

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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TECHBOND®

YOUR TECHNICAL BONDING PARTNER

TECHBOND GROUP BERHAD

(Registration No. 201601019667 (1190604-M))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ACQUISITION BY TECHBOND GROUP BERHAD OF UP TO 100.00% EQUITY INTEREST IN MALAYAN ADHESIVES AND CHEMICALS SDN BHD FOR A TOTAL CASH CONSIDERATION OF UP TO APPROXIMATELY RM57.25 MILLION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

kenanga

Kenanga Investment Bank Berhad

Registration No.: 197301002193 (15678-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of the Company (“**EGM**”) will be held at Danau 3, Level 1, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 22 February 2023 at 2.00 p.m. or at any adjournment thereof. The Notice of EGM together with the Form of Proxy are enclosed in this Circular. Please refer to the Administrative Guide for the EGM on the conduct of the EGM.

If you are unable to attend and vote in person at the EGM, you may appoint one or more proxies to attend, participate, vote and speak on your behalf. If you wish to do so, please complete, sign and return the **original** Form of Proxy enclosed in this Circular as soon as possible so as to arrive at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively at Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via TIIH Online at <https://tiih.online> on or before the date and time indicated below. The lodging of the Form of Proxy will not preclude you from participating and voting at the EGM should you subsequently decide to do so.

Last day, date and time for lodging the Form of Proxy for : Monday, 20 February 2023 at 2.00 p.m.
the EGM

Day, date and time of the EGM : Wednesday, 22 February 2023 at 2.00 p.m.

This Circular is dated 7 February 2023

DEFINITIONS

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

Act	: Companies Act 2016
Board	: Board of Directors of TGB
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
CA 1965	: Companies Act 1965
Circular	: This circular to our shareholders in relation to the Proposed Acquisition dated 7 February 2023
CO 1940	: Companies Ordinance 1940
Completion Date	: Completion date of the SSA, being a date on or before the 7th business day from the day the last condition precedent to the SSA is fulfilled or is deemed to be fulfilled or is waived in accordance with the provisions of the SSA (or such other date as CQ and TGB may agree in writing)
CQ	: Chemquest Sdn Bhd (Registration No.: 199201020022 (251526-W))
Director(s)	: A natural person who holds a directorship in TGB and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
EGM	: Extraordinary general meeting
EPS	: Earnings per share
EV	: Enterprise value
EV/EBITDA	: EV to EBITDA multiple
FPE	: Financial period ended
FYE	: Financial year ended
Kenanga IB	: Kenanga Investment Bank Berhad (Registration No.: 197301002193 (15678-H))
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 31 January 2023, being the latest practicable date prior to the printing of this Circular
MAC	: Malayan Adhesives And Chemicals Sdn Bhd (Registration No.: 196501000548 (6336-X))
MAC Share(s)	: Ordinary share(s) in MAC

DEFINITIONS (*cont'd*)

Minority Shareholders	:	The remaining shareholders of MAC set out in the Register of Members of MAC which as at the LPD are Melina Binti Mahmood, Amanah Raya Berhad (the administrator for the estate of Mohamed Yakin Bin Long) and Datuk Musa @ Ayob Bin Saad
NA	:	Net assets
PAT	:	Profit after taxation
PER	:	Price-to-earnings multiples
Proposed Acquisition	:	Proposed acquisition by TGB of up to 14,000,000 MAC Shares, representing up to 100.00% equity interest in MAC, for the Total Purchase Consideration
Proposed Acquisition from CQ	:	Proposed acquisition by TGB of 13,939,334 MAC Shares from CQ, representing approximately 99.57% equity interest in MAC, for the Purchase Consideration to CQ
Proposed Acquisition from Minority	:	Proposed acquisition by TGB of up to 60,666 MAC Shares from the Minority Shareholders, representing approximately up to 0.43% equity interest in MAC, for a total cash consideration of up to RM0.25 million (equivalent to RM4.089 per MAC Share)
Purchase Consideration to CQ	:	The cash consideration of RM57.00 million for the Proposed Acquisition from CQ
RM and sen	:	Ringgit Malaysia and sen respectively
Sonicbond	:	Sonicbond Sdn Bhd (Registration No.: 201601021578 (1192517-T))
SSA	:	Conditional share sale agreement dated 27 December 2022 between TGB and CQ for the Proposed Acquisition from CQ
TGB or Company	:	Techbond Group Berhad (Registration No.: 201601019667 (1190604-M))
TGB Group or Group	:	Collectively, TGB and its subsidiaries
TGB Share(s)	:	Ordinary share(s) in TGB
Total Purchase Consideration	:	The total cash consideration of up to approximately RM57.25 million for the Proposed Acquisition

References to “we”, “us”, “our” and “ourselves” in this Circular, if any, shall mean our Company or where the context requires, our Group.

References to “you” or “your” in this Circular, shall mean the shareholders of our Company, unless the context otherwise requires.

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

DEFINITIONS *(cont'd)*

Any reference in this Circular to any statute, rules, regulations, or enactment is a reference to such statute, rules, regulations, or enactment currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time of day and date, unless otherwise specified.

Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performances or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statement in this Circular should not be regarded as representation or warranty that our Group's plans and objectives will be achieved.

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TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	1
CIRCULAR TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION	
1. INTRODUCTION	4
2. DETAILS OF THE PROPOSED ACQUISITION	5
3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION	12
4. INDUSTRY OVERVIEW AND PROSPECTS	12
5. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION	16
6. EFFECTS OF PROPOSED ACQUISITION	17
7. HIGHEST PERCENTAGE RATIO APPLICABLE	19
8. APPROVALS REQUIRED	19
9. CONDITIONALITY AND OUTSTANDING CORPORATE EXERCISES WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED	20
10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM	20
11. DIRECTORS' STATEMENT AND RECOMMENDATION	20
12. ESTIMATED TIMEFRAME FOR COMPLETION	20
13. EGM	21
14. FURTHER INFORMATION	21
APPENDICES	
I SALIENT TERMS OF THE SSA AND LETTERS OF OFFER	22
II INFORMATION ON MAC	26
III AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021	32
IV FURTHER INFORMATION	77
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED ACQUISITION. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR IN ITS ENTIRETY WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM.

<u>Key information</u>	<u>Description</u>	<u>Reference in Circular</u>
Introduction and details of the Proposed Acquisition	<p>Our Company proposes to acquire up to 14,000,000 MAC Shares, representing up to 100.00% equity interest in MAC, for the Total Purchase Consideration.</p> <p>On 27 December 2022, our Company entered into the SSA with CQ for the proposed acquisition of approximately 99.57% equity interest in MAC.</p> <p>On 31 January 2023, our Company had issued letters of offer to Melina Binti Mahmood and Datuk Musa @ Ayob Bin Saad to acquire all the 46,666 MAC Shares (representing approximately 0.33% equity interest in MAC) held by them.</p> <p>Our Company intends to make an offer to acquire all the remaining 14,000 MAC Shares (representing 0.10% equity interest in MAC) which are presently held by Amanah Raya Berhad (the administrator for the estate of Mohamed Yakin Bin Long) at approximately RM4.089 per MAC Share.</p> <p>As at the LPD, we have yet to receive any acceptances of the offers made to Melina Binti Mahmood and Datuk Musa @ Ayob Bin Saad.</p>	Sections 1 and 2.1
Basis and justification for the Total Purchase Consideration	<p>The Purchase Consideration to CQ was arrived at on a 'willing-buyer willing-seller' basis after taking into consideration the audited PAT of MAC for the FYE 31 December 2021 of approximately RM3.70 million. For information purpose, the unaudited PAT of MAC for the 12-month FPE 31 July 2022 is approximately RM3.86 million.</p> <p>The Total Purchase Consideration represents:</p> <ul style="list-style-type: none">(i) a PER of approximately 15.46 times based on MAC's audited PAT for the FYE 31 December 2021 of approximately RM3.70 million;(ii) a PER of approximately 14.83 times based on MAC's unaudited PAT for the 12-month FPE 31 July 2022 of approximately RM3.86 million;(iii) an EV/EBITDA of approximately 7.61 times based on MAC's EBITDA for the FYE 31 December 2021 of approximately RM6.62 million; and(iv) an EV/EBITDA of approximately 7.01 times based on MAC's EBITDA for the 12-month FPE 31 July 2022 of approximately RM7.19 million.	Section 2.3

EXECUTIVE SUMMARY (cont'd)

<u>Key information</u>	<u>Description</u>	<u>Reference in Circular</u>
	<p>Our Board has also taken into consideration:</p> <ul style="list-style-type: none">(i) the implied PERs and EV/EBITDAs of selected comparable transactions which involve acquisitions by companies listed on Bursa Securities; and(ii) the PERs and EV/EBITDAs of selected comparable companies of MAC which are listed on the Main Market of Bursa Securities. <p>Based on the above and after taking into consideration, among others, the following, our Board is of the view that the Total Purchase Consideration is justifiable:</p> <ul style="list-style-type: none">(i) the historical financial performance of MAC;(ii) rationale and benefits of the Proposed Acquisition; and(iii) prospects of the enlarged TGB Group upon completion of the Proposed Acquisition.	
Rationale and benefits of the Proposed Acquisition	<p>The Proposed Acquisition is expected to provide additional revenue stream for the enlarged TGB Group, where our Group would be able to leverage on MAC's existing business to broaden its range of products and capitalise on MAC's existing distribution networks and customer base in the manufacturing industry to cross sell its existing adhesive products.</p> <p>The Proposed Acquisition is also envisaged to enable our Group and MAC to realise further synergies through collaborations, leveraging on each other's resources and expertise to co-develop new adhesive products which may be further offered to existing customers or marketed to new customers.</p>	Section 3
Risk factors in relation to the Proposed Acquisition	<p>Our Board does not foresee any material change to the risk profile of the enlarged TGB Group as a result of the Proposed Acquisition as both our Group and MAC are principally involved in the adhesives manufacturing business. However, the additional risks pursuant to the Proposed Acquisition, which are by no means exhaustive, are set out below:</p> <ul style="list-style-type: none">(i) the completion of the Proposed Acquisition is conditional upon the fulfilment and/or waiver (as case may be) of the conditions precedent and/or subject to occurrence of any of the termination events;(ii) the Minority Shareholders may not accept our offers to acquire the remaining 0.43% equity interest in MAC;(iii) the performance of the enlarged TGB Group will be subject to risks inherent in the manufacturing industry;	Section 5

EXECUTIVE SUMMARY (cont'd)

Key information	Description	Reference in Circular
	<p>(iv) there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that the enlarged TGB Group will be able to generate sufficient revenue or earnings to offset the associated costs arising from the Proposed Acquisition;</p> <p>(v) the performance of MAC following completion of the Proposed Acquisition will depend on the abilities, skills, experience and competency of the management and key personnel of MAC, for example the research and development personnel; and</p> <p>(vi) MAC is exposed to uncertainties caused by adverse changes in political, economic and regulatory conditions in Malaysia or overseas, directly or indirectly, which may materially and adversely affect the prospects of MAC.</p>	
Approvals required and conditionality	<p>The Proposed Acquisition is subject to the following approvals being obtained:</p> <p>(i) the shareholders of our Company at the EGM to be convened; and</p> <p>(ii) any other relevant authority and/or party, if required.</p> <p>The Proposed Acquisition from CQ is not conditional upon the completion of the Proposed Acquisition from Minority. However, the Proposed Acquisition from Minority is conditional upon the completion of the Proposed Acquisition from CQ.</p> <p>The Proposed Acquisition is not conditional upon any other corporate exercises undertaken or to be undertaken by our Company.</p>	Sections 8 and 9
Directors' statement and recommendation	<p>Our Board, after taking into consideration all aspects of the Proposed Acquisition, including but not limited to the salient terms of the SSA, basis and justifications for the Total Purchase Consideration, rationale and benefits of the Proposed Acquisition, prospects of the enlarged TGB Group, risk factors and financial effects, is of the opinion that the Proposed Acquisition is in the best interest of our Group.</p> <p>Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM to be convened.</p>	Section 11

TECHBOND®

YOUR TECHNICAL BONDING PARTNER

TECHBOND GROUP BERHAD

(Registration No. 201601019667 (1190604-M))
(Incorporated in Malaysia)

Registered office:

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

7 February 2023

Board of Directors

Dato' Hamzah Bin Mohd Salleh (*Independent Non-Executive Chairman*)

Lee Seng Thye (*Managing Director*)

Lee Seh Meng (*Deputy Managing Director*)

Tan Siew Geak (*Executive Director*)

Ooi Guan Hoe (*Independent Non-Executive Director*)

Selma Enolil Binti Mustapha Khalil (*Independent Non-Executive Director*)

Lee Yuen Shiuan (*Alternate Director to Tan Siew Geak*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 27 December 2022, Kenanga IB, on behalf of our Board, announced that our Company proposes to undertake the Proposed Acquisition.

On even date, our Company entered into the SSA with CQ for the proposed acquisition of 13,939,334 MAC Shares, representing approximately 99.57% equity interest in MAC, for a cash consideration of RM57.00 million (approximately RM4.089 per MAC Share).

Please refer to **Section 1 of Appendix I** for the salient terms of the SSA.

On 31 January 2023, our Company had issued letters of offer to:

- (i) Melina Binti Mahmood for the proposed acquisition of all the 46,665 MAC Shares held by her, representing approximately 0.33% equity interest in MAC, for a cash consideration of approximately RM0.19 million (approximately RM4.089 per MAC Share); and
- (ii) Datuk Musa @ Ayob Bin Saad for the acquisition of the 1 MAC Share held by him for a cash consideration of RM4.09 (approximately RM4.089 per MAC Share).

Please refer to **Sections 2 and 3 of Appendix I** for the salient terms of the respective letters of offer.

Our Company intends to make an offer to acquire all the remaining 14,000 MAC Shares (representing 0.10% equity interest in MAC) which are presently held by Amanah Raya Berhad (the administrator for the estate of Mohamed Yakin Bin Long) at approximately RM4.089 per MAC Share.

As at the LPD, we have yet to receive any acceptances of the offers made to Melina Binti Mahmood and Datuk Musa @ Ayob Bin Saad.

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

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSED ACQUISITION AND TO SET OUT THE VIEWS AND RECOMMENDATION OF OUR BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION WHICH WILL BE TABLED AT THE FORTHCOMING EGM OF OUR COMPANY. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Proposed Acquisition

The Proposed Acquisition entails the acquisition by our Company of up to 14,000,000 MAC Shares, representing up to 100.00% equity interest in MAC, for a total cash consideration of up to approximately RM57.25 million. The Proposed Acquisition comprises:

- (i) the proposed acquisition of 13,939,334 MAC Shares, representing approximately 99.57% equity interest in MAC, for a cash consideration of RM57.00 million (approximately RM4.089 per MAC Share); and
- (ii) offers to acquire the remaining 0.43% equity interest in MAC which are held by the Minority Shareholders at approximately RM4.089 per MAC Share.

Subject to the terms and conditions of the SSA in respect of the Proposed Acquisition from CQ, CQ shall sell and our Company shall purchase all the MAC Shares held by CQ free from any encumbrances and together with all rights and benefits that attach (or may in the future attach) to them on or after the Completion Date.

Subject to the terms and conditions of the respective letters of offer made or to be made to the Minority Shareholders, the Minority Shareholders shall sell and our Company shall purchase all the MAC Shares held by them free from any encumbrances. The completion date of the Proposed Acquisition from Minority shall be on a date to be advised by our Company as soon as practicable after the completion of the Proposed Acquisition from CQ.

For information purpose, there will be a cash dividend to be declared by MAC of not more than RM5.00 million and paid to MAC's shareholders prior to the Completion Date ("**Dividend**").

Upon completion of the Proposed Acquisition from CQ, MAC will become a subsidiary of our Company.

2.2 Information on MAC

MAC was incorporated in Malaysia on 20 December 1965 as Malayan Adhesives And Chemicals Limited under the CO 1940 and is deemed to have changed name to its present name following the coming into force of the CA 1965. MAC is deemed registered under the Act.

MAC is principally involved in the manufacturing and marketing of adhesives, resins, additives, formaldehyde and phenoset microspheres.

As at the LPD, the registered shareholders of MAC and their respective shareholdings are as follows:

Name	Country of incorporation / Nationality	No. of MAC Shares	%
CQ	Malaysia	13,939,334	99.57
Melina Binti Mahmood	Malaysian	46,665	0.33
Amanah Raya Berhad (The administrator for the estate of Mohamed Yakin Bin Long)	Malaysia	14,000	0.10
Datuk Musa @ Ayob Bin Saad	Malaysian	1	(1)-
Total		14,000,000	100.00

Note:

(1) Negligible.

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2.3 Basis and justification for the Total Purchase Consideration

The Purchase Consideration to CQ was arrived at on a 'willing-buyer willing-seller' basis after taking into consideration the audited PAT of MAC for the FYE 31 December 2021 of approximately RM3.70 million. For information purpose, the unaudited PAT of MAC for the 12-month FPE 31 July 2022 is approximately RM3.86 million.

The Total Purchase Consideration was arrived at based on the earnings of MAC. The Dividend was agreed upon at the time of the signing of the SSA and therefore would not result in any adjustment to the Total Purchase Consideration.

The Total Purchase Consideration represents:

- (i) a PER of approximately 15.46 times based on MAC's audited PAT for the FYE 31 December 2021 of approximately RM3.70 million;
- (ii) a PER of approximately 14.83 times based on MAC's unaudited PAT for the 12-month FPE 31 July 2022 of approximately RM3.86 million;
- (iii) an EV/EBITDA of approximately 7.61 times based on MAC's EBITDA for the FYE 31 December 2021 of approximately RM6.62 million; and
- (iv) an EV/EBITDA of approximately 7.01 times based on MAC's EBITDA for the 12-month FPE 31 July 2022 of approximately RM7.19 million.

Our Board has taken into consideration the implied PERs and EV/EBITDAs of selected comparable transactions, which involve acquisitions by companies listed on Bursa Securities since 1 January 2021 up to 14 December 2022, being the latest practicable date prior to the announcement of the Proposed Acquisition on 27 December 2022 as set out below:

Completion date	Acquirer	Target company⁽¹⁾	Principal activities of target company	Implied PER⁽²⁾ (times)	Implied EV/EBITDA⁽³⁾ (times)
18 November 2021	Hextar Global Berhad	Nobel Synthetic Polymer Sdn Bhd (" NSPSB ")	NSPSB is principally involved in the manufacturing of chemical derivatives, coating and related products.	7.77	5.18
		Nobel Scientific Sdn Bhd (" NSSB ")	NSSB is principally involved in the manufacturing of chemical derivatives, coating and related products.		

Completion date	Acquirer	Target company⁽¹⁾	Principal activities of target company	Implied PER ⁽²⁾ (times)	Implied EV/EBITDA ⁽³⁾ (times)
24 August 2021	Luxchem Corporation Berhad	Lexis Chemical Sdn Bhd (“ LCSB ”)	LCSB is principally involved in the manufacturing of industrial chemical products such as former cleaning agents, powder free coagulants and polymer coatings.	20.94	15.43
		Lexis Specialties Sdn Bhd (“ LSSB ”)	LSSB is principally involved in the wholesale of industrial chemicals such as defoamers, dewebbers, metallic and organic pigments, paraffin and crystalline waxes, anionic nitrile latex stabiliser and functional fillers.		
		Lexis Corporation Sdn Bhd (“ LCSB ”)	LCSB is a dormant company. The intended principal activity of LCSB is investment holding.		
23 July 2021	Hextar Global Berhad	Alpha Aim (M) Sdn Bhd (“ AASB ”)	AASB is principally involved in the manufacturing of industrial chemicals detergent and related products.	9.70	5.09
		Chempro Technology (M) Sdn Bhd (“ CTSB ”)	CTSB is principally involved in the trading and distribution of institutional and industrial chemicals.		
Minimum				7.77	5.09
Maximum				20.94	15.43
Average				12.80	8.57

(Source: Relevant announcements and circulars to shareholders issued by the respective companies)

Notes:

- (1) The target companies were incorporated in Malaysia and are principally involved in the manufacturing of industrial chemical products, which are broadly comparable to MAC.
- (2) Computed based on the purchase consideration divided by the latest audited consolidated PAT as set out in the relevant announcements and circulars to shareholders issued by the respective acquirers.

- (3) Market capitalisation in EV is based on the purchase consideration of the respective comparable transactions, while the other components in EV (non-controlling interests, preference shares and debts, net of any cash and cash equivalents) and EBITDA are based on the relevant announcements and circulars to shareholders issued by the respective acquirers.

Our Board has also taken into consideration the PERs and EV/EBITDAs of selected comparable companies of MAC listed on the Main Market of Bursa Securities (“**Comparable Companies**”) as set out below:

Comparable Companies⁽¹⁾	Principal activities	FYE	Market capitalisation as at the LPD (RM'million)	PER⁽²⁾ (times)	EV/EBITDA⁽³⁾ (times)
TGB	TGB is engaged in investment holding and provision of management services and through its subsidiaries, it is involved in developing, manufacturing and trading of industrial adhesives and sealants and providing supporting products and services.	30 June 2022	211.76	19.15	11.16
Hexza Corporation Berhad	Hexza Corporation Berhad is an investment holding company and through its subsidiaries, manufactures and trades natural vinegar, ethyl alcohol, liquefied carbon dioxide, kaoliang wine, glues, phenolic molding compounds, formaldehyde, alcoholic and non-alcoholic beverages, and synthetic resins.	30 June 2022	158.30	26.86	10.28
Ancom Nylex Berhad	Ancom Nylex Berhad manufactures and sells chemical products. The company offers agricultural and industrial chemicals, as well as offers sanitizing, logistic, digital and out-of-home advertising, and information technology services. Ancom Nylex Berhad serves customers in Malaysia.	31 May 2022	900.23	16.00	11.03
Analabs Resources Berhad	Analabs Resources Berhad is an investment holding company. Through its subsidiaries, the company provides industrial consultancy and analytical chemists services. Analabs Resources Berhad also has operation in leasing property, trading industrial chemicals, sale of recycled products, and recycles industrial waste.	30 April 2022	144.88	5.36	4.79
Minimum				5.36	4.79
Maximum				26.86	11.16
Average				16.84	9.31

(Source: Bloomberg)

Notes:

- (1) We wish to highlight that there are no companies listed on Bursa Securities that are considered to be directly comparable to MAC in terms of, among others, scale and composition of business activities, geographical coverage of business activities, operating history, profit track record, financial strength, risk profile, future prospects and marketability and liquidity of the companies' securities. However, for illustration purposes only and in order to facilitate the evaluation and assessment of the Proposed Acquisition, the Comparable Companies are selected on a best effort basis based on publicly available information which are by no means exhaustive.

The Comparable Companies are selected based on the following criteria:

- (i) principally involved in manufacturing of industrial chemical products, with at least 50% of the total revenue derived from manufacturing of industrial chemical products based on the latest published audited financial statements of the Comparable Companies, which are broadly comparable to MAC; and
 - (ii) recorded a PAT based on the latest audited financial statements.
- (2) Computed based on the market capitalisation as at the LPD divided by the latest published audited consolidated PAT as at the LPD.
- (3) Market capitalisation in EV is based on the closing share price as at the LPD, while the other components in EV (non-controlling interests, preference shares and debts, net of any cash and cash equivalents) and EBITDA are based on the latest published audited financial statements as at the LPD.

Based on the above and after taking into consideration, among others, the following, our Board is of the view that the Total Purchase Consideration is justifiable:

- (i) the historical financial performance of MAC as set out in **Section 10 of Appendix II**;
- (ii) rationale and benefits of the Proposed Acquisition as set out in **Section 3** of this Circular; and
- (iii) prospects of the enlarged TGB Group upon completion of the Proposed Acquisition set out in **Section 4.4** of this Circular.

2.4 Mode of settlement

The Total Purchase Consideration shall be satisfied entirely in cash.

In respect of the Purchase Consideration to CQ, a deposit of RM5.70 million has been paid. In the event that the Proposed Acquisition from CQ is not completed by 28 February 2023 (or by such date agreed by our Company and CQ in writing), the deposit of RM5.70 million shall be refunded in full with interest to our Company.

The balance purchase consideration of RM51.30 million will be paid to CQ on the Completion Date based on the SSA.

2.5 Source of funding

The Total Purchase Consideration will be fully funded through a combination of internally generated funds and/or bank borrowings, the proportions of which will be determined at a later date after taking into consideration, among others, the internal cash requirements and gearing levels. Our Group's borrowings after completion of the Proposed Acquisition are expected to be in the region of RM27 million.

2.6 Liabilities to be assumed

Save for the obligations and liabilities of our Company or MAC arising from or in connection with the Proposed Acquisition, there are no other liabilities, including contingent liabilities and/or guarantees to be assumed by our Group arising from the Proposed Acquisition.

2.7 Additional financial commitment

Our Group is not expected to incur any additional material financial commitment to put the business of MAC on-stream following the completion of the Proposed Acquisition in view that MAC is already in operations.

2.8 Information on CQ

CQ was incorporated as a private limited company in Malaysia on 24 October 1992 under the CA 1965. CQ is principally involved in the business of trading in chemical products, investment holding and provision of management services.

As at the LPD, the directors of CQ are Lim Soon Huat and Yap Choi Foong. As at the LPD, none of the directors of CQ has any direct or indirect shareholding in CQ.

As at the LPD, the registered shareholders of CQ and their respective direct and indirect shareholdings in CQ are as follows:

Name	Country of incorporation / Nationality	Shareholdings			
		Direct		Indirect	
		No. of shares	%	No. of shares	%
PPB Group Berhad ("PPB")	Malaysia	33,000,000	55.00	-	-
Kuok Brothers Sdn Bhd	Malaysia	27,000,000	45.00	⁽¹⁾ 33,000,000	55.00

Note:

(1) Deemed interested by virtue of its interest in PPB pursuant to Section 8 of the Act.

2.9 Information on the Minority Shareholders

The details of the Minority Shareholders are as below:

Name	Age	Nationality
Melina Binti Mahmood	48	Malaysian
Mohamed Yakin Bin Long	(Deceased)	Malaysian
Datuk Musa @ Ayob Bin Saad	78	Malaysian

3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the long-term strategy of our Group to expand its products and geographical reach, which in turn is expected to enhance our Group's standing as an adhesives and sealant manufacturer globally.

The Proposed Acquisition is expected to provide additional revenue stream for the enlarged TGB Group, where our Group would be able to leverage on MAC's existing business to broaden its range of products and capitalise on MAC's existing distribution networks and customer base in the manufacturing industry to cross sell its existing adhesive products.

As at the LPD, our Group, through our subsidiaries, is primarily involved in developing, manufacturing and trading of industrial adhesives and sealants and providing supporting products and services. Our Group's products are mainly used for, among others, woodworking, paper and packaging, automotive as well as building and constructions.

On the other hand, MAC is principally involved in the manufacturing and marketing of adhesives, resins, additives, formaldehyde and phenoset microspheres. These products are primarily used in various industries including, plywood industry, particleboard, medium-density fibreboard (MDF), inorganic insulation materials and recycle paper manufacturing.

The Proposed Acquisition is also envisaged to enable our Group and MAC to realise further synergies through collaborations, leveraging on each other's resources and expertise to co-develop new adhesive products which may be further offered to existing customers or marketed to new customers.

Premised on the above and barring any unforeseen circumstances, our Board is of the view that the Proposed Acquisition is expected to contribute positively to the financial performance of our Group.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the global economy

Global growth continued to moderate in the third quarter of 2022. Inflationary pressures remained high amid elevated commodity prices and tight labour markets, despite improvements in global supply chain conditions. Consequently, central banks made further adjustments to monetary policy settings to reduce inflationary pressures. High inflation and energy prices weighed on economic activity. Manufacturing and services activities slowed further, particularly in advanced economies. However, these factors were partly offset by positive COVID-related developments in Asia. China and Chinese Taipei gradually recovered from disruptions due to COVID experienced in the previous quarter. In addition, growth in several ASEAN economies was lifted by base effects from lockdowns imposed in the same period last year.

Amid slower global demand, regional exports recorded modest growth throughout the quarter. The shift in demand from goods to services further weighed on export growth. The moderation in demand was most pronounced in the electrical and electronics sector. Nonetheless, high commodity prices lent support to commodity exports.

Global growth is expected to slow going into 2023. The rebound from the reopening of the economies will wane, and growth would likely be weighed down by tighter global financial conditions and high inflation. Central banks, especially in advanced economies, have quickened the pace of monetary policy adjustments to contain inflation. This has led to significant spill-overs to emerging market economies, through weaker currencies, tighter financial conditions and slower exports. While inflation is expected to ease in 2023, it would likely remain above average amid elevated commodity prices and tight labour markets. The inflationary pressure in Europe may be exacerbated by gas shortages and higher energy prices. This would dampen consumer spending and industrial production. These headwinds are likely to outweigh the lift from easing supply chain conditions and higher growth in China following the relaxation of its city-wide lockdowns.

The balance of risks to global growth remains tilted to the downside. Risks stem from further escalations of geopolitical tensions or more aggressive monetary tightening to manage persistent inflation. In addition, country-specific risks in China and Europe remain. They include risks of severe lockdowns and a deeper property market downturn in China, and energy rationing in Europe. In contrast, upside risks to global growth could arise from earlier-than-expected easing of China's zero-COVID policy and faster-than-expected moderation in inflation, as supply-side pressures ease.

(Source: Bank Negara Malaysia Quarterly Bulletin, Third Quarter 2022)

4.2 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (2Q 2022: 8.9%). Apart from the sizeable base effects from negative growth in the third quarter of 2021, the high growth was underpinned by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

All economic sectors expanded in the third quarter of 2022. The services sector strengthened further by 16.7% (2Q 2022: 12.0%), primarily supported by consumer-related subsectors. Better labour market conditions and the continued recovery in tourism provided strong impetus to retail and leisure-related activities. Policy measures such as the increase in minimum wage further supported domestic spending.

The manufacturing sector grew by 13.2% (2Q 2022: 9.2%). The electrical and electronics cluster continued to record strong growth (17.3%; 2Q 2022: 15.5%), while the primary sector expanded at a faster pace (6.0%; 2Q 2022: 1.3%) due to the resumption of operations at an existing oil refinery that was previously under maintenance. The consumer cluster registered double-digit growth, lifted by the ramp up of production in the motor vehicle and transport equipment segment to meet the high backlog in orders.

Going forward, Malaysia's economic growth will be supported by continued expansion in domestic demand. The economy would benefit from the improvement in labour market conditions, realisation of multi-year projects and higher inbound tourism activity. While external demand is expected to moderate, this will be partly cushioned by Malaysia's diversified export base.

The balance of risks to Malaysia's growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

(Source: Bank Negara Malaysia Quarterly Bulletin, Third Quarter 2022)

4.3 Overview and outlook of the manufacturing industry in Malaysia

The manufacturing sector continued to expand, recording a growth of 7.9% in the first half of 2022, supported by both the export- and domestic-oriented industries. The export-oriented industries, which constitute 68.9% of the manufacturing sector, grew by 7.1%, while the domestic-oriented industries increased by 9.7%. The sector is expected to improve further in the second half with an expansion rate of 4.9%, driven by higher output across all industries, particularly from the electrical and electronics, transport equipment as well as metal-related segments.

Within the export-oriented industries, the electrical and electronics segment is anticipated to be driven by strong demand from the global semiconductor market, especially for chip products. The chemicals segment is projected to increase attributed to higher demand for industrial products especially for digital-related usage following greater adoption of advanced technology. Meanwhile, within the domestic-oriented industries, all segments are expected to grow further, mainly driven by the transport-, food- and metal-related segments. Stronger demand for transport-related segments is backed by the normalisation of industrial and business activities. Food-related segments are expected to benefit from the potentially higher private consumption and improvement in tourism industry. In addition, the rebound in construction sector is projected to result in a better performance for metal-related segment.

The COVID-19 pandemic has implicated trade and the overall economy on an unprecedented scale, which required various urgent measures and policy responses to mitigate the crisis. The onset of the pandemic had halted the operation of non-essential sector businesses, while the essential sectors, including healthcare, telecommunications and media, food and beverages, utilities as well as banking were only allowed to operate at 60% capacity. To revive the adversely affected manufacturing sector, Malaysia progressively reopened its economy. As a result, Malaysia's external demand gradually recovered, particularly among major trading partners, with exports rebounded in the second half of 2020.

The silver lining from the pandemic was advantageous to certain Malaysia's exports, notably the electrical and electronics and rubber products, which benefitted from surging demands. The increase in electrical and electronics exports, particularly semiconductors, automatic data processing equipment as well as telecommunication equipment parts, were largely due to the upward global trend for digitalisation and technology upcycle. This upward trend is subsequent to the measures of new norms, such as work-from-home, online-school and learning as well as a wider adoption to e-hailing services.

Overall, the manufacturing sector is forecast to grow by 3.9% in 2023 supported by expansion in all subsectors.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

Malaysia's manufacturing sales value continued its double-digit growth by registering 11.8% to record RM159.2 billion in November 2022. The continuous double-digit growth in sales value for November 2022 was largely driven by the electrical and electronics products subsector (19.0%) particularly in the manufacture of computer, electronic and optical products industries. The expansion of sales value was also contributed by the petroleum, chemical, rubber and plastic products (15.0%) underpinned by the manufacture of coke and refined petroleum products industries.

(Source: Monthly Manufacturing Statistics, Malaysia, Department of Statistics Malaysia, November 2022)

4.4 Prospects of the enlarged TGB Group

Our Company is engaged in investment holding and provision of management services and through our subsidiaries, our Group is involved in developing, manufacturing and trading of industrial adhesives and sealants and providing supporting products and services. As at the LPD, our Group owns and operates 2 manufacturing plants located in Malaysia and Vietnam, respectively.

Currently, our Group's manufacturing plant in Malaysia is operating at its optimal capacity while our manufacturing plant in Vietnam is progressively increasing its operating capacity in tandem with improving economic activities.

In view of the uncertainties in global economy, which may impact the raw material availability and prices, logistics costs as well as labour shortages, our Board is cautiously optimistic on the long-term outlook of our Group. Our Group will leverage on our proven track record and prudent management approach to weather through these challenges. At the same time, our Group intends to expand and diversify our customer base to enhance its income stream while continuously improving the efficiency of our Group's operations to minimise the impact of rising costs.

Our Group is also actively engaging with potential customers as part of our business expansion plan. With the relaxation of movement control and the resumption of cross-border travelling, our Group is planning to have more physical meetings with the existing and potential customers in order to expand our distribution networks particularly in new markets.

With the Proposed Acquisition, our Group is expected to realise the benefits as set out in **Section 3** of this Circular, which include, among others, providing an opportunity for our Group to expand our product offering and customer base.

Upon completion of the Proposed Acquisition, our Group will review the business and operations of MAC and plans to undertake efforts, which include the following, to grow the business of the enlarged TGB Group:

- (i) leverage on MAC's existing business to broaden its range of products;
- (ii) capitalise on MAC's existing distribution networks and customer base to cross sell its existing adhesive products; and
- (iii) explore the opportunities to co-develop new adhesive products which may be further offered to existing customers or marketed to new customers.

Premised on the profit track record of MAC and the future plans for MAC upon completion as set out above, our Board is of the view that the Proposed Acquisition augurs well with the long-term strategy of our Group and is expected to contribute positively to the future earnings of our Group.

5. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

Our Board does not foresee any material change to the risk profile of the enlarged TGB Group as a result of the Proposed Acquisition as both our Group and MAC are principally involved in the adhesives manufacturing business. However, the additional risks pursuant to the Proposed Acquisition, which are by no means exhaustive, are set out below.

5.1 Non-completion risk

The completion of the Proposed Acquisition is conditional upon the fulfilment and/or waiver (as case may be) of the conditions precedent specified in **Section 1.3 of Appendix I** and/or subject to occurrence of any of the termination events specified in **Section 1.5 of Appendix I**. There can be no assurance that the conditions precedent will be satisfied and/or waived (as the case may be) or any of the termination events may occur.

Nevertheless, our Company shall use our best endeavours to fulfil all the conditions precedent in a timely manner and mitigate the occurrence of any of the termination events which are within our control to ensure the completion of the Proposed Acquisition.

5.2 The Minority Shareholders may not accept our offers to acquire the remaining 0.43% equity interest in MAC

On 31 January 2023, our Company had issued letters of offer to Melina Binti Mahmood and Datuk Musa @ Ayob Bin Saad to acquire approximately 0.33% equity interest in MAC in aggregate, which are held by them. Further, our Company intends to make an offer to acquire the remaining 0.10% equity interest in MAC which are held by Amanah Raya Berhad (the administrator for the estate of Mohamed Yakin Bin Long) as at the LPD. Nonetheless, there is no assurance that the Minority Shareholders will accept the offers to sell the MAC Shares they hold to our Company.

In the event that all or any of the Minority Shareholders do not sell all the MAC Shares they hold to our Company, our Company will not own the entire equity interest in MAC. Nevertheless, our Board is of the view that even if the 0.43% equity interest held by the Minority Shareholders is not sold to our Company, the said shareholdings are not expected to affect the operations and financial performance of MAC.

5.3 Business risk

MAC is involved in the manufacturing and marketing of adhesives, resins, additives, formaldehyde and phenoset microspheres. Therefore, the performance of the enlarged Group will be subject to risks inherent in the manufacturing industry. Such risk includes, among others, the ability to obtain raw materials to facilitate the manufacturing of its existing products and ability to maintain and retain a good working relationship with the existing suppliers and distributors of MAC.

Our Group endeavours to maintain close relationships with the existing suppliers and distributors of MAC by, among others, ensuring that all terms and conditions of the existing and new contracts are met.

Nevertheless, there can be no assurance that the performance of MAC will not be adversely affected by any changes to the supply of raw material and arrangement of distribution after the completion of the Proposed Acquisition.

5.4 Acquisition risk

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

Nevertheless, our Board has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition and believes that the Proposed Acquisition will be value accretive to the enlarged TGB Group in the foreseeable future.

5.5 Dependency on management and key personnel of MAC

The performance of MAC following completion of the Proposed Acquisition will depend on the abilities, skills, experience and competency of the management and key personnel of MAC, for example the research and development personnel. The loss of the management and/or key personnel of MAC without suitable and timely replacement, or the inability of our Group to attract or retain other qualified personnel, may adversely affect MAC's operations and consequently, the revenue generation and profitability of our Group after the Proposed Acquisition.

As at the LPD, there was no management agreement entered with the management and/or key personnel of MAC. Our Group will establish an effective human resource management for the existing employees of MAC which seeks to attract and retain qualified and competent staff through, among others, competitive remuneration packages. Nevertheless, there can be no assurance that our Group will be able to attract or retain qualified personnel for MAC upon completion of the Proposed Acquisition.

5.6 General economic, political and regulatory conditions

Similar to our Group, MAC is exposed to uncertainties caused by adverse changes in political, economic and regulatory conditions in Malaysia or overseas, directly or indirectly, which may materially and adversely affect the prospects of MAC. Among the uncertainties are changes in the risks of economic downturn, unfavourable monetary and fiscal policy changes, exchange control regulations or introduction of new rules and regulations, changes in interest rates, inflation and taxation and political leadership.

In order to mitigate such risks, our Group will continue to review the business development strategies of MAC in response to the changes in political, economic and regulatory conditions. However, there is no assurance that any changes to the general economic, political and regulatory conditions will not have a material adverse effect on the results of operations and financial condition of MAC.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition is not expected to have any effect on the issued share capital and the substantial shareholders' shareholdings of our Company as the Proposed Acquisition does not involve any issuance of new TGB Shares.

6.2 NA and gearing

For illustrative purposes only, based on the audited consolidated financial position of our Group as at 30 June 2022, the proforma effects of the Proposed Acquisition on the NA and gearing of our Group are set out below:

	Audited as at 30 June 2022 RM'000	After subsequent events up to the LPD RM'000	(I) After the Proposed Acquisition RM'000
Share capital	143,826	143,826	143,826
Merger deficit	(78,938)	(78,938)	(78,938)
Exchange translation reserves	7,284	7,284	7,284
Retained earnings	87,554	87,554	(4) 86,654
Total equity / NA	159,726	159,726	158,826
No. of TGB Shares in issue ('000)	529,397	529,397	529,397
NA per TGB Share (sen) ⁽¹⁾	30.17	30.17	30.00
Total borrowings	-	351	(5) 27,351
Gearing ratio (times) ⁽²⁾	-	(3) -	0.17

Notes:

- (1) Computed based on NA divided by the total number of TGB Shares in issue.
- (2) Computed based on total borrowings divided by NA.
- (3) Negligible.
- (4) After deducting the estimated expenses in relation to the Proposed Acquisition of approximately RM0.90 million.
- (5) For illustration purposes, the proforma effects of the Proposed Acquisition assumes external borrowings for our Group of approximately RM27.00 million to part finance the Proposed Acquisition.

6.3 Earnings and EPS

Upon completion of the Proposed Acquisition, our Company will consolidate the future earnings of MAC into the consolidated statements of profit or loss of our Group.

For illustrative purposes only, the proforma effects of the Proposed Acquisition on the earnings and EPS of our Group based on our audited financial statements for the FYE 30 June 2022 and on the assumption that the Proposed Acquisition had been effected at the beginning of the financial year are set out below:

	Audited for FYE 30 June 2022 RM'000	After the Proposed Acquisition RM'000
PAT attributable to the owners of our Company	11,198	(1) 14,002
Weighted average number of TGB Shares in issue ('000)	529,395	529,395
Basic EPS (sen) ⁽²⁾	2.12	2.64
Diluted EPS (sen) ⁽³⁾	1.91	2.39

Notes:

- (1) After taking in account the latest audited PAT of MAC for the FYE 31 December 2021 of approximately RM3.70 million and deducting the estimated expenses in relation to the Proposed Acquisition of approximately RM0.90 million.
- (2) Computed based on PAT for the financial year attributable to the owners of our Company divided by the weighted average number of TGB Shares in issue.
- (3) Computed based on PAT for the financial year attributable to the owners of our Company divided by the weighted average number of TGB Shares during the financial year and after taking into account the dilutive effect of all potential TGB Shares arising from the exercise of warrants of 585,526,130. For information purpose, as at the LPD, our Company has 246,852,499 outstanding warrants.

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

7. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Listing Requirements is approximately 35.84%, based on the Total Purchase Consideration of approximately RM57.25 million over the latest audited consolidated NA of our Group as at 30 June 2022 of approximately RM159.73 million.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained:

- (i) the shareholders of our Company at the EGM to be convened; and
- (ii) any other relevant authority and/or party, if required.

For information, Sonicbond, being a substantial shareholder of our Company which holds 381,146,445 TGB Shares as at the LPD, representing approximately 72.00% equity interest in our Company, had on 27 December 2022 provided its undertaking to vote in favour of the Proposed Acquisition from CQ.

Sonicbond was incorporated as a private limited company in Malaysia on 27 June 2016 and is an investment holding company.

As at the LPD, the directors and shareholders of Sonicbond and their respective direct and indirect shareholdings in Sonicbond are as follows:

Name	Nationality	Designation	Shareholdings			
			Direct		Indirect	
			No. of shares	%	No. of shares	%
Lee Seng Thye	Malaysian	Director	96,800	96.80	-	-
Tan Siew Geak	Malaysian	Director	3,200	3.20	-	-
Lee Seh Meng	Malaysian	Alternate Director to Lee Seng Thye	-	-	-	-

Name	Nationality	Designation	Shareholdings			
			Direct		Indirect	
			No. of shares	%	No. of shares	%
Lee Yuen Shiuan	Malaysian	Alternate Director to Tan Siew Geak	-	-	-	-

9. CONDITIONALITY AND OUTSTANDING CORPORATE EXERCISES WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED

The Proposed Acquisition from CQ is not conditional upon the completion of the Proposed Acquisition from Minority. However, the Proposed Acquisition from Minority is conditional upon the completion of the Proposed Acquisition from CQ.

The Proposed Acquisition is not conditional upon any other corporate exercises undertaken or to be undertaken by our Company.

Our Board confirms that there are no other outstanding corporate exercises which have been announced but not yet completed as at the date of this Circular.

10. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

As at the LPD, none of our Directors, major shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after taking into consideration all aspects of the Proposed Acquisition, including but not limited to the salient terms of the SSA, basis and justifications for the Total Purchase Consideration, rationale and benefits of the Proposed Acquisition, prospects of the enlarged TGB Group, risk factors and financial effects, is of the opinion that the Proposed Acquisition is in the best interest of our Group.

Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM to be convened.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the requisite approvals being obtained, the Proposed Acquisition is expected to complete by first quarter of 2023. The tentative timetable for the completion of the Proposed Acquisition is set out below:

Event	Tentative date
EGM to obtain the approval of our shareholders	22 February 2023
Completion of the Proposed Acquisition	First quarter of 2023

13. EGM

The EGM of our Company will be held at Danau 3, Level 1, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 22 February 2023 at 2.00 p.m.. The Notice of EGM together with the Form of Proxy are enclosed in this Circular. Please refer to the Administrative Guide for the EGM on the conduct of the EGM.

If you are unable to attend and vote in person at the EGM, you may appoint one or more proxies to attend, participate, vote and speak on your behalf. If you wish to do so, please complete, sign and return the original Form of Proxy enclosed in this Circular as soon as possible so as to arrive at the Share Registrar of our Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively at Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via TIIH Online at <https://tiih.online> on or before the date and time indicated below. The lodging of the Form of Proxy will not preclude you from participating and voting at the EGM should you subsequently decide to do so.

Last day, date and time for lodging the : Monday, 20 February 2023 at 2.00 p.m.
Form of Proxy for the EGM

Day, date and time of the EGM : Wednesday, 22 February 2023 at 2.00 p.m.

14. FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
TECHBOND GROUP BERHAD

LEE SENG THYE
Managing Director

APPENDIX I – SALIENT TERMS OF THE SSA AND LETTERS OF OFFER

1. SALIENT TERMS OF THE SSA

1.1 Sale and purchase of the sale shares

- (i) Subject to the terms of the SSA, CQ shall sell as the sole legal and beneficial owner of 13,939,334 MAC Shares (“**Sale Shares**”) and TGB shall purchase the Sale Shares, free from all encumbrances and together with all rights and interests attaching thereto, including all dividends and distributions declared, made or paid on or after the Completion Date.
- (ii) Upon execution of the SSA, TGB shall also deliver to CQ an irrevocable letter of undertaking from Sonicbond to vote in favour of the Proposed Acquisition from CQ. For information, Sonicbond had on 27 December 2022 provided its undertaking to vote in favour of the Proposed Acquisition from CQ.

1.2 Consideration

- (i) The total purchase price for the Sale Shares is RM57.00 million, which will be a sum of:
 - (a) RM5.70 million, equivalent to 10% of the Purchase Consideration to CQ (“**Deposit**”); and
 - (b) RM51.30 million, equivalent to 90% of the Purchase Consideration to CQ (“**Balance Sum**”).
- (ii) CQ and TGB (“**Parties**”) have agreed that the Deposit shall be deposited into CQ’s counsel’s fixed deposit account, for CQ’s counsel to hold in escrow in accordance with the SSA.
- (iii) The Purchase Consideration to CQ shall be fully settled in cash on the Completion Date, as follows:
 - (a) the release of the Deposit by CQ’s counsel to CQ on Completion Date; and
 - (b) TGB shall pay the Balance Sum to CQ in accordance with the SSA.

1.3 Conditions precedent

- (i) The completion of the Proposed Acquisition from CQ is conditional upon the fulfilment (or the waiver, if capable of waiver) of the following conditions precedent (“**Conditions Precedent**”) within 2 months following the date of the SSA (or such other date as CQ and TGB may agree in writing) (“**Cut-Off Date**”):
 - (a) Completion of the cash dividend to be declared by MAC of not more than RM5.00 million and paid to MAC’s shareholders prior to the Completion Date;
 - (b) the approval of TGB’s shareholders at TGB’s EGM; and
 - (c) MAC has notified its financier in respect of the change of shareholders pursuant to the Proposed Acquisition from CQ.
- (ii) CQ and TGB may mutually agree to waive any Conditions Precedent at any time and proceed to completion of the Proposed Acquisition from CQ (“**Completion**”).

1.4 Completion

- (i) On the Completion Date, CQ shall in exchange for TGB having paid the Balance Sum and delivered the completion document on TGB's part as provided in the SSA, deliver the completion documents on CQ's part as set out in the SSA.
- (ii) If any Party does not comply with its obligations on Completion on the Completion Date, the non-defaulting Party may:
 - (a) defer Completion to a date not more than 15 business days after the Completion Date;
 - (b) proceed to Completion so far as practicable; or
 - (c) terminate the SSA.

1.5 Termination

- (i) If any of the Conditions Precedent shall not have been fulfilled or waived in accordance with the SSA by the Cut-Off Date, the SSA shall automatically terminate and cease to be of any further effect, save for clauses which are expressed to survive its termination and any further claims arising out of any antecedent breach of the SSA.
- (ii) Within 7 business days of such termination, each Party shall return all documents received from the other Party, if any.
- (iii) CQ shall be entitled to terminate the SSA before the Completion Date following the occurrence of any of the following:
 - (a) if on or before the Completion Date there is a breach of any of the warranties provided by TGB in the SSA, which if capable of being remedied is not remedied within 14 business days from the date of notification by CQ to TGB; or
 - (b) TGB fails to fulfil any of the obligations of TGB on Completion in accordance with the SSA unless otherwise waived by CQ.
- (iv) TGB shall be entitled to terminate the SSA before the Completion Date following the occurrence of any of the following:
 - (a) if on or before the Completion Date, there is a breach of any of the fundamental warranties by CQ as set out in the SSA, which if capable of being remedied is not remedied within 14 business days from the date of notification by TGB to CQ;
 - (b) CQ fails to fulfil any of the obligations of CQ on Completion in accordance with the SSA unless otherwise waived by TGB; or
 - (c) if on or before the Completion Date, there is at least half or more of MAC's sales order not being fulfilled for a continuous period of 30 days or more resulting from a material breach of any business warranties by CQ as set out in the SSA or any provision of the SSA, which if capable of being remedied is not remedied within 14 business days from the date of notification by TGB to CQ.

APPENDIX I – SALIENT TERMS OF THE SSA AND LETTERS OF OFFER (cont'd)

- (v) Upon termination of the SSA –
 - (a) all rights and obligations of the Parties shall cease to have effect save that clauses which are expressed to survive its termination or expiry, or which from their nature or context it is contemplated that they are to survive termination; and
 - (b) the Deposit (together with interest) shall be refundable to TGB. The interest to be refunded shall be based on the fixed deposit rates provided by the account bank to CQ's counsel, and such fixed deposit rates provided shall be final and conclusive based on the bank statement provided by the account bank to CQ's counsel.
- (vi) The Parties may terminate the SSA without prejudice to any of their respective rights and remedies as may be available to the Parties at law or in equity or as specified in the SSA.

2. SALIENT TERMS OF THE LETTER OF OFFER TO MELINA BINTI MAHMOOD**2.1 Purchase consideration**

Subject to the completion of the Proposed Acquisition from CQ and subject to the valid acceptance of the offer by Melina Binti Mahmood on or before 15 February 2023, TGB shall pay a cash consideration of RM190,820.09 (approximately RM4.089 per Share) for the offer shares.

2.2 Condition precedent

The offer is subject to the completion of the Proposed Acquisition from CQ.

2.3 Completion

On the completion date (to be advised by TGB as soon as practicable after the completion of the Proposed Acquisition from CQ), Melina Binti Mahmood shall deliver the instrument(s) of transfer and original share certificates in respect of the offer shares.

Subject to the delivery of the duly executed instrument(s) of transfer and original share certificates in respect of the offer shares, TGB shall pay her the purchase consideration by way of electronic funds transfer to her bank account or cash at the discretion of TGB.

3. SALIENT TERMS OF THE LETTER OF OFFER TO DATUK MUSA @ AYOB BIN SAAD**3.1 Purchase consideration**

Subject to the completion of the Proposed Acquisition from CQ and subject to the valid acceptance of the offer by Datuk Musa @ Ayob Bin Saad on or before 15 February 2023, TGB shall pay a cash consideration of RM4.09 (approximately RM4.089 per Share) for the offer share.

3.2 Condition precedent

The offer is subject to the completion of the Proposed Acquisition from CQ.

3.3 Completion

On the completion date (to be advised by TGB as soon as practicable after the completion of the Proposed Acquisition from CQ), Datuk Musa @ Ayob Bin Saad shall deliver the instrument(s) of transfer and original share certificate in respect of the offer share.

Subject to the delivery of the duly executed instrument(s) of transfer and original share certificate in respect of the offer share, TGB shall pay him the purchase consideration by way of electronic funds transfer to his bank account or cash at the discretion of TGB.

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APPENDIX II – INFORMATION ON MAC

1. HISTORY AND BUSINESS

MAC was incorporated in Malaysia on 20 December 1965 as Malayan Adhesives And Chemicals Limited under the CO 1940 and deemed to have changed name to its present name following the coming into force of the CA 1965. MAC is deemed registered under the Act. It commenced its business operations on the date of its incorporation.

MAC was incorporated as a joint-venture between Kuok Brothers Sdn Bhd and Mitsui Toatsu Chemical Inc. of Japan to produce and distribute a range of formaldehyde-based products at that time. Since incorporation, MAC has expanded its product offerings to include adhesives and related products for various industries.

In 1991, MAC formed a joint venture company, Asia Pacific Microspheres Sdn Bhd, with Union Carbide Plastics & Chemicals, Inc to produce phenolic microspheres. This subsidiary has since been restructured as a division of MAC following Union Carbide Plastics & Chemicals, Inc's divestment in the subsidiary.

MAC is principally involved in the manufacturing and marketing of adhesives, resins, additives, formaldehyde and phenoset microspheres.

The principal products of MAC are adhesives, formalin, phenolic resin, paper resin and microspheres. MAC's products are mainly marketed and distributed to Malaysian market. The revenue breakdown by region for the FYEs 31 December 2019, 2020 and 2021 are set out below:

	FYE 31 December					
	2019		2020		2021	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	45,701	65.12	26,549	62.56	34,349	61.60
ASEAN	13,198	18.81	7,975	18.79	9,535	17.10
East Asia	1,200	1.71	636	1.50	544	0.98
Other Asia	3,426	4.88	1,547	3.65	2,219	3.98
Europe	2,844	4.05	2,858	6.73	4,938	8.85
America and Asia Pacific	3,810	5.43	2,875	6.77	4,177	7.49
Total	70,179	100.00	42,440	100.00	55,762	100.00

MAC's raw materials comprise of methanol, melamine, phenol, para tertiary butylphenol formaldehyde, urea and acrylamide which are mainly sourced from Malaysia, China and Singapore.

The factory, office and warehouse of MAC, with a build-up area of approximately 8,448.5 square meters is located at No.9 Jalan Utas 15/7, Section 15, 40200 Shah Alam, Selangor Darul Ehsan.

The annual production capacity and actual production output of MAC's principal products in metric tonne ("MT") for the FYEs 31 December 2019, 2020 and 2021 are as follows:

(i) Adhesives

	FYE 31 December		
	2019 (MT)	2020 (MT)	2021 (MT)
Annual installed production capacity	66,000	66,000	66,000
Actual output	23,088	15,810	12,341
Percentage of actual output against the annual installed production capacity (%)	34.98	23.95	18.70

APPENDIX II – INFORMATION ON MAC (cont'd)

(ii)	Formalin	FYE 31 December		
		2019	2020	2021
		(MT)	(MT)	(MT)
	Annual installed production capacity	40,800	40,800	40,800
	Actual output	24,132	14,452	13,106
	Percentage of actual output against the annual installed production capacity (%)	59.15	35.42	32.12
(iii)	Phenolic resin	FYE 31 December		
		2019	2020	2021
		(MT)	(MT)	(MT)
	Annual installed production capacity	1,440	1,440	2,160
	Actual output	1,269	772	1,113
	Percentage of actual output against the annual installed production capacity (%)	88.13	53.61	51.53
(iv)	Paper resin	FYE 31 December		
		2019	2020	2021
		(MT)	(MT)	(MT)
	Annual installed production capacity	10,800	10,800	10,800
	Actual output	2,628	470	743
	Percentage of actual output against the annual installed production capacity (%)	24.33	4.35	6.88
(v)	Microspheres	FYE 31 December		
		2019	2020	2021
		(MT)	(MT)	(MT)
	Annual installed production capacity	400	400	400
	Actual output	74	74	105
	Percentage of actual output against the annual installed production capacity (%)	18.50	18.50	26.25

The actual production output of MAC's principal products are based on orders received. The low orders received for most of MAC's principal products in FYEs 31 December 2020 and 2021 were due to the COVID-19 pandemic and lockdowns.

APPENDIX II – INFORMATION ON MAC (cont'd)

As at the LPD, there are 10 employees employed by MAC for research and development, mainly for the purpose to improve the performance and properties of its products as well as speed of production. The research and development expenses incurred by MAC for the FYEs 31 December 2019, 2020 and 2021 are as set out below:

	FYE 31 December		
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)
Research and development expenses	835	737	811

Based on MAC's audited consolidated statement of financial position as at 31 December 2021, its assets comprise the following:

Type of assets	Audited net book value as at 31 December 2021 (RM'000)
Property, plant and equipment	14,481
Inventories	10,678
Trade and other receivables	12,858
Tax asset	79
Cash and cash equivalents	6,842
Total assets	44,938

2. SHARE CAPITAL

As at the LPD, MAC has an issued and paid-up share capital of RM15,480,000 comprising 14,000,000 MAC Shares.

3. DIRECTORS

As at the LPD, the directors of MAC are as set out below:

Name	Nationality	Designation
Lim Soon Huat	Malaysian	Director
Yap Choi Foong	Malaysian	Director
Francis Quah Chuan Hoe @ Quah Chuan Hoe	Malaysian	Director

As at the LPD, none of the directors of MAC has any direct or indirect shareholding in MAC.

4. SHAREHOLDERS

As at the LPD, the shareholders of MAC and their respective direct and indirect shareholdings in MAC are as follows:

Name	Country of incorporation / Nationality	Shareholdings			
		Direct		Indirect	
		No. of MAC Shares	%	No. of MAC Shares	%
CQ	Malaysia	13,939,334	99.57	-	-
Melina Binti Mahmood	Malaysian	46,665	0.33	-	-

APPENDIX II – INFORMATION ON MAC (cont'd)

Name	Country of incorporation / Nationality	Shareholdings			
		Direct		Indirect	
		No. of MAC Shares	%	No. of MAC Shares	%
Amanah Raya Berhad (The administrator for the estate of Mohamed Yakin Bin Long)	Malaysia	14,000	0.10	-	-
Datuk Musa @ Ayob Bin Saad	Malaysian	1	(1)-	-	-
PPB	Malaysia	-	-	(2)13,939,334	99.57
Kuok Brothers Sdn Bhd	Malaysia	-	-	(2)13,939,334	99.57

Notes:

(1) Negligible.

(2) Deemed interested by virtue of its interest in CQ pursuant to Section 8 of the Act.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, MAC does not have any subsidiary or associated company.

6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, MAC is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and there are no proceedings pending or threatened against MAC or any facts likely to give rise to any proceedings, which might materially affect the position or business of MAC.

7. MATERIAL CONTRACTS

MAC has not entered into any material contracts (not being contracts entered into in the ordinary course) within the past 2 years immediately preceding the date of this Circular.

8. MATERIAL COMMITMENTS

As at the LPD, there are no material commitments incurred or known to be incurred by MAC which may have a material impact on the financial position of MAC.

9. CONTINGENT LIABILITIES

As at the LPD, save as disclosed below, there are no contingent liabilities incurred or known to be incurred by MAC which, upon becoming enforceable, may have a material impact on the financial position of MAC:

Contingent liabilities	RM'000
Bank guarantee issued in favour of Tenaga Nasional Berhad for bill payments	393
Bank guarantee issued in favour of Gas Malaysia Energy and Services Sdn Bhd for bill payments	225

APPENDIX II – INFORMATION ON MAC (cont'd)

10. FINANCIAL SUMMARY

A summary of the financial information of MAC based on its audited financial statements for the FYEs 31 December 2019, 2020 and 2021 and the unaudited interim results for the 7-month FPEs 31 July 2021 and 2022 is set out as below:

	Audited			Unaudited	
	FYE 31 December			7-month FPE 31 July	
	2019	2020	2021	2021	⁽⁵⁾ 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	70,179	42,440	55,762	28,445	39,197
Profit before taxation	7,561	2,122	4,988	2,445	2,673
PAT	6,742	1,446	3,704	1,886	2,042
EPS (sen) ⁽¹⁾	48.16	10.33	26.46	13.47	14.59
Share capital	15,480	15,480	15,480	15,480	15,480
Total equity / NA	37,580	34,966	34,610	34,752	36,652
NA per share (sen) ⁽²⁾	268.43	249.76	247.21	248.23	261.80
Total borrowings	-	-	-	-	-
Gearing ratio (times) ⁽³⁾	-	-	-	-	-
Current ratio (times) ⁽⁴⁾	3.74	5.34	3.28	6.25	6.46

Notes:

- (1) Calculated based on the PAT divided by the number of MAC Shares in issue.
- (2) Calculated based on NA divided by the number of MAC Shares in issue.
- (3) Calculated based on borrowings divided by the NA.
- (4) Calculated based on current assets divided by the current liabilities.
- (5) As part of the conditions precedent to the SSA, MAC shall declare cash dividend of not more than RM5.00 million and pay to the existing shareholders of MAC prior to the Completion Date.

10.1 Commentary**FYE 31 December 2021 vs FYE 31 December 2020**

Revenue increased by approximately RM13.32 million or 31.39% from RM42.44 million for FYE 31 December 2020 to RM55.76 million for FYE 31 December 2021 mainly attributable to increase in sales of all products except plywood resins, which was attributable to the recovery of business / industry activities as a result of the relaxation of the movement restriction.

PAT increased by RM2.26 million or 156.15% from RM1.45 million for FYE 31 December 2020 to RM3.70 million for FYE 31 December 2021 mainly due to:

- (i) overall increase in sales of higher margin products i.e. microspheres, phenolic resins and paper resins; and
- (ii) advance material planning for managing products for particle board which resulted in higher profit margin.

APPENDIX II – INFORMATION ON MAC (cont'd)

FYE 31 December 2020 vs FYE 31 December 2019

Revenue decreased by RM27.74 million or 39.53% from RM70.18 million for FYE 31 December 2019 to RM42.44 million for FYE 31 December 2020 mainly due to:

- (i) low sales due to movement control order imposed by the government in response to COVID-19 pandemic and lower demand worldwide; and
- (ii) frequent breakdown of formalin plant, due to wear and tear, in the first quarter of FYE 31 December 2020, resulting in interruption of production.

PAT decreased by RM5.30 million or 78.55% from RM6.74 million for FYE 31 December 2019 to RM1.45 million for FYE 31 December 2020. The decrease in PAT was mainly attributable to:

- (i) lower sales revenue; and
- (ii) increase in cost of sales as MAC purchased formalin at a higher price due to the breakdown of its formalin plant.

7-month FPE 31 July 2022 vs 7-month FPE 31 July 2021

Revenue increased by RM10.75 million or 37.80% from RM28.45 million for 7-month FPE 31 July 2021 to RM39.20 million for 7-month FPE 31 July 2022 mainly attributable to overall higher revenue for most products except for paper resins, partly due to higher selling price as a result of higher material cost.

PAT increased by RM0.16 million or 8.27% from RM1.89 million for 7-month FPE 31 July 2021 to RM2.04 million for the 7-month FPE 31 July 2022, mainly attributable to higher margin for adhesives products resulting from advance purchase of raw materials at a lower cost.

10.2 Accounting policies and audit qualifications

During the FYEs 31 December 2019, 2020 and 2021:

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

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
Registration No.: 196501000548 (6336-X)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2021

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2021

CONTENTS	Page
Corporate Information	(i)
Directors' Report	1 - 5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 36
Statement by Directors	37
Statutory Declaration	38
Independent Auditors' Report	39 - 42

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

CORPORATE INFORMATION

DOMICILE	:	Malaysia
LEGAL FORM AND PLACE OF INCORPORATION	:	A private company incorporated in Malaysia under the Companies Act, 2016 and limited by shares
REGISTERED OFFICE	:	Letter Box No. 109 5th Floor, UBN Tower No. 10, Jalan P.Ramlee 50250 Kuala Lumpur Malaysia
PRINCIPAL PLACE OF BUSINESS	:	No. 9 Jalan Utas 15/7 40200 Shah Alam Selangor Darul Ehsan Malaysia

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are manufacturing and marketing of adhesives, phenolic resins, paper resins, additives, formaldehyde and phenoset microspheres.

There have been no significant changes in the nature of the principal activity during the financial year.

RESULTS

	RM
Profit for the year	<u>3,704,152</u>

In the opinion of the Directors, 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 other than as disclosed in the financial statements.

DIVIDENDS

The dividends paid by the Company since the end of the previous financial year are as follows:

	RM
In respect of the financial year ended 31 December 2021	
First interim dividend of 15 sen per share paid on 30 July 2021	2,100,000
Second interim dividend of 14 sen per share paid on 25 November 2021	<u>1,960,000</u>
	<u>4,060,000</u>

The directors did not recommend any payment of final dividend for the current financial year.

RESERVES AND PROVISIONS

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

Registration No.: 196501000548 (6336-X)

SHARES AND DEBENTURES

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

DIRECTORS

The Board of Directors since the date of the last report are as follows:

Lim Soon Huat *(Chairman)*
Yap Choi Foong
Francis Quah Chuan Hoe @ Quah Chuan Hoe
Leong Yew Weng (resigned on 17 February 2022)

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, the interests of Directors who held office at the end of the financial year in shares of the Company and its related corporations are as follows:

Interest in ultimate holding company – Kuok Brothers Sdn Bhd

Name of Director	No. of ordinary shares registered in the name of Directors			As at 31.12.21
	As at 1.1.21	Bought	Sold	
Lim Soon Huat	200,000	-	-	200,000
Leong Yew Weng	150,000	-	-	150,000

The other Directors holding office at 31 December 2021 did not have any interest in the ordinary shares of the Company and its related corporations during the financial year.

Registration No.: 196501000548 (6336-X)

DIRECTORS' INTERESTS IN CONTRACTS, BENEFITS AND EMOLUMENTS

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangement to which the Company was a party whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of related corporations) 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.

Details of the remuneration and other benefits of the Directors are set out in note 4 to the financial statements. No insurance premium paid and coverage effected for directors and officers of the Company for the financial year.

INFORMATION ON THE FINANCIAL STATEMENTS

- (a) Before the Company's income statement and statement of financial position were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debt or to make any provision for doubtful debts in the financial statements of the Company; or
 - (ii) the values attributed to current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

Registration No.: 196501000548 (6336-X)

INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading:
- (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

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the respective financial statements misleading.

In the opinion of the Directors:

- (a) the results of the operations of the Company for the financial year were not substantial affected by any item transaction or event of a material and unusual nature;
- (b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made; and
- (c) no contingent or other liability has become enforceable, or is likely to become enforceable, within the succeeding period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet their obligations as and when they fall due.

HOLDING COMPANIES

The immediate holding company is Chemquest Sdn Bhd. The penultimate holding company is PPB Group Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding company is Kuok Brothers Sdn Bhd. All holding companies are incorporated in Malaysia.

AUDITORS

Details of the auditors' remuneration are set out in note 4 to the financial statements.

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.


Registration No.: 196501000548 (6336-X)

APPROVAL OF THE DIRECTORS' REPORT

This report is approved by the Board of Directors in accordance with a Directors' resolution dated **07 JUN 2022**

On behalf of the board


YAP CHOI FOONG
Director


FRANCIS QUAH CHUAN HOE @
QUAH CHUAN HOE
Director

Kuala Lumpur

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	2021 RM	2020 RM
Revenue	3	55,762,136	42,440,212
Cost of sales		(44,703,320)	(34,523,400)
Gross profit		<u>11,058,816</u>	<u>7,916,812</u>
Other operating income		379,353	388,741
Distribution expenses		(3,950,294)	(3,806,885)
Administrative expenses		<u>(2,499,416)</u>	<u>(2,377,010)</u>
Profit before tax	4	<u>4,988,459</u>	<u>2,121,658</u>
Tax expense	5	<u>(1,284,307)</u>	<u>(675,561)</u>
Profit for the year, representing total comprehensive income for the year		<u><u>3,704,152</u></u>	<u><u>1,446,097</u></u>

The accompanying notes form an integral part of the financial statements

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Note</i>	2021 RM	2020 RM
ASSETS			
Non-current asset			
Property, plant and equipment	6	<u>14,481,203</u>	<u>13,915,745</u>
Current assets			
Inventories	7	10,677,498	7,165,069
Trade and other receivables	8	12,858,048	6,597,892
Current tax asset		78,844	-
Cash and cash equivalents	9	<u>6,842,481</u>	<u>12,875,169</u>
Total current assets		<u>30,456,871</u>	<u>26,638,130</u>
TOTAL ASSETS		<u>44,938,074</u>	<u>40,553,875</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	15,480,000	15,480,000
Retained earnings		19,129,886	19,485,734
Total equity		<u>34,609,886</u>	<u>34,965,734</u>
Non-current liabilities			
Deferred tax liabilities	11	1,001,665	553,130
Trade and other payables	12	<u>38,695</u>	<u>50,252</u>
Total non-current liabilities		<u>1,040,360</u>	<u>603,382</u>
Current liabilities			
Trade and other payables	12	7,924,589	4,762,650
Contract liabilities	16	1,363,239	132,942
Current tax liabilities		-	89,167
Total current liabilities		<u>9,287,828</u>	<u>4,984,759</u>
Total liabilities		<u>10,328,188</u>	<u>5,588,141</u>
TOTAL EQUITY AND LIABILITIES		<u>44,938,074</u>	<u>40,553,875</u>

The accompanying notes form an integral part of the financial statements

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	Share Capital RM	Distributable Retained Earnings RM	Total RM
At 1 January 2020		15,480,000	22,099,637	37,579,637
Total comprehensive income		-	1,446,097	1,446,097
Dividends paid to shareholders of the Company	13	-	(4,060,000)	(4,060,000)
At 31 December 2020		<u>15,480,000</u>	<u>19,485,734</u>	<u>34,965,734</u>
At 1 January 2021		15,480,000	19,485,734	34,965,734
Total comprehensive income		-	3,704,152	3,704,152
Dividends paid to shareholders of the Company	13	-	(4,060,000)	(4,060,000)
At 31 December 2021		<u>15,480,000</u>	<u>19,129,886</u>	<u>34,609,886</u>

The accompanying notes form an integral part of the financial statements

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,988,459	2,121,658
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	1,802,337	1,840,522
Property, plant and equipment written off	95,397	3
Inventories written off	98,583	6,360
Unrealised foreign exchange gain	(7,746)	(20,593)
Income from short-term fund placement	(141,554)	(269,677)
Fair value (gain)/loss from short-term fund placement	(35,677)	11,460
Interest income from short term deposits	(29,539)	(45,150)
Operating profit before working capital changes	<u>6,770,260</u>	<u>3,644,583</u>
Adjustments for working capital changes:		
(Increase)/decrease in inventories	(3,611,012)	1,187,383
(Increase)/decrease in receivables	(6,260,156)	5,882,009
Increase/(decrease) in payables	3,826,627	(4,064,115)
Cash generated from operations	<u>725,719</u>	<u>6,649,860</u>
Net tax paid	(1,003,783)	(468,160)
Net cash (used in)/generated from operating activities	<u>(278,064)</u>	<u>6,181,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,902,381)	(1,359,686)
Income received from short-term fund placements	141,554	269,677
Fair value gain/(loss) from short-term fund placement	35,677	(11,460)
Interest received from short term deposits	29,539	45,150
Net cash used in investing activities	<u>(1,695,611)</u>	<u>(1,056,319)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid, representing net cash used in financing activity	<u>(4,060,000)</u>	<u>(4,060,000)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(6,033,675)</u>	<u>1,065,381</u>
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	12,875,169	11,801,819
EFFECTS OF EXCHANGE RATE CHANGES	987	7,969
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>6,842,481</u>	<u>12,875,169</u>

The accompanying notes form an integral part of the financial statements

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

1. GENERAL

The Company is a private Company incorporated and domiciled in Malaysia and limited by shares.

The addresses of the principal place of business and registered office of the Company are disclosed on page (i).

The ultimate, intermediate and immediate holding companies are Kuok Brothers Sdn Bhd, PPB Group Berhad and Chemquest Sdn Bhd respectively, all of which are incorporated in Malaysia. PPB Group Berhad is a company listed on the Main Market or Bursa Malaysia Securities Berhad.

The Company's principal activities are manufacturing and marketing of adhesives, phenolic resins, paper resins, additives, formaldehyde and phenoset microspheres.

There are no significant changes in the Company's principal activities during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis unless otherwise disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

The significant accounting policies adopted by the Company are consistent with those of the previous financial year except for the adoption of the following Issue Committee Interpretation ("IC Interpretation") and Amendments to MFRSs, effective for financial periods beginning on or after 1 January 2021:

Amendments to MFRS 3: Business Combinations	1 January 2021
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2021
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2021
Amendments to MFRS 9, MFRS 7, and MFRS 16: Interest Rate Benchmark Reform-Phase 2	1 January 2021
Revised Conceptual Framework for Financial Reporting	1 January 2021
Amendments to MFRS 16: Covid-19 Related Rent Concession beyond 30 June 2021	1 April 2021

Adoption of the above amended standards did not have any effect on the financial performance or position of the Company.

2.3 Standards issued that are not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Business Combinations: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from Single Transaction	1 January 2023

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued that are not yet effective (continued)

The adoption of the above standards and interpretations are not expected to have a material impact on the financial statements in the period of application.

2.4 Significant accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There were no critical judgements made by management in the process of applying accounting policies that have significant effect on the amounts recognised in the financial statements during the current financial year.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources associated with estimation uncertainty at the end of the reporting period that have significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year are discussed below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives of these assets to be between 3 to 20 years for property, plant and equipment except for leasehold land which is over the remaining period of the lease.

Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful lives and residual values of these assets, and therefore future depreciation charges may be revised. The carrying amount of the Company's property, plant and equipment at the end of the reporting period are disclosed in note 6.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (continued)

2.5 Property, plant and equipment

(a) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of an asset. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is contracted as a consequence of acquiring or using the asset.

Subsequent costs are included as part of the carrying amount when it is probable that future economic benefits associated with the asset will flow to the cost of the asset can be measured reliably.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(b) Depreciation

Capital work-in-progress are not depreciated.

Depreciation is calculated to write off the depreciable amount of property, plant and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost.

The principal annual depreciation rates used for this purpose are:

Leasehold land	88 years
Leasehold building	5% - 20%
Plant and machinery	10% - 33%
Motor vehicles	10% - 20%
Furniture, fittings, office and other equipment	10% - 33%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if deemed appropriate, at the end of each reporting period and adjusted prospectively, if appropriate.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of an instrument.

Financial assets and financial liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition.

(a) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Subsequent measurement

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are measured subsequently in the following manners:

- at amortised cost (debt instruments);
- at fair value through other comprehensive income ("FVTOCI"), with recycling of cumulative gains and losses (debt instruments);
- designated at FVOCI without recycling of cumulative gains and losses (equity instruments); or
- at fair value through profit or loss ("FVTPL").

Financial assets at amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- 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 and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(a) Financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL, including:

- investments in equity instruments are classified as FVTPL, unless management designates an equity investment as FVTOCI on initial recognition;
- debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as FVTPL. Debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as FVTPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- derivative instruments.

Financial assets at FVTPL are measured at fair value, with fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Impairment of financial assets

Loss allowance is recognised for expected credit losses ("ECL") for all debt instruments not held at FVTPL, and financial guarantee contracts.

ECL is arrived at based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected 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. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

Management measures the loss allowance of trade receivables, contract assets and lease receivables using a simplified approach at an amount equal to their lifetime ECL. The ECL on these financial assets are estimated using a provision matrix based on historical credit loss experience, and where appropriate, adjusted for forward-looking factors specific to the debtors and the economic environment.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(a) Financial assets (continued)

Impairment of financial assets (continued)

The Company considers whether a financial asset is in default when contractual payments are more than 90 days past due. In certain cases, the Company may consider a financial asset to be in default when internal or external information indicate that the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For all other financial assets at amortised cost, where credit exposures for which there has not been a significant increase in credit risk since initial recognition, the Company measures the loss allowance for that financial assets at an amount equal to 12-month ECL. For those credit exposures for which there has been a significant increase in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial assets being credit-impaired at the reporting date or an actual default occurring, a loss allowance is required for credit losses expected over the remaining life of the financial assets (lifetime ECL).

Derecognition of financial assets

A financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire; or when the financial asset is transferred and substantially all the risks and rewards of ownership of the financial asset are transferred to another party.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control a transferred financial asset, the entity recognises its retained interest in the financial asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(b) Equity instrument

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognised at the proceeds received.

Costs incurred directly attributable to the issuance of the equity instruments are accounted for as a deduction from equity.

(c) Financial liabilities

All financial liabilities are subsequently measured at amortised cost (using the effective interest method) or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is:

- contingent consideration of an acquirer in a business combination;
- held for trading; or
- designated as FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives entered into by the entity that are not designated as hedging instruments. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

For financial liabilities that are designated as FVTPL, the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

(c) Financial liabilities (continued)

Financial liabilities at amortised cost

Financial liabilities that are not:

- contingent consideration of an acquirer in a business combination;
- held-for-trading; or
- designated as FVTPL,

are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, to the amortised cost of a financial liability.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligations under the liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability.

(d) Offsetting of financial instruments

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

(e) Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is accounted for as follows:

- Raw materials and consumables: purchase costs on a weighted average basis; and
- Finished goods: costs of raw materials and labour and a proportion of overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

2.8 Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the entity will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, a provision represents the present value of those estimated future cash flows.

When some or all of the cash flows required to settle a provision are expected to be recovered from a third party, an asset is recognised if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.9 Revenue recognition

(i) Revenue from contract with customers

Revenue from a contract with a customer is recognised when control of the goods or services is transferred to the customer. Revenue is measured based on the consideration specified in the contract to which the entity expects to be entitled in exchange for transferring the goods or services to the customer, excluding amounts collected on behalf of third parties.

If a contract with a customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Revenue recognition (continued)

(i) Revenue from contract with customers (continued)

Sales of goods

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customers, generally upon delivery of goods.

In determining the revenue for the sales of goods, the effects of variable consideration, the existence of significant financing component, non-cash consideration, and consideration payable to the customer, etc. are taken into consideration.

Contract liabilities are the obligation to transfer goods or services to customers for which the entity has received consideration (or an amount of consideration is due) from the customers. If the customers pay consideration before the entity transfers goods or services to the customers, contract liabilities are recognised when the payment is made or the payment is due (whichever is earlier).

(ii) Other revenue and income

Interest income is recognised using the effective interest method.

2.10 Foreign currencies

(a) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

(b) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are recognised at the prevailing exchange rate on the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are translated at prevailing exchange rate on that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at prevailing exchange rate on the date of the transaction. Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the prevailing exchange rates on the date when the fair values were determined.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Foreign currencies (continued)

(b) Transactions and balances in foreign currencies (continued)

Exchange differences are recognised in profit or loss, except for:

- exchange differences on borrowings denominated in foreign currencies relating to an asset under construction, which are included in the cost of that asset when the exchange differences are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on amounts receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (i.e. form part of the net investment in that foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

2.11 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired.

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the assets. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment losses are charged to the income statement.

Any reversal of an impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Employee benefits

(a) Short-term employee benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees.

(b) Defined contribution benefits

The Company makes monthly contributions to the Employees Provident Fund ("EPF") which is a defined contribution plan. The obligation of the Company is limited to the amount that they agree to contribute. The contributions to EPF are recognised as an expense when employees have rendered service entitling them to the contribution.

2.13 Taxation

The income tax expense represents the aggregate amount of current tax and deferred tax.

Current tax and deferred tax are recognised in profit or loss. Current tax and deferred tax are recognised in other comprehensive income or directly in equity, if the tax relates to items that are recognised in other comprehensive income or directly in equity.

Current tax

Current tax is the expected income tax payable on the taxable profit for the year, estimated using the tax rates enacted or substantially enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future payment to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Taxation (continued)

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2.14 Cash and cash equivalents

Cash and cash equivalents are cash in hand, short-term and highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

Registration No.: 196501000548 (6336-X)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Fair value

Fair value is 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.

All assets and liabilities, for which fair value is measured or disclosed, are categorised within the fair value hierarchy set out below based on the inputs that are significant to the fair value measurement. Fair value measurement is derived from:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2: Inputs other than quoted prices included in Level 1, for assets or liabilities that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Valuation techniques that include unobservable inputs for assets or liabilities

3. REVENUE

Revenue is derived from contract with customers on sales of goods and recognised at a point in time.

4. PROFIT BEFORE TAX

	2021	2020
	RM	RM
<i>Profit before tax is stated after charging/(crediting):</i>		
Auditors' remuneration - statutory audit	18,020	17,000
Depreciation of property, plant and equipment	1,802,337	1,840,522
Directors' remuneration		
- fees	6,000	6,000
Net foreign exchange (gain)/loss		
- unrealised	(7,746)	(20,593)
- realised	(100,461)	32,120
Property, plant and equipment written off	95,397	3
Inventories written off	98,583	6,360
Income from short-term fund placement	(141,554)	(269,677)
Fair value gain/(loss) on short-term fund placement	(35,677)	11,460
Interest income from short term deposits	(29,539)	(45,150)

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

5. TAX EXPENSE

	2021 RM	2020 RM
Income tax:		
- current income tax	1,108,255	259,761
- (over)/under provision in prior years	<u>(272,483)</u>	<u>171,510</u>
	<u>835,772</u>	<u>431,271</u>
Deferred tax (Note 11):		
- relating to origination of temporary differences	57,807	157,888
- under provision in prior years	<u>390,728</u>	<u>86,402</u>
	<u>448,535</u>	<u>244,290</u>
Total income tax expense	<u>1,284,307</u>	<u>675,561</u>

The statutory tax rate applicable to the Company is 24%. Taxation for other jurisdictions are calculated at rates prevailing in other jurisdictions.

The difference between the provision for taxation and the amount of taxation determined by applying the applicable statutory tax rate to the profit before tax, is analysed as follows:

	2021 RM	2020 RM
Profit before tax	<u>4,988,459</u>	<u>2,121,658</u>
Taxation at statutory tax rate of 24%	1,197,230	509,198
<i>Tax effects arising from:</i>		
Non-taxable income	(42,535)	(61,972)
Non-deductible expenses	11,367	123,303
Double deduction of expenses	-	(152,880)
Under provision in prior years	<u>118,245</u>	<u>257,912</u>
	<u>1,284,307</u>	<u>675,561</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021 (cont'd)

Registration No.: 196501000548 (6336-X)

6. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use Leasehold land RM	Right-of-use Leasehold building RM	Plant, machinery and equipment RM	Motor vehicles RM	Furniture, fittings, office and other equipment RM	Total RM
Cost						
At 1.1.2021	2,687,584	11,392,010	39,546,528	478,679	4,771,345	58,876,146
Additions	-	193,300	1,740,321	-	529,571	2,463,192
Write-offs	-	-	(125,460)	-	(112,587)	(238,047)
At 31.12.2021	<u>2,687,584</u>	<u>11,585,310</u>	<u>41,161,389</u>	<u>478,679</u>	<u>5,188,329</u>	<u>61,101,291</u>
Accumulated depreciation						
At 1.1.2021	1,191,089	7,804,804	31,688,519	178,405	4,097,584	44,960,401
Charge for the year	30,541	439,710	1,012,305	56,983	262,798	1,802,337
Write-offs	-	-	(30,082)	-	(112,568)	(142,650)
At 31.12.2021	<u>1,221,630</u>	<u>8,244,514</u>	<u>32,670,742</u>	<u>235,388</u>	<u>4,247,814</u>	<u>46,620,088</u>
Net book value at 31.12.2021	<u>1,465,954</u>	<u>3,340,796</u>	<u>8,490,647</u>	<u>243,291</u>	<u>940,515</u>	<u>14,481,203</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021 (cont'd)

Registration No.: 196501000548 (6336-X)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use Leasehold land RM	Right-of-use Leasehold building RM	Plant, machinery and equipment RM	Motor vehicles RM	Furniture, fittings, office and other equipment RM	Work in progress RM	Total RM
Cost							
At 1.1.2020	2,687,584	11,392,010	37,573,127	285,119	4,497,556	731,658	57,167,054
Additions	-	-	1,250,966	193,560	284,536	-	1,729,062
Reclassifications	-	-	731,658	-	-	(731,658)	-
Write-offs	-	-	(9,223)	-	(10,747)	-	(19,970)
At 31.12.2020	<u>2,687,584</u>	<u>11,392,010</u>	<u>39,546,528</u>	<u>478,679</u>	<u>4,771,345</u>	<u>-</u>	<u>58,876,146</u>
Accumulated depreciation							
At 1.1.2020	1,160,548	7,362,299	30,606,016	121,422	3,889,561	-	43,139,846
Charge for the year	30,541	442,505	1,091,726	56,983	218,767	-	1,840,522
Write-offs	-	-	(9,223)	-	(10,744)	-	(19,967)
At 31.12.2020	<u>1,191,089</u>	<u>7,804,804</u>	<u>31,688,519</u>	<u>178,405</u>	<u>4,097,584</u>	<u>-</u>	<u>44,960,401</u>
Net book value at 31.12.2020	<u>1,496,495</u>	<u>3,587,206</u>	<u>7,858,009</u>	<u>300,274</u>	<u>673,761</u>	<u>-</u>	<u>13,915,745</u>

The Company acquired property, plant and equipment by the following means:

	2021 RM	2020 RM
Cash	1,902,381	1,359,686
Payables	560,811	369,376
	<u>2,463,192</u>	<u>1,729,062</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

7. INVENTORIES

	2021	2020
	RM	RM
At cost:		
Raw materials	6,159,190	2,657,931
Finished goods	2,342,689	2,732,740
Consumables materials and spares	1,219,597	1,189,043
Goods in transit	956,022	585,355
	<u>10,677,498</u>	<u>7,165,069</u>
Recognised in income statement:		
Inventories sold in current year	<u>44,703,320</u>	<u>34,523,400</u>

8. TRADE AND OTHER RECEIVABLES

		2021	2020
		RM	RM
Receivables from contract with customers	(a)	12,718,545	6,505,362
Other receivables	(b)	139,503	92,530
		<u>12,858,048</u>	<u>6,597,892</u>

(a) Trade receivables

The balance are subject to normal credit terms of the Company ranging from 30 to 90 days.

(b) Other receivables

	2021	2020
	RM	RM
Sundry receivables	82,675	45,487
Deposits	24,550	24,550
Prepayments	32,278	22,493
	<u>139,503</u>	<u>92,530</u>

9. CASH AND CASH EQUIVALENTS

		2021	2020
		RM	RM
Short-term fund placements	(a)	3,341,458	8,534,227
Cash and bank balances		3,501,023	4,340,942
		<u>6,842,481</u>	<u>12,875,169</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

9. CASH AND CASH EQUIVALENTS (CONTINUED)

(a) Short-term fund placements

Short-term fund placements represent investment in highly liquid money market instruments. This investment is readily convertible to cash and has insignificant risk of changes in value.

10. SHARE CAPITAL

	2021		2020	
	Number of shares	RM	Number of shares	RM
Issued and fully paid ordinary shares:				
At 1 January/31				
December	<u>14,000,000</u>	<u>15,480,000</u>	<u>14,000,000</u>	<u>15,480,000</u>

11. DEFERRED TAX LIABILITIES

	2021 RM	2020 RM
At 1 January	553,130	308,840
Originating during the year	<u>448,535</u>	<u>244,290</u>
At 31 December	<u>1,001,665</u>	<u>553,130</u>

	2021 RM	2020 RM
The deferred tax liabilities are attributable to:		
Difference between capital allowances and accumulated depreciation on property, plant and equipment	1,145,943	625,747
Provisions	<u>(144,278)</u>	<u>(72,617)</u>
	<u>1,001,665</u>	<u>553,130</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

12. TRADE AND OTHER PAYABLES

		2021 RM	2020 RM
Non-current			
Provision		<u>38,695</u>	<u>50,252</u>
Current			
Trade payables	(a)	5,155,297	2,663,205
Other payables		1,651,812	1,293,069
Accruals		1,104,288	789,762
Amount owing to intermediate holding company	(b)	11,541	14,799
Amount owing to a related company	(c)	<u>1,651</u>	<u>1,815</u>
		<u>7,924,589</u>	<u>4,762,650</u>

(a) Trade payables

The normal credit terms extended by suppliers range from 7 to 90 days.

(b) Amount owing to intermediate holding company

The amount owing to intermediate holding company is interest-free, unsecured and repayable on demand.

(c) Amount owing to a related company

The amount owing to a related company is interest-free, unsecured and repayable on demand.

13. DIVIDENDS

	2021 RM	2020 RM
Final single tier dividend of 15 sen per share for financial year ended 31 December 2019	-	2,100,000
Final single tier dividend of 14 sen per share for financial year ended 31 December 2020	-	1,960,000
First interim single tier dividend of 15 sen per share for financial year ended 31 December 2021	2,100,000	-
Second interim single tier dividend of 14 sen per share for financial year ended 31 December 2021	<u>1,960,000</u>	<u>-</u>
	<u>4,060,000</u>	<u>4,060,000</u>

The directors did not recommend any payment of final dividend for the current financial year.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

14. RELATED PARTY DISCLOSURES

Other than those disclosed elsewhere in the financial statements, the significant related party transactions during the financial year are as follows:

	2021 RM	2020 RM
<i>Transactions with immediate holding company</i>		
Management fees	120,000	120,000
Purchase of goods	9,540	87,778
Implementation of HRMS (software)	<u>67,146</u>	<u>-</u>
<i>Transactions with intermediate holding company</i>		
Enterprise Risk Management and Integrity Function	10,848	18,624
Internal audit fees	<u>-</u>	<u>32,960</u>
<i>Transactions with a subsidiary of immediate holding company</i>		
Solid waste collection charged by Sitamas Environmental System Sdn Bhd	<u>17,093</u>	<u>8,941</u>

15. EMPLOYEE BENEFITS EXPENSE

	2021 RM	2020 RM
Employee benefits expense	5,857,331	5,373,054
Defined contribution plan - EPF contributions	644,637	598,048
	<u>6,501,968</u>	<u>5,971,102</u>

16. CONTRACT LIABILITIES

	2021 RM	2020 RM
Contract liabilities		
Sales of goods	<u>1,363,239</u>	<u>132,942</u>

The customers had paid the consideration before the entity transfers goods or services to the customers, thus contract liabilities were recognised.

17. CAPITAL COMMITMENTS

	2021 RM	2020 RM
Property, plant and equipment		
- contracted	473,870	746,042
- not contracted	2,000,000	1,130,000
	<u>2,473,870</u>	<u>1,876,042</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF MAC FOR THE FYE 31 DECEMBER 2021
(cont'd)

Registration No.: 196501000548 (6336-X)

18. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

	At amortised cost RM	At FVTPL RM	Total RM
Financial assets			
2021			
Trade and other receivables	12,825,770	-	12,825,770
Short-term fund placements	-	3,341,458	3,341,458
Cash and bank balances	3,501,023	-	3,501,023
Total financial assets	<u>16,326,793</u>	<u>3,341,458</u>	<u>19,668,251</u>
2020			
Trade and other receivables	6,575,399	-	6,575,399
Short-term fund placements	-	8,534,227	8,534,227
Cash and bank balances	4,340,942	-	4,340,942
Total financial assets	<u>10,916,341</u>	<u>8,534,227</u>	<u>19,450,568</u>

Financial liabilities

Trade and other payables are categorised as financial liabilities at amortised cost.

The carrying amounts of the financial instruments of the Company, which are not measured at fair value on a recurring basis at the end of the reporting period approximated or were at their fair value, due to their short-term or interest-bearing nature.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities are exposed to a variety of financial risks. The Company's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Company.

The Company enters into derivative instruments, principally forward contracts to hedge its exposure to financial risks. The Company does not trade in derivative instruments.

There have been no significant changes in the Company's exposure to financial risks from the previous year. Also, there have been no changes to the Company's risk management objectives, policies and processes since the previous financial year end.

Registration No.: 196501000548 (6336-X)

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Company's management review and agree on policies for managing each of the financial risks and they are summarised as follows:

(a) Foreign currency exchange risk

The Company is exposed to currency risk as a result of foreign currency transactions entered into in currencies other than its functional currencies. The Company enters into forward foreign currency contracts to limit its exposure to foreign currency receivables and payables, and on cash flows from anticipated transactions denominated in foreign currencies.

The carrying amounts of material foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2021 RM	2020 RM
Assets		
- United States Dollar ("USD")	41,442	924,387
	<u>41,442</u>	<u>924,387</u>
Liabilities		
- European ("EURO")	36,213	-
- United States Dollar ("USD")	539,456	11,524
	<u>575,669</u>	<u>11,524</u>

A sensitivity analysis has been performed on changes in exchange rate of foreign currencies against RM for outstanding foreign currency denominated monetary items. Management has considered the recent volatility in exchange rates and has concluded that a 5% movement in exchange rates is a reasonably possible assumption. If the following foreign currencies appreciate against RM with all other variables held constant, the Company's profit before tax would increase/(decrease) as follows:

	2021 RM	2020 RM
- European ("EURO")	(1,376)	-
- United States Dollar ("USD")	(18,925)	34,689
	<u>(20,301)</u>	<u>34,689</u>

The sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Registration No.: 196501000548 (6336-X)

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk

The Company is exposed to interest rate risk which is the risk that the fair value of the financial instrument or future cash flows will fluctuate as a result of changes in market interest rates.

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instrument should a counterparty default on its obligation.

The Company's management has credit policies in place to ensure that transactions are conducted with creditworthy counterparties.

The Company's credit risk is primarily attributable to trade receivables arising from the sale of goods.

An impairment analysis is performed at each reporting date to measure the ECL. The calculation reflects information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables

Management applied a simplified approach (i.e. lifetime ECL) in measuring the loss allowance for trade receivables, lease receivables and contract assets. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Management writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Exposure to credit risk arising from sales made on deferred credit terms is managed through the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. If necessary, the Company may obtain collaterals from counterparties as a means of mitigating losses in the event of default.

Registration No.: 196501000548 (6336-X)

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Trade receivables (continued)

The Company does not have significant credit risk exposure to any single debtor or any group of debtors.

The risk profile and aging analysis of trade receivables are as follows:

	2021 RM	2020 RM
Not past due	12,578,820	6,331,221
Less than 30 days past due	139,725	174,141
	<u>12,718,545</u>	<u>6,505,362</u>

Management does not expect any credit loss based on the then assessment at the reporting date.

Cash and cash equivalents

The Company seeks to invest its surplus cash prudently by investing it in highly liquid money market instrument.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. The Company's exposure to liquidity risk arises principally from its payables.

The Company seeks to ensure the business maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that the business unit, through efficient working capital management (i.e. inventory, accounts receivable and accounts payable management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

All financial liabilities of the Company at the end of the reporting period are payable within next 12 months.

Registration No.: 196501000548 (6336-X)

20. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to ensure that it maintains a strong capital base in order to support its existing business operations and enable future development of the businesses as well as maximise shareholders' value.

The capital structure of the Company consists of equity attributable to the owners of the Company (i.e. share capital and reserves).

Management reviews and manages the capital structure regularly and makes adjustments to address changes in the economic environment and risk characteristics inherent in the Company's business operations. These initiatives may include adjustments to the amount of dividends to be distributed to shareholders. No changes were made in the objectives, policies and processes during the current financial year.

21. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Directors on 7 June 2022.

22. SIGNIFICANT EVENT

The Company has seen macro-economic uncertainty with regards to prices and demand of its products and services as a result of the COVID-19 (coronavirus) outbreak.

The global developments and uncertainty in the market have caused disruption and large scale volatility in the global markets. The scale and duration of these developments had impacted the Company's earnings, cash flows and financial condition.

The Company will monitor the development of these events and have implemented measures to mitigate the impact of COVID-19 to the business.

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

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

We, YAP CHOI FOONG and FRANCIS QUAH CHUAN HOE @ QUAH CHUAN HOE, being two of the directors of Malayan Adhesives And Chemicals Sdn Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 6 to 36 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 December 2021 and of its financial performance and cash flows for the year then ended.

On behalf of the Board



YAP CHOI FOONG
Director



FRANCIS QUAH CHUAN HOE @ QUAH CHUAN HOE
Director

Kuala Lumpur

07 JUN 2022

Registration No.: 196501000548 (6336-X)

MALAYAN ADHESIVES AND CHEMICALS SDN BHD
(Incorporated in Malaysia)

STATUTORY DECLARATION

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

I, LIM KIAN JOO, being the officer primarily responsible for the financial management of Malayan Adhesives And Chemicals Sdn Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 6 to 36 are to the best of my knowledge and belief, 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.



LIM KIAN JOO

Subscribed and solemnly declared by the
abovenamed Lim Kian Joo
at Kuala Lumpur in Wilayah Persekutuan
on - 7 JUN 2022

Before me,



205, Bangunan Loke Yew
Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)



Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

Registration No.: 196501000548 (6336-X)

Independent auditors' report to the members of
Malayan Adhesives And Chemicals Sdn Bhd
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malayan Adhesives and Chemicals Sdn Bhd, which comprise the statement of financial position as at 31 December 2021, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and cash flows for the 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 audit 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 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.

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 other information and we do not express any form of assurance conclusion thereon.



Registration No.: 196501000548 (6336-X)

Independent auditors' report to the members of
Malayan Adhesives And Chemicals Sdn Bhd (continued)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (continued)

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information 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 this other information, 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 financial statements of the Company that 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.

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.



Registration No.: 196501000548 (6336-X)

Independent auditors' report to the members of
Malayan Adhesives And Chemicals Sdn Bhd (continued)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (continued)

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.
- 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.



Registration No.: 196501000548 (6336-X)

Independent auditors' report to the members of
Malayan Adhesives And Chemicals Sdn Bhd (continued)
(Incorporated in Malaysia)

Other matters

This report is made solely to the members 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.

A handwritten signature in black ink, appearing to be 'Ernst & Young PLT'.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Ng Yee Yee'.

Ng Yee Yee
No. 03176/05/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
7 June 2022

APPENDIX IV – FURTHER INFORMATION

1. DIRECTOR'S RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular 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.

2. CONSENT AND CONFLICT OF INTEREST

Kenanga IB, being the Principal Adviser for the Proposed Acquisition, 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.

Kenanga IB has confirmed that as at the LPD, it is not aware of any conflict of interest situations which exist or are likely to exist in its capacity as the Principal Adviser for the Proposed Acquisition.

3. MATERIAL COMMITMENTS

As at the LPD, save as disclosed below, our Group is not aware of any material commitments incurred or known to be incurred by our Group which may have a material impact on the profit and NA of our Group:

Material commitment	RM'000
Authorised and contracted for:	
- Shah Alam factory complex	121

4. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have any impact on our Group's financial results or position.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of our Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for the period from the date of this Circular up to and including the date of the EGM:

- (i) constitution of our Company;
- (ii) constitution of MAC;
- (iii) SSA and the letters of offer;
- (iv) the audited consolidated financial statements of our Group for the FYEs 30 June 2021 and 2022, as well as the latest unaudited financial statements of our Group for the 3-month FPE 30 September 2022;
- (v) the audited financial statements of MAC for the FYEs 31 December 2020 and 2021, as well as the latest unaudited financial statements of MAC for the 7-month FPE 31 July 2022; and
- (vi) the letter of consent referred to in **Section 2 of this Appendix IV**.

TECHBOND®

YOUR TECHNICAL BONDING PARTNER

TECHBOND GROUP BERHAD

(Registration No. 201601019667 (1190604-M))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of Techbond Group Berhad (“**TGB**” or the “**Company**”) will be held at Danau 3, Level 1, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 22 February 2023 at 2.00 p.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution with or without any modifications:

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY TECHBOND GROUP BERHAD OF UP TO 100.00% EQUITY INTEREST IN MALAYAN ADHESIVES AND CHEMICALS SDN BHD (“MAC”) FOR A TOTAL CASH CONSIDERATION OF UP TO APPROXIMATELY RM57.25 MILLION (“PROPOSED ACQUISITION”)

“**THAT** subject to the approvals of all relevant authorities and/or parties being obtained in respect of the Proposed Acquisition, approval be and is hereby given to the Company to acquire up to 100.00% equity interest in MAC from the shareholders of MAC named in the Register of Members for a total cash consideration of up to approximately RM57.25 million, subject to the terms and conditions of the separate agreements entered or to be entered into with them, as the case may be, in relation to the Proposed Acquisition.

AND THAT the Board of Directors of TGB be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to the Proposed Acquisition with full power to assent to any modification, revaluation, variation, arrangement, condition and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things in any manner as it may deem fit or necessary or expedient in the best interest of the Company to implement, finalise, complete and give full effect to the Proposed Acquisition.”

BY ORDER OF THE BOARD

Ong Wai Leng (SSM PC No. 202208000633) (MAICSA 7065544)

Nadiyah Ili Binti Adnan (SSM PC No. 202008001698) (MAICSA 7062952)

Company Secretaries

Kuala Lumpur
7 February 2023

Notes:

- (1) A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint not more than two (2) proxies in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
- (2) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than 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.
- (3) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners 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 it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (4) Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
- (5) The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing proxy(ies) must be made either under its common seal or signed by an officer or an attorney duly authorised.
- (6) The instrument appointing a proxy either in writing or in electronic form shall be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or via TIH Online at <https://tiah.online> not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof. Kindly refer to the Administrative Guide for further information on electronic submission of proxy form.
- (7) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the share registrar in accordance with Note (6) above not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (8) For a corporate member who has appointed a representative, please deposit the ORIGINAL OR DULY CERTIFIED certificate of appointment with the share registrar in accordance with Note (6) above. The certificate of appointment should be executed in the following manner:
 - (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - (a) at least two (2) authorised officers, of whom one shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
- (9) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at Wednesday, 15 February 2023 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

TECHBOND®

YOUR TECHNICAL BONDING PARTNER

TECHBOND GROUP BERHAD
(Registration No. 201601019667 (1190604-M))
(Incorporated in Malaysia)

PROXY FORM

(Before completing this form please refer to the notes below)

Number of Shares held	
CDS Account	

I/We _____ (Name of Shareholder as per NRIC, in capital letters)

NRIC No./Company No. _____ (New) _____ (Old)

of _____

being a Member(s) of TECHBOND GROUP BERHAD, hereby appoint _____

_____ (Name of proxy as per NRIC, in capital letters)

NRIC No. _____ (New) _____

(Old) and _____ (Name of proxy as per NRIC,

in capital letters) NRIC No. _____ (New)

_____ (Old).

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Danau 3, Level 1, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Darul Ehsan on **Wednesday, 22 February 2023** at **2.00 p.m.** and any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X".

ORDINARY RESOLUTION NO.		FOR	AGAINST
1	Proposed Acquisition		

Dated this _____ day of _____ 2023.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:		
	<u>No. of Shares</u>	<u>Percentage</u>
Proxy 1		%
Proxy 2		%
Total		100%

Signatures/ Common Seal of Shareholder(s)

Contact No.:



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**Share Registrar of
TECHBOND GROUP BERHAD**
(Registration No. 201601019667 (1190604-M))

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

AFFIX
STAMP

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