ehsan held under GM6958 together with the factory, warehouse and office erected thereon including weighing system, overhead cranes and fittings from Leon Fuat Holdings Sdn Bhd for a total cash consideration of RM28,000,000 via a sale and purchase agreement dated 24 February 2021, as per our independent advice letter dated 11 May 2021; and

(iv) the acquisition by Chin Hin of 176,608,435 ordinary shares and 37,561,700 warrants in Chin Hin Group Property Berhad from Datuk Seri Chiau Beng Teik, Chiau Haw Choon and Divine Inventions Sdn Bhd for a total cash consideration of RM88,864,220.75 via a share sale agreement dated 28 December 2020 and supplemental share sale agreement dated 29 December 2020, as per our independent advice letter dated 27 May 2021.

Premised on the foregoing, SCA is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders in relation to the Proposals.

5. EVALUATION OF THE PROPOSALS

In evaluating the Proposals, we have considered the following:

(i) Rationale of the Proposals;
(ii) Evaluation of the Proposed Private Placement;
(iii) Evaluation of the Proposed Acquisition:
  (a) Basis and justification of the Purchase Consideration; and
  (b) Salient terms of the SSA;
(iv) Industry overview and prospects;
(v) Risk factors relating to the Proposed Acquisition; and
(vi) Financial effects of the Proposals.

5.1 Rationale of the Proposals

The rationale of the Proposals is as set out in Section 4, Part A of the Circular.

Proposed Private Placement

As set out in Section 4.1, Part A of the Circular, a majority of the proceeds of the Proposed Private Placement is intended for the full settlement of the Proposed Acquisition. The Proposed Private Placement is undertaken as it represents an expeditious way of raising funds and also eliminates incurring of interest cost in the event the Proposed Acquisition were to be funded via conventional bank borrowings. Although the Proposed Private Placement may result in a dilution in EPS/(LPS) following the increase in the number of shares in issue, the Company's enlarged capital base is expected to strengthen the financial position of the Group and improve its gearing level.

If the Proposed Private Placement is successfully carried out in its entirety, it will also result in the Group having an increase in its working capital which will accord it with flexibilities to undertake further expansion of its existing business operations. Further details of the effects of the Proposals are set out in Section 5.6 of this IAL.

Proposed Acquisition

As set out in Section 4.2, Part A of the Circular, MIECO is primarily involved in the manufacturing and sale of wood-based products, specifically in particle boards, or otherwise known as chipboards, with a primary focus on plain boards, MFC and MDF. On the other hand, SYFSB is principally engaged in the manufacturing and trading of moulded timber, rubberwood dining furniture sets and timber treatment processing. Specifically, SYFSB primarily operates in the wood products manufacturing activities, focusing on sawmilling, timber treatment and processing of timber into intermediate components such as S4S lumber, finger joint strips and laminated board.

The key rationale for the Proposed Acquisition includes:

(i) SYFSB's products will allow MIECO to expand its product portfolio, specifically in the wood-based products and MIECO will have access to SYFSB's existing customer base; and

(ii) the by-products of SYFSB's manufacturing processes such as saw dust and off cuts, are the raw materials that MIECO requires to manufacture its particle boards. SYFSB also had in the past purchased products from MIECO for onward sale to its own customers. Details of the relationship between MIECO and SYFSB over the past four (4) financial years are as set out below;

	FYE 31 December 2017 RM'000	FYE 31 December 2018 RM'000	FYE 31 December 2019 RM'000	FYE 31 December 2020 RM'000
Purchase of logs, slabs, sawdust and chipboard by MIECO from SYFSB	8,225	14,789	14,175	13,497
Sale of chipboard from MIECO to SYFSB[1]	2,272	6,719	4,236	2,642

Source: Annual Report of MIECO

Note:
[1] During the abovementioned financial years, chipboard is not a core sale product of SYFSB. Sale of chipboard was only carried out upon request by its existing customers, hence the fluctuation in the purchases by SYFSB from MIECO during the said period.

As such, the Proposed Acquisition will allow the Group to derive synergistic benefits with SYFSB of which includes but are not limited to, increasing and securing a stable supply of raw materials between MIECO and SYFSB for their respective business operations; enabling the potential cross-selling of more products to their respective customers and providing an opportunity for MIECO to improve its cost efficiency and scale of its manufacturing processes thereby potentially improving the Group's profit margins moving forward. With SYFSB being a wholly owned subsidiary of MIECO, MIECO will also have access to its customer base and potentially increase the sale of chipboard to SYFSB's customers.

SYFSB had registered LAT for the past three (3) financial years mainly attributed to the rationalisation exercise undertaken during the FYE 31 July 2019 as well as the disruption of business activities as a result of the implementation of MCOs during the FYE 31 July 2020 and 2021.

However, it should also be noted that its financial results have shown an improvement in terms of revenue as well as lower LAT for the FYE 31 July 2021 as a result of the improvement in economic conditions and the realisation of the benefits from the rationalisation exercise undertaken previously. The Board is also of the view that the Proposed Acquisition is expected to augur well for the growth prospects of MIECO Group in the long term, as the Proposed Acquisition will provide the Group with an opportunity to expand its income stream and growth prospect.

Premised on the above, we are of the opinion that the rationale for the Proposals is fair and reasonable as it will enable MIECO to improve the financial position of the Group by increasing its net assets while lowering its gearing (as further elaborated in Section 5.6(ii) of this IAL) and potentially enhance the earnings of the Group. Nevertheless, the non-interested shareholders of MIECO should note that the potential benefits arising from the Proposals, are subject to certain risk factors as disclosed in Section 6, Part A of the Circular.

5.2 Evaluation of the Proposed Private Placement

The details of the Proposed Private Placement are set out in Section 2, Part A of the Circular.

The Proposed Private Placement would entail the issuance of up to 20.0% of the total number of issued shares of MIECO (excluding treasury shares) to third party investor(s) to be identified later at an issue price which shall not be at a discount of more than 10% from the 5-day VWAMP of Mieco Shares up to and including the last trading day immediately preceding the price-fixing date. The level of discount is generally allowed for placement exercises under general mandate, and is consistent with the Listing Requirements.

If the Proposed Private Placement is successfully carried out in its entirety, it will also result in the Group having an increase in its working capital which will allow for flexibilities to undertake further expansion of its existing business operations.

Premised on the above, we are of the opinion that the issue price of the Proposed Private Placement is fair and reasonable as it is based on market pricing principles. We also note that the proceeds from the Proposed Private Placement are raised mainly to finance the Proposed Acquisition and for working capital purposes and is not detrimental to the non-interested shareholders of MIECO.

5.3 Evaluation of the Proposed Acquisition

5.3.1 Basis and Justification of the Purchase Consideration

The basis and justification of arriving at the Purchase Consideration are set out in Section 3.2, Part A of the Circular.

The audited NA of SYFSB as at 31 July 2020 ("**FYE 2020**") and 2021 ("**FYE 2021**") is RM74.51 million and RM74.31 million respectively. The details of the NA of SYFSB are summarised in the table below:

	Note	Audited FYE 2020 RM' million	Audited FYE 2021 RM' million
Non-Current Assets			
Property, plant and equipment	1	64.28	62.93
Right-of-use assets	1	8.82	7.20
Investment property	2	6.98	7.05
		80.08	77.18
Current Assets			
Inventories		25.37	22.33
Trade and other receivables		12.40	10.50
Fixed deposit and cash and bank balances		7.82	4.29
Asset held for sale	3	10.57	10.96
		56.16	48.08
Total Assets		**136.24**	**125.26**
Non-Current Liabilities			
Lease liabilities		0.75	0.18
Bank borrowings		1.68	2.60
Deferred tax liabilities		2.96	2.94
		5.39	5.72
Current Liabilities			
Trade and other payables	4	38.00	34.15
Lease liabilities		1.09	0.57
Bank borrowings		17.25	10.51
		56.34	45.23
Total liabilities		**61.73**	**50.95**
NA		**74.51**	**74.31**

(Source: Audited financial statements of SYFSB for FYE 2020 and FYE 2021)

Notes:

1 *Based on the audited financial statements for the FYE 2021, 93% of the net book value of property, plant and equipment is in respect of freehold land, freehold buildings and building improvements and 98% of the carrying amount of right-of-use assets comprises leasehold land and buildings. These relates to properties currently housing SYFSB's manufacturing facilities covering approximately 148,147.89 sq m, all of which are located in Semenyih, Selangor and Jelebu, Negeri Sembilan. Except for a freehold property acquired in 2020, the remaining properties were revalued in July 2017 by an independent valuer, KGV International Property Consultants (M) Sdn Bhd in accordance with SYFSB's accounting policy of undertaking a revaluation of its land and buildings once every five (5) years.*

2. *The investment property comprises a freehold land, factory and warehouse with the address at Lot 89, Mukim Semenyih, Jalan Sungai Lalang, 43500 Semenyih, Selangor. The investment property is currently rented out.*

3 *In March 2020, SYFSB had entered into a sale and purchase agreement ("**SPA**") for the disposal of freehold land and building for a total consideration of RM11.7 million. The said disposal was completed on 30 August 2021.*

4. *Included in trade and other payables is an amount due to the Vendor of RM22.3 million as at 31 July 2020 and RM17.6 million as at 31 July 2021. The proceed from the disposal of the freehold land and building as set out in Note 3 above has been earmarked for the repayment of the amount due to the Vendor with the remaining balance to be paid from internally generated funds of SYFSB. Please refer to the terms of the SSA as set out in Section 5.3.2 of this IAL.*

The Purchase Consideration is at a discount of approximately 33% from the audited NA of SYFSB as at 31 July 2021.

The Vendor has also provided a financial forecast and projections of SYFSB. In establishing our opinion on the basis and justification of the Purchase Consideration, we have also considered various methodologies, which are commonly used for valuing companies, taking into consideration the SYFSB's future earnings generating capabilities, projected future cash flows, its sustainability as well as various business consideration and risk factors affecting it.

The valuation methodology considered and selected by SCA to assess the fairness and reasonableness of the Purchase Consideration is based on the Discounted Free Cash Flow to Equity ("**DCF**") method. The DCF method is an investment appraisal technique which considers both the time value of money and the project net cash flow generated at a specified discount rate to derive at the valuation of the subject matter.

Further, we did consider other valuation methodologies and found that these methodologies were not suitable in establishing our opinion on the basis and justification of the Purchase Consideration based on the following factors:

Valuation Methodologies	Discussion
Relative Valuation Analysis	Relative Valuation Analysis method seeks to compare a company's implied trading multiple to that of comparable companies to determine its financial worth. In this instance, SYFSB has registered losses over the past few financial years and had undergone a restructuring of its financials and operations in recent years. Any analysis to be derived based on this method may not accurately reflect the potential of SYFSB.
Comparable Transaction Analysis	Comparable Transaction Analysis is a valuation method whereby it seeks to compare a company's implied trading multiple against other recent comparable transactions undertaken by companies in the similar industry as SYFSB. We have considered and concluded that there are no recent comparable transactions involving companies involved in the similar business as SYFSB.

The DCF Methodology is a valuation method used based on discounted cash flows, involving the application of an appropriately selected discount rate applied on the projected future cash flows to be earned by the equity holders of a company after all expenses, reinvestment and debt repayment. The cash flow used for the purposes of the DCF Methodology is derived from the Future Financials.

The key bases and assumptions adopted in the Future Financials are summarised in the table below.

Key Bases and Assumptions	SCA Comments
Revenue for FYE 31 July 2022 is expected to recover to pre-COVID 19 levels. Subsequently, revenue is projected to increase at 5.0% per annum.	Following the rollout of the National COVID-19 Immunisation Programme and opening of the economic sectors and activities across the country, nothing has come to our attention that the revenue forecast for FYE 31 July 2022 is not reasonable. We note that the revenue increment of 5.0% per annum adopted for subsequent financial years is within the range of Malaysia historical GDP growth rate from year 2011 to 2019 (excluded year 2020 due to the impact of COVID-19) of 4.30% to 6.01% with an average of 5.1% as extracted from the World Bank.

Key Bases and Assumptions	SCA Comments
Gross profit margin is forecast and projected to be within the range of 4.0% to 4.5% over the forecast and projection period.	We note that SYFSB had registered gross loss for the FYE 31 July 2019 and 2020. Following the rationalisation exercise undertaken, SYFSB made a gross profit margin of 2.6% for the FYE 31 July 2021. We also note that SYFSB has previously achieved a gross profit margin of 5.3% in FYE 31 July 2018. In view of the above, we are of the view that the adoption of the gross profit margin of 4.0% to 4.5% over the forecast and projection period is reasonable.
Net profit margin for FYE 31 July 2022 is forecast to recover to pre-rationalisation exercise period (FYE 31 July 2018) of 1.3%. Subsequently, the net profit margin is projected to increase to 1.9% in FYE 31 July 2026.	We note that SYFSB had registered LAT for the past three (3) financial years. However, it should also be noted that its financial results have shown improvements in terms of revenue as well as lower LAT for the FYE 31 July 2021 as a result of the improvement in economic conditions and the realisation of the benefits from the rationalisation exercise undertaken previously. We also note that SYFSB had made a PAT margin of 1.3% in FYE 31 July 2018. Based on the above, coupled with the projected gross profit margin as discussed earlier, we are of the view that the net profit margin adopted is reasonable.
The average credit terms given to customers and given by suppliers of 60 days and 45 days respectively.	We note that the trade receivables days of SYFSB for the FYE 31 July 2019 to 2021 ranges from 22 days to 30 days whilst the trade creditor days of SYFSB for the corresponding period ranges from 13 days to 27 days. Considering that the assumption of net credit terms adopted is longer than the historical net turnover days for the period from FYE 31 July 2019 to 2021, which indicates that the assumption is more prudent than historical data, we are of the view that the average credit terms adopted are reasonable.

We have reviewed the Future Financials and the bases and assumptions used in its preparation and are of the opinion that they have been reasonably prepared on bases reflecting the best currently available estimates and judgement by the management of SYFSB and of which the management of SYFSB are solely responsible for. It should also be noted that our evaluation in itself is highly dependent on, amongst others, the achievability of the Future Financials as well as the materialisation of the bases and assumptions used therein. It is also based on prevailing economic, market and other conditions that may change significantly over a relatively short period of time.

For the purposes of the DCF Methodology, reference was made to the valuation of companies listed on Bursa Securities with principal activities that we consider broadly comparable to SYFSB (“**Comparable Companies**”).

In arriving at the appropriate discount rate for SYFSB, we have applied the prevailing Malaysian risk-free rate and market risk premium, as well as adopted the betas of available Comparable Companies with relevant adjustments made taking into consideration the gearing and the risk profile as well as other risk factors that may affect SYFSB.

For the purpose of determining the cost of equity of SYFSB, Comparable Companies' betas are adjusted (de-geared) for their individual gearing ratios, and the median gearing of these Comparable Companies is then re-geared based on the median gearing level of the Comparable Companies as at 14 September 2021. These risks are then translated into the required rate of return as determined below, which is built upon the Capital Asset Pricing Model ("**CAPM**"). The cost of equity takes into account a combination of risk factors associated with the industry in which SYFSB is involved in, namely, the systematic risk, i.e. the inherent market risk such as interest rate fluctuation and the capital structure i.e. the financing risk. The cost of equity formula is as follows:

Cost of equity = Risk-Free Rate + [Re-geared Beta X (Market Return – Risk-Free Rate)]

The details of the Comparable Companies that were selected are public listed companies in Malaysia that are engaged in the furniture manufacturing business and with more than 50% of its revenue derived from furniture manufacturing related activities after considering the principal activities of SYFSB, as well as the input parameters for CAPM at 14 September 2021 are set out as follows:

Comparable Companies	Principal activities
Eurospan Holdings Berhad ("**Eurospan**")	Manufactures and trades in furniture and wood-based products in Malaysia. It offers ready-to-assemble and assembled furniture products.
Homeritz Corporation Berhad ("**Homeritz**")	Designs, manufactures, and sells upholstery furniture products in Malaysia.
Jaycorp Berhad ("**Jaycorp**")	Manufactures and sells rubberwood furniture in Malaysia, rest of Asia, North America, Europe, and internationally.
Latitude Tree Holdings Berhad ("**Latitude**")	Manufactures and sells wooden household furniture and components in Malaysia, Vietnam, and Thailand.
Lii Hen Industries Berhad ("**Lii Hen**")	Manufactures and sells furniture as well as furniture components to furniture importers, wholesalers, and retailers.
Wegmans Holdings Berhad ("**Wegmans**")	Designs, manufactures, and sells home furniture products in Africa, rest of Asia, Australasia, Europe, North America, South America and Malaysia.
Spring Art Holdings Berhad ("**Spring Art**")	Engages in the design, development, manufacturing, marketing, and sale of furniture products. The company also trades in ready-to-assemble furniture products.
SHH Resources Holdings Berhad ("**SHH**")	Manufactures and sells wooden furniture in Malaysia and internationally. It primarily serves furniture importers, wholesalers and retailers.
Sern Kou Resources Berhad ("**Sern Kou**")	Manufactures and sells wooden furniture in Malaysia, Australia, Africa, Singapore, the United States, European countries and other Asia-Pacific countries. It is also involved in the manufacture, processing, trading and transportation of various kinds of timber, wood, and related products; and logging, processing, and trading of rubber wood and timber logs.
Poh Huat Resources Holdings Berhad ("**Poh Huat**")	Manufactures and sells furniture in the United States, Canada, Vietnam, Malaysia, and Australia.

Comparable Companies	Market Cap (RM million)	Levered Beta	Net Debt/Equity [1] %	Unlevered Beta [2]
Eurospan	*53.75*	*0.23*	*NIL*	*0.23*
Homeritz	*239.48*	*0.84*	*NIL*	*0.84*
Jaycorp	*232.45*	*0.61*	*9.84*	*0.57*
Latitude	*340.04*	*1.00*	*NIL*	*1.00*
Lii Hen	*552.60*	*0.94*	*NIL*	*0.94*
Wegmans	*151.26*	*1.38*	*25.60*	*1.16*
Spring Art	*108.08*	*1.20*	*0.82*	*1.19*
SHH	*65.00*	*0.45*	*17.24*	*0.40*
Sern Kou	*487.09*	*0.66*	*6.68*	*0.63*
Poh Huat	*392.16*	*0.96*	*9.66*	*0.89*
Median [3]			3.75	0.86

(Extracted from S&P Capital IQ as at 14 September 2021)

Notes:

[1] Zero debt to equity ratio denotes that the respective companies are in zero net debt position.

[2] Unlevered beta compares the risk of an unlevered company to the risk of the market, without taking its debts into consideration, whilst levered beta includes a company's debts in the calculation of its sensitivity. A security with a positive levered beta indicates that the security has a positive correlation with market performance and vice versa.

[3] Median is the value separating the higher half from the lower half of a data sample or population. For a data set, it may be thought of as "the middle" value when those numbers are listed in order from smallest to greatest. (Source: https://en.wikipedia.org/wiki/Median). Further, median is better suited for skewed distributions to derive at central tendency and is more robust and sensible. We have applied the median metrics as we are of the view that it is more reflective when the distribution is skewed and unsymmetrical.

It is important to note that the Comparable Companies tabulated herein are by no means exhaustive and may differ from SYFSB in terms of, inter-alia, composition of business activities, scale of operations, geographical location of operations, profit track record, financial profiles, risk profile, future prospects, capital structure, marketability of their securities and other criteria. One should also note that any comparisons made with respect to the Comparable Companies are merely to provide a comparison to the implied valuation of SYFSB and the selection of Comparable Companies and adjustments made are highly subjective and judgmental and the selected companies may not be entirely comparable due to various factors.

In the evaluation of the fair market value of SYFSB which adopted the DCF Methodology using the Future Financials as provided by the management of SYFSB, inputs from the Comparable Companies and the information made available to us as at 14 September 2021, the following were noted:

CAPM Inputs	
Median Net Debt/Equity Ratio of Comparable Companies	3.75%
Risk-Free Rate [1]	3.30%
Market Return [2]	9.41%
Re-geared Beta	0.89
Cost of equity	8.72%
Value of the equity interest derived therefrom [3]	RM64.77 million
Discount for lack of marketability ("**DLOM**") [4]	30%
Fair value of 100% equity value of SYFSB	**RM45.34 million**

Note:

*[1] Based on the risk-free rate for Malaysia as extracted from Bank Negara Malaysia ("**BNM**") website. This risk-free rate is based on the yield of ten years Malaysian Government Securities as at 14 September 2021.*

[2] Based on the historical average market return for Malaysia as at 14 September 2021 as extracted from Bloomberg. The historical average market return is based on the average return of FTSE Bursa Malaysia Top 100 Index for the past ten years, of which the 10-year period is selected as it is reflective of the most recent economic cycle (based on Malaysia's historical GDP data).

[3] The projected DCF as determined annually based on the Future Financials is discounted using the cost of equity adapted based on the median gearing level of the Comparable Companies. The formula used to derive the fair value is as follows:

Fair value = (*Present value of Projected free cash flow ("**FCF**") based on the Future Financials* + *Present Value of Terminal Value*)

$$V_o = \frac{FCF_1}{(1+DR)^1} + \frac{FCF_n}{(1+DR)^n}$$

$$\text{Present value of terminal value} = \frac{\text{Terminal value}}{(1+DR)^n}$$

Where:
V_o = Value today
FCF_1 = Expected free cash flow in year 1
DR = Discount rate derived using CAPM
n = represent time, in years into the future

The formula used for computing the terminal value is as follows:

$$\text{Terminal Value} = \frac{FCF_n \times (1+g)}{DR-g}$$

Where;
n = represent time, last year of the Future Financials
DR =Discount rate derived using CAPM
g = terminal growth rate

For the purpose of this valuation, we have used the stable growth model to compute the terminal value for SYFSB as this usually applies to businesses that are growing but on a moderate pace. The terminal value is computed based on the FCF for the FYE 31 July 2026 at a terminal growth rate of 2.80%, taking into consideration the inflationary effect as well as the external factors that may directly or indirectly affect the respective businesses. The terminal value computed attributed to approximately 80% of the total value of equity interest derived therefrom.

[4] DLOM is commonly referred to as how quickly and certainly the security can be converted into cash at the owner's discretion, while the marketability relates to the right to sell. To derive at the DLOM, an illiquidity discounts of 20% to 30% (as extracted from http://people.stern.nyu/adamodar/pdfiles/country /illiquidity.pdf) was applied for evaluation of equity interest in private companies to account for illiquidity and any unsystematic risks

Based on the above analysis, it is noted that the Purchase Consideration is at a premium of approximately 10.28% of the equity value of SYFSB.

Premise on the above, we are of the opinion that the basis and justification for the Purchase Consideration are fair and reasonable as it falls within the range of the computed equity value based on the DCF Methodology and the NA value, an alternative gauge to the equity value of SYFSB. Nevertheless, non-interested shareholders of MIECO should note that the potential benefits and financial returns are subject to certain risk factors as disclosed in Section 6, Part A of the Circular.

5.3.2 Salient terms of the SSA

The salient terms of the SSA are as disclosed in Appendix II of the Circular. Non-interested shareholders of the Company are advised to read Appendix II of the Circular in the entirety. Our comments on the salient terms of the SSA are as follows:

	Salient terms	SCA Comments
(i)	**Purchase consideration and mode of settlement**	
	(i) The total purchase consideration for 20,000,000 ordinary shares representing the entire equity interest in SYFSB is RM50,000,000.00 which shall be satisfied entirely by cash ("**Transaction**").	We are of the view that the Purchase Consideration is fair and reasonable. Please refer to our assessment on the basis and justification of the Purchase Consideration as set out in Section 5.3.1 above for further details.
	(ii) The Purchase Consideration which is arrived at on a willing-buyer willing-seller basis between the Purchaser and the Vendor shall be settled in full on or before 30 Business Days from Unconditional Date (as defined below) or if such a day is not a Business Day, the next succeeding Business Day ("**Completion Date**").	This term is reasonable as it sets out the payment obligations of MIECO upon completion.

	Salient terms	SCA Comments
	(iii) If the Purchase Consideration is not paid in full on or before the Completion Date, the Vendor shall automatically grant to the Purchaser an extension of 30 days from the Completion Date to complete the Transaction ("**Extended Completion Date**") provided that the Purchaser shall pay to the Vendor an interest at the rate of 8% per annum, calculated on a daily basis, on the amount of the outstanding Purchase Consideration commencing from the date next following the Completion Date until full payment of the Purchase Consideration.	This term is reasonable and sets out the obligation of the Purchaser in relation to the full settlement of the Purchase Consideration. The penalty clause of 8% is fair and reasonable and is commonly adopted in transactions of such nature.
(ii)	**Conditions Precedent**	
	(i) The purchase of the Sale Shares is conditional upon:	
	(a) the procurement by the Purchaser of its shareholders' approval in a general meeting for the acquisition of the Sale Shares; (b) the procurement by the Purchaser of its shareholders' approval in a general meeting for the private placement of such numbers of new ordinary shares in the Purchaser, representing up to 20% of the existing total number of issued shares of the Purchaser, to third party investor(s) who shall be identified at a later time at an issue price to be determined later;	Conditions (a) and (b) are reasonable as the relevant approvals are required to be in compliance with Paragraph 10.08 of the Listing Requirements. The Listing Requirements also requires the Interested Directors to abstain from board deliberation and voting on the relevant resolutions in respect of the Proposals.
	(c) the conduct and completion of a legal due diligence by the Purchaser's solicitors on the SYFSB, its business, operations and affairs, with the results of the legal due diligence to the satisfaction of the Purchaser;	This condition is reasonable as MIECO will become the controlling shareholder of SYFSB upon the completion of the Proposed Acquisition.
	(d) the procurement by the Vendor of its shareholders' approval in a general meeting for the disposal of the Sale Shares; and	This condition is a reciprocal condition of condition (a) and (b) above. This condition is fair and reasonable, and not detrimental to the interest of the Company.
	(e) the procurement by the Vendor of the approval of the Ministry of International Trade and Industry of Malaysia ("**MITI**") for the disposal of the Sale Shares pursuant to the manufacturing licence(s) issued by MITI; and (f) the procurement by the Vendor of the written consents and approvals from SYFSB's and/or the Vendor's financiers for the sale of the Sale Shares to the Purchaser.	Conditions (e) and (f) are fair and reasonable, and not detrimental to the interest of the Company as it ensures the approvals from the relevant parties that are necessary for Proposed Acquisition to be in compliance with the applicable rules and regulations are obtained.
	(ii) The SSA shall become unconditional on the date on which the last of the Conditions Precedent shall have been duly obtained, fulfilled, varied or waived in accordance with the SSA ("**Unconditional Date**").	

	Salient terms	SCA Comments
	(iii) In the event that:- (a) any of the Conditions Precedent shall not have been obtained, fulfilled, varied or waived; and/or (b) any of the Conditions Precedent shall have been granted subject to terms and conditions which are not acceptable to the Purchaser being terms and conditions which affect the Purchaser, and further representations to the persons to vary such terms and conditions have not been successful, and the Purchaser is not willing to accept such terms and conditions then imposed by the relevant authorities or persons; within the Conditional Period, or such other date as may be mutually agreed upon by the parties in writing, then the SSA shall terminate and be null and void and of no further effect whatsoever and none of the parties shall have any claims against the other for costs, damages, compensation or otherwise, except in respect of any antecedent breach of the terms of the SSA. *Note:-* *"Conditional Period" means a period commencing from the date of the SSA and expiring 3 months after the date of the SSA with an automatic extension of 1 month from the last day of the said 3 months or such other further extended period as may be mutually agreed by the parties.*	We are of the view that these terms are reasonable as it set out the obligations of both parties in order to reverse the transaction in the event the Proposed Acquisition is terminated as a result of the Conditions Precedent not being fulfilled or satisfied during the Conditional Period.
(iii)	**Events on Completion** (i) Completion shall take place at the registered office of the SYFSB or such venue as may be mutually agreed upon by the parties on the Completion Date or the Extended Completion Date, as the case may be, whereupon the Vendor shall deliver to the Purchaser the following:- (a) the duly completed and signed instruments of transfer in favour of the Purchaser in respect of the Sale Shares, together with the relative original share certificates; (b) all the statutory and other books (duly written up to date) of SYFSB and its certificate of incorporation or registration and certificates of incorporation on change of name and common seal (if any); and (c) any and all documents which are necessary for the transfer of the ownership of the Sale Shares to the Purchaser, (collectively "**the Documents**"). (ii) On the Completion Date or the Extended Completion Date, as the case may be, the Purchaser shall pay the Purchase Consideration in full to the Vendor.	These terms are reasonable and serves to protect the interest of MIECO and the Vendor as it sets out the obligations and repercussions of both parties in order to complete the Proposed Acquisition.

	Salient terms	SCA Comments
	(iii) The Purchaser shall within 30 days after the Completion Date or Extended Completion Date, as the case may be, furnish evidence to the Vendor that the corporate guarantees extended by the Vendor to the banks of SYFSB (for purposes of SYFSB obtaining financing) have been terminated or withdrawn from the banks. (iv) If the Documents are not delivered by the Vendor, the Purchaser shall upon serving a written notice to the Vendor, be entitled (in addition to and without prejudice to all other rights or remedies available to it) to:- (a) rescind the SSA; or (b) to seek redress to enforce performance on the part of the Vendor, with all costs incurred shall be borne by the Vendor.	
(iv)	**Breach/Termination** (i) In the event that any party shall:- (a) neglect or by willful default fail or refuse or be unable to complete this transaction in accordance with the provisions in the SSA; or (b) materially breach any of the provisions of the SSA; the party not in breach of the SSA ("**the Non Defaulting Party**") shall be entitled at its absolute discretion to elect either to:- (i) give termination notice to the party in default and if the party in default fails to remedy the breach(es) within 14 Business Days of receipt of the termination notice, the Non Defaulting Party may without further reference to the party in default terminate the SSA, in which event the provisions as prescribed in paragraphs (ii), (iii) and (iv) herein shall apply and thereafter the SSA shall be null and void and the parties shall have no further claims against each other save and except for any antecedent breaches; or alternatively; (ii) complete the SSA, without any prejudice to that party's right or rights to claim against the party in default any damages, losses, costs, expenses or outgoings whatsoever arising from or in connection with the events of paragraphs (i)(a) and/or (i)(b) herein.	 These terms are reasonable, wherein the events of default are set out to enable the Non-Defaulting Party to take the appropriate actions to protect its interest pursuant to the SSA.
	(ii) In the event that the SSA is terminated in accordance with paragraph (i)(a) herein, the party in default shall, within 14 Business Days from the date after the expiration of the termination notice, pay to the Non Defaulting Party all the professional fees, disbursements and expenses incurred and paid or payable by the Non Defaulting Party in relation to or in connection with the SSA as evidenced by invoices and receipts. In the event that the party in default fails to pay any of the aforesaid monies	We are of the view that the payment by the Defaulting Party for the cost incurred in connection with the SSA and the payment of an agreed liquidated damages is reasonable and not detrimental to the interest of non-interested shareholders of MIECO.

	Salient terms	SCA Comments
	within the said 14 Business Day period, then the party in default shall be further liable to pay interest on any amount remaining unpaid at the end of the said 14 Business Day period at the rate of 8% per annum, calculating on a daily basis, from the end of the said 14 Business Day period until the date of actual payment of the outstanding amount. (iii) Simultaneously with the events stipulated in paragraph (i)(i) herein, each party shall return all documents and things (whether in hard copies or electronic copies kept in DVD-ROMS, hard disk or any form) forwarded by the other party in relation to the SSA, save and except where the Purchaser requires the same for application for refund of any stamp duty paid pursuant hereto, in which case the documents and things shall be returned as soon as reasonably possible. (iv) The party in default shall pay the sum of RM1,000,000.00 (Ringgit Malaysia One Million) only to the Non-Defaulting Party as agreed liquidated damages.	

Premised on the above, we are of the view that the abovementioned salient terms of the SSA are fair and reasonable and not detrimental to the non-interested shareholders of MIECO.

5.4 Industry overview and prospects

We take note of the industry overview and prospects as disclosed in Section 5, Part A of the Circular.

<u>Overview of the Malaysian Economy</u>

Malaysia's GDP in the third quarter of 2021 showed a decrease of 4.5% while the quarter-on-quarter seasonally adjusted GDP contracted 3.6% (Q2 2021: -1.9%). Correspondingly, the nation's monthly economic performance gradually improved from a contraction of 7.6% in July to a decline of 4.7% in August and further improved to negative 1.1% in September 2021. Approaching year end, Malaysia's economy grew 3.0% for the sum of three quarters of 2021 (3Qs 2020: -6.4%).

The economic performance in the third quarter of 2021 on the supply side was attributed by the downturn in all major economic sectors mainly manufacturing and services sectors. Meanwhile, on the demand side, all expenditure components experienced negative performance except for the Government's final consumption expenditure.

Concluding the overall economic situation, the short-term economic indicator, leading index in August 2021 signals that the Malaysia's economy is most likely to pick up in the upcoming months. This is in line with the transition of more states under the National Recovery Plan and more economic activities are allowed to resume operations with compliance to Standard Operating Procedures. Moving forward, the economic recovery will be backed by the long term global and national agendas throughout 2021 to 2025 as outlined in the 12th Malaysia Plan and ultimately able to restore the economic growth momentum.

(Source: Department of Statistics Malaysia: Malaysia Economic Performance Third Quarter 2021)

Overview and outlook of the manufacturing industry in Malaysia

The manufacturing sector grew at a faster rate of 26.6% (Q1 2021: 6.6%) in the second quarter of 2021, but on a quarter-on-quarter basis this sector recorded a marginal declined 0.1%. The growth of manufacturing sector was driven by petroleum, chemicals, rubber & plastics products (28.0%) and electrical, electronic & optical products (26.3%) which also reflected in the strong growth in exports of goods recorded in this quarter. The higher growth was also attributed by the increased in transport equipment, other manufacturing & repair (41.6%) and non-metallic mineral products, base metals and fabricated metal products (33.5%).

(Source: Release by Department of Statistic Malaysia on 13 August 2021)

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the second quarter of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for electrical and electronics products, continued to remain robust.

Private consumption growth increased by 11.6% during the quarter (1Q 2021: -1.5%), following a broad-based expansion across both necessity and discretionary items, particularly at the start of the quarter, prior to the imposition of FMCO. This was due mainly to less stringent containment measures and mobility restrictions in the first half of the quarter. Labour market conditions also showed signs of improvement in the same period, which lent support to household spending. Furthermore, various policy measures, including the EPF i-Sinar withdrawals and Bantuan Prihatin Rakyat, provided additional lift to consumer expenditure.

Public consumption expanded by 9.0% (1Q 2021: 5.9%), mainly on account of higher spending on supplies and services. Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("**CPI**"), recorded a sharp increase to 4.1% during the quarter (1Q 2021: +0.5%), driven mainly by transitory factors. In particular, as expected, the elevated headline inflation was largely due to base effects from the low domestic retail fuel prices last year, as well as the lapse in the effect from the tiered electricity tariff rebate.

(Source: BNM, Quarterly Bulletin, Second Quarter 2021)

Overview and outlook of the furniture industry in Malaysia

The outbreak of COVID-19 has acted as a massive restraint on the furniture manufacturing market in 2020 as supply chains were disrupted due to trade restrictions and consumption declined due to lockdowns imposed by governments globally. Steps by national governments to contain the transmission have resulted in halting of manufacturing activities and a decline in economic activity with countries entering a state of 'lock down' and the outbreak is expected to continue to have a negative impact on businesses throughout 2020 and into 2021. However, it is expected that the furniture manufacturing market will recover from the shock across the forecast period as it is a 'black swan' event and not related to ongoing or fundamental weaknesses in the market or the global economy.

The global furniture market is expected to grow from US$564.17 billion in 2020 to US$671.07 billion in 2021 at a compound annual growth rate ("**CAGR**") of 18.9%. The growth is mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The market is expected to reach US$850.38 billion in 2025 at a CAGR of 6.0%.

Increasing demand for online shopping is expected to help the furniture manufacturing market grow. Manufacturers can now sell their products on a larger platform than before, which will increase their customer base geographically driving the growth of the furniture manufacturing market.

(Source: Extract from the Global Furniture Market Report (2021 to 2030) COVID-19 Impact and Recovery published by businesswire on 8 June 2021)

An increase in furniture demand globally signifies growth opportunities for the furniture industry in Malaysia, as consumers may opt to purchase imported furniture due to factors such as product pricing, design and quality. In line with the increasing furniture demand globally, demand for Malaysian furniture product has also increased globally, as depicted by Malaysia's growth in furniture exports. Malaysia manufactures several types of furniture products, including but not limited to, wooden and cane furniture as well as metal furniture. However, in terms of value of the gross output of the furniture industry, the manufacture of wooden and cane furniture is the largest segment. This is due to the abundance of tropical wood found in Malaysia, where approximately 80.0% of furniture exports are manufactured from rubberwood.

The Malaysian wood furniture industry's success owes much to the survival story of the humble rubber tree. From enjoying the spotlight as the world's biggest resource for rubber on the international stage previously, to its decline to number three in the 1980's and the emerging growth of the oil palm industry, it appeared that the rubber tree had lost its importance in the Malaysian economy. However, like a phoenix rising from the ashes, the rubber tree has reasserted its value. This full cycle of the rubber tree's lifespan has helped drive the Malaysian wood furniture from a cottage industry to the multi-billion-ringgit export industry it is today. With the emergence of rubberwood as an alternative source of timber for the wood industry – and value-added products through the efforts of the Forest Research Institute of Malaysia (FRIM) as far back as 1978 – Malaysia is now among the leading producers and exporters of wood furniture to more than 160 countries worldwide.

According to the 12th Malaysia Plan, the value of timber and timber products exports is expected to reach RM28 billion in 2025 while the value-added to primary product exports ratio is expected to be 65%:35%. The demand for timber and timber products in domestic market is also expected to grow to RM20 billion by 2025.

Exports of wooden and rattan furniture for the period of January 2021 recorded an increase of 13% to RM1.0 billion from RM901.3 million in the previous corresponding period. The United State of America as a main buyer of wooden furniture has increased purchases by 22% to RM614.7 million from RM505.2 million in the corresponding period in 2020.

The Government will continue to support the development of the furniture industry in Malaysia through various initiatives to ensure its rapid and sustainable growth. In recent years, the growth has shifted from producing general products towards designing its own, and this has been key in propelling Malaysia onto the international arena. Popular with overseas buyers of the middle to high category, foreign buyers look to Malaysia for manufacturers who can meet their high production demand.

(Source: The Malaysian Reserve published on 9 September 2020, Malaysian Timber Industry Board Volume 2 February 2021)

<u>Prospects of MIECO and the enlarged Group</u>

As set out in Section 5, Part A of the Circular, barring any unforeseen circumstances, the benefits that are expected to arise from the Proposed Acquisition wherein it represents an opportunity for MIECO to expand its wood products manufacturing activities; allow MIECO to secure consistent and stable raw material supply as well as mitigate raw materials price volatility; and the enlarged MIECO Group being able to capitalise on the combined customer base as well as expanded product offering. The Proposed Private Placement, if completed in its entirety, will allow MIECO to have flexibility in respect of its financial allocations for its operational requirements and short-term obligations and liabilities, and to carry out its daily operations in a more efficient and timely manner.

Premised on the above, we are of the view that the prospects of the enlarged Group following the completion of the Proposals are favourable after considering the benefits that are expected to arise from the Proposed Acquisition as well as the financial flexibility available to MIECO if the Proposed Private Placement is completed in its entirety, and barring unforeseen circumstances, is poised to improve its financial performance in the future. As such, we are of the opinion that the Proposals is reasonable and not detrimental to the non-interested shareholders of the Company.

Nonetheless, we wish to highlight that all businesses are subject to uncertainties which are not within the Board's control such as, amongst others, change in Government policies, changes in interest rates, changes in the global economic conditions and changes in the industries that MIECO and SYFSB is involved in.

5.5 Risk factors relating to the Proposed Acquisition

We take note of the risk factors as disclosed in Section 6, Part A of the Circular.

As set out in Section 6.1, Part A of the Circular, the additional potential risk that may have an impact on MIECO Group pertaining to the Proposed Acquisition include acquisition risk, wherein the potential benefits of the Proposed Acquisition may not be realised and result in lower earnings of the MIECO Group affecting its share price/dividend payment, where applicable, to the non-interested shareholders of MIECO. Further, the acquisition risk is common of similar acquisition proposals and the risk may reasonably be mitigated by the efforts taken by the Company via the due diligence review conducted on SYFSB in considering the potential risks and benefits associated with the Proposed Acquisition.

Completion risk as highlighted under Section 6.2, Part A of the Circular wherein the Proposed Acquisition is not completed due to non-fulfilment of conditions precedent and the Proposed Private Placement have not been completed, it will not have a material impact to the non-interested shareholders of MIECO. If the Proposed Private Placement has been completed prior thereto, this will result in additional working capital to the MIECO Group. If the Proposed Private Placement is not or partially successful but the Proposed Acquisition is to be completed, MIECO will be required to raise alternative funding for the payment of the Purchase Consideration resulting in higher gearing and interest cost.

We wish to highlight that although efforts and measures will be taken by the Group to mitigate the risks associated with the Proposals, no assurance can be given that one or a combination of the risk factors as stated in Section 6, Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of the Group, its financial performance, financial position or prospects thereon.

It should be noted that social and economic conditions in Malaysia have been affected by the COVID-19 outbreak in 2020 and the implementation of various MCOs over the past two (2) years. Despite the high vaccination rate and the recent re-opening of economic activities, the near-term outlook remains uncertain and any surge in infection rate may result in the Government re-implementing orders/policies, which may restrict business activities. As such, there could potentially be disruption to the business progress of the enlarged Group and progress are expected to be slower during this period amidst market uncertainty.

In evaluating the Proposals, non-interested shareholders of MIECO should carefully consider the said risk factors and their respective mitigating factors before voting on the resolutions pertaining to the Proposals at the forthcoming EGM of MIECO. Non-interested shareholders of MIECO should also note that the risk factors mentioned therein are not meant to be exhaustive.

5.6 Financial effects of the Proposals

The financial effects of the Proposals on the Group as disclosed in Section 7, Part A of the Circular are as follows:-

(i) Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effects on the issued share capital and substantial shareholders' shareholdings of MIECO as it will be fully satisfied in cash and does not involve any issuance of MIECO Shares. The Proposed Private Placement will increase the issued share capital of MIECO and will reduce the substantial shareholders' shareholdings in MIECO.

(ii) NA and gearing

The Proposals will increase the NA of MIECO whilst the Group's gearing ratio will decrease as the Proposed Acquisition will be funded from the proceeds of the Proposed Private Placement. For illustrative purposes, assuming that the Proposed Acquisition had been completed as at 31 December 2020, the pro forma effects of the Proposals on the consolidated NA and gearing of the Group is as follows:

	Audited as at 31 December 2020 (RM'000)	After adjusting for subsequent events[1] (RM'000)	After Proposed Private Placement (RM'000)	After the Proposed Acquisition (RM'000)
NA attributable to ordinary shareholders	335,000	335,000	402,544[2]	402,544[2]
Borrowings	204,608	204,608	204,608	218,468
Gearing (times)	0.61	0.61	0.51	0.54[3]
NA per share attributable to owners of the Company (RM)	0.64	0.40	0.40	0.40

Notes:

*[1] After adjusting for the issuance of 314,999,966 new Shares which was listed on 16 April 2021, pursuant to the announcement made by the Company on 2 March 2021 pertaining to the proposed bonus issue of 314,999,966 new Shares ("**Bonus Shares**") on the basis of 3 Bonus Shares for every 5 existing Mieco Shares which was completed on 16 April 2021.*

[2] Assuming 167,999,993 Placement Shares are issued at the indicative issue price of RM0.4052 per Placement Share and after deducting estimated expenses of RM530,000 in relation to the Proposals.

[3] After consolidating the existing bank borrowings of SYFSB based on its latest audited financial statements for the FYE 31 July 2021 of approximately RM13.86 million.

(iii) Earnings and EPS

The Proposed Acquisition is not expected to have immediate effects on the Group's earnings for the FYE 31 December 2021 as the Proposed Acquisition is expected to be completed by fourth quarter of year 2021 (subject to a purchase price allocation exercise to be conducted). The impact of the Proposals on the earnings and EPS of the MIECO Group moving forward will depend on the future earnings generated from SYFSB. The Proposed Private Placement is also not expected to have any material impact on the earnings of the Group for the FYE 31 December 2021.

The Group's EPS will be diluted as a result of the issuance of new Mieco Shares upon to the completion of the Proposed Private Placement. However, going forward, the dilution impact to the EPS may somewhat be mitigated through the future earnings arising from the Proposed Acquisition.

(iv) Convertible securities

The Group does not have any convertible securities.

Based on the above, we are of the opinion that the effects of the Proposals are fair and reasonable and not to the detriment of the non-interested shareholders of MIECO.

6 CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals, and have set out our evaluation in Section 2 through Section 5 of this IAL. We summarised the potential advantages and disadvantages of the Proposals as follows:

Potential Advantages	Potential Disadvantages
The Proposed Acquisition will allow MIECO to expand its product portfolio and derive synergistic benefits in terms of long-term supply of raw materials. Funding the Proposed Acquisition via the Proposed Private Placement will avoid the need to incur borrowing cost, which will have an impact on the earnings of the enlarged MIECO Group. The Proposed Private Placement will also provide additional working capital for the Group which will enable the Group the flexibility for further expansion of its existing business operations.	The Proposed Private Placement will potentially result in a dilution in EPS to the shareholders of MIECO depending on the future earnings generated from SYFSB.

We have taken cognisance of the rationale, financial evaluation, effects and risk factors of the Proposals. Based on our evaluation and comments on the Proposals, we are of the opinion that the Proposals are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of the Company.

Accordingly, we recommend that the non-interested shareholders to vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Before arriving at the decision to vote on the resolutions pertaining to the Proposals it is pertinent that the non-interested shareholders of MIECO to consider the issues and implications raised in this IAL as well as other considerations as set out in Part A of the Circular carefully and the Directors' statement and recommendation (save for the Interested Directors) in respect to the Proposals as set out in Section 13, Part A of the Circular.

Yours faithfully,
For and on behalf of
STRATEGIC CAPITAL ADVISORY SDN. BHD.

Goh Chin Chai
Associate Director
Investment Representative
CMSRL/B0131/2009

Tan Hock Soon
Director
Investment Representative
CMSRL/A3126/2007

1. HISTORY AND BUSINESS

SYFSB is a long-established furniture and rubberwood components manufacturer in Malaysia and was incorporated on 5 March 1993 in Malaysia under the Companies Act, 1965 as a private limited company under the present name.

SYFSB was co-founded by Dato' Sri Ng Ah Chai in 1993 as a kiln drying and timber processing business before expanded into manufacturing furniture components and semi-finished parts in 1995, and finished rubberwood furniture in 1998. The business of SYFSB can be segmented into upstream and downstream wood products manufacturing activities in the rubberwood industry. The upstream wood products manufacturing activities involve the production of semi-finished products from rubberwood timber extraction, sawmilling and processing activities, whilst the downstream wood products manufacturing activities involve the production of rubberwood furniture sets. The holding company of SYFSB is SYF, a public listed company listed on the Main Market of Bursa Securities which holds 100% equity interest in SYFSB.

During FYE 31 July 2019, SYF and its subsidiaries ("**SYF Group**") decided to downsize and rationalise their downstream wood products manufacturing activities of rubberwood furniture mainly due to the increase in competition for rubberwood furniture business. In conjunction with SYF's rationalisation plan, SYFSB (being the wholly owned subsidiary of SYF) had also undertaken downsizing measures specifically by reducing its production capacity and output for its dining furniture sets during that material time.

Currently, SYFSB is principally engaged in the manufacturing and trading of moulded timber, rubberwood dining furniture sets and timber treatment processing. Specifically, SYFSB operates in the wood products manufacturing activities, focusing on sawmilling, timber treatment and processing of timber into intermediate wood products and furniture component parts, as well as the production of its dining furniture sets on a minimal scale. In summary, SYFSB is a one-stop manufacturer with end-to-end capability in processes commencing from sawmilling, chemical treatment of sawn timber, kiln drying, materials processing and manufacturing of component parts to finishing and assembly of completed furniture.

In the furniture industry, SYFSB can be categorised as an Original Equipment Manufacturing (OEM) manufacturer, which supplies unbranded wood based products such as furniture parts and/ or components to its customers. SYFSB's revenue is primarily contributed from a single business segment through the sale of wood based products which include but are not limited to, the following:-

(i) kiln dried rubberwood;
(ii) S4S lumber;
(iii) finger joint strips (being the woodworking joint made by cutting a set of complementary, interlocking profiles in two pieces of wood, which are then glued);
(iv) laminated boards;
(v) dining furniture sets; and
(vi) by products such as small rubber log, slabs, offcut and saw dust.

The principal markets for its wood based products are predominantly Malaysia, followed by the export markets of its dining furniture sets to approximately 30 countries worldwide. SYFSB's customer base for its wood based products mainly consist of furniture manufacturers and local agents, while its dining furniture sets are mainly exported directly to foreign resellers. A summary of the percentage of sales broken down between domestic and foreign market based on the past 3 audited financial years up to the audited FYE 31 July 2021 are as follows:-

	FYE 31 July 2019		FYE 31 July 2020		FYE 31 July 2021	
	RM'000	%	RM'000	%	RM'000	%
Domestic	92,475	70.10	76,599	70.91	101,345	84.82
Foreign	39,451	29.90	31,417	29.09	18,144	15.18
Total revenue	**131,926**	**100.00**	**108,016**	**100.00**	**119,489**	**100.00**

SYFSB uses rubberwood as the main source of raw material for its wood based products which is sourced locally. These raw materials are readily available and obtainable from local suppliers. Further, SYFSB's principal place of business and factories are located within the Klang Valley. As at the LPD, the properties owned by SYFSB are as follows:-

Location	Description/ Existing use	Tenure	Approx. Age (Years)	Land area (sq m)
Lot 89, Mukim Semenyih, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Land, factory, and warehouse (renting)	Freehold	25	8,539.00
Lot 1225, Mukim Semenyih, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Land, factory and warehouse	Freehold	21	12,899.33
Lot 1338, Mukim Semenyih, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Land, factory and warehouse	Freehold	28	14,038.00
PT 47608, Mukim Semenyih, Jalan Industri Villaraya, 43500 Semenyih, Selangor	Vacant land	Expiring 21.07.2119	1	1,617.97
Lot 974, Mukim Semenyih, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Land, factory and warehouse	Freehold	16	76,926.59
Lot 4660, Pekan Simpang Pertang, 72300 Daerah Jelebu, Negeri Sembilan	Land and factory	Expiring 18.06.2089	9	8,410.00
Lot 4654, 4655, Pekan Simpang Pertang, 72300 Daerah Jelebu, Negeri Sembilan	Land, factory and warehouse	Expiring 18.06.2089	8	15,559.00
Lot 4664 Pekan Simpang Pertang, 72300 Daerah Jelebu, Negeri Sembilan	Vacant land	Expiring 18.06.2089	6	10,158.00

The capacity, production output and utilisation rate of the SYFSB's manufacturing plant for the past 3 financial years up to FYE 31 July 2021 are as follows:-

FYE	(A) Maximum capacity[*1] cubic metre	(B) Actual production output[*2] cubic metre	(B) / (A) Utilisation rate %
31 July 2019	97,000	68,158	70.27
31 July 2020	97,000	55,730	57.45
31 July 2021	97,000	59,797	61.65

Notes:-

[*1] *Computed based on all machines operating 8 hours per day multiplied by the total number of working days in a year*

[*2] *Computed based on actual production output during the financial year*

As at the LPD, SYFSB has 668 employees (comprises of 611 foreign and 57 local employees) to run its manufacturing activities and business in Malaysia. For the past 3 audited financial years up to FYE 31 July 2021, SYFSB does not have any expenditure on research and development ("**R&D**") or any person employed for R&D.

2. SHARE CAPITAL AND CONVERTIBLE SECURITIES

As at the LPD, the issued share capital of SYFSB, which consists of one class of ordinary share, is as follows:-

	No. of SYSFSB Shares	RM
Issued share capital	20,000,000	20,000,000

SYFSB does not have any convertible securities as at the LPD.

3. DIRECTORS

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

			< --------- Direct -------- >		< ------- Indirect ------- >	
Name	Designation	Nationality	No. of SYFSB Shares	%	No. of SYFSB Shares	%
Dato' Sri Ng Lee Oon Kar	Director	Malaysian	-	-	20,000,000	100.0*1
	Director	Malaysian	-	-	-	-

Note:-

*1 *Deemed interested by virtue of his 23.60% direct equity interest in SYF, which in turn is a holding company of SYFSB pursuant to Section 8 of the Act.*

4. SHAREHOLDER

As at the LPD, the holding company of SYFSB is SYF, a public listed company listed on the Main Market of Bursa Securities which holds 100% equity interest in SYFSB.

Further information on SYF are set out in **Section 3.7, Part A** of this Circular.

5. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, SYFSB does not have any subsidiaries, associates or joint venture companies.

6. MATERIAL CONTRACTS

Save as disclosed below, SYFSB has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD:-

i. SYFSB had, on 18 March 2020, entered into a sale and purchase agreement with EFF Progressive Sdn Bhd for the disposal of freehold land and building held under GM1099 Lot 1224, Mukim Semenyih, Tempat Batu 23, Jalan Sungai Lalang, Daerah Hulu Langat, Negeri Selangor for a total consideration of RM11,700,000. The said disposal was completed on 30 August 2021.

7. MATERIAL LITIGATION

As at the LPD, SYFSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of SYFSB confirms that there are no proceedings pending or threatened against SYFSB, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of SYFSB.

8. MATERIAL COMMITMENTS

As at the LPD, the board of directors of SYFSB confirms that there are no material commitments incurred or known to be incurred by SYFSB which, upon becoming enforceable, may have a material impact on the financial results/ position of SYFSB.

9. CONTINGENT LIABILITIES

Save as disclosed below and as at the LPD, the board of directors of SYFSB confirms that there are no contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of SYFSB:-

	RM'000
Bank guarantees issued in favour of government authorities, utility boards and suppliers	2,569
Total	**2,569**

10. SUMMARY OF FINANCIAL INFORMATION

The summary of the audited financial information of SYFSB for the past 4 financial years up to the FYE 31 July 2021 is set out below:-

	< ------------------------- Audited FYE 31 July			------------------------- >
	2018 RM'000	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**
Revenue	148,817	131,926	108,016	119,489
Gross profit/ loss	7,815	(26,771)	(4,124)	3,087
PBT/ (LBT)	2,738	(33,542)	(7,706)	(112)
PAT/ (LAT)	1,903	(25,625)	(6,423)	(195)
PBT/ (LBT) margin (%)	1.84	(25.42)	(7.13)	(0.09)
PAT/ (LAT) margin (%)	1.28	(19.42)	(5.95)	(0.16)
EPS/ (LPS)	0.95	(1.28)	(0.32)	(0.01)
Share capital	20,000	20,000	20,000	20,000
NA	106,858	81,233	74,507	74,311
Total issued shares (units) ('000)	20,000	20,000	20,000	20,000
NA per share	5.34	4.06	3.73	3.72
Current asset	101,718	62,261	45,591	37,124
Current liabilities	75,800	62,129	56,342	45,228
Current ratio (times)	1.34	1.00	0.81	0.82
Cash and bank balances	7,927	13,982	4,726	1,062
Total borrowings	66,953	54,898	20,782	13,860
Gearing (times)	0.63	0.68	0.28	0.19
Dividend declared for the financial year	-	-	-	-
Net cash flow (used in)/ from operating activities	2,881	5,048	20,036	(14,070)

For FYE 31 July 2018 to FYE 31 July 2021:-

i. There were no exceptional or extraordinary items;

ii. There are no accounting policy adopted by SYFSB which is peculiar to SYFSB because of the nature of its business or the industry it is involved in; and

iii. SYFSB's external auditors have not issued any audit qualification on the audited financial statements of SYFSB for the past 4 financial years up to the FYE 31 July 2021.

FYE 31 July 2019 compared with FYE 31 July 2018

SYFSB recorded revenue of RM131.93 million for FYE 31 July 2019 which represents a decrease of RM16.89 million or 11.35% as compared to RM148.82 million for FYE 31 July 2018. The decrease in revenue was mainly due to lower selling price primarily attributable to sales discount on its rubberwood dining furniture sets on the back of soft furniture market condition in the financial year under review.

SYFSB recorded gross loss of RM26.77 million for FYE 31 July 2019 (FYE 31 July 2018: gross profit of RM7.81 million) mainly due to higher cost of sales of RM158.70 million (FYE 31 July 2018: RM141.00 million) recorded primarily attributable to the obsolete inventories write down (i.e. RM8.00 million) and inventories written off (i.e. RM9.70 million) arising from the downsizing measures undertaken by SYFSB, in addition to the lower revenue recorded during the financial year under review. As a result, SYFSB recorded LBT of RM33.54 million for FYE 31 July 2019 as compared to the PBT of RM2.74 million recorded in the preceding financial year.

FYE 31 July 2020 compared with FYE 31 July 2019

SYFSB recorded revenue of RM108.02 million for FYE 31 July 2020 which represents a decrease of RM23.91 million or 18.12% as compared to RM131.93 million for FYE 31 July 2019. The decrease in revenue was mainly due to the decrease in the trading of dining furniture sets in line with the rationalisation exercise undertaken by SYFSB in the preceding financial year, and the temporary disruption of its manufacturing and trading activities as a result of the implementation of several MCOs nationwide due to COVID-19 in the financial year under review.

SYFSB recorded gross loss of RM4.12 million for FYE 31 July 2020 which represents a decrease of RM22.65 million or 84.61% as compared to RM26.77 million for FYE 31 July 2019. The improvement in the gross loss recorded was mainly due to the absence of the obsolete inventories write down (i.e. RM8.00 million) and inventories written off (i.e. RM9.70 million) during the financial year under review as well as the positive impact arising from the downsizing measures undertaken by SYFSB in the preceding financial year.

As a result, SYFSB recorded LBT of RM7.71 million for FYE 31 July 2020, which represents an improvement of RM25.83 million or 77.01% as compared to the LBT of RM33.54 million recorded in the preceding financial year.

FYE 31 July 2021 compared with FYE 31 July 2020

SYFSB recorded revenue of RM119.49 million for FYE 31 July 2021 which represents an increase of RM11.47 million or 10.62% as compared to RM108.02 million for FYE 31 July 2020. The increase in revenue was mainly due to higher sales performance arising from the improvement in local demand for materials arising from the recovery of the export furniture market during second half of 2020.

SYFSB recorded gross profit of RM3.09 million (FYE 31 July 2020: gross loss of RM4.12 million) which was in line with the increase in revenue. As a result, SYFSB recorded LBT of RM0.11 million for FYE 31 July 2021, which represents an improvement of RM7.60 million or 98.57% as compared to the LBT of RM7.71 million recorded in the preceding financial year.

11. AUDITED FINANCIAL STATEMENTS OF SYFSB FOR THE FYE 31 JULY 2021 TOGETHER WITH THE NOTES AND THE AUDITORS' REPORT

SENG YIP FURNITURE SDN. BHD.

[Registration No.: 199301004255 (258992-X)]

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 JULY 2021

Registered office:
Level 5, Block B
Dataran PHB, Saujana Resort
Section U2, 40150
Shah Alam

Principal place of business:
Kawasan Perindustrian Sungai Lalang
Lot 974, Jalan Vill
Mukim Semenyih
Jalan Sungai Lalang
43500 Semenyih
Selangor Darul Ehsan

Registration No. 199301004255 (258992-X)

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 JULY 2021

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Registration No. 199301004255 (258992-X)

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 July 2021.

Principal Activities

The principal activities of the Company are those of manufacturing and trading of moulded timber and furniture products and timber treatment processing.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	RM
Loss for the financial year	195,424

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

The Directors in office since the beginning of the current financial year until the date of this report are:

Dato' Sri Ng Ah Chai
Lee Oon Kar

Directors' Interests in Shares

Pursuant to Section 59(3) of the Companies Act 2016, the interests of Dato' Sri Ng Ah Chai are disclosed in the Directors' Report of the holding company, SYF Resources Berhad.

The interests in the options over shares in the holding company of those who were Directors at financial year end according to the Register of Directors' Shareholdings are as follows:

	Number of options over ordinary shares ("ESOS")			
	At 1.8.2020	**Granted**	**Exercised**	**At 31.7.2021**
Interests in SYF Resources Berhad				
Direct Interests				
Lee Oon Kar	720,000	-	720,000	-

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Notes 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Director who have significant financial interests in companies which traded with the Company in the ordinary course of business and rental received or due and receivable by a Director as disclosed in Note 28(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and Insurance Costs

As arranged by the group, an indemnity coverage is extended to the Directors and officers of the Company. No indemnity was given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act 2016.

Other Statutory Information

(a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Company have been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(iii) not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading; or

(iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

Other Statutory Information (Cont'd)

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due;

(ii) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Significant Event

The significant event is disclosed in Note 31 to the financial statements.

Holding Company

The Directors regards SYF Resources Berhad, a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad, as holding company.

Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The details of auditors’ remuneration are disclosed in Note 22 to the financial statements.

Signed by the Directors in accordance with a resolution of the Directors dated 22 November 2021.

DATO’ SRI NG AH CHAI	LEE OON KAR

KUALA LUMPUR

Registration No. 199301004255 (258992-X)

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being the two Directors of the Company, do hereby state that, in our opinion, the financial statements set out on pages 72 to 136 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 July 2021 and of its financial performance and cash flows for the financial year then ended.

Signed by the Directors in accordance with a resolution of the Directors dated 22 November 2021.

DATO' SRI NG AH CHAI	LEE OON KAR

KUALA LUMPUR

Registration No. 199301004255 (258992-X)

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lee Oon Kar (MIA Membership No. 14383), being the Director primarily responsible for the financial management of Seng Yip Furniture Sdn. Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages72 to 136 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 22 November 2021)

LEE OON KAR

Before me,

PESURUHJAYA SUMPAH
No. W790
Nama: ZAINUL ABIDIN BIN AHMAD
1 JAN 2020 - 31 DIS 2022
MALAYSIA

No. 22-A, Jalan Telawi Lima,
Bangsar Baru, 59100 Kuala Lumpur.

COMMISSIONER FOR OATHS

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
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Mid Valley City
Lingkaran Syed Putra
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SENG YIP FURNITURE SDN. BHD.
[Registration No.: 199301004255 (258992-X)]
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Seng Yip Furniture Sdn. Bhd., which comprise the statement of financial position as at 31 July 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 July 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

UHY

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SENG YIP FURNITURE SDN. BHD. (CONT'D)
[Registration No.: 199301004255 (258992-X)]
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SENG YIP FURNITURE SDN. BHD. (CONT'D)
[Registration No.: 199301004255 (258992-X)]
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SENG YIP FURNITURE SDN. BHD. (CONT'D)
[Registration No.: 199301004255 (258992-X)]
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2022 J
Chartered Accountant

KUALA LUMPUR
22 November 2021

Registration No. 199301004255 (258992-X)

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2021

	Note	2021 RM	2020 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	62,931,480	64,276,612
Right-of-use assets	5	7,200,953	8,818,365
Investment property	6	7,045,000	6,985,000
		77,177,433	80,079,977
Current Assets			
Inventories	7	22,329,941	25,374,703
Trade receivables	8	7,044,575	8,685,863
Other receivables	9	1,927,935	1,643,458
Tax recoverable		1,528,201	2,067,701
Fixed deposit with a licensed bank	10	3,231,458	3,093,000
Cash and bank balances		1,061,958	4,726,288
		37,124,068	45,591,013
Assets held for sale	11	10,956,275	10,573,725
		48,080,343	56,164,738
Total Assets		125,257,776	136,244,715

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2021 (CONT'D)

	Note	2021 RM	2020 RM
EQUITY AND LIABILITIES			
Equity			
Share capital	12	20,000,000	20,000,000
Assets revaluation reserve	13	34,555,267	34,925,080
Retained earnings		19,756,115	19,581,726
Total Equity		74,311,382	74,506,806
Non-Current Liabilities			
Lease liabilities	14	183,325	754,043
Bank borrowings	15	2,597,475	1,681,585
Deferred tax liabilities	16	2,937,883	2,960,370
		5,718,683	5,395,998
Current Liabilities			
Trade payables	17	7,227,370	8,126,919
Other payables	18	9,300,139	7,578,976
Amount due to holding company	19	17,620,912	22,290,058
Lease liabilities	14	570,716	1,094,099
Bank borrowings	15	10,508,574	17,251,859
		45,227,711	56,341,911
Total Liabilities		50,946,394	61,737,909
Total Equity and Liabilities		125,257,776	136,244,715

The accompanying notes form an integral part of the financial statements.

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	Note	2021 RM	2020 RM
Revenue	20	119,488,775	108,015,888
Cost of sales		(116,402,048)	(112,140,243)
Gross profit/(loss)		3,086,727	(4,124,355)
Other income		1,518,177	1,961,710
Distribution expenses		(1,075,177)	(1,294,825)
Administrative expenses		(2,285,624)	(2,801,447)
Net loss on impairment of financial instruments		(168,113)	(15,505)
Finance costs	21	(1,187,901)	(1,431,565)
Loss before tax	22	(111,911)	(7,705,987)
Taxation	23	(83,513)	1,282,528
Loss for the financial year		(195,424)	(6,423,459)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Impairment losses on freehold land and building	4	-	(114,894)
Deferred tax liabilities relating to components of other comprehensive income	16	-	91,975
Effect of change in tax rate on assets revaluation reserve	16	-	(225,250)
Total other comprehensive loss for the financial year		-	(248,169)
Total comprehensive loss for the financial year		(195,424)	(6,671,628)

The accompanying notes form an integral part of the financial statements.

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	Share Capital RM	Assets Revaluation Reserve RM	Retained Earnings RM	Total Equity RM
At 1 August 2019, as previously reported	20,000,000	39,641,860	21,590,990	81,232,850
Effect on adoption of MFRS 16	-	-	(54,416)	(54,416)
At 1 August 2019, as restated	20,000,000	39,641,860	21,536,574	81,178,434
Loss for the financial year	-	-	(6,423,459)	(6,423,459)
Other comprehensive loss for the financial year	-	(248,169)	-	(248,169)
Total comprehensive loss for the financial year	-	(248,169)	(6,423,459)	(6,671,628)
Realisation of assets revaluation reserve (Note 13)	-	(4,468,611)	4,468,611	-
At 31 July 2020	20,000,000	34,925,080	19,581,726	74,506,806

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

	Share Capital RM	Assets Revaluation Reserve RM	Retained Earnings RM	Total Equity RM
At 1 August 2020	20,000,000	34,925,080	19,581,726	74,506,806
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	(195,424)	(195,424)
Realisation of assets revaluation reserve (Note 13)	-	(369,813)	369,813	-
At 31 July 2021	20,000,000	34,555,267	19,756,115	74,311,382

The accompanying notes form an integral part of the financial statements.

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	2021 RM	2020 RM
Operating Activities		
Loss before tax	(111,911)	(7,705,987)
Adjustments for:		
Deposits written off	-	64,229
Depreciation of property, plant and equipment	2,013,472	2,126,614
Depreciation of right-of-use assets	1,065,879	1,251,796
Fair value adjustment on investment property	(60,000)	285,000
Impairment losses on trade receivables	17,476	15,505
Impairment losses on other receivables	150,637	-
Property, plant and equipment written off	-	1,309
Unrealised loss on foreign exchange	6,257	71,025
Finance costs	1,187,901	1,431,565
(Gain)/Loss on disposal of property, plant and equipment	(674,655)	42,709
Gain on disposal of assets held for sale	-	(1,236,200)
Interest income	(140,307)	(179,468)
Operating profit/(loss) before working capital changes	3,454,749	(3,831,903)
Changes in working capital:		
Inventories	3,044,762	5,956,523
Trade receivables	1,677,838	778,851
Other receivables	(435,114)	697,058
Trade payables	(899,549)	2,743,977
Other payables	1,661,747	(6,830,417)
Amount due from/(to) holding company	(22,290,058)	22,396,569
	(17,240,374)	25,742,561
Cash (used in)/generated from operations	(13,785,625)	21,910,658
Interest received	140,307	179,468
Interest paid	(857,708)	(1,394,069)
Tax paid	-	(660,225)
Tax refund	433,500	-
	(283,901)	(1,874,826)
Net cash (used in)/from operating activities	(14,069,526)	20,035,832

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

	2021 RM	2020 RM
Investing Activities		
Addition of asset held for sale	(382,550)	(1,000,000)
Proceeds from disposal of property, plant and equipment	728,317	54,000
Proceeds from disposal of assets held for sale	-	10,800,000
Purchase of property, plant and equipment	(170,469)	(3,166,353)
Net cash from investing activities	175,298	6,687,647
Financing Activities		
Net movement of amount due to holding company	17,313,536	-
Increase in fixed deposit pledged with a licensed bank	(138,458)	(93,000)
Changes in bills payable	(7,404,000)	(23,088,339)
Drawdown of term loans	4,529,496	-
Repayment of term loans	(2,975,708)	(3,994,632)
Payment of lease liabilities	(1,094,101)	(1,330,379)
Net cash from/(used in) financing activities	10,230,765	(28,506,350)
Net decrease in cash and cash equivalents	(3,663,463)	(1,782,871)
Cash and cash equivalents at the beginning of the financial year	4,726,288	6,526,158
Effect of exchange translation differences on cash and cash equivalents	(867)	(16,999)
Cash and cash equivalents at the end of the financial year	1,061,958	4,726,288
Cash and cash equivalents at the end of the financial year comprises:		
Fixed deposit with a licensed bank	3,231,458	3,093,000
Cash and bank balances	1,061,958	4,726,288
	4,293,416	7,819,288
Less: Fixed deposit pledged with a licensed bank	(3,231,458)	(3,093,000)
	1,061,958	4,726,288

The accompanying notes form an integral part of the financial statements.

SENG YIP FURNITURE SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 JULY 2021

1. Corporate Information

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The principal activities of the Company are those of manufacture and trading of moulded timber and furniture products and timber treatment processing. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. With effect from 27 January 2021, the Company's registered office has been relocated to Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan.

The principal place of business of the Company is located at Kawasan Perindustrian Sungai Lalang, Lot 974, Jalan Vill, Mukim Semenyih, Jalan Sungai Lalang, 43500 Semenyih, Selangor Darul Ehsan.

The holding company is SYF Resources Berhad, a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards

During the financial year, the Company has adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the current financial year.

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendment to MFRS 16	Covid-19 - Related Rent Concessions

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Company.

Standards issued but not yet effective

The Company has not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Company:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendment to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The Company has not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Company: (Cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRS Standards 2018 - 2020: • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141		1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Company intends to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Company.

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are the judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

<u>Determining the lease term of contracts with renewal options - the Company as lessee</u>

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has lease contract that include extension options. The Company applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Company includes the renewal period as part of the lease term for such lease. The Company typically exercises its option to renew for the lease with renewal option.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment and right-of-use ("ROU") assets

The Company regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

Revaluation of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Company engaged independent valuation specialist to assess fair value as at 31 July 2021 for investment properties. Valuation was based on the comparison approach where the comparison approach entails critical analysis of recent evidence of value of comparable properties in the neighbourhood and making adjustments for differences.

The key assumptions used to determine the fair value of the investment properties are disclosed in Note 6.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised capital allowances, unutilised reinvestment allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unutilised capital allowances, unutilised reinvestment allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognised deferred tax assets are disclosed in Note 16.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Company estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Company's products, the Company might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7.

Determination of transaction prices

The Company is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Company assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

Provision for expected credit loss of financial assets at amortised cost

The Company uses a provision matrix to calculate expected credit loss for trade and other receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The Company's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Information about the expected credit loss are disclosed in Note 8.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Company uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Company would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 July 2021, the Company has tax recoverable RM1,528,201 (2020: RM2,067,701).

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 29(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. **Significant Accounting Policies**

The Company applies the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. **Significant Accounting Policies (Cont'd)**

(b) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3. **Significant Accounting Policies (Cont'd)**

(b) Property, plant and equipment (Cont'd)

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold buildings and building improvements	2%
Furniture and fittings	10%
Office equipment	10%
Motor vehicles	20%
Plant and machinery	10%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(c) Leases

(i) As lessee

The Company recognises a ROU asset and lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) on impairment of non-financial assets.

3. **Significant Accounting Policies (Cont'd)**

(c) Leases (Cont'd)

(i) As lessee (Cont'd)

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land and building	Over the remaining lease period
Buildings	Over the lease term
Motor vehicles	20%
Plant and machinery	10%

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

3. **Significant Accounting Policies (Cont'd)**

(c) Leases (Cont'd)

(ii) As lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Company applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease.

The Company recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(d) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

3. **Significant Accounting Policies (Cont'd)**

(d) Investment properties (Cont'd)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are valued by independent professional qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3. **Significant Accounting Policies (Cont'd)**

(e) Financial assets

Recognition and initial measurement

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Company measures a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in profit or loss.

Financial asset categories and subsequent measurement

The Company determines the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company classifies its financial assets as follows:

(i) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain and loss on derecognition is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(e) Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

The Company classifies its financial assets as follows: (Cont'd)

(i) Financial assets at amortised cost (Cont'd)

The Company's financial assets at amortised cost include trade and other receivables, fixed deposit with a licensed bank and cash and bank balances.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

The Company has not designated any financial assets at FVTOCI.

(iii) Financial assets at fair value through profit or loss

The Company has not designated any financial assets at FVTPL.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 3(k)(ii) on impairment of financial assets.

Regular way purchase or sale of financial assets

Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase or sale of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(f) Financial liabilities

Recognition and initial measurement

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Company measures a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

Financial liability categories and subsequent measurement

The Company classifies its financial liabilities as follows:

(i) Financial liabilities at amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Company's financial liabilities at amortised cost comprise trade and other payables, amount due to holding company, lease liabilities and bank borrowings.

(ii) Financial liabilities at fair value through profit or loss

The Company has not designated any financial liabilities at FVTPL.

Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(g) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- The amount of the loss allowances; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance the principles of MFRS 15 *Revenue from Contracts with Customers*.

(h) Offsetting of financial instruments

Financial asset and financial liability are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw materials comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on a first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. **Significant Accounting Policies (Cont'd)**

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. **Significant Accounting Policies (Cont'd)**

(k) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade and other receivables and inter-company balances, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience and the economic environment.

(l) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholder is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholder.

(m) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

3. **Significant Accounting Policies (Cont'd)**

(m) Employee benefits (Cont'd)

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Company has no further payment obligations.

(n) Revenue and other income

(i) Revenue from contracts with customers

Revenue is recognised when the Company satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

Sales of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

3. **Significant Accounting Policies (Cont'd)**

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

3. **Significant Accounting Policies (Cont'd)**

(p) Income taxes (Cont'd)

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(q) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3. **Significant Accounting Policies (Cont'd)**

(r) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated once classified as held for sale.

(s) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer of the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Property, Plant and Equipment

	At valuation		At cost					
	Freehold land RM	Freehold buildings RM	Freehold buildings and building improvements RM	Furniture and fittngs RM	Office equipment RM	Motor vehicles RM	Plant and machinery RM	Total RM
2021								
Cost/Valuation								
At 1 August 2020	23,156,017	35,660,486	3,580,798	3,294,932	616,787	2,426,537	40,705,414	109,440,971
Additions	-	149,791	-	-	11,278	-	9,400	170,469
Disposals	-	-	-	-	-	(1,710,155)	(481,750)	(2,191,905)
Transfer from right-of-use assets (Note 5)	-	-	-	-	-	536,584	921,000	1,457,584
At 31 July 2021	23,156,017	35,810,277	3,580,798	3,294,932	628,065	1,252,966	41,154,064	108,877,119
Accumulated depreciation								
At 1 August 2020	-	2,103,602	1,054,457	2,294,156	509,013	2,283,950	36,919,181	45,164,359
Charge for the financial year	-	713,958	71,615	165,313	24,426	75,326	962,834	2,013,472
Disposals	-	-	-	-	-	(1,656,494)	(481,749)	(2,138,243)
Transfer from right-of-use assets (Note 5)	-	-	-	-	-	482,926	423,125	906,051
At 31 July 2021	-	2,817,560	1,126,072	2,459,469	533,439	1,185,708	37,823,391	45,945,639
Carrying amount								
At 31 July 2021	23,156,017	32,992,717	2,454,726	835,463	94,626	67,258	3,330,673	62,931,480

4. Property, Plant and Equipment (Cont'd)

	At valuation				At cost						
	Freehold land RM	Leasehold land RM	Freehold buildings RM	Long-term leasehold land and building RM	Freehold buildings and building improvements RM	Furniture and fittngs RM	Office equipment RM	Motor vehicles RM	Plant and machinery RM	Building work-in-progress RM	Total RM
2020											
Cost/Valuation											
At 1 August 2019, as previously reported	29,485,941	875,000	44,545,000	6,174,470	3,580,798	3,436,806	724,588	4,420,583	42,014,298	280,316	135,537,800
Effect on adoption of MFRS 16	-	(875,000)	-	(6,174,470)	-	-	-	(2,325,262)	(921,000)	-	(10,295,732)
At 1 August 2019, as restated	29,485,941	-	44,545,000	-	3,580,798	3,436,806	724,588	2,095,321	41,093,298	280,316	125,242,068
Additions	40,076	-	2,882,194	-	-	139,882	17,799	-	-	86,402	3,166,353
Revaluation surplus/(deficit)	460,000	-	(574,894)	-	-	-	-	-	-	-	(114,894)
Disposals	-	-	-	-	-	-	-	(5,000)	(387,884)	-	(392,884)
Written off	-	-	-	-	-	(314,540)	(151,800)	-	-	-	(466,340)
Transfer to assets held for sale (Note 11)	(3,615,000)	-	(7,251,676)	-	-	-	-	-	-	-	(10,866,676)
Transfer from investment properties (Note 6)	(3,215,000)	-	(4,247,872)	-	-	-	-	-	-	-	(7,462,872)
Transfer from right-of-use assets (Note 5)	-	-	-	-	-	-	-	336,216	-	-	336,216
Reclassification	-	-	307,734	-	-	32,784	26,200	-	-	(366,718)	-
At 31 July 2020	23,156,017	-	35,660,486	-	3,580,798	3,294,932	616,787	2,426,537	40,705,414	-	109,440,971

4. Property, Plant and Equipment (Cont'd)

	At valuation				At cost						
	Freehold land RM	Leasehold land RM	Freehold buildings RM	Long-term leasehold land and building RM	Freehold buildings and building improvements RM	Furniture and fittngs RM	Office equipment RM	Motor vehicles RM	Plant and machinery RM	Building work-in-progress RM	Total RM
2020											
Accumulated depreciation											
At 1 August 2019, as previously reported	-	24,334	1,778,300	245,637	982,840	2,447,154	634,953	3,239,331	36,482,093	-	45,834,642
Effect on adoption of MFRS 16	-	(24,334)	-	(245,637)	-	-	-	(1,186,627)	(295,000)	-	(1,751,598)
At 1 August 2019, as restated	-	-	1,778,300	-	982,840	2,447,154	634,953	2,052,704	36,187,093	-	44,083,044
Charge for the financial year	-	-	811,125	-	71,617	160,520	25,573	30,516	1,027,263	-	2,126,614
Disposals	-	-	-	-	-	-	-	(1,000)	(295,175)	-	(296,175)
Written off	-	-	-	-	-	(313,518)	(151,513)	-	-	-	(465,031)
Transfer to assets held for sale (Note 11)	-	-	(292,951)	-	-	-	-	-	-	-	(292,951)
Transfer to investment properties held for sale	-	-	(192,872)	-	-	-	-	-	-	-	(192,872)
Transfer from right-of-use assets (Note 5)	-	-	-	-	-	-	-	201,730	-	-	201,730
At 31 July 2020	-	-	2,103,602	-	1,054,457	2,294,156	509,013	2,283,950	36,919,181	-	45,164,359
Carrying amount											
At 31 July 2020	23,156,017	-	33,556,884	-	2,526,341	1,000,776	107,774	142,587	3,786,233	-	64,276,612

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4. **Property, Plant and Equipment (Cont'd)**

(a) The carrying amounts of property, plant and equipment of the Company which have been pledged to licensed banks as securities for credit facilities granted to the Company as disclosed in Note 15(a) are as follows:

	2021	**2020**
	RM	**RM**
Freehold land	23,156,017	23,156,017
Freehold buildings	32,992,717	33,556,884
	56,148,734	56,712,901

(b) Motor vehicles of the Company with carrying amount of RM1 (2020: RM1) are held in trust under the name of a Director of the Company.

(c) The freehold land and freehold buildings of the Company were revalued in July 2017 by an independent firm of professional valuers, KGV International Property Consultants (M) Sdn. Bhd..

The fair value of the land is within level 2 of the fair value hierarchy. The fair value was determined based on market comparable approach that reflect recent transaction price for similar properties.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjust for obsolescence.

Had the revalued freehold land and freehold buildings been included in the financial statements at cost less accumulated depreciation and accumulated impairment losses, the carrying amount of the revalued freehold land and freehold buildings would have been as follows:

	2021	**2020**
	RM	**RM**
Freehold land	5,191,330	5,191,330
Freehold buildings	17,867,811	18,391,518
	23,059,141	23,582,848

5. **Right-of-use Assets**

	At valuation	At cost			
	Leasehold land and building RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Total RM
2021					
Cost/Valuation					
At 1 August 2020	7,049,470	2,190,615	1,989,046	921,000	12,150,131
Transfer to property, plant and equipment (Note 4)	-	-	(536,584)	(921,000)	(1,457,584)
At 31 July 2021	7,049,470	2,190,615	1,452,462	-	10,692,547
Accumulated depreciation					
At 1 August 2020	392,133	1,102,584	1,449,949	387,100	3,331,766
Charge for the financial year	122,164	572,482	335,208	36,025	1,065,879
Transfer to property, plant and equipment (Note 4)	-	-	(482,926)	(423,125)	(906,051)
At 31 July 2021	514,297	1,675,066	1,302,231	-	3,491,594
Carrying amount					
At 31 July 2021	6,535,173	515,549	150,231	-	7,200,953

5. **Right-of-use Assets (Cont'd)**

	At valuation	At cost			
	Leasehold land and building RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Total RM
2020					
Cost/Valuation					
At 1 August 2019, as previously reported	-	-	-	-	-
Effect on adoption of MFRS 16	7,049,470	2,190,615	2,325,262	921,000	12,486,347
At 1 August 2019, as restated	7,049,470	2,190,615	2,325,262	921,000	12,486,347
Transfer to property, plant and equipment (Note 4)	-	-	(336,216)	-	(336,216)
At 31 July 2020	7,049,470	2,190,615	1,989,046	921,000	12,150,131
Accumulated depreciation					
At 1 August 2019, as previously reported	-	-	-	-	-
Effect on adoption of MFRS 16	269,971	530,102	1,186,627	295,000	2,281,700
At 1 August 2019, as restated	269,971	530,102	1,186,627	295,000	2,281,700
Charge for the financial year	122,162	572,482	465,052	92,100	1,251,796
Transfer to property, plant and equipment (Note 4)	-	-	(201,730)	-	(201,730)
At 31 July 2020	392,133	1,102,584	1,449,949	387,100	3,331,766
Carrying amount					
At 31 July 2020	6,657,337	1,088,031	539,097	533,900	8,818,365

5. **Right-of-use Assets (Cont'd)**

(a) The carrying amount of right-of-use assets of the Company held under lease liabilities are as follows:

	2021 RM	2020 RM
Motor vehicles	150,231	539,097
Plant and machinery	-	533,900
	150,231	1,072,997

The leased assets are pledged as security for the related lease liabilities as disclosed in Note 15(a).

(b) Motor vehicles of the Company with carrying amount of RM61,220 (2020: RM183,660) is held in trust under the name of a Director of the Company.

(c) The leasehold land and buildings of the Company were revalued in July 2017 by an independent firm of professional valuers, KGV International Property Consultants (M) Sdn. Bhd..

The fair value of the land is within level 2 of the fair value hierarchy. The fair value was determined based on market comparable approach that reflect recent transaction price for similar properties.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjust for obsolescence.

Had the revalued leasehold land and building been included in the financial statements at cost less accumulated depreciation and accumulated impairment losses, the carrying amount of the revalued leasehold land and building would be as follows:

	2021 RM	2020 RM
Leasehold land	2,802,761	2,843,978
Leasehold building	2,077,379	2,126,729
	4,880,140	4,970,707

(d) The remaining lease term of the leasehold land is 68 years (2020: 69 years).

6. Investment Property

	2021 RM	2020 RM
At fair value		
Freehold property		
At 1 August	6,985,000	-
Transfer from property, plant and equipment (Note 4)	-	7,270,000
Change in fair value recognised in profit or loss	60,000	(285,000)
At 31 July	7,045,000	6,985,000

(a) The freehold investment property of the Company with carrying amount of RM7,045,000 (2020: RM6,985,000) was revalued by an independent firm of professional valuer on 31 July 2021. The independent professional qualified valuer holds recognised relevant professional qualifications and have recent experience in the locations and category of the investment properties being valued. The fair value is within level 2 of the fair value hierarchy. The fair value was determined based on the comparison approach that entails critical analysis of recent evidence of value of comparable properties in the neighbourhood and making adjustments for differences.

There were no transfers between levels during current and previous financial year.

The increase in fair value of RM60,000 (2020: decrease in fair value of RM285,000) has been recognised in the profit or loss during the financial year.

(b) Freehold investment property of the Company with carrying amount of RM7,045,000 (2020: RM6,985,000) is pledged to a licensed bank for credit facility granted to the Company as disclosed in Note 15(a).

(c) The following income and expenses are recognised in profit or loss in respect of the investment property:

	2021 RM	2020 RM
Rental income	561,960	421,470
Direct operating expenses	103,210	43,538

7. Inventories

	2021 RM	2020 RM
Raw materials	12,805,691	9,228,015
Work-in-progress	6,217,369	12,546,585
Finished goods	3,306,881	3,600,103
	22,329,941	25,374,703
Recognised in profit or loss		
Inventories recognised as cost of sales	80,355,830	76,056,304

8. Trade Receivables

	2021 RM	2020 RM
Trade receivables		
- Related parties	4,108,780	2,139,253
- Third parties	2,975,328	6,568,667
	7,084,108	8,707,920
Less: Accumulated impairment losses	(39,533)	(22,057)
	7,044,575	8,685,863

Related parties represent companies in which a Director of the Company is also the director and/or shareholder who have substantial financial interest.

Trade receivables are non-interest bearing and are generally on 1 to 60 days (2020: 1 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

8. **Trade Receivables (Cont'd)**

Movements in the allowance for impairment losses of trade receivables are as follows:

	Lifetime allowance	
	2021	**2020**
	RM	**RM**
At 1 August	22,057	6,552
Impairment losses recognised	17,476	15,505
At 31 July	39,533	22,057

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The ageing analysis of trade receivables as at the end of the reporting period are as follows:

	Gross amount	**Loss allowance**	**Net amount**
	RM	**RM**	**RM**
2021			
Not past due	925,726	(2,158)	923,568
Past due			
Less than 30 days	2,955,743	(13,900)	2,941,843
31 to 60 days	1,833,421	(11,921)	1,821,500
More than 60 days	1,369,218	(11,554)	1,357,664
	6,158,382	(37,375)	6,121,007
	7,084,108	(39,533)	7,044,575
2020			
Not past due	8,063,037	(18,153)	8,044,884
Past due			
Less than 30 days	557,033	(3,033)	554,000
More than 60 days	87,850	(871)	86,979
	644,883	(3,904)	640,979
	8,707,920	(22,057)	8,685,863

9. Other Receivables

	2021 RM	2020 RM
Other receivables	728,796	155,148
Less: Accumulated impairment loss	(150,637)	-
	578,159	155,148
Deposits	585,450	393,086
Prepayments	764,326	1,095,224
	1,927,935	1,643,458

Included in deposits are deposit paid for acquisition of property, plant and equipment amounting to RM267,764 (2020: RM85,400). The balance of purchase consideration is disclosed in Note 27.

Movements in the allowance for impairment losses of other receivables are as follows:

	2021 RM	2020 RM
At 1 August	-	-
Impairment losses recognised	150,637	-
At 31 July	150,637	-

10. Fixed Deposit with a Licensed Bank

The fixed deposit with a licensed bank of the Company has been pledged as security for credit facilities granted to the Company as disclosed in Note 15(b).

The maturity period of the fixed deposit of the Company is 365 days (2020: 365 days).

The interest rate per annum of the fixed deposit of the Company is 1.60% (2020: 2.86%).

11. Assets Held for Sale

The assets held for sale at the end of the reporting period are as follows:

	2021 RM	2020 RM
Freehold land and building	10,956,275	10,573,725

31 July 2020

(i) During the financial year ended 31 July 2020, the Company entered into a sale and purchase agreement with a third party for the disposal of freehold land and building for a total consideration of RM11,700,000.

The disposal is pending completion as at 31 July 2020 and thus, the property, plant and equipment have been presented separately in the statement of financial position as assets held for sale.

Since the fair value less cost of disposal exceeded the net carrying amount, no impairment loss is recognised.

The disposal has been completed as at the date of this report.

(ii) As at 31 July 2021, the freehold land and building amounting to RM10,956,275 (2020: RM10,573,725) has been pledged to a licensed bank as securities for credit facilities granted to the Company as disclosed in Note 15(a).

12. Share Capital

	Number of shares		Amount	
	2021 Units	2020 Units	2021 RM	2020 RM
Issued and fully paid ordinary shares				
At 1 August/31 July	20,000,000	20,000,000	20,000,000	20,000,000

The holder of ordinary share is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

13. Assets Revaluation Reserve

	2021 RM	2020 RM
At 1 August	34,925,080	39,641,860
Realisation of assets revaluation reserve	(369,813)	(369,813)
Disposal of freehold land and building	-	(4,098,798)
Impairment losses on freehold land and building	-	(22,919)
Changes of tax rate on assets revaluation reserve	-	(225,250)
At 31 July	34,555,267	34,925,080

Assets revaluation reserve arose from the revaluation of leasehold land and buildings, freehold land and freehold buildings and building improvements of the Company, net of tax, and is not available for distribution as dividends to the Company's shareholders.

14. Lease Liabilities

	2021 RM	2020 RM
At 1 August, as previously reported	1,848,142	-
Effect on adoption of MFRS 16	-	3,178,521
At 1 August, as restated	1,848,142	3,178,521
Accretion of interest	78,545	153,810
Payments	(1,172,646)	(1,484,189)
At 31 July	754,041	1,848,142
Presented as:		
Non-current	183,325	754,043
Current	570,716	1,094,099
	754,041	1,848,142

14. **Lease Liabilities (Cont'd)**

The maturity analysis of lease liabilities of the Company at the end of the reporting period are as follows:

	2021 RM	2020 RM
Within one year	595,913	1,176,234
Later than one year but not later than two years	189,600	592,325
Later than two years but not later than five years	-	189,600
	785,513	1,958,159
Less: Future finance charges	(31,472)	(110,017)
Present value of lease liabilities	754,041	1,848,142

The Company leases various land, buildings, motor vehicles and plant and machinery. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The weighted incremental borrowing rate applied to lease liabilities at reporting date is 5.45% (2020: 5.07%).

The lease liabilities of the Company amounting to RM64,650 (2020: RM171,655) are in relation to an asset held in trust under the name of a Director of the Company.

15. **Bank Borrowings**

	2021 RM	2020 RM
Secured		
Bills payable	8,279,000	15,683,000
Term loans	4,827,049	3,250,444
	13,106,049	18,933,444
Non-Current		
Term loans	2,597,475	1,681,585
Current		
Bills payable	8,279,000	15,683,000
Term loans	2,229,574	1,568,859
	10,508,574	17,251,859
	13,106,049	18,933,444

15. Bank Borrowings (Cont'd)

The bills payable and term loans are secured by the followings:

(a) legal charge over the freehold land and freehold buildings of the Company as disclosed in Notes 4(a), 5(a), 6(b) and 11;

(b) legal charge on fixed deposits with a licensed bank of the Company as disclosed in Note 10; and

(c) corporate guarantee by holding company.

The maturity of bank borrowings of the Company is as follows:

	2021 RM	2020 RM
Within one year	10,508,574	17,251,859
Between one and two years	2,307,372	1,027,996
Between two and three years	290,103	653,589
	13,106,049	18,933,444

The weighted average interest rates per annum of the bank borrowings of the Company at the reporting date are as follows:

	2021 %	2020 %
Bank overdrafts	-	7.85
Bills payable	3.42	3.91
Term loans	5.61	4.93

16. Deferred Tax Liabilities

	2021 RM	2020 RM
At 1 August	2,960,370	4,616,318
Recognised in profit or loss (Note 23)	(22,487)	(1,789,223)
Recognised in other comprehensive income		
- Assets revaluation reserve	-	(91,975)
- Change of tax rate on assets revaluation reserve	-	225,250
At 31 July	2,937,883	2,960,370

16. **Deferred Tax Liabilities (Cont'd)**

The net deferred tax liabilities and assets shown on the statement of financial position after appropriate offsetting are as follows:

	2021 RM	2020 RM
Deferred tax liabilities	12,292,374	12,421,511
Deferred tax assets	(9,354,491)	(9,461,141)
	2,937,883	2,960,370

The components and movements of the deferred tax liabilities and assets of the Company are as follows:

Deferred tax liabilities

	Accelerated capital allowances RM	Revaluation surplus RM	Total RM
At 1 August 2020	4,864,129	7,557,382	12,421,511
Recognised in profit or loss	66,420	(110,797)	(44,377)
Over provision in prior year	(84,760)	-	(84,760)
At 31 July 2021	4,845,789	7,446,585	12,292,374
At 1 August 2019	5,239,495	7,631,032	12,870,527
Recognised in profit or loss	(287,459)	(206,925)	(494,384)
Recognised in other comprehensive income	-	(91,975)	(91,975)
Over provision in prior year	(87,907)	-	(87,907)
Change of tax rate on assets revaluation reserve	-	225,250	225,250
At 31 July 2020	4,864,129	7,557,382	12,421,511

16. **Deferred Tax Liabilities (Cont'd)**

The components and movements of the deferred tax liabilities and assets of the Company are as follows: (Cont'd)

Deferred tax assets

	Provisions RM	Right-of-use assets and lease liabilities RM	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Unused tax losses RM	Total RM
At 1 August 2020	-	(17,505)	(457,107)	(116,289)	(8,870,240)	(9,461,141)
Recognised in profit or loss	-	4,120	(100,026)	-	-	(95,906)
Over/(Under) provision in prior year	-	-	108,061	(1)	94,496	202,556
At 31 July 2021	-	(13,385)	(449,072)	(116,290)	(8,775,744)	(9,354,491)
At 1 August 2019	(1,920,994)	-	(653,707)	(150,298)	(5,529,210)	(8,254,209)
Recognised in profit or loss	-	(4,445)	(166,827)	-	(1,336,081)	(1,507,353)
Over/(Under) provision in prior year	1,920,994	(13,060)	363,427	34,009	(2,004,949)	300,421
At 31 July 2020	-	(17,505)	(457,107)	(116,289)	(8,870,240)	(9,461,141)

17. Trade Payables

The normal trade credit terms granted to the Company range from 1 to 90 days (2020: 1 to 90 days) depending on the terms of the contracts.

18. Other Payables

	2021 RM	2020 RM
Other payables	4,550,890	4,064,967
Accruals	1,517,252	2,119,555
Deposits	3,231,997	1,394,454
	9,300,139	7,578,976

Included in the deposits of the Company is deposit of RM2,925,000 (2020: RM1,170,000) received from a purchaser for the proposed disposal of freehold land and building as disclosed in Note 11.

19. Amount Due to Holding Company

	Note	2021 RM	2020 RM
Non-trade related			
Interest bearing	(a)	17,620,912	-
Non-interest bearing	(b)	-	22,290,058
		17,620,912	22,290,058

(a) This represents unsecured, interest bearing advances at effective interest rate of 1.90% (2020: Nil) per annum and repayable on demand.

(b) This represents unsecured, non-interest bearing advances and repayable on demand.

20. Revenue

	2021 RM	2020 RM
Revenue from contracts with customers		
Sales of goods	119,488,775	108,015,888
Timing of revenue recognition		
At a point in time	119,488,775	108,015,888

21. Finance Costs

	2021 RM	2020 RM
Interest expenses on:		
Amount due to holding company	307,376	-
Bank overdrafts	79,717	249,264
Bills payable	420,227	797,565
Term loans	302,036	230,926
Lease liabilities	78,545	153,810
	1,187,901	1,431,565

22. Loss before Tax

Loss before tax is arrived at after charging/(crediting):

	2021 RM	2020 RM
Auditors' remuneration:		
- Current year	40,000	40,000
- Under provision in prior year	-	2,500
Deposits written off	-	64,229
Depreciation of property, plant and equipment	2,013,472	2,126,614
Depreciation of right-of-use assets	1,065,879	1,251,796
Fair value adjustment on investment property	(60,000)	285,000
Impairment losses on trade receivables	17,476	15,505
Impairment losses on other receivables	150,637	-
Lease expenses relating to short-term leases	142,200	98,700
Loss/(Gain) on foreign exchange:		
- Realised	4,745	(62,136)
- Unrealised	6,257	71,025
Property, plant and equipment written off	-	1,309
(Gain)/Loss on disposal of property, plant and equipment	(674,655)	42,709
Gain on disposal of assets held for sale	-	(1,236,200)
Interest income	(140,307)	(179,468)
Rental income on premises	(561,960)	(421,470)

23. Taxation

	2021 RM	2020 RM
Tax expenses recognised in profit or loss		
Malaysian income tax		
Current tax provision	106,000	-
Real property gain tax	-	506,695
Deferred tax (Note 16)		
Relating to origination or reversal of temporary differences	(140,283)	(2,001,737)
Under provision in prior years	117,796	212,514
	(22,487)	(1,789,223)
	83,513	(1,282,528)

Malaysian income tax is calculated at the statutory rate of 24% (2020: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expenses applicable to loss before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Company is as follows:

	2021 RM	2020 RM
Loss before tax	(111,911)	(7,705,987)
At Malaysian statutory tax rate of 24% (2020: 24%)	(26,859)	(1,849,437)
Income not subject to tax	(85,624)	(218,700)
Expenses not deductible for tax purposes	188,997	273,325
Crystallisation of revaluation reserve	(110,797)	(206,925)
Real property gain tax	-	506,695
Under provision of deferred tax in prior years	117,796	212,514
Tax expenses for the financial year	83,513	(1,282,528)

23. **Taxation (Cont'd)**

The Company has the following estimated unutilised capital allowances, unutilised reinvestment allowances and unused tax losses available for carry forward to set off against future taxable profits. The said amounts are subject to approval by the tax authorities.

	2021	**2020**
	RM	**RM**
Unutilised capital allowances	1,871,133	1,454,360
Unutilised reinvestment allowances	484,540	484,540
Unused tax losses	36,565,599	36,565,599
	38,921,272	38,504,499

24. **Staff Costs**

	2021	**2020**
	RM	**RM**
Salaries, wages and other emoluments	17,175,531	17,585,756
Defined contribution plans	336,283	356,785
Social security contributions	97,002	38,672
Other benefits	734,047	1,056,484
	18,342,863	19,037,697

Included in the staff costs above is aggregate amount of remuneration received by the Executive Director of the Company during the financial year as below:

	2021	**2020**
	RM	**RM**
Salaries and other emoluments	214,367	203,875
Defined contribution plans	21,540	20,868
Social security contributions	829	829
Other benefits	95	95
	236,831	225,667

25. Reconciliation of Liabilities Arising from Financing Activities

The table below shows the details changes in the liabilities of the Company arising from financing activities, including both cash and non-cash changes:

	Note	At 1 August RM	Effect on adoption of MFRS 16 RM	Financing cash flows (i) RM	Other changes (ii) RM	At 31 July RM
2021						
Lease liabilities	14	1,848,142	-	(1,094,101)	-	754,041
Term loans	15	3,250,444	-	1,553,788	22,817	4,827,049
Bills payable	15	15,683,000	-	(7,404,000)	-	8,279,000
Amount due to holding company	19	22,290,058	-	17,313,536	(21,982,682)	17,620,912
		43,071,644	-	10,369,223	(21,959,865)	31,481,002
2020						
Finance lease liabilities		1,463,592	(1,463,592)	-	-	-
Lease liabilities	14	-	3,178,521	(1,330,379)	-	1,848,142
Term loans	15	7,207,580	-	(3,994,632)	37,496	3,250,444
Bills payable	15	38,771,339	-	(23,088,339)	-	15,683,000
		47,442,511	1,714,929	(28,413,350)	37,496	20,781,586

(i) The financing cash flows include the net amount of proceeds from or repayment of bills payable and term loans, payment of lease liabilities and net amount of interest bearing advances from or repayment to holding company in the statement of cash flows.

(ii) Other changes represent accrued finance cost and net amount of non-interest bearing advances from or repayment to holding company.

26. Financial Guarantee

	2021 RM	2020 RM
Banker's guarantee in favour of:		
- Tenaga Nasional Berhad	1,197,570	1,749,570
- Kementerian Perumahan dan Kerajaan Tempatan granted to a related company	1,410,000	1,410,000
	2,607,570	3,159,570

27. Capital Commitments

	2021 RM	2020 RM
Authorised and contracted for:		
Purchase of property, plant and equipment	624,846	809,622

28. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

28. **Related Party Disclosures (Cont'd)**

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Company are as follows:

	2021 RM	2020 RM
Transactions with holding company		
Management fee paid/payable	50,000	50,000
Interest on advances paid/payable	307,376	-
Transaction with a related company		
Purchase of property, plant and equipment	-	11,662
Transactions with companies in which a Director of the Company is also a Director who has substantial financial interests		
Sales	12,600,335	12,903,584
Purchases	4,449,583	2,310,162
Lease expenses paid	456,000	456,000
Transaction with a Director		
Lease expenses paid	189,600	189,600

(c) Compensation of key management personnel

Information regarding compensation of key management personnel is as follows:

	2021 RM	2020 RM
Short-term employee benefits	797,134	721,626

29. **Financial Instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets at amortised cost RM	**Financial liabilities at amortised cost RM**	**Total RM**
2021			
Financial assets			
Trade receivables	7,044,575	-	7,044,575
Other receivables	1,163,609	-	1,163,609
Fixed deposit with a licensed bank	3,231,458	-	3,231,458
Cash and bank balances	1,061,958	-	1,061,958
	12,501,600	-	12,501,600
Financial liabilities			
Trade payables	-	7,227,370	7,227,370
Other payables	-	9,300,139	9,300,139
Amount due to holding company		17,620,912	17,620,912
Lease liabilities	-	754,041	754,041
Bank borrowings	-	13,106,049	13,106,049
	-	48,008,511	48,008,511

29. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and financial liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	Financial assets at amortised cost RM	**Financial liabilities at amortised cost RM**	**Total RM**
2020			
Financial assets			
Trade receivables	8,685,863	-	8,685,863
Other receivables	548,234	-	548,234
Fixed deposit with a licensed bank	3,093,000	-	3,093,000
Cash and bank balances	4,726,288	-	4,726,288
	17,053,385	-	17,053,385
Financial liabilities			
Trade payables	-	8,126,919	8,126,919
Other payables	-	7,578,976	7,578,976
Amount due to holding company	-	22,290,058	22,290,058
Lease liabilities	-	1,848,142	1,848,142
Bank borrowings	-	18,933,444	18,933,444
	-	58,777,539	58,777,539

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies

The Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Company's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

The following sections provide details regarding the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers, deposits with banks and financial guarantee given to a third party. There are no significant changes as compared to prior year.

The Company has adopted a policy of only dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis via Company's management reporting procedures and action will be taken for long outstanding debts.

At each reporting date, the Company assesses whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represents the Company's maximum exposure to credit risk.

At the end of the reporting period, the Company's credit exposures are concentrated mainly on 3 (2020: 5) debtors, which accounted for 70% (2020: 69%) of total trade receivables at the end of the reporting period.

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

Financial guarantee

The Company provides financial guarantee to a third party to secure performance under contracts of a related company. The Company monitors the results of the related company regularly.

The Company's maximum exposure to credit risk amounted to RM2,607,570 (2020: RM3,159,570), representing bank guarantee issued to a third party as at the end of the reporting period.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Company finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	On demand or within 1 year RM	**1 to 2 years RM**	**2 to 5 years RM**	**Total contractual cash flows RM**	**Total carrying amount RM**
2021					
Non-derivative financial liabilities					
Trade payables	7,227,370	-	-	7,227,370	7,227,370
Other payables	9,300,139	-	-	9,300,139	9,300,139
Amount due to holding company	17,620,912	-	-	17,620,912	17,620,912
Lease liabilities	595,913	189,600	-	785,513	754,041
Bank borrowings	10,723,650	2,395,955	292,443	13,412,048	13,106,049
Financial guarantee*	-	-	-	-	-
	45,467,984	2,585,555	292,443	48,345,982	48,008,511

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. (Cont'd)

	On demand or within 1 year RM	**1 to 2 years RM**	**2 to 5 years RM**	**Total contractual cash flows RM**	**Total carrying amount RM**
2020					
Non-derivative financial liabilities					
Trade payables	8,126,919	-	-	8,126,919	8,126,919
Other payables	7,578,976	-	-	7,578,976	7,578,976
Amount due to holding company	22,290,058	-	-	22,290,058	22,290,058
Lease liabilities	1,176,234	592,325	189,600	1,958,159	1,848,142
Bank borrowings	17,372,022	1,068,012	665,941	19,105,975	18,933,444
Financial guarantee*	-	-	-	-	-
	56,544,209	1,660,337	855,541	59,060,087	58,777,539

* At the end of the reporting period, no events have arisen which may cause the financial guarantee provided by the Company to be called upon or claimed by any counterparty pursuant to the relevant contract entered by the Company. Consequently, the amount included is Nil.

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currency of the Company. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Chinese Renminbi ("RMB").

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liability at the end of the reporting period are as follows:

	Denominated in		
	USD	**RMB**	**Total**
	RM	**RM**	**RM**
2021			
Monetary assets			
Other receivables	267,764	-	267,764
Cash and bank balances	29,829	1,993	31,822
Monetary liability			
Other payables	(1,497,372)	-	(1,497,372)
	(1,199,779)	1,993	(1,197,786)
2020			
Monetary assets			
Trade receivables	1,731,240	-	1,731,240
Other receivables	85,400	-	85,400
Cash and bank balances	186,673	1,802	188,475
Monetary liability			
Other payables	(682,763)	-	(682,763)
	1,320,550	1,802	1,322,352

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Company's loss before tax to a reasonably possible change in the USD and RMB exchange rates against RM, with all other variables held constant.

	Effects on loss before tax	
	2021	**2020**
	RM	**RM**
Change in currency rate		
USD		
- Strengthened by 10% (2020: 10%)	(119,978)	132,055
- Weakened by 10% (2020: 10%)	119,978	(132,055)
RMB		
- Strengthened by 10% (2020: 10%)	199	180
- Weakened by 10% (2020: 10%)	(199)	(180)

(b) Interest rate risk

The Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Company manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Company constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Company does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2021 RM	2020 RM
Fixed rate instruments		
Financial asset		
Fixed deposit with a licensed bank	3,231,458	3,093,000
Financial liability		
Lease liabilities	754,041	1,848,142
Floating rate instruments		
Financial liabilities		
Bills payable	8,279,000	15,683,000
Term loans	4,827,049	3,250,444
Amount due to holding company	17,620,912	-
	30,726,961	18,933,444

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Company's loss before tax by RM307,270 (2020: RM189,334), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings. This analysis assumes that all other variable remains constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

29. Financial Instruments (Cont'd)

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term loans and borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount long-term floating rate loans and borrowings approximate their fair value as the loans and borrowings will be re-priced to market interest rate on or near reporting date.

30. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Company monitors capital using a gearing ratio. The Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at the end of the reporting period are as follows:

	2021	**2020**
	RM	**RM**
Lease liabilities	754,041	1,848,142
Bank borrowings	13,106,049	18,933,444
	13,860,090	20,781,586
Less: Cash and cash equivalents	(1,061,958)	(4,726,288)
Net debts	12,798,132	16,055,298
Total equity	74,311,382	74,506,806
Gearing ratio (times)	0.17	0.22

There was no change in the Company's approach to capital management during the financial year.

31. Significant Event

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed several levels of Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown, social distancing and other precautionary measures imposed in various countries.

The Company's operations have been disrupted by a series of precautionary and control measures taken by the government in response to the emergency of the pandemic. The Company has taken into account the impact of the pandemic on its results in the financial statements for the current financial year ended 31 July 2021.

As at the date of the financial statements are authorised for issuance, the Covid-19 situation is still evolving and unpredictable. As a result, it is not practicable for the Company to estimate the financial effect on its financial positions, results of operations or cash flows in the next financial year to be disclosed in the financial statements as impact assessment of the Covid-19 pandemic is a continuing process.

The Company will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Company will also be taking appropriate and timely measures to minimise the potential impact of the outbreak on the Company's operation.

32. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 November 2021.

The following is a summary of the salient terms of the SSA:-

Parties involved	(i) **Vendor** - SYF Resources Berhad (ii) **Purchaser** - Mieco Chipboard Berhad
Purchase consideration and mode of settlement	(i) The total purchase consideration for 20,000,000 ordinary shares representing the entire equity interest in SYFSB is RM50,000,000.00 which shall be satisfied entirely by cash ("**Transaction**"). (ii) The Purchase Consideration which is arrived at on a willing-buyer willing-seller basis between the Purchaser and the Vendor shall be settled in full on or before 30 Business Days from Unconditional Date (as defined below) or if such a day is not a Business Day, the next succeeding Business Day ("**Completion Date**"). ***Note:-*** *"**Business Day"** means a day except Saturday, Sunday and public holidays in Kuala Lumpur or Selangor (whether or not scheduled or gazetted), on which commercial banks are open for business.* (iii) If the Purchase Consideration is not paid in full on or before the Completion Date, the Vendor shall automatically grant to the Purchaser an extension of 30 days from the Completion Date to complete the Transaction ("**Extended Completion Date**") provided that the Purchaser shall pay to the Vendor an interest at the rate of 8% per annum, calculated on a daily basis, on the amount of the outstanding Purchase Consideration commencing from the date next following the Completion Date until full payment of the Purchase Consideration.
Conditions precedent	(i) The purchase of the Sale Shares is conditional upon: (a) the procurement by the Purchaser of its shareholders' approval in a general meeting for the acquisition of the Sale Shares; (b) the procurement by the Purchaser of its shareholders' approval in a general meeting for the private placement of such numbers of new ordinary shares in the Purchaser, representing up to 20% of the existing total number of issued shares of the Purchaser, to third party investor(s) who shall be identified at a later time at an issue price to be determined later; (c) the conduct and completion of a legal due diligence by the Purchaser's solicitors on the SYFSB, its business, operations and affairs, with the results of the legal due diligence to the satisfaction of the Purchaser; (d) the procurement by the Vendor of its shareholders' approval in a general meeting for the disposal of the Sale Shares; and (e) the procurement by the Vendor of the approval of the Ministry of International Trade and Industry of Malaysia ("**MITI**") for the disposal of the Sale Shares pursuant to the manufacturing licence(s) issued by MITI; and (f) the procurement by the Vendor of the written consents and approvals from SYFSB's and/or the Vendor's financiers for the sale of the Sale Shares to the Purchaser. (collectively, the "**Conditions Precedent**")

<table>
<tr><td>Conditions precedent</td><td>
(ii) The SSA shall become unconditional on the date on which the last of the Conditions Precedent shall have been duly obtained, fulfilled, varied or waived in accordance with the SSA ("Unconditional Date").
(iii) In the event that:-
(a) any of the Conditions Precedent shall not have been obtained, fulfilled, varied or waived; and/or
(b) any of the Conditions Precedent shall have been granted subject to terms and conditions which are not acceptable to the Purchaser being terms and conditions which affect the Purchaser, and further representations to the persons to vary such terms and conditions have not been successful, and the Purchaser is not willing to accept such terms and conditions then imposed by the relevant authorities or persons;
within the Conditional Period, or such other date as may be mutually agreed upon by the parties in writing, then the SSA shall terminate and be null and void and of no further effect whatsoever and none of the parties shall have any claims against the other for costs, damages, compensation or otherwise, except in respect of any antecedent breach of the terms of the SSA.
Note:-
"Conditional Period" means a period commencing from the date of the SSA and expiring 3 months after the date of the SSA with an automatic extension of 1 month from the last day of the said 3 months or such other further extended period as may be mutually agreed by the parties.
</td></tr>
<tr><td>Events on Completion</td><td>
(i) Completion shall take place at the registered office of the SYFSB or such venue as may be mutually agreed upon by the parties on the Completion Date or the Extended Completion Date, as the case may be, whereupon the Vendor shall deliver to the Purchaser the following:-
(a) the duly completed and signed instruments of transfer in favour of the Purchaser in respect of the Sale Shares, together with the relative original share certificates;
(b) all the statutory and other books (duly written up to date) of SYFSB and its certificate of incorporation or registration and certificates of incorporation on change of name and common seal (if any); and
(c) any and all documents which are necessary for the transfer of the ownership of the Sale Shares to the Purchaser,
(collectively "the Documents").
(ii) On the Completion Date or the Extended Completion Date, as the case may be, the Purchaser shall pay the Purchase Consideration in full to the Vendor.
(iii) The Purchaser shall within 30 days after the Completion Date or Extended Completion Date, as the case may be, furnish evidence to the Vendor that the corporate guarantees extended by the Vendor to the banks of SYFSB (for purposes of SYFSB obtaining financing) have been terminated or withdrawn from the banks.
(iv) If the Documents are not delivered by the Vendor, the Purchaser shall upon serving a written notice to the Vendor, be entitled (in addition to and without prejudice to all other rights or remedies available to it) to:-
(a) rescind the SSA; or
(b) to seek redress to enforce performance on the part of the Vendor, with all costs incurred shall be borne by the Vendor.
</td></tr>
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<table>
<tr><td>Breach/Termination</td><td>
(i) In the event that any party shall:-

(a) neglect or by willful default fail or refuse or be unable to complete this transaction in accordance with the provisions in the SSA; or

(b) materially breach any of the provisions of the SSA;

the party not in breach of the SSA ("the Non Defaulting Party") shall be entitled at its absolute discretion to elect either to:-

(i) give termination notice to the party in default and if the party in default fails to remedy the breach(es) within 14 Business Days of receipt of the termination notice, the Non Defaulting Party may without further reference to the party in default terminate the SSA, in which event the provisions as prescribed in paragraphs (ii), (iii) and (iv) herein shall apply and thereafter the SSA shall be null and void and the parties shall have no further claims against each other save and except for any antecedent breaches; or alternatively;

(ii) complete the SSA, without any prejudice to that party's right or rights to claim against the party in default any damages, losses, costs, expenses or outgoings whatsoever arising from or in connection with the events of paragraphs (i)(a) and/or (i)(b) herein.

(ii) In the event that the SSA is terminated in accordance with paragraph (i)(a) herein, the party in default shall, within 14 Business Days from the date after the expiration of the termination notice, pay to the Non Defaulting Party all the professional fees, disbursements and expenses incurred and paid or payable by the Non Defaulting Party in relation to or in connection with the SSA as evidenced by invoices and receipts. In the event that the party in default fails to pay any of the aforesaid monies within the said 14 Business Day period, then the party in default shall be further liable to pay interest on any amount remaining unpaid at the end of the said 14 Business Day period at the rate of 8% per annum, calculating on a daily basis, from the end of the said 14 Business Day period until the date of actual payment of the outstanding amount.

(iii) Simultaneously with the events stipulated in paragraph (i)(i) herein, each party shall return all documents and things (whether in hard copies or electronic copies kept in DVD-ROMS, hard disk or any form) forwarded by the other party in relation to the SSA, save and except where the Purchaser requires the same for application for refund of any stamp duty paid pursuant hereto, in which case the documents and things shall be returned as soon as reasonably possible.

(iv) The party in default shall pay the sum of RM1,000,000.00 only to the Non Defaulting Party as agreed liquidated damages.
</td></tr>
<tr><td>Governing Law</td><td>Laws of Malaysia.</td></tr>
</table>

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

The information on the Vendor and SYFSB were extracted from publicly available documents and/ or information obtained from the Vendor and the responsibility of the Board is limited to ensuring that the information thereon are accurately reproduced in this Circular.

2. CONSENT

UOBKH, being the Principal Adviser for the Proposals and the Placement Agent for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

SCA, being the Independent Adviser to MIECO in relation to the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Principal Adviser for the Proposals and the Placement Agent for the Proposed Private Placement.

SCA has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Adviser for the Proposals.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Board confirms that there are no material commitments incurred or known to be incurred by MIECO Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of MIECO Group.

5. MATERIAL COMMITMENT

Save as disclosed below, as at the LPD, the Board confirms that there are no material commitments incurred or known to be incurred by the Group that has not been provided for which, may have a material impact on the financial results/ position of the Group:-

Capital commitments	RM'000
Approved and contracted for:	
Purchase of property, plant and equipment	4,284
Total	**4,284**

6. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board confirms that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group:-

	RM'000
Bank guarantees issued in favour of government authorities, utility boards and suppliers	6,206
Total	**6,206**

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of MIECO at No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor Darul Ehsan during normal business hours (i.e. between 9.00 a.m. and 5.00 p.m.) from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM:-

i. Constitution of MIECO and SYFSB;

ii. Audited consolidated financial statements of MIECO Group for the past 2 financial years up to the FYE 31 December 2020 and the latest unaudited quarterly report of MIECO Group for the 6-month FPE 30 June 2021;

iii. Audited financial statements of SYFSB for the past 2 financial years up to the FYE 31 July 2021;

iv. SSA dated 6 October 2021 and the addendum to the SSA dated 26 November 2021 in respect of the Proposed Acquisition; and

v. letters of consent and declaration of conflict of interests referred to in **Sections 2 and 3** above respectively.

MIECO CHIPBOARD BERHAD
Registration No. 197201001235 (12849-K)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting ("**EGM**") of Mieco Chipboard Berhad ("**MIECO"** or the "**Company**") will be conducted entirely through live streaming from the broadcast venue at Board Room, No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor on Tuesday, 14 December 2021, at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 167,999,993 NEW ORDINARY SHARES IN MIECO, REPRESENTING APPROXIMATELY 20% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF MIECO, TO INDEPENDENT THIRD PARTY INVESTOR(S), WHO QUALIFY UNDER SCHEDULES 6 AND 7 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007, TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED PRIVATE PLACEMENT")

"**THAT** subject to the passing of Ordinary Resolution 2 and subject to all approvals being obtained from the relevant authorities and/or parties, approval be and is hereby given to the Board of Directors of MIECO ("**Board**") to issue and allot up to 167,999,993 new ordinary shares in the Company ("**MIECO Shares**" or "**Shares**") representing up to 20% of the total number of issued shares of MIECO (excluding treasury shares) ("**Placement Shares**") to third party investor(s) to be identified later at an issue price to be determined later by the Board ("**Price Fixing Date**") upon such terms and conditions as disclosed in the circular to the shareholders of the Company dated 29 November 2021 ("**Circular**").

THAT the issue price of the Placement Shares will be determined based on a discount of not more than 10% to the 5-day volume-weighted average market price of the Shares up to and including the last trading day immediately preceding the Price-Fixing Date.

THAT the Directors be and are hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities and in the best interest of the Company.

THAT such Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing MIECO Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

THAT the Directors be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary in the best interest of the Company and to take such steps as they may deem appropriate, necessary and/or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement.

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein and shall continue in full force and effect until all Placement Shares to be issued pursuant to or in connection with the Proposed Private Placement have been duly allotted and issued in accordance with the terms of the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN SENG YIP FURNITURE SDN BHD ("SYFSB"), A WHOLLY-OWNED SUBSIDIARY OF SYF RESOURCES BERHAD ("SYF"), FOR A PURCHASE CONSIDERATION OF RM50,000,000 TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED ACQUISITION")

"**THAT** subject to the passing of Ordinary Resolution 1, and subject to all approvals being obtained from the relevant authorities and/or parties, approval be and is hereby given to MIECO to acquire SYFSB for a purchase consideration of RM50,000,000 to be satisfied entirely via cash and upon the terms and conditions contained in the conditional share sale agreement dated 6 October 2021 ("**SSA**") entered into between MIECO and SYF (including any amendment and/ or extension thereof as mutually agreed).

AND THAT the Board be and is hereby authorised and empowered to give full effect to the Proposed Acquisition with full power to deal with all matters incidental, ancillary to and/ or relating thereto and take all such steps and to execute and deliver and/ or caused to be executed and delivered all the necessary documents, including the SSA and all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, extensions, assignments, confirmations, declarations and/ or guarantees to or with any party or parties, and to do all acts, deeds and things as they may consider necessary or expedient or in the best interest of the Company with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition."

By Order of the Board

NG GEOK LIAN (LS 0007155)
SSM Practicing Certificate No. 201908002080

Company Secretary
Selangor
29 November 2021

Notes:-

(1) *The EGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities ("**RPV**") which are available on website at www.metramanagement.com.my. Please follow the procedures provided in the Administrative Details of EGM in order to register, participate and vote remotely via the RPV.*

(2) *The Broadcast Venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be at the main venue of the meeting. No shareholders/ proxies from the public should be physically present at the Broadcast Venue on the day of the EGM.*

(3) *Members may submit questions to the Board of Directors prior to the EGM to elaine@mieco.com.my no later than 10:00 a.m. on Wednesday, 8 December 2021 or to use the Question and Answer platform to transmit questions to Board of Directors via RPV during live streaming.*

(4) *Since the EGM will be conducted via a virtual meeting, a member entitled to attend and vote at the meeting may appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.*

(5) *A proxy may but need not be a member of the Company and a member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.*

(6) *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(7) *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*

(8) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.*

(9) *The instrument appointing a proxy must be deposited at the Company's Share Registrar, Metra Management Sdn Bhd at 35th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur ("**Share Registrar Office**") not less than 48 hours before the time for holding the EGM or at any adjournment thereof, either by hand or post to the Share Registrar Office or email to corporate@mweh.com.my. In the case where the instrument appointing a proxy is delivered by email, the original instrument appointing a proxy shall also be deposited at the Share Registrar Office, either by hand or post not less than 48 hours before the time for holding the EGM or at any adjournment thereof.*

(10) *For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors ("**ROD**") as at 6 December 2021 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/ her behalf.*

(11) *Pursuant to Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in the Notice of EGM will be put to vote on a poll.*

***Personal Data Privacy** By lodging of a completed Proxy Form to the Company and the Share Registrar (as the case maybe) for appointing a proxy(ies) and/or representative(s) to attend and/or in person at the EGM and any adjournment therefore, a shareholder of the Company and the Share Registrar is hereby: i. consenting to the collection, use and disclosure of the member's personal data by the Company and to Share Registrar (as the case maybe) for the purpose of the processing and administration by the Company and the Share Registrar (as the case maybe) of proxy(ies) and representative(s) appointed for the EGM (including any adjournment thereof), and in order for the Company and the Share Registrar (as the case maybe) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively the "**Purpose**"). ii. warranting that where the member discloses the personal data of shareholder's proxy(ies) and/or representative(s) to the Company and the Share Registrar (as the case maybe), the shareholder has obtained to prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company and the Share Registrar (as the case maybe) of the personal data of such proxy(ies) and/or representative(s) for the purpose ("**Warranty**"); and iii. agreeing that the member will indemnify the Company and the Share Registrar (as the case maybe) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of Warranty.*

For the purpose of the paragraph, "personal data" shall have the same meaning given in section 4 of Personal Data Protection Act 2010.

MIECO

MIECO CHIPBOARD BERHAD
Registration No. 197201001235 (12849-K)

FORM OF PROXY

CDS Account No.																
			-				-									

I/ We ____ Tel No. ________________________
(FULL NAME IN BLOCK CAPITAL)

NRIC No./ Company No. __________________________________of _______________________________
(ADDRESS)

____ being a Member

of **MIECO CHIPBOARD BERHAD**, hereby appoint ____
(FULL NAME IN BLOCK CAPITALS)

NRIC No. ____________________________ of ____
(ADDRESS)

________________________________Tel No.___________________ Email address ________________

or failing him ____ NRIC No. ________________________
(FULL NAME IN BLOCK CAPITAL)

of____
(ADDRESS)

Tel No. __________________ Email address ____or failing him,

the **CHAIRMAN OF THE MEETING**, as my/our proxy to vote on my/our behalf at the Extraordinary General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Board Room, No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor on Tuesday, 14 December 2021 at 10:00 a.m. or any adjournment thereof.

Item	Agenda	Resolution	FOR	AGAINST
1.	Proposed Private Placement	Ordinary Resolution 1		
2.	Proposed Acquisition	Ordinary Resolution 2		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this _____ day of ________, 2021.

For appointment of two (2) proxies, percentage of shareholdings to be represented by two (2) proxies		
	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		100

Number of Shares Held

____

Signature of Member

Notes:-

(1) *The EGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities ("**RPV**") which are available on website at www.metramanagement.com.my. Please follow the procedures provided in the Administrative Details of EGM in order to register, participate and vote remotely via the RPV.*

(2) *The Broadcast Venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be at the main venue of the meeting. No shareholders/ proxies from the public should be physically present at the Broadcast Venue on the day of the EGM.*

(3) *Members may submit questions to the Board of Directors prior to the EGM to elaine@mieco.com.my no later than 10:00 a.m. on Wednesday, 8 December 2021 or to use the Question and Answer platform to transmit questions to Board of Directors via RPV during live streaming.*

(4) *Since the EGM will be conducted via a virtual meeting, a member entitled to attend and vote at the meeting may appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.*

(5) *A proxy may but need not be a member of the Company and a member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.*

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AFFIX
STAMP

The Share Registrar
Metra Management Sdn Bhd
35th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

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