THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

EUROSPAN HOLDINGS BERHAD
Company No. 199501022724 (351927-M)
EST.1972

EUROSPAN HOLDINGS BERHAD
(Registration No. 199501022724 (351927-M))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

(I) PROPOSED DISPOSAL OF DFSB;

(II) PROPOSED DISPOSAL OF EFSB PROPERTIES; AND

(III) PROPOSED TENANCY

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER FROM MAINSTREET ADVISERS SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

TA SECURITIES
AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD
(Registration No.: 197301001467 (14948-M))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

MainStreet

MAINSTREET ADVISERS SDN BHD
(Registration No. 200701032292 (790320-P))

The Extraordinary General Meeting of the Company ("**EGM**") will be held at Forum 3, Level 1, G Hotel Kelawai, 2 Persiaran Maktab, 10250 Penang on Friday, 8 December 2023 at 10:30 a.m..

The Notice of EGM and the Proxy Form are enclosed in this Circular and are available at the Company's website at https://www.eurospan.com.my.

If you wish to appoint a proxy or proxies to attend and vote on your behalf at the EGM, you must complete and deposit the Proxy Form in accordance with the instructions thereon so as to arrive at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang, Malaysia not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof.

Last date and time for lodging the Proxy Form	:	Wednesday, 6 December 2023 at 10:30 a.m.
Date and time of the EGM	:	Friday, 8 December 2023 at 10:30 a.m.

This Circular is dated 20 November 2023

PART A

(I) PROPOSED DISPOSAL BY EUROSPAN HOLDINGS BERHAD ("EHB" OR "COMPANY") OF 2,600,000 ORDINARY SHARES IN DYNASPAN FURNITURE SDN BHD ("DFSB") AND 15,000,000 NON-CUMULATIVE REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN DFSB, REPRESENTING THE ENTIRE EQUITY INTEREST IN DFSB, TO GUAN KOK BENG, GUAN SHAW YIN AND GUAN SHAW KEE FOR A TOTAL DISPOSAL CONSIDERATION OF RM38.90 MILLION TO BE FULLY SATISFIED VIA CASH;

(II) PROPOSED DISPOSAL BY EUROSPAN FURNITURE SDN BHD ("EFSB"), A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, OF 2 PARCELS OF FREEHOLD INDUSTRIAL LAND HELD UNDER DOCUMENTS OF TITLE GERAN MUKIM 1058, LOT 3564 AND GERAN MUKIM 1059, LOT 3565, BOTH IN MUKIM 16, DAERAH SEBERANG PERAI UTARA, NEGERI PULAU PINANG, TOGETHER WITH THE BUILDINGS ERECTED THEREON (COLLECTIVELY, "EFSB PROPERTIES") TO DFSB FOR A TOTAL DISPOSAL CONSIDERATION OF RM15.65 MILLION TO BE FULLY SATISFIED VIA CASH ("PROPOSED DISPOSAL OF EFSB PROPERTIES"); AND

(III) PROPOSED TENANCY BETWEEN DFSB, AS LANDLORD, AND EFSB, AS TENANT, IN RESPECT OF EFSB PROPERTIES UPON COMPLETION OF THE PROPOSED DISPOSAL OF EFSB PROPERTIES

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER FROM MAINSTREET ADVISERS SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSALS

DEFINITIONS

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

3M-FPE	:	3-month financial period ended
Act	:	Companies Act, 2016
Board	:	Board of Directors
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
Circular	:	This circular to the shareholders of our Company dated 20 November 2023
DFSB	:	Dynaspan Furniture Sdn Bhd, a wholly-owned subsidiary of our Company
DFSB Properties	:	Collectively, the Sungai Baong Factory and Sungai Baong Land
DFSB Shares	:	Ordinary shares in DFSB
DFSB NCRCPS	:	Non-cumulative redeemable convertible preference shares in DFSB
Director(s)	:	A person defined in Section 2(1) of the Capital Markets and Services Act 2007 and for purposes of the Proposals includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or a chief executive of our Company, our subsidiary or holding company
Disposal of Kulim Property	:	Disposal by DFSB of the Kulim Property to Khoo Kok Seang, Khoo Kay Sen and Khoo Yi Sen for a cash disposal consideration of RM6.95 million pursuant to a sale and purchase agreement dated 3 March 2023, which was completed on 2 August 2023
EFSB	:	Eurospan Furniture Sdn Bhd, a wholly-owned subsidiary of our Company
EFSB Properties	:	2 parcels of freehold industrial land held under documents of title Geran Mukim 1058, Lot 3564 and Geran Mukim 1059, Lot 3565, both in Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang, together with the buildings erected thereon
EGM	:	Extraordinary general meeting of our Company
EHB or Company	:	Eurospan Holdings Berhad
EHB Group or Group	:	Collectively, our Company and subsidiaries
EHB Shares	:	Ordinary shares in our Company
EPS	:	Earnings per EHB Share
FYE	:	Financial year ended or ending, as the case may be
GKB	:	Guan Kok Beng
GSK	:	Guan Shaw Kee
GSY	:	Guan Shaw Yin
Interested Directors	:	Collectively, GKB, GSY and GSK

Interested Parties	:	Collectively, GKB, GSY, GSK and TBHL
Kulim Property	:	A parcel of industrial land in Kulim, Kedah with a 60-year sub-lease expiring in November 2041 together with a single storey terrace office building cum factory erected thereon
LAT	:	Loss after tax
Laurelcap or Valuer	:	Laurelcap Sdn Bhd, being the Independent Property Valuer appointed by our Company for the Proposals
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	31 October 2023, being the latest practicable date prior to the date of this Circular
LPS	:	Loss per EHB Share
m^2	:	Square meters
m^3	:	Cubic metres
MainStreet or Independent Adviser	:	MainStreet Advisers Sdn Bhd, being the Independent Adviser for the Proposals
Major Shareholder(s)	:	A person who has an interest or interests in one or more voting shares in our Company and the number or aggregate number of those shares is 10% or more of the total number of voting shares in our Company or 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of our Company, as defined under Paragraph 1.01 of the Listing Requirements, and for purposes of the Proposals includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of our Company (as defined under Paragraph 1.01 of the Listing Requirements) or any other corporation which is our subsidiary or holding company, as the case may be
NA	:	Net assets
NBV	:	Net book value
PAT	:	Profit after tax
Proposals	:	Collectively, the Proposed Disposals and the Proposed Tenancy
Proposed Disposal of DFSB	:	Proposed disposal by EHB of the Sale Shares, representing the entire equity interest in DFSB, to the Purchasers for the SSA Consideration pursuant to the SSA
Proposed Disposal of EFSB Properties	:	Proposed disposal by EFSB of the EFSB Properties to DFSB for the SPA Consideration pursuant to the SPA
Proposed Disposals	:	Collectively, the Proposed Disposal of DFSB and Proposed Disposal of EFSB Properties
Proposed Tenancy	:	Proposed tenancy between DFSB, as landlord, and EFSB, as tenant, in respect of the EFSB Properties upon completion of the Proposed Disposal of EFSB Properties pursuant to the Tenancy Agreement

Proposed Distribution	:	Proposed distribution of approximately RM8.88 million to our Company's shareholders via a special dividend, which translates into RM0.20 per EHB Share
Purchasers	:	Collectively, GKB, GSY and GSK, being the purchasers for the Proposed Disposal of DFSB
Rental	:	The monthly rent of RM87,671 for the rental of the EFSB Properties pursuant to the Proposed Tenancy throughout the Tenancy Period
RPGT	:	Real property gain tax
Sale Shares	:	Collectively, 2,600,000 DFSB Shares and 15,000,000 DFSB NCRCPS
SPA	:	The conditional sale and purchase agreement dated 24 August 2023 entered between EFSB and DFSB for the Proposed Disposal of EFSB Properties
SPA Consideration	:	Disposal consideration of RM15.65 million to be fully settled via cash in relation to the Proposed Disposal of EFSB Properties
sq. ft.	:	Square feet
SSA	:	The conditional share sale agreement dated 24 August 2023 entered between our Company and the Purchasers for the Proposed Disposal of DFSB
SSA Consideration	:	Disposal consideration of RM38.90 million to be fully settled via cash in relation to the Proposed Disposal of DFSB
Sungai Baong Factory	:	A single storey detached factory built on 2 parcels of freehold industrial land held under title no. HS(D) 6740, Lot 2966 and HS(D) 6743, Lot 2969 in Mukim 04, Daerah Seberang Perai Selatan, Negeri Pulau Pinang
Sungai Baong Land	:	2 contiguous parcels of vacant freehold industrial land held under title no. HS(D) 6745, Lot 2971 and HS(D) 6746, Lot 2972 in Mukim 04, Daerah Seberang Perai Selatan, Negeri Pulau Pinang
TA Securities or Principal Adviser	:	TA Securities Holdings Berhad, being the Principal Adviser for the Proposals
TBHL	:	TBHL Holdings Sdn Bhd
Tenancy Agreement	:	The tenancy agreement dated 24 August 2023 entered between EFSB and DFSB for the Proposed Tenancy
Tenancy Period	:	Tenancy period of 2 years with an option to further renew the tenancy for a period of 2 years pursuant to the Proposed Tenancy
TNB	:	Tenaga Nasional Berhad
TNB Sublease	:	Sublease of a part of the freehold industrial land held under title no. Geran Mukim 1059, Lot 3565, Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang with land size of approximately 525 sq. ft. for a period of 30 years commencing from 25 November 1997 to 24 November 2027 granted to TNB and registered under the National Land Code (Revised 2020)

CURRENCY

RM and sen	:	Ringgit Malaysia and sen

All references to "**we**", "**us**", "**our**" and "**ourselves**" in this Circular, if any, shall mean EHB or where the context requires, our Group.

References to "**you**" or "**your**" are to 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. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations, enactments or rules of the stock exchange is a reference to such statutes, rules, regulations, enactments or rules of the stock exchange 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 stated.

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

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 due 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, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group's plans and objectives will be achieved.

Any exchange rate translation in this Circular is provided solely for your convenience and should not be constituted as representative that the translated amount stated in this Circular could have been or would have been converted into such other amounts or vice versa.

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THIS EXECUTIVE SUMMARY SETS OUT THE SALIENT INFORMATION ON THE PROPOSALS. PLEASE READ THIS CIRCULAR (INCLUDING ITS APPENDICES AND THE INDEPENDENT ADVICE LETTER FROM MAINSTREET CONTAINED HEREIN) CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

Our Board is recommending the non-interested shareholders of our Company to vote **IN FAVOUR** of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

Summary	
Details of the Proposals	**(A) Proposed Disposal of DFSB** The Proposed Disposal of DFSB entails the disposal by EHB of 2,600,000 DFSB Shares and 15,000,000 DFSB NCRCPS, representing the entire equity interest in DFSB, to the Purchasers for a total disposal consideration of RM38.90 million, subject to the terms and conditions set forth in the SSA. The SSA Consideration is to be satisfied entirely in cash by the Purchasers to EHB. **(B) Proposed Disposal of EFSB** The Proposed Disposal of EFSB Properties entails the disposal of the EFSB Properties by EFSB to DFSB for a total disposal consideration of RM15.65 million upon completion of the Proposed Disposal of DFSB, subject to the terms and conditions set forth in the SPA. The SPA Consideration is to be satisfied entirely in cash by DFSB to EFSB. **(C) Proposed Tenancy** The Proposed Tenancy entails the renting of the EFSB Properties by EFSB, as tenant, from DFSB, as landlord, upon completion of the Proposed Disposal of EFSB Properties, for a period of 2 years with an option to further renew the tenancy for a period of 2 years, subject to the terms and conditions of the Tenancy Agreement. EFSB shall pay to DFSB a monthly rent of RM87,671 for the rental of the EFSB Properties throughout the Tenancy Period pursuant to the Proposed Tenancy. Please refer to **Section 3, Part A** of this Circular for further information on the Proposals.
Basis and justification for the SSA Consideration, SPA Consideration and Rental	<u>**SSA Consideration**</u> In arriving at the SSA Consideration, our Board has considered, among others, the following: (i) the adjusted unaudited NA of DFSB as at 31 May 2023 of approximately RM38.89 million, including the value of issued DFSB NCRCPS in issue of RM15.00 million, after taking into consideration, among others, the market values of the DFSB Properties of RM24.00 million in aggregate as appraised by the Valuer as at 30 June 2023; (ii) the original cost of investment by our Company in DFSB of approximately RM20.69 million as set out in Section 2.1.6, Part A of this Circular; and (iii) the rationale and benefits of the Proposals as set out in Section 4, Part A of this Circular.

<table>
<tr><th colspan="2">Summary</th></tr>
<tr><td>Basis and justification for the SSA Consideration, SPA Consideration and Rental (Cont'd)</td><td><u>SPA Consideration</u>
In arriving at the SPA Consideration, our Board has considered, among others, the following:

(i) market value of the EFSB Properties (excluding the Extensions (as defined in Section 2.2.1, Part A of this Circular)) of RM15.00 million as appraised by Valuer as at 30 June 2023. The total estimated value of the EFSB Properties including the Extensions is approximately RM15.54 million;
(ii) the total audited NBV of the EFSB Properties (including the Extensions) as at 31 May 2022 and 31 May 2023 of approximately RM4.29 million and RM4.18 million, respectively; and
(iii) the rationale and benefits of the Proposals as set out in Section 4, Part A of this Circular.

<u>Rental</u>
The Rental was arrived at after taking consideration the market rental rate of comparable properties based on the comparable rental analysis conducted by the Valuer as at 30 June 2023.

Please refer to Sections 2.1.2, 2.2.2, 2.3.1, Part A of this Circular for further information on the basis and justification for the Disposal Consideration and Appendix VI of this Circular for the valuation certificates for the DFSB Properties and EFSB Properties.</td></tr>
<tr><td>Use of proceeds</td><td>The total proceeds from the Proposed Disposals are as follows:

<table>
<tr><th></th><th>RM'000</th></tr>
<tr><td>Proposed Disposal of DFSB</td><td>38,900</td></tr>
<tr><td>Proposed Disposal of EFSB Properties</td><td>15,650</td></tr>
<tr><td></td><td>54,550</td></tr>
</table>

Our Company intends to use the proceeds from the Proposed Disposals in the following manner:

<table>
<tr><th>Description</th><th>RM'000</th><th>Estimated timeframe for use of proceeds</th></tr>
<tr><td>Distribution of special dividend to shareholders</td><td>8,884</td><td>Within 1 month from completion of the Proposed Disposal of DFSB</td></tr>
<tr><td>Payment for amount owing to DFSB</td><td>4,279</td><td>Within 1 month from completion of the Proposed Disposal of DFSB</td></tr>
<tr><td>Acquisition of new business(es) / asset(s) to be identified</td><td>15,000</td><td>Within 24 months from completion of the Proposed Disposals</td></tr>
<tr><td>Working capital</td><td>24,737</td><td>Within 24 months from completion of the Proposed Disposals</td></tr>
<tr><td>Estimated expenses for the Proposals</td><td>1,650</td><td>Immediately</td></tr>
<tr><td></td><td>54,550</td><td></td></tr>
</table>

Please refer to Section 3, Part A of this Circular for further information on the use of proceeds from the Proposed Disposals.</td></tr>
</table>

Summary	
Rationale and benefits of the Proposed Disposals	The Proposed Disposals are expected to provide the following benefits: • to realise the value of its investments in DFSB and the EFSB Properties at the SSA Consideration and SPA Consideration respectively in cash; • to use the cash proceeds from the Proposed Disposals in the manner as set out in Section 3, Part A of this Circular; • the cash proceeds from the Proposed Disposals will also ease our Group's funding requirements for its working capital; • allow our Group to acquire new business(es) or asset(s) to expand and diversify our Group's revenue stream and improve its profitability; • record a total net pro forma gain on disposals of approximately RM27.28 million (net of estimated RPGT applicable for the Proposed Disposal of EFSB Properties); • strengthen our Group's financial position and liquidity; • allow our Group to adopt an asset light strategy which will reduce fixed overheads and improving the use of our Group's resources as well as enabling our Group to compete on a more cost-efficient manner; Furthermore, part of the proceeds from the Proposed Disposals of approximately RM8.88 million is intended to be used for the Proposed Distribution to reward the shareholders of our Company for their investments in our Group. The Proposed Tenancy is expected to have the following benefits: • allows our Group to ensure that its business operations at the EFSB Properties are not disrupted as a result of the Proposed Disposals; • flexibility for our Group to either continue its operations at the EFSB Properties beyond the Tenancy Period or seek for new location which is more suitable and strategic; • provides our Group with a reasonable time to review its business operations and implement plans to improve the efficiency on the use of our Group's resources and cost management. In view of the foregoing, the Proposals represent an opportunity for our Group to realise the value of its investments in DFSB and the EFSB Properties and provide our Group with cash to explore for opportunities which could expand the revenue stream and improve the profitability of our Group without any dilution to the existing shareholders' shareholdings in our Company or disruption to the existing business operations of our Group. Please refer to **Section 4, Part A** of this Circular for further information on the rationale and benefits of the Proposals.
Risk factors	• Our Company and EFSB have given representations, warranties and undertakings as set out in the SSA and SPA in favour of the Purchasers and DFSB, respectively. In this regard, our Company and/or EFSB may be subject to claims in accordance with the terms and conditions of the SSA and SPA for the breach of representations, warranties and/or undertakings given by our Company and/or EFSB. • The SSA, SPA and Tenancy Agreement is conditional upon fulfilment of the conditions precedent set forth in the respective agreement. There is no assurance that all the conditions precedent can be fulfilled and that the Proposals can be completed within the time period permitted under the SSA, SPA and/or Tenancy Agreement. In the event that any of the conditions precedent is/are not fulfilled and/or waived within the stipulated time period set out in the respective agreement, the Proposals may be delayed or terminated.

Summary	
Risk factors ***(Cont'd)***	• Currently, our Group's business operations are carried out at the EFSB Properties. Accordingly, the Proposed Disposals will result in our Group losing ownership over its principal place of business. • The SSA Consideration which is largely based on the adjusted unaudited NA of DFSB as at 31 May 2023, which in turn is based on the unaudited NA of DFSB as at 31 May 2023 and the market values of DFSB Properties as appraised by the Valuer as at 30 June 2023. Similarly, the SPA Consideration is also based on the market value of the EFSB Properties as appraised by the Valuer as at 30 June 2023. As such, our Company will not be able to benefit from any potential increase in values of DFSB's NA, DFSB Properties and the EFSB Properties in the future after the completion of the Proposals. Please refer to **Section 5, Part A** of this Circular for further information on the risk factors relating to the Proposals.
Approvals required	The Proposals subject to the following being obtained: (i) approval of the non-interested shareholders of our Company at the forthcoming EGM; (ii) consent from TNB for the transfer of the EFSB Properties by EFSB to DFSB pursuant to the Proposed Disposal of EFSB Properties; and (iii) approvals/consents from any other relevant authorities and/or parties, if required. The Proposed Disposal of DFSB, Proposed Disposal of EFSB Properties and Proposed Tenancy are inter-conditional upon each other only in terms of the approval of the non-interested shareholders of our Company to be obtained at the forthcoming EGM. The Proposed Distribution is conditional upon the completion of the Proposed Disposal of DFSB but not vice versa. The completion of the Proposed Disposal of EFSB Properties is conditional upon the completion of the Proposed Disposal of DFSB and Proposed Distribution but not vice versa. The implementation of the Proposed Tenancy is conditional upon the completion of the Proposed Disposal of EFSB Properties but not vice versa. Please refer to **Section 8, Part A** of this Circular for further information on the approvals required for the Proposals.
Highest percentage ratio	The highest percentage ratio applicable for the Proposals pursuant to Paragraph 10.02(g)(ii) of the Listing Requirements is more than 100%. For avoidance of doubt, the Proposals are not a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements. Please refer to **Section 9, Part A** of this Circular for further information on the highest percentage ratio in relation to the Proposals.

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CONTENTS

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PART A

LETTER TO THE SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSALS

PART B

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APPENDICES

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PART A

LETTER TO THE SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSALS

EUROSPAN HOLDINGS BERHAD
(Registration No. 199501022724 (351927-M))
(Incorporated in Malaysia)

Registered Office
35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya, Penang
Malaysia

20 November 2023

Board of Directors
Guan Kok Beng *(Executive Chairman)*
Guan Shaw Yin *(Managing Director)*
Guan Shaw Kee *(Deputy Managing Director)*
Sim Yee Fuan *(Independent Non-Executive Director)*
Ch'ng Lay Hoon *(Independent Non-Executive Director)*
Ting Hon Sum *(Independent Non-Executive Director)*

To: The shareholders of our Company

Dear Sir/ Madam,

(I) PROPOSED DISPOSAL OF DFSB;
(II) PROPOSED DISPOSAL OF EFSB PROPERTIES; AND
(III) PROPOSED TENANCY
(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

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1. INTRODUCTION

On 24 August 2023, our Board announced that:

(i) EHB had on 24 August 2023 entered into the SSA with the Purchasers for the Proposed Disposal of DFSB; and

(ii) EFSB had on 24 August 2023 entered into the following:

(a) the SPA with DFSB for the Proposed Disposal of EFSB Properties; and

(b) the Tenancy Agreement with DFSB for the Proposed Tenancy.

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

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND INDEPENDENT ADVICE LETTER FROM MAINSTREET CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Disposal of DFSB

The Proposed Disposal of DFSB entails the disposal by EHB of 2,600,000 DFSB Shares and 15,000,000 DFSB NCRCPS, representing the entire equity interest in DFSB, to the Purchasers for a total disposal consideration of RM38.90 million, subject to the terms and conditions set forth in the SSA, the salient terms of which are set out in Appendix I of this Circular.

The proportion of the Sale Shares to be disposed to each Purchaser and the corresponding SSA Consideration are as follows:

Purchasers	No. of DFSB Shares	No. of DFSB NCRCPS	SSA Consideration (RM)
GKB	1,326,000	7,650,000	19,839,000
GSK	637,000	3,675,000	9,530,500
GSY	637,000	3,675,000	9,530,500
Total	**2,600,000**	**15,000,000**	**38,900,000**

The SSA Consideration is to be satisfied entirely in cash by the Purchasers to EHB in the manner as set out in Section 1 of Appendix I of this Circular.

Pursuant to the SSA, EHB shall dispose the Sale Shares to the Purchasers free from all liens, charges and encumbrances and with full legal and beneficial title with all rights attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof).

Upon completion of the Proposed Disposal of DFSB with the receipt of the SSA Consideration, our Board shall propose to distribute approximately RM8.88 million to our Company's shareholders via a special dividend, which translates into RM0.20 per EHB Share based on the existing issued 44,421,700 EHB Shares as at the LPD. In this regard, the distribution pursuant to the Proposed Distribution is expected to be made after the completion of the Proposed Disposal of DFSB but before the completion of the Proposed Disposal of EFSB Properties.

In conjunction with the Proposed Disposal of DFSB and in accordance with the SSA (i.e. Section 1(ii)(c) of Appendix I of this Circular), our Group is required to settle the outstanding inter-company balance owing by EFSB to DFSB arising from the supply by DFSB of the component parts for EFSB's furniture products over the course of its day-to-day operations. For information, the amount payable by EFSB to DFSB as at 31 May 2023 is approximately RM4.28 million.

2.1.1 Information on DFSB

DFSB is a private limited company incorporated in Malaysia on 4 January 1992 under the Companies Act 1965. DFSB is principally involved in the manufacturing of furniture and wood-based products.

As at the LPD, DFSB's issued share capital is RM17,600,000 comprising 2,600,000 DFSB Shares and 15,000,000 DFSB NCRCPS.

As at the LPD, DFSB is a wholly-owned subsidiary of our Company and all the DFSB NCRCPS in issue are held by our Company.

As at the LPD, the directors of DFSB are as follows:

Name	Designation	Nationality
GKB	Director	Malaysian
Lee Beng Tek	Director	Malaysian
GSK	Director	Malaysian
GSY	Director	Malaysian
Mahendran A/L Ramachandran	Director	Malaysian

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

Further details on the information on DFSB is set out in Appendix IV of this Circular.

2.1.2 Basis and justification for the SSA Consideration

The SSA Consideration was arrived at on a "willing-buyer willing-seller" basis between our Company and the Purchasers. In arriving at the SSA Consideration, our Board has considered, among others, the following:

(i) the adjusted unaudited NA of DFSB as at 31 May 2023* of approximately RM38.89 million (including the value of issued DFSB NCRCPS of RM15.00 million) as follows:

	RM'000
Unaudited NA of DFSB as at 31 May 2023*	17,644
Add: Gain on disposal from the Disposal of Kulim Property(1)	5,186
Add: Insurance claim by DFSB(2)	1,344
Add: Net revaluation surplus(3)	14,720
Adjusted unaudited NA of DFSB as at 31 May 2023*	**38,894**

Notes:

* *On the date of the SSA, i.e. 24 August 2023, the parties have relied on the unaudited statement of financial position of DFSB as at 31 May 2023. Subsequent to the date of the SSA, on 18 September 2023, the audited statement of financial position of DFSB as at 31 May 2023 has been made available. For information, there is no change/variation to the NA of DFSB as at 31 May 2023 between the unaudited statement of financial position of DFSB and audited statement of financial position of DFSB as at 31 May 2023.*

(1) DFSB disposed the Kulim Property for a disposal consideration of RM6.95 million pursuant to a sale and purchase agreement dated 3 March 2023, which was completed on 2 August 2023.

The gain on disposal from the Disposal of the Kulim Property was computed based on the net selling price of approximately RM6.42 million (after taking into account the RPGT as well as legal and associated expenses of approximately RM0.53 million) and unaudited NBV of the Kulim Property as at 31 May 2023 of approximately RM1.23 million.

(2) DFSB has filed an insurance claim of up to RM1,343,561.24 with Takaful Malaysia for damages to its stocks resulting from flood at 2, Lorong Bakau 3, Kawasan Perusahaan Perabot Sungai Baong, 14200 Sungai Bakap, Pulau Pinang on 3 February 2023. As at the LPD, the insurer has appointed an adjuster to appraise the estimated loss pursuant to the insurance claims which is currently still pending.

For avoidance of doubt, any variance between the actual amount paid by the insurer to DFSB for the settlement of the said insurance claim and the amount claimed by DFSB will not result in the SSA Consideration being adjusted or varied.

(3) Being the surplus of total market values of the DFSB Properties of RM24.00 million as appraised by the Valuer as at 30 June 2023, over total unaudited NBV of the DFSB Properties as at 31 May 2023 of approximately RM6.23 million, net of applicable tax rates as detailed below:

DFSB Properties	Component	*(A)* Market value (RM'000)	*(B)* NBV as at 31 May 2023 (RM'000)	*(C) = (A) – (B)* Revaluation surplus (RM'000)	*(D)* Deferred tax (RM'000)	*(C) – (D)* Net revaluation surplus (RM'000)
Sungai Baong Factory	(i) Building	11,950	2,866	9,084	(2,180)*	6,904
	(ii) Land	6,050	1,559	4,491	(449)^	4,042
Sungai Baong Land	-	6,000	1,807	4,193	(419)^	3,774
	Total	**24,000**	**6,232**	**17,768**	**(3,048)**	**14,720**

* *Being the deferred tax liability applicable to the revaluation surplus for the building component of the Sungai Baong Factory at 24%, being the statutory corporate income tax rate in Malaysia.*

^ *Being the deferred tax liability applicable to the revaluation surplus for the freehold land component of the Sungai Baong Factory and the Sungai Baong Land at 10%, being the applicable RPGT in Malaysia.*

The DFSB Properties comprise of the Sungai Baong Factory and Sungai Baong Land.

The market values of the DFSB Properties of RM24.00 million in aggregate as appraised by the Valuer as at 30 June 2023 are as follows:

DFSB Properties	Market value (RM'000)
Sungai Baong Factory	18,000
Sungai Baong Land	6,000
Total	**24,000**

Based on the Valuer's opinion:

(a) in respect of the Sungai Baong Factory, the cost approach is the most suitable valuation method in arriving at its market value as the Sungai Baong Factory is a factory built for specific purpose; and

(b) in respect of Sungai Baong Land, the comparison approach is the most suitable valuation method in arriving at its market value as there are consistent and recent transactions with similar characteristics as the Sungai Baong Land and located in similar area.

Further details on the DFSB Properties are set out in Section 2.1.4, Part A of this Circular and details of the valuation on the DFSB Properties are set out in the valuation certificates by the Valuer as enclosed in Appendix VI of this Circular.

(ii) the original cost of investment by our Company in DFSB of approximately RM20.69 million as set out in Section 2.1.6, Part A of this Circular; and

(iii) the rationale and benefits of the Proposals as set out in Section 4, Part A of this Circular.

The SSA Consideration approximates the adjusted unaudited NA of DFSB as at 31 May 2023 of RM38.89 million as detailed above. Therefore, our Board is of the view that the SSA Consideration is reasonable considering the adjusted unaudited NA of DFSB as at 31 May 2023, original cost of investment by our Company in DFSB and the pro forma net gain on disposal from the Proposed Disposal of DFSB of approximately RM16.68 million as well as the rationale and benefits of the Proposals as set out in Section 4, Part A of this Circular which are expected to contribute positively to our Group's financial position and performance.

2.1.3 Information on the Purchasers

(a) GKB

Guan Kok Beng, a Malaysian, aged 71, is a Major Shareholder of our Company by virtue of TBHL's and his direct shareholdings in our Company. He is currently the Executive Chairman of our Company.

He was appointed as Managing Director of our Company on 30 April 2000 and was re-designated as Executive Chairman of our Company on 1 June 2022.

With over 42 years of experience in the furniture industry, he is responsible for strategic business development, providing direction and overseeing the overall marketing and production operations of our Group. He was the President of the Penang Furniture Manufacturers and Dealers Association (PFMDA) from 1992 to 1995 and subsequently appointed as the Advisor since 1996. He was also a committee member of the Malaysian Furniture Industry Council from 1992 to 1995.

He is a director and major shareholder of EHB, through his direct interest of 4,996,100 EHB Shares and indirect interest of 18,511,200 EHB Shares via TBHL (a company which he holds 99.98% equity interest), representing approximately 11.25% and 41.67% of the total issued EHB Shares, respectively, as at the LPD. He is the father to GSY and GSK.

(b) GSY

Guan Shaw Yin, a Malaysian, aged 45, is currently the Managing Director of our Company.

He joined our Group since 2006 and was appointed as an Executive Director of our Company on 28 April 2008. He was re-designated as Managing Director of our Company on 1 June 2022.

He is primarily involved in manufacturing, logistic, finance as well as the quality control and assurance procedures of our Group. He graduated from Northwood University, USA with a Bachelor Degree in Business Administration.

He is a director of TBHL, a son of GKB and brother to GSK.

(c) GSK

Guan Shaw Kee, a Malaysian, aged 47, is currently the Deputy Managing Director of our Company.

He joined our Group since 2002 and was appointed as an Executive Director of our Company on 28 April 2008. He was re-designated as Deputy Managing Director on 1 June 2022.

He is primarily involved in sales and marketing, research and development, human resources and administrative functions and overseeing the management information systems of our Group. He graduated from Alexander Institute of Technology in Australia with Diploma in Computing & Information Technology.

He is a director of TBHL, a son of GKB and brother to GSY.

2.1.4 Information on the DFSB Properties

A summary of the information on the DFSB Properties are as follows:

Information	**DFSB Properties**			
Title / Lot No.	HS(D) 6740, Lot 2966	HS(D) 6743, Lot 2969	HS(D) 6745, Lot 2971	HS(D) 6746, Lot 2972
Postal address	Lot 2, Lorong Bakau 3, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang	Lot 2, Lorong Bakau 3, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang	Plot A9, Lorong Bakau 5, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang	Plot A10, Lorong Bakau 5, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang
Registered owner	DFSB	DFSB	DFSB	DFSB
Tenure	Grant in perpetuity (or freehold)	Grant in perpetuity (or freehold)	Grant in perpetuity (or freehold)	Grant in perpetuity (or freehold)
Land area	11,331.20 m^2 (approximately 121,969.00 sq. ft.)	11,250.26 m^2 (approximately 121,097.80 sq. ft.)	10,966.98 m^2 (approximately 118,048.57 sq. ft.)	11,169.32 m^2 (approximately 120,226.59 sq. ft.)
Category of land use	Industrial		Industrial	Industrial
Existing use	Single storey detached factory		Vacant land	Vacant land
Proposed use	Not applicable		Not applicable	Not applicable
Restriction in interest	None		None	None
Express conditions	For industrial purpose only		For industrial purpose only	For industrial purpose only
Encumbrances	A part of the land with land size of approximately 324 sq. ft. is leased to TNB for a period of 30 years commencing from 31 January 2004 to 30 January 2034	None	None	None
Approximate age of building	23 years		Not applicable	Not applicable
Gross floor area	155,139.50 sq. ft.		Not applicable	Not applicable
Valuer	Laurelcap		Laurelcap	Laurelcap
Valuation method	Cost approach		Comparison approach	Comparison approach
Date of valuation	30 June 2023		30 June 2023	30 June 2023
Market value	RM18.00 million		RM3.00 million	RM3.00 million

Information	DFSB Properties		
Audited NBV as at 31 May 2022	RM4.52 million	RM0.90 million	RM0.91 million
Audited NBV as at 31 May 2023	RM4.42 million	RM0.90 million	RM0.91 million

2.1.5 Liabilities which will remain with our Group

Save for any liability arising from the giving of representations and warranties in the SSA by our Company in relation to the Proposed Disposal of DFSB as set out in Section 6 of Appendix I of this Circular, there are no other liability, including contingent liability, which will remain with our Company and/or our Group in respect of the Proposed Disposal of DFSB.

In addition, there is no guarantee given by our Company and/or our Group to DFSB or the Purchasers in relation to the Proposed Disposal of DFSB.

2.1.6 Original cost of investment

The details of our Company's cost of investment in DFSB are as follows:

Date	Details of investment	Cost of investment (RM'000)
30 April 2000	250,003 of DFSB Shares	3,341
22 May 2013	2,349,997 of DFSB Shares	2,350
30 April 2021	15,000,000 DFSB NCRCPS	15,000[(1)]
	Total	**20,691**

Note:

(1) On 30 April 2021, our Company had subscribed for the 15,000,000 DFSB NCRCPS by way of converting amount due from DFSB to our Company amounting to RM15,000,000.

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2.2 Proposed Disposal of EFSB Properties

The Proposed Disposal of EFSB Properties entails the disposal of the EFSB Properties by EFSB to DFSB for a total disposal consideration of RM15.65 million upon completion of the Proposed Disposal of DFSB, subject to the terms and conditions set forth in the SPA, the salient terms of which are set out in Appendix II of this Circular.

The SPA Consideration is to be satisfied entirely in cash by DFSB to EFSB in the manner as set out in Section 2 of Appendix II of this Circular.

The EFSB Properties are sold by EFSB to DFSB free from all encumbrances, save for the sublease of a part of the freehold industrial land held under title no. Geran Mukim 1059, Lot 3565, Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang with land size of approximately 525 sq. ft. for a period of 30 years commencing from 25 November 1997 to 24 November 2027 granted to TNB and registered under the National Land Code (Revised 2020) (i.e., the TNB Sublease).

2.2.1 Information on the EFSB Properties

A summary of the information on the EFSB Properties are as follows:

Information	EFSB Properties	
Title / Lot No.	Geran Mukim 1058, Lot 3564	Geran Mukim 1059, Lot 3565
Postal address	1168, Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth, Pulau Pinang	1169, Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth, Pulau Pinang
Registered owner	EFSB	EFSB
Tenure	Grant in perpetuity (or freehold)	Grant in perpetuity (or freehold)
Land area	5,778 m^2 (approximately 62,194.39 sq. ft.)	6,465 m^2 (approximately 69,589.26 sq. ft.)
Category of land use	Industrial	Industrial
Existing use	2 single storey detached factories connected with covered driveway and 3-storey office building annexed	
Proposed use	After the Proposed Disposal of EFSB Properties, EFSB will be the tenant for the EFSB Properties pursuant to the Proposed Tenancy	
Restriction in interest	None	None
Express conditions	(1) This land shall be used for furniture company purposes only. (2) The building plan shall be in accordance with the approval of Majlis Bandaraya Seberang Perai ("**MBSP**").	(1) This land shall be used for furniture company purposes only. (2) The building plan shall be in accordance with the approval of state authority.
Encumbrances	None	TNB Sublease
Approximate age of building	25 years	25 years
Gross floor area	98,211 sq. ft. (1)	
Valuer	Laurelcap	
Valuation method	Cost approach	
Date of valuation	30 June 2023	
Market value	RM15.00 million	
Audited NBV as at 31 May 2022	RM4.29 million	

Information	EFSB Properties
Audited NBV as at 31 May 2023	RM4.18 million

Note:

*(1) The Valuer had excluded a portion of the extensions to the EFSB Properties, with total built-up area of approximately 15,612 sq. ft., from its valuation as such extensions were not stipulated in the building plans approved by MBSP ("**Extensions**"). The audited NBV of the Extensions is approximately RM0.54 million as at 31 May 2023.*

2.2.2 Basis and justification for the SPA Consideration

The SPA Consideration was arrived at after taking consideration the following:

(i) market value of the EFSB Properties (excluding the Extensions) of RM15.00 million as appraised by Laurelcap, the independent valuer appointed by our Company to value the EFSB Properties, as at 30 June 2023.

Based on the Valuer's opinion, the cost approach is the most suitable valuation method in arriving at the market value of the EFSB Properties as the EFSB Properties comprise of factory and office building built for specific purpose.

Further details of the valuation on the EFSB Properties are set out in the valuation certificates by the Valuer as enclosed in Appendix VI of this Circular.

The total estimated value of the EFSB Properties including the Extensions, based on the market value of EFSB Properties (excluding the Extensions) of RM15.00 million as set out above and the audited NBV of the Extensions as at 31 May 2023 of RM0.54 million, is approximately RM15.54 million. The SPA Consideration represents a premium of RM0.11 million or approximately 0.70% to the total estimated value of the EFSB Properties (including the Extensions).

(ii) the total audited NBV of the EFSB Properties (including the Extensions) as at 31 May 2022 and 31 May 2023 of approximately RM4.29 million and RM4.18 million; and

(iii) the rationale and benefits of the Proposals as set out in Section 4, Part A of this Circular.

Premised on the above, our Board is of the view that the SPA Consideration is reasonable.

2.2.3 Information on DFSB

Please refer to Section 2.1.1, Part A of this Circular for the information on DFSB.

2.2.4 Liabilities which will remain with our Group

Save for the Rental to be paid by EFSB to DFSB pursuant to the Proposed Tenancy, there is no liability, including contingent liability and/or guarantee, which will remain with our Group and/or assumed by our Group in respect of the Proposed Disposal of DFSB and the Proposed Tenancy.

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2.2.5 Original cost of investment

The 2 parcels of freehold industrial land on which the EFSB Properties are built on, under title no. Geran Mukim 1058, Lot 3564, Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang and title no. Geran Mukim 1059, Lot 3565, Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang, were acquired by EFSB for approximately RM1.20 million and RM1.74 million in 1995 and 1992 respectively.

The construction of the factories and office building at the EFSB Properties was completed in 1997, with total cost of construction (including costs of renovations and refurbishments) up to the LPD of approximately RM6.95 million.

Based on the foregoing, EFSB's total cost of investment in respect of the EFSB Properties is approximately RM9.89 million.

2.3 Proposed Tenancy

The Proposed Tenancy entails the renting of the EFSB Properties by EFSB, as tenant, from DFSB, as landlord, upon completion of the Proposed Disposal of EFSB Properties, for a period of 2 years with an option to further renew the tenancy for a period of 2 years, subject to the terms and conditions of the Tenancy Agreement.

EFSB shall pay to DFSB a monthly rent of RM87,671 for the rental of the EFSB Properties throughout the Tenancy Period pursuant to the Proposed Tenancy.

2.3.1 Basis and justification for the Rental

The Rental in respect of the Proposed Tenancy is based on the following:

		Rental	
EFSB Properties	**Built-up area (sq. ft.)**	**RM per sq. ft.**	**RM**
Main floor area	77,131	1.00	77,131
Ancillary floor area	21,080	0.50	10,540
Total	**98,211**		**87,671**

The Rental was arrived at after taking consideration the market rental rate of comparable properties based on the comparable rental analysis conducted by the Valuer as at 30 June 2023, which involves the comparison of the EFSB Properties with the asking rental rates of properties with similar nature and/or in the vicinity, as detailed below:

			Asking monthly rental		Adjusted asking monthly rental(1)
No.	**Property**	**Built-up area (sq. ft.)**	**RM**	**RM per sq. ft.**	**RM per sq. ft.**
1	A detached factory located along Jalan Talang, Taman Emas, Perai, Penang	35,000	50,000	1.43	1.01
2	A detached factory located along Tingkat Mak Mandin 3, Butterworth, Penang	23,800	32,000	1.34	0.99
3	A detached factory located along Lorong Perusahaan 6a, Perai, Penang ("**Comparable 3**")	26,745	38,000	1.42	0.98

Note:

*(1) Adjustments are made for differences in location, size and usage restriction imposed on the EFSB Properties as well as discount to cater for negotiation process considering that the rates stated above are asking monthly rentals which are subject to negotiations ("**Adjustments**").*

The Valuer had taken into consideration the Adjustments to derive at the adjusted asking monthly rental rates of the comparable properties of between RM0.98 per sq. ft. and RM1.01 per sq. ft.. The Valuer placed greater emphasis on comparable 3 as Comparable 3 has similar characteristics and it is the latest asking rental rate (i.e. 14 July 2023).

With Comparable 3 as the most suitable comparable, the Valuer have adopted the rental rate for the main floor area of RM 1.00 per sq. ft. (rounded from RM0.98 per sq. ft.) and the rental rate for the ancillary floor area would be half of the main floor area (i.e. RM0.50 per sq. ft.).

Premised on the above, our Board is of the view that the Rental is reasonable.

3. USE OF PROCEEDS

The total proceeds from the Proposed Disposals ("**Total Proceeds**") are as follows:

	RM'000
Proposed Disposal of DFSB	38,900
Proposed Disposal of EFSB Properties	15,650
	54,550

Our Company intends to use the Total Proceeds in the following manner:

Description	**Note**	**RM'000**	**Estimated timeframe for use of proceeds**
Distribution of special dividend to shareholders	(1)	8,884	Within 1 month from completion of the Proposed Disposal of DFSB
Payment for amount owing to DFSB	(2)	4,279	Within 1 month from completion of the Proposed Disposal of DFSB
Acquisition of new business(es) / asset(s) to be identified	(3)	15,000	Within 24 months from completion of the Proposed Disposals
Working capital	(4)	24,737	Within 24 months from completion of the Proposed Disposals
Estimated expenses for the Proposals	(5)	1,650	Immediately
		54,550	

Notes:

(1) As set out in Section 2.1, Part A of this Circular, upon completion of the Proposed Disposal of DFSB with the receipt of the SSA Consideration, our Board shall propose the Proposed Distribution (i.e., distribution of approximately RM8.88 million to our Company's shareholders via a special dividend, which translates into RM0.20 per EHB Share based on the existing issued 44,421,700 EHB Shares as at the LPD).

The actual amount to be paid to the shareholders of our Company for the Proposed Distribution is dependent on the EHB Shares in issue as at an entitlement date for the Proposed Distribution to be determined and announced by our Board at a later date after the completion of the Proposed Disposal of DFSB.

The distribution pursuant to the Proposed Distribution is expected to be made after the completion of the Proposed Disposal of DFSB but before the completion of the Proposed Disposal of EFSB Properties.

Any variation to the amount allocated for the Proposed Distribution will be adjusted to or from the amount allocated for our Group's working capital, of which the allocation will be adjusted accordingly among each category as the management of EHB deems appropriate.

(2) In conjunction with the Proposed Disposal of DFSB and in accordance with the SSA (i.e. Section 1(ii)(c) of Appendix I of this Circular), our Group intends to allocate up to RM4.28 million to settle the outstanding inter-company balance owing by EFSB to DFSB arising from the supply by DFSB of the component parts for EFSB's furniture products over the course of its day-to-day operations.

Upon completion of the Proposed Disposal of DFSB, DFSB will cease to be a subsidiary of our Company and our Group will settle any outstanding inter-company balance owing to DFSB at such point in time. For information, the amount payable by EFSB to DFSB as at 31 May 2023 is approximately RM4.28 million.

Any purchases by our Group from DFSB subsequent to the completion of the Proposed Disposal of DFSB shall be carried out on arm's length basis and based on normal commercial terms which are not more favourable to DFSB than those generally available to third parties and, where applicable, subject to the approval of our Company's shareholders in accordance with the Listing Requirements.

Any variation to the amount payable by EFSB to DFSB at completion of the Proposed Disposal of DFSB will be adjusted to or from the amount allocated for our Group's working capital, of which the allocation will be adjusted accordingly among each category as the management of EHB deems appropriate.

(3) Our Group intends to allocate up to RM15.00 million for acquisition of new business(es) or asset(s) to be identified by our Group as part of its efforts to expand and diversify the revenue stream and improve the profitability of our Group in view of our Group's financial performance (which has been relying on its manufacturing and trading of furniture and wood-based products operations) which have been recording losses for the past 6 financial years up to FYE 31 May 2023, save for FYE 31 May 2021, as detailed in Section 4, Part A of this Circular.

At this juncture, our Board has yet to identify the type or nature of the business(es) or asset(s) to be acquired by our Group, which may be business(es) or asset(s) within the furniture sector and/or complementary to our Group's existing businesses. Notwithstanding the foregoing, our Group endeavours to undertake the acquisition of new business(es) or asset(s) within 24 months from the completion of the Proposed Disposals.

Our Company shall make the necessary announcement(s) and seek for approval(s) from its shareholders, if required, upon such business(es) or asset(s) being identified by our Board and relevant agreements are entered into, where applicable, subject always to the compliance with the Listing Requirements.

(4) Our Group intends to allocate up to RM24.74 million to meet its day-to-day working capital requirements for its existing businesses and/or new business(es) as set out in Note (3) above in the following manner:

Description	**Notes**	**RM'000**
Payments to suppliers and creditors	(a)	18,037
Staff salaries and related costs	(b)	4,200
Other operating and administrative expenses	(c)	2,500
		24,737

(a) Comprising payments to suppliers for, among others, purchase of raw materials, parts, accessories and consumables as well as services in relation to our Group's operations.

(b) Comprising staff salaries, wages and allowances as well as statutory payments and/or contributions.

(c) Comprising, among others, payments for the Rental of approximately RM0.09 million per month (i.e. RM2.10 million for a period of 24 months after the completion of the Proposed Disposals), utilities, upkeep of office and professional fees in relation to audit, secretarial, legal and consultancy.

(5) The breakdown of the estimated expenses for the Proposals of approximately RM1.65 million is as follows:

Description	**RM'000**
Professional fees[(a)]	635
Fees to relevant authorities	30
Estimated RPGT for the Proposed Disposal of EFSB Properties	871
Other incidental expenses in relation to the Proposals[(b)]	114
	1,650

(a) Comprising professional fees payable to the adviser, solicitors, Valuer, reporting accountants, share registrar and company secretary.

(b) Comprising expenses to convene the forthcoming EGM, printing, advertising and other ancillary expenses in relation to the Proposals.

Any variation to the estimated expenses relating to the Proposals will be adjusted to or from the amount allocated for our Group's working capital, of which the allocation will be adjusted accordingly among each category as the management of EHB deems appropriate.

Pending the use of the proceeds from the Proposed Disposals as set out above, the unused proceeds will be placed in interest-bearing deposits with financial institutions and/or short-term money market instruments as our Board deems fit. The interest derived from the deposits placed with financial institutions and/or any gains arising from the short-term money market instruments will be used for the working capital requirements of our Group such as, among others, payments to suppliers and creditors, professional fees, utilities and other operating expenses for our Group's operations, the allocation of which cannot be determined at this juncture and will be based on our Group's requirements at the relevant time.

In the event of a material change to the utilisation of proceeds as detailed above, the approval from our Company's shareholders is required pursuant to Paragraph 8.22 of the Listing Requirements.

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4. RATIONALE AND BENEFITS OF THE PROPOSALS

The Proposed Disposals are expected to allow our Group to:

(i) realise the value of its investments in DFSB and the EFSB Properties at the SSA Consideration and SPA Consideration respectively in cash;

(ii) use the cash proceeds from the Proposed Disposals in the manner as set out in Section 3, Part A of this Circular, among others, to acquire new business(es) or asset(s) to be identified by our Group.

For information, our Group's financial performance, which has been relying on its manufacturing and trading of furniture and wood-based products operations, have been recording losses for the past 6 financial years up to FYE 31 May 2023, save for FYE 31 May 2021, as detailed below:

	Audited FYE 31 May					
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	60,241	48,077	47,051	52,583	39,980	37,646
(Loss)/Profit before tax	(1,676)	(4,102)	(2,178)	4,096	(5,311)	(6,086)
(Loss)/Profit after tax	(1,383)	(3,956)	(2,491)	3,458	(4,606)	(6,144)

Our Group has been facing with a challenging business environment amidst increasing competition in its furniture and wood-based products business which saw its revenue declined to the lowest level since 2003 at RM39.98 million and RM37.65 million for the FYE 31 May 2022 and FYE 31 May 2023 respectively. On the back of the lower revenue, our Group has suffered loss after tax of approximately RM4.61 million and RM6.14 million for the FYE 31 May 2022 and FYE 31 May 2023 respectively.

In addition, the cash proceeds from the Proposed Disposals will also ease our Group's funding requirements for its working capital after taking into consideration our Group's net cash used in operating activities of approximately RM5.45 million and RM3.77 million recorded in the FYE 31 May 2022 and FYE 31 May 2023 respectively.

Based on the foregoing, it is imperative for our Group to manage its cost and seek for opportunities which may involve acquiring new business(es) or asset(s) to expand and diversify our Group's revenue stream and improve its profitability to create value for the shareholders of our Company.

The intended use of cash proceeds from the Proposed Disposals is expected to have favourable impact to our Group's financial performance upon realisation of the benefits deriving from such use of proceeds from the Proposed Disposals;

(iii) record a total net pro forma gain on disposals of approximately RM27.28 million (net of estimated RPGT applicable for the Proposed Disposal of EFSB Properties) as set out in Section 7.3, Part A of this Circular or approximately RM26.50 million (after taking into account the other estimated expenses for the Proposals of RM0.78 million);

(iv) strengthen its financial position and liquidity. Upon completion of the Proposals, our Group's consolidated NA expected to increase from RM33.04 million (or RM0.74 per Share) to RM56.69 million (or RM1.28 per Share) while its cash and cash equivalents are also expected to increase significantly from RM2.95 million to RM43.10 million (after taking into consideration the Proposed Distribution, payment for amount owing to DFSB and the estimated expenses for the Proposals as set out in Section 3 of this Circular). Further, the improved liquidity will provide greater flexibility to our Group in its efforts to seek expansion and diversification of our Group's revenue stream and improving its profitability, without relying on financing via bank borrowings which will incur finance costs to our Group; and

(v) adopt an asset light strategy which will reduce fixed overheads and improving the use of our Group's resources as well as enabling our Group to compete on a more cost-efficient manner amid the increasing competitive environment of its existing furniture and wood-based products business.

Furthermore, part of the proceeds from the Proposed Disposals of approximately RM8.88 million is intended to be used for the Proposed Distribution to reward the shareholders of our Company for their investments in our Group.

The Proposed Tenancy allows our Group to ensure that its business operations at the EFSB Properties are not disrupted as a result of the Proposed Disposals. Our Group may continue its operations at the EFSB Properties beyond the Tenancy Period (subject to mutual agreement between EFSB and DFSB at the end of the Tenancy Period) or seek for new location which is more suitable and strategic subject to our Group's strategic planning and business needs moving forward. The Proposed Tenancy provides our Group with a reasonable time to review its business operations and implement plans to improve the efficiency on the use of our Group's resources and cost management, which may include the determination of a strategic location for its business operations, to improve our Group's financial performance.

In view of the foregoing, the Proposals represent an opportunity for our Group to realise the value of its investments in DFSB and the EFSB Properties and provide our Group with cash to explore for opportunities which could expand the revenue stream and improve the profitability of our Group without any dilution to the existing shareholders' shareholdings in our Company or disruption to the existing business operations of our Group after taking into consideration, among others, EFSB being the sales arm of our Group and the under-utilisation of our Group's existing production capacity in respect of its furniture and wood-based products business as detailed in Section 6, Part A of this Circular.

Further details on our Group's future plans after the Proposed Disposals are set out in Section 6, Part A of this Circular.

5. RISK FACTORS

5.1 Contractual risk

Our Company and EFSB have given representations, warranties and undertakings as set out in the SSA and SPA (i.e., Section 6 of Appendix I and Section 7 of Appendix II of this Circular) in favour of the Purchasers and DFSB, respectively. In this regard, our Company and/or EFSB may be subject to claims in accordance with the terms and conditions of the SSA and SPA for the breach of representations, warranties and/or undertakings given by our Company and/or EFSB.

Nevertheless, our Board and the management of our Company will endeavour to ensure compliance with its obligations under the SSA and SPA in order to minimise the risk of any breach of representations, warranties and/or undertakings committed by our Company and/or EFSB.

5.2 Non-completion of the Proposals

The SSA, SPA and Tenancy Agreement is conditional upon fulfilment of the conditions precedent set forth in the respective agreement, as detailed in Appendix I, II and III of this Circular, respectively. There is no assurance that all the conditions precedent can be fulfilled and that the Proposals can be completed within the time period permitted under the SSA, SPA and/or Tenancy Agreement. In the event that any of the conditions precedent is/are not fulfilled and/or waived within the stipulated time period set out in the respective agreement, the Proposals may be delayed or terminated.

In this regard, our Board shall take reasonable steps to ensure that the conditions precedent are met within the time period stipulated in the SSA, SPA and Tenancy Agreement in order to complete the Proposals.

5.3 Loss of principal place of business

Currently, our Group's business operations are carried out at the EFSB Properties. Accordingly, the Proposed Disposals will result in our Group losing ownership over its principal place of business.

Nevertheless, the Proposed Tenancy provides our Group with the right to continue to operate from its existing principal place of business over the Tenancy Period. Meanwhile, our Group may source for a new location or premise to relocate its business operations, if necessary and is in the interest of our Group.

5.4 Loss of potential higher value of DFSB and the EFSB Properties

The SSA Consideration which is largely based on the adjusted unaudited NA of DFSB as at 31 May 2023, which in turn is based on the unaudited NA of DFSB as at 31 May 2023 and the market values of DFSB Properties as appraised by the Valuer as at 30 June 2023. Similarly, the SPA Consideration is also based on the market value of the EFSB Properties as appraised by the Valuer as at 30 June 2023.

As such, our Company will not be able to benefit from any potential increase in values of DFSB's NA, DFSB Properties and the EFSB Properties in the future after the completion of the Proposals.

Notwithstanding the above, there is no guarantee that our Group will be able to secure purchasers for the DFSB Properties and the EFSB Properties at higher values and/or the NA of DFSB will increase in the future.

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6. OUR GROUP'S FUTURE PLANS

Our Group is principally involved in the manufacturing and trading of furniture and wood-based products which is mainly contributed by EFSB's sales to its customers. DFSB is merely carrying out manufacturing activities to provide additional production capacity to EFSB by producing and supplying component parts (such as, among others, table base, table legs, chair legs and drawers) to EFSB, whilst EFSB carries out the sales function for our Group with long established relationships with its customers and operates the full manufacturing operations, which include production of component parts and finishing operations such as assembly of finished goods and packing, at the EFSB Properties. The EFSB Properties has an estimated production capacity of approximately 800 m^3 per month representing approximately 57% of our Group's total production capacity of approximately 1,400 m^3 per month. Our Group's manufacturing facilities have been operating at an average utilisation rate of approximately 55% (or approximately 770 m^3 per month) for the past 1 year up to the LPD. In view of the foregoing, our Group is expected to be able to fulfil its customers' orders based on the level of orders for the past 1 year up to the LPD by utilising the EFSB Properties' capacity after the completion of the Proposals.

The revenue contributions from DFSB to our Group through the sales of component parts for furniture products by DFSB to external parties (i.e. other than sales by DFSB to EFSB) were approximately RM0.77 million or 1.93% and RM0.27 million or 0.72% of our Group's total revenue for the FYE 31 May 2022 and FYE 31 May 2023, respectively.

For information, DFSB only involves in production and supply of component parts for furniture products and does not involve in the process of producing the finished furniture products supplied by our Group to its customers. EFSB carries out the sales function for our Group with long established relationships with its customers. Further, EFSB is the entity with the rights to the use of technical specifications and designs provided by its customers and has the manufacturing capability to produce the finished furniture products (including the component parts from DFSB) supplied by our Group on its own.

Upon completion of the Proposals, whilst our Group intend to explore and acquire new business(es) or asset(s) to be identified by utilising the proceeds from the Proposed Disposals to improve its financial performance as set out in Section 3, Part A of this Circular, our Group will continue with its existing core business of manufacturing and trading of furniture and wood-based products through EFSB. Our Group will undertake a review on its business operations and implement plans and/or take the necessary steps to improve the efficiency on the use of our Group's resources and its cost management to improve our Group's financial performance and/or profitability.

In this regard, our Group is not expected to face with any shortage of supply to meet its customers' orders considering the available capacity of EFSB's manufacturing facilities and availability of suppliers in the furniture and wood products market, including DFSB. Nevertheless, any purchases by our Group from DFSB moving forward shall be carried out on arm's length basis and based on normal commercial terms which are not more favourable to DFSB than those generally available to third parties and, where applicable, subject to the approval of our Company's shareholders in accordance with the Listing Requirements.

Our Board does not expect the purchases of goods by EFSB from DFSB for our Group's furniture and wood-based products business to be materially affected in unfavourable manner due to, among others, availability of continued supply, considering that there are abundant furniture and wood products manufacturers available in the market with competitive pricing.

Upon completion of the Proposed Disposal of DFSB, DFSB will be de-consolidated from and no longer be part of our Group. The Purchasers have provided an irrevocable written undertaking (which is infinite, i.e. not subject to any limited time period or expiry) to ensure DFSB will not engage in any activities which may directly compete with our Group or may give rise to a potential conflict of interest whether directly or indirectly with our Group upon completion of the Proposed Disposal of DFSB.

Premised on the factors, plans and steps to be implemented and/or undertaken by our Group as detailed above, the Proposals are expected to enable our Group to turnaround the financial performance of our Group without any significant disruption to the existing business operations of our Group and strengthen our Group's financial position and liquidity as detailed in Section 4, Part A of this Circular.

7. EFFECTS OF THE PROPOSALS

The Proposals will not have any effect on our Company's issued share capital and substantial shareholders' shareholdings as the Proposals do not involve or result in any change to the number of issued EHB Shares.

7.1 NA, NA per EHB Share and gearing

For illustration purposes only, based on the audited consolidated statement of financial position of EHB as at 31 May 2023 and assuming that the Proposals had been effected on that date, the pro forma effects of the Proposals on the NA, NA per EHB Share and gearing of the EHB Group are as follows:

		(I)	(II)	(III)	(IV)
	(Audited) As at 31 May 2023	**After subsequent events up to the LPD[(1)]**	**After (I) and the Proposed Disposal of DFSB**	**After (II) and the Proposed Distribution**	**After (III) and the Proposed Disposal of EFSB Properties**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	52,796	52,796	52,796	52,796	52,796
(Accumulated losses) / Retained profits	(19,759)	(13,730)	2,948[(2)]	(5,936)[(3)]	3,889[(4)]
NA attributable to the owners of our Company / Total equity	**33,037**	**39,066**	**55,744**	**46,860**	**56,685**
No. of EHB Shares in issue ('000)	44,421	44,421	44,421	44,421	44,421
NA per EHB Share[(5)] (RM)	0.74	0.88	1.25	1.05	1.28
Total borrowings (RM'000)	540	540	540	540	540
Gearing[(6)] (times)	0.02	0.01	0.01	0.01	0.01

Notes:

(1) After taking into account the following events occurred after 31 May 2023 up to the LPD:

(i) the Disposal of Kulim Property which was completed on 2 August 2023 and resulted in a gain on disposal of approximately RM5.19 million; and

(ii) disposal by EFSB of a parcel of industrial land together with a 1 ½ storey terrace factory erected thereon in Butterworth, Pulau Pinang for a disposal consideration of RM1.20 million pursuant to a sale and purchase agreement dated 22 March 2023, which was completed in July 2023 and resulted in a gain on disposal of approximately RM0.84 million.

(2) After taking into consideration the pro forma net gain on disposal arising from the Proposed Disposal of DFSB of approximately RM16.68 million as set out in Section 7.3, Part A of this Circular.

(3) After taking into consideration the Proposed Distribution, i.e. declaration and payment of special dividend to our Company's shareholders, of RM8.88 million.

(4) After taking into consideration the pro forma net gain on disposal arising from the Proposed Disposal of EFSB Properties of approximately RM10.60 million (after deducting the applicable RPGT) as set out in Section 7.3, Part A of this Circular and the estimated expenses for the Proposals of approximately RM0.78 million.

(5) Computed based on NA attributable to the owners of our Company divided by the number of EHB Shares in issue.

(6) Computed based on total borrowings divided by total equity.

7.2 Earnings and EPS

For illustration purposes only, based on the audited consolidated financial statements of our Company for the FYE 31 May 2023 and assuming that the Proposed Disposals had been effected on 1 June 2022, the pro forma effects of the Proposed Disposals on the consolidated earnings of our Company and EPS or losses and LPS, as the case may be, are as follows:

	RM'000	Basic (LPS) / EPS[(1)] (sen)
Loss after tax attributable to owners of our Company for the FYE 31 May 2023	(6,144)	(13.83)[(2)]
Add:		
- Deconsolidation of DFSB's loss after tax for the FYE 31 May 2023	4,901	11.03
- Pro forma net gain on disposal from the Proposed Disposal of DFSB	16,678	37.54
- Pro forma net gain on disposal from the Proposed Disposal of EFSB Properties	10,604	23.87
Less:		
- Expenses in relation to the Rental[(2)]	(1,126)	(2.53)
- Estimated expenses in relation to the Proposals	(779)	(1.75)
Pro forma profit after tax attributable to owners of our Company for the FYE 31 May 2023	**24,134**	**54.33**

Notes:

(1) Computed based on the weighted average number of EHB Shares in issue of 44,421,700 for the FYE 31 May 2023.

(2) Comprising the depreciation of right-of-use assets and finance cost on lease liabilities.

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7.3 Expected gain to our Group arising from the Proposed Disposals

Based on the latest audited consolidated financial statements of our Company for the FYE 31 May 2023, the Proposed Disposals are expected to result in pro forma net gain on disposal as follows:

(a) Proposed Disposal of DFSB

		RM'000
SSA Consideration		38,900
Less:	Audited NA of DFSB as at 31 May 2023	(17,644)
Less:	Gain on disposal from the Disposal of Kulim Property	(5,186)
Add:	Deconsolidation effect of the Proposed Disposal of DFSB	608
Pro forma net gain on disposal from Proposed Disposal of DFSB		**16,678**

(b) Proposed Disposal of EFSB Properties

		RM'000
SPA Consideration		15,650
Less:	NBV of the EFSB Properties as at 31 May 2023	(4,175)
Less:	RPGT[(1)]	(871)
Pro forma net gain on disposal from Proposed Disposal of EFSB Properties		**10,604**

Note:

(1) Based on RPGT of 10% on the SPA Consideration less costs of investment of the EFSB Properties.

8. APPROVALS REQUIRED

The Proposals are subject to the following being obtained:

(i) approval of the non-interested shareholders of our Company at the forthcoming EGM;

(ii) consent from TNB for the transfer of the EFSB Properties by EFSB to DFSB pursuant to the Proposed Disposal of EFSB Properties; and

(iii) approvals/consents from any other relevant authorities and/or parties, if required.

The written request to TNB for its consent to the transfer of the EFSB Properties by EFSB to DFSB has been made on 18 September 2023. As at the LPD, the consent from TNB is still pending and is expected to be obtained by end of 2023.

The Proposed Disposal of DFSB, Proposed Disposal of EFSB Properties and Proposed Tenancy are inter-conditional upon each other only in terms of the approval of the non-interested shareholders of our Company to be obtained at the forthcoming EGM. The Proposed Distribution is conditional upon the completion of the Proposed Disposal of DFSB but not vice versa. The completion of the Proposed Disposal of EFSB Properties is conditional upon the completion of the Proposed Disposal of DFSB and Proposed Distribution but not vice versa. The implementation of the Proposed Tenancy is conditional upon the completion of the Proposed Disposal of EFSB Properties but not vice versa.

The Proposals are not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by our Company.

9. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposals pursuant to Paragraph 10.02(g)(ii) of the Listing Requirements is approximately 140.12%. The Proposals are considered as a very substantial transaction (i.e. having percentage ratio of more than 100%) but not a major disposal pursuant to Paragraph 10.11A of the Listing Requirements.

For avoidance of doubt, the Proposals are not a major disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements as the completion of the Proposals will not result in our Company being no longer suitable for continued listing on the Official List of Bursa Securities such as triggering any of the criteria in respect of a cash company, having an inadequate level of operations to warrant continued listing on the Official List of Bursa Securities (i.e., becoming an affected listed issuer) or becoming a Practice Note 17 Issuer pursuant to Paragraphs 8.03, 8.03A and Practice Note 17 of the Listing Requirements, respectively.

10. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other corporate exercise which have been announced by our Company on Bursa Securities but not yet completed as at the LPD.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

Save as disclosed below, none of the directors, Major Shareholders of our Company or persons connected with them has any interest, direct or indirect, in the Proposals:

(i) GKB, a Major Shareholder of our Company by virtue of TBHL (a company which he holds 99.98% equity interest) and his direct shareholdings in our Company and the Executive Chairman of our Company, is one of the Purchasers and father to GSY and GSK;

(ii) GSY, the Managing Director of our Company, is one of the Purchasers and a son of GKB and brother to GSK;

(iii) GSK, the Deputy Managing Director of our Company, is one of the Purchasers and a son of GKB and brother to GSY; and

(iv) TBHL, a Major Shareholder of our Company with 41.67% equity interest in our Company, is a company controlled by GKB with 99.98% equity interest in TBHL. In addition, the directors of TBHL are GKB, GSY and GSK.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting of the Proposals at the relevant Board meetings pertaining to the Proposals.

The Interested Parties will also abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

The Interested Parties have undertaken that they will ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

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As at the LPD, the shareholdings of the Interested Parties in our Company are as follows:

	Direct		Indirect	
Interested Parties	**No. of EHB Shares**	**%(1)**	**No. of EHB Shares**	**%(1)**
GKB	4,996,100	11.25	18,511,200(2)	41.67
GSY	-	-	-	-
GSK	-	-	-	-
TBHL	18,511,200	41.67	-	-

Note:

(1) Based on issued 44,421,700 EHB Shares as at the LPD.

(2) Deemed interested by virtue of his shareholding in TBHL.

12. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save for the Proposals, our Group has not entered into any transaction with the Interested Parties and persons connected to them for the past 12 months preceding the LPD.

13. AUDIT COMMITTEE'S STATEMENT

Our Audit Committee, after having considered all aspects of the Proposals, including but not limited to the salient terms of the SSA, SPA and Tenancy Agreement, bases and justifications for the SSA Consideration, SPA Consideration and the Rental, rationale, benefits and effects of the Proposals and the market values of the DFSB Properties and EFSB Properties as appraised by the Valuer, as well as the views of the Independent Adviser as set out in Part B of this Circular, is of the view that the Proposals are:

(i) in the best interest of our Company;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of the non-interested shareholders of our Company.

14. DIRECTORS' STATEMENT / RECOMMENDATION

Our Board (save for the Interested Directors), after having considered all aspects of the Proposals including but not limited to the salient terms of the SSA, SPA and Tenancy Agreement, bases and justifications for the SSA Consideration, SPA Consideration and the Rental, rationale, benefits and effects of the Proposals and the market values of the DFSB Properties and EFSB Properties as appraised by the Valuer, as well as the views of the Independent Adviser as set out in Part B of this Circular, is of the opinion that the Proposals are in the best interests of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

15. ADVISERS

TA Securities has been appointed as the Principal Adviser to our Company for the Proposals.

In view of the interests of the Interested Parties in the Proposals as set out in Section 11, Part A of this Circular and in compliance with Paragraph 10.08 of the Listing Requirements, MainStreet has been appointed to act as Independent Adviser to undertake the following in relation to the Proposals:

(i) comment as to whether the Proposals are:

   (a) fair and reasonable so far as the non-interested shareholders of our Company are concerned; and

   (b) to the detriment of the non-interested shareholders of our Company;

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

(ii) advise the non-interested shareholders of our Company on whether they should vote in favour of the Proposals; and

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

The independent advice letter from MainStreet to the non-interested shareholders of our Company in relation to the Proposals is set out in Part B of this Circular.

16. TENTATIVE TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals set out in Section 8, Part A of this Circular being obtained and the fulfilment of all the conditions precedent set out in the SSA and SPA, our Board expects the Proposed Disposals to be completed and Proposed Tenancy to commence in the 1st quarter of 2024.

The tentative timeline for implementation of the Proposals is as follows:

Tentative timing	Event
8 December 2023	EGM for the Proposals
End February 2024	(i) Completion of the Proposed Disposal of DFSB; and (ii) Announcement of entitlement date for the Proposed Distribution (iii) Consent from TNB for its consent to the transfer of the EFSB Properties by EFSB to DFSB expected
Mid March 2024	Entitlement date and payment date for the Proposed Distribution
End May 2024	(i) Completion of the Proposed Disposal of EFSB Properties (ii) Commencement of the Proposed Tenancy

17. EGM

The notice convening the EGM and the Proxy Form are enclosed in this Circular and are available at our Company's website at https://www.eurospan.com.my. The EGM will be held at Forum 3, Level 1, G Hotel Kelawai, 2 Persiaran Maktab, 10250 Penang on Friday, 8 December 2023 at 10:30 a.m., for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposals.

If you are unable to attend and vote at the forthcoming EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete and deposit the Proxy Form in accordance with the instructions thereon so as to arrive at the registered office of our Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang, Malaysia not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The lodgement of the Proxy Form does not preclude you from attending and voting at the forthcoming EGM should you subsequently wish to do so.

18. FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of our Board of
EUROSPAN HOLDINGS BERHAD

Sim Yee Fuan
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM MAINSTREET TO THE NON-INTERESTED SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

All the definitions used in this executive summary shall have the same meanings and expressions as defined in the Definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.

All references to "you" and "your" are to the shareholders of EHB, whilst references to "we", "us" and "our" are to MainStreet, being the Independent Adviser for the Proposals.

This executive summary highlights the salient information of the Proposals. Shareholders of EHB are advised to read and understand this IAL in its entirety, together with Part A of the Circular and the appendices thereto for any other relevant information, and are not to rely solely on the executive summary before forming an opinion on the Proposals.

You are also advised to consider carefully the recommendation contained herein before voting on the relevant resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of EHB.

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

1. INTRODUCTION

On 24 August 2023, TA Securities had, on behalf of the Board, announced the following proposals:

(i) Proposed Disposal of DFSB;

(ii) Proposed Disposal of EFSB Properties; and

(iii) Proposed Tenancy.

Upon the completion of the Proposed Disposal of DFSB, the Board proposes to distribute part of the SSA Consideration of RM8.88 million, to all entitled shareholders of EHB, by way of special distribution, which translates into RM0.20 per EHB Share based on the existing issued 44,421,700 EHB Shares as at LPD.

The Proposed Disposal of DFSB, Proposed Disposal of EFSB Properties and Proposed Tenancy are inter-conditional upon each other only in terms of the approval of the non-interested shareholders of EHB to be obtained at the forthcoming EGM. The Proposed Distribution is conditional upon the completion of the Proposed Disposal of DFSB but not vice versa. The completion of the Proposed Disposal of EFSB Properties is conditional upon the completion of the Proposed Disposal of DFSB and Proposed Distribution but not vice versa. The implementation of the Proposed Tenancy is conditional upon the completion of the Proposed Disposal of EFSB Properties but not vice versa.

The Proposals are considered as a very substantial transaction (i.e. having percentage ratio of 140.12% pursuant to subparagraph 10.02(g)(ii) of the Listing Requirements, which is more than 100%) but not a major disposal pursuant to Paragraph 10.11A of the Listing Requirements.

The Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Parties in the Proposals as set out in Section 11 of Part A of the Circular.

Please refer to Sections 2 and 3 of Part A of the Circular for details on the Proposals.

2. OUR EVALUATION OF THE PROPOSALS

In evaluating the Proposals, we have taken into consideration the following factors:

Section in this IAL	Area of evaluation	Comments
Section 6.1	**Rationale for the Proposals**	**Proposed Disposals** The proceeds from the Proposed Disposals will enable EHB: (i) to realise the value of the Group's investment in DFSB and the EFSB Properties in cash; (ii) to acquire new business(es) or asset(s) to be identified by the Group to expand and diversify the revenue stream and improve the profitability of the Group in view of the Group's poor financial performance which have been recording losses for the past six (6) financial years, save for FYE 31 May 2021; (iii) to meet its working capital needs of RM24.32 million which include, payments for the Rental (approximately RM2.10 million for the period of 24 months), payments to suppliers and creditors, staff salaries and related costs, other operating and administrative expenses; (iv) to strengthen the Group's financial position and liquidity. Upon completion of the Proposals, the Group's consolidated NA is expected to increase from RM0.74 per EHB Share to RM1.28 per EHB Share. Additionally, its cash and cash equivalents are expected to increase from RM2.95 million to RM43.10 million; (v) to adopt an asset light strategy which will reduce fixed overheads and improving the use of the Group's resources as well as enabling the Group to compete on a more cost-efficient manner; and (vi) to reward the shareholders of EHB via distribution of special dividend of RM0.20 per EHB Share from part of the proceeds from the Proposed Disposals of RM8.88 million. Arising from the Proposed Disposals, EHB is expected to record a net pro forma gain on disposals of RM27.28 million (net of estimated RPGT for the Proposed Disposal of EFSB Properties) or RM26.50 million (after taking into account the other estimated expenses for the Proposals of RM0.78 million);. **Proposed Tenancy** The Proposed Tenancy is expected to have the following benefits:

<table>
<tr><th>Section in this IAL</th><th>Area of evaluation</th><th>Comments</th></tr>
<tr><td></td><td></td><td>(i) to ensure that the Group's business operations at the EFSB Properties are not disrupted as a result of the Proposed Disposals;

(ii) flexibility for the Group to either continue its operations at the EFSB Properties beyond the Tenancy Period or seek a new location which is more suitable and strategic; and

(iii) to provide the Group with a reasonable time to review its business operations and implement plans to improve the efficiency on the use of the Group's resources and cost management.

Based on the above, we are of the view that the rationale for the Proposals is fair and reasonable and not detrimental to the non-interested shareholders of EHB.</td></tr>
<tr><td>Section 6.2</td><td>Evaluation of the Proposed Disposal of DFSB</td><td>Basis and justification of the SSA Consideration

The basis and justification on arriving at the SSA Consideration are set out in Section 2.1.2 of Part A of the Circular.

The management of EHB Group had appointed Laurelcap as the Valuer to conduct valuation of the DFSB Properties. Based on valuation as at 31 May 2023 as appraised by the Valuer, the market value of the DFSB Properties amounts to RM24.00 million.

The valuation methodology considered and selected by MainStreet for the implied valuation of DFSB is adjusted NA based on the following considerations:

(i) DFSB owns a significant portion of assets comprising land and buildings of which the carrying value constitutes approximately 32.80% of total assets as at 31 May 2023; and

(ii) DFSB's historical financial performance has been on a declining trend and recorded losses for the past two (2) financial years. Therefore, DFSB is not expected to have a predictable earnings stream or cashflow in the immediate term.

The adjusted NA of RM38.89 million is based on the audited NA of DFSB as at 31 May 2023 as illustrated below:

<table>
<tr><th>Description</th><th>RM'000</th></tr>
<tr><td>Audited NA of DFSB as at 31 May 2023</td><td>17,644</td></tr>
<tr><td>Add: Gain from the Disposal of Kulim Property</td><td>5,186</td></tr>
<tr><td>Add: Insurance claim</td><td>1,344</td></tr>
<tr><td>Add: Net revaluation surplus</td><td>14,720</td></tr>
<tr><td>Adjusted NA of DFSB</td><td>38,894</td></tr>
</table>
</td></tr>
</table>

Section in this IAL	Area of evaluation	Comments
		Premised on the above and our detailed evaluation as set out in Section 6.2 of this IAL, we are of the view that the SSA Consideration is **fair and reasonable** and **not detrimental** to the non-interested shareholders of EHB as the SSA Consideration approximates the estimated adjusted NA of DFSB of RM38.89 million. **Salient terms of the SSA** We are of the view that the salient terms of the SSA are generally on normal commercial terms for transactions of such nature and the said terms are **reasonable** and **not detrimental** to the non-interested shareholders of EHB.
Section 6.3	**Evaluation of the Proposed Disposal of EFSB Properties**	**Basis and justification of the SPA Consideration** The basis and justification on arriving at the SPA Consideration are set out in Section 2.2.2 of Part A of the Circular. The management of EHB Group had appointed Laurelcap as the Valuer to conduct valuation of the EFSB Properties. Based on valuation as at 31 May 2023 as appraised by the Valuer, the market value of the EFSB Properties amounts to RM15.00 million. We note that the Valuer had excluded a certain section of the factory whereby extensions were erected on Lot 3565 which were not stipulated within the approved building plan by Majlis Bandaraya Seberang Perai ("**MBSP**") with a NBV of RM0.54 million as at 31 May 2023. Therefore, we have included this extension to arrive at the adjusted market value of RM15.54 million. Premised on the above and our detailed evaluation as set out in Section 6.3 of this IAL, we are of the view that the SPA Consideration is **fair and reasonable** and **not detrimental** to the non-interested shareholders of EHB as it approximates the adjusted market value of the EFSB Properties of RM15.54 million. **Salient terms of the SPA** We are of the view that the salient terms of the SPA are generally on normal commercial terms for transactions of such nature and the said terms are **reasonable** and **not detrimental** to the non-interested shareholders of EHB.
Section 6.4	**Evaluation of the Proposed Tenancy**	**Basis and justification of the Rental** The basis and justification on arriving at the Rental are set out in Section 2.3.1 of Part A of the Circular. The Rental was based on adjusted asking monthly rental rates of comparable properties as appraised by the Valuer as at 30 June 2023.

<table>
<tr><th>Section in this IAL</th><th>Area of evaluation</th><th>Comments</th></tr>
<tr><td></td><td></td><td>Premised on the above and our detailed evaluation as set out in Section 6.4 of this IAL, we are of the opinion that the rental of RM1.00 per sq. ft. for main floor area is fair and reasonable and not detrimental to the non-interested shareholders of EHB as it is within the range of adjusted asking monthly rental of the comparable properties (RM0.98 per sq. ft. – RM1.01 per sq. ft.).

Salient terms of the Tenancy Agreement

We are of the view that the salient terms of the Tenancy Agreement are generally on normal commercial terms for transactions of such nature and the said terms are reasonable and not detrimental to the non-interested shareholders of EHB.</td></tr>
<tr><td>Section 6.5</td><td>Effects of the Proposals</td><td>Share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the issued share capital and substantial shareholders' shareholdings as the Proposals do not involve any issuance of new EHB Shares by EHB.

NA, NA per EHB Share and gearing

(i) EHB's NA per Share will increase from RM0.74 as at 31 May 2023 to RM1.25 after the completion of the Proposed Disposal of DFSB, subsequently decrease to RM1.05 after the Proposed Distribution and finally increase to RM1.28 after the Proposed Disposal of EFSB Properties.

(ii) EHB's gearing will improve from 0.02 times as at 31 May 2023 to 0.01 times after the completion of the Proposals.

Earnings and EPS

For illustration purposes, assuming the Proposed Disposals were completed at the beginning of the FYE 31 May 2023, the pro forma effects of the Proposed Disposals on the earnings and EPS of EHB Group for the FYE 31 May 2023 will result in the turnaround of losses from RM6.14 million or LPS of RM0.14 to a pro forma PAT of RM24.13 million or EPS of RM0.54. The turnaround in earnings and EPS is due to the total net pro forma gain on disposals (based on EHB's audited NA for the FYE 31 May 2023) of RM27.28 million, comprising net gain on disposal from the Proposed Disposal of DFSB (RM16.68 million) and net gain on disposal from Proposed Disposal of EFSB Properties of RM10.60 million respectively.

Based on the above, we are of the view that the overall financial effects of the Proposals are not detrimental to the non-interested shareholders of EHB.</td></tr>
</table>

Section in this IAL	Area of evaluation	Comments
Section 6.6	**Risk factors relating to the Proposals**	We take cognisance of the risk factors pertaining to the Proposals as set out in Section 5 of Part A of the Circular. We wish to highlight that although measures will be taken by the Board and the management of EHB to limit/mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not occur and give rise to material and adverse impact on the operations and business of EHB, financial positions and/or EHB's prospects thereon. In evaluating the Proposals, you should carefully consider the said risk factors prior to voting on the resolutions pertaining to the Proposals at the forthcoming EGM.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals and have set out our evaluation in Section 6 of this IAL. Shareholders of EHB should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors including those set out above and other considerations as enumerated in this IAL, the Circular and the appendices.

Based on our assessment and evaluation, we are of the opinion that the Proposals are in the best interest of the Company, **fair and reasonable** and **not detrimental** to the non-interested shareholders of EHB. Accordingly, we recommend that shareholders of EHB **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of EHB.

As far as our analyses and assessment as contained in the IAL are concerned, we have considered factors which we believe to be of general relevance to the shareholders of EHB as a whole. We have not taken into consideration any specific investment objectives, financial situation, risk profile and particular need of any individual shareholder or any specific groups of shareholders of EHB.

MainStreet

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20 November 2023

To: The Non-Interested Shareholders of EHB

Dear Sir/Madam,

EHB BERHAD

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF EHB IN RELATION TO THE PROPOSALS

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*This IAL is prepared for the inclusion in the circular to the shareholders of EHB dated 20 November 2023 ("**Circular**") in relation to the Proposals. All the definitions used in this IAL shall have the same meanings and expressions as defined in the Definitions section of the Circular, except where the content otherwise requires or where otherwise defined herein.*

1. INTRODUCTION

On 24 August 2023, TA Securities had, on behalf of the Board, announced the following proposals:

(i) Proposed Disposal of DFSB;

(ii) Proposed Disposal of EFSB Properties; and

(iii) Proposed Tenancy.

Upon the completion of the Proposed Disposal of DFSB, the Board proposes to distribute part of the SSA Consideration of approximately RM8.88 million to all entitled shareholders of EHB, by way of special distribution, which translates into RM0.20 per EHB Share based on the existing issued 44,421,700 EHB Shares as at LPD.

The Proposed Disposal of DFSB, Proposed Disposal of EFSB Properties and Proposed Tenancy are inter-conditional upon each other only in terms of the approval of the non-interested shareholders of EHB to be obtained at the forthcoming EGM. The Proposed Distribution is conditional upon the completion of the Proposed Disposal of DFSB but not vice versa. The completion of the Proposed Disposal of EFSB Properties is conditional upon the completion of the Proposed Disposal of DFSB and Proposed Distribution but not vice versa. The implementation of the Proposed Tenancy is conditional upon the completion of the Proposed Disposal of EFSB Properties but not vice versa.

The Proposals are considered as a very substantial transaction (i.e. having percentage ratio of more than 100%) but not a major disposal pursuant to Paragraph 10.11A of the Listing Requirements as the completion of the Proposals will not result in the Company:

(i) being no longer suitable for continued listing on the Official List of Bursa Securities such as triggering any of the criteria in respect of a cash company;

(ii) having an inadequate level of operations to warrant continued listing on the Official List of Bursa Securities (i.e., becoming an affected listed issuer); or

(iii) becoming a Practice Note 17 Issuer pursuant to Paragraphs 8.03, 8.03A and Practice Note 17 of the Listing Requirements, respectively.

In view of the interests of the Interested Parties in the Proposals as set out in Section 11 of Part A of the Circular, the Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had on 17 August 2023 appointed MainStreet as the Independent Adviser to undertake the following in relation to the Proposals:

(i) comment as to whether the Proposals are fair and reasonable and not detrimental in so far as the shareholders are concerned, including the reasons for the key assumptions made and the factors taken into consideration in forming that opinion; and

(ii) advise the non-interested Directors and non-interested shareholders of EHB whether they should vote in favour of the Proposals.

The purpose of this IAL is to provide the non-interested Directors and non-interested shareholders of EHB with an independent evaluation on the Proposals together with our comments, opinion and recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein, in relation to the Proposals.

The non-interested shareholders of EHB should nonetheless rely on their own evaluation of the merits and demerits of the Proposals before making a decision on the course of action to be taken.

Other than for this intended purpose, this IAL should not be used or relied upon by any other parties for any other purpose whatsoever.

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

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, INVESTMENT ADVISER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSALS

The full details of the Proposals are set out in Sections 2 and 3 of Part A of the Circular, which should be read in its entirety by the non-interested shareholders of EHB.

3. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSALS

We were not involved in the formulation of, deliberations, negotiations or discussion of the terms and conditions of the Proposals nor were we involved in the deliberations leading up to the decision by the Board in respect of the Proposals. The terms of reference of our appointment as the Independent Adviser to the non-interested shareholders of EHB in relation to the Proposals are in accordance with the requirements set out in Paragraph 10.08 of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposals together with our recommendation on whether you should vote in favour of the resolutions pertaining to the Proposals, based on the information and documents requested and provided to us or which are available to us, including the following:

(a) audited financial statements of EHB for the FYEs 31 May 2022 and 2023 as well as the unaudited financial results for the 3M-FPE 31 August 2023;

(b) audited financial statements of DFSB for the FYEs 31 May 2022 and 2023 as well as the unaudited financial results for the 3M-FPE 31 August 2023;

(c) the valuation certificates and reports dated 30 June 2023 by Laurelcap on the properties held by DFSB and EFSB;

(d) the SSA, the SPA and the Tenancy Agreement;

(e) information contained in Part A of the Circular, and the appendices attached thereto;

(f) information furnished to us by the Board and management of EHB; and

(g) other relevant publicly available information.

We have relied on the Board and management of EHB to exercise due care and undertaken reasonable checks and where possible, corroboration the information provided by EHB with independent sources to ensure that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the Proposals are complete, reasonable, reliable and accurate and there is no omission of any material facts. After making all reasonable enquiries and to the best of our knowledge, we are satisfied that sufficient information has been obtained are reasonable and free from material omission and we have no reason to believe that the aforesaid information provided to us or which are available to us is unreliable, incomplete, misleading and/or inaccurate as at the LPD.

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (save for the views and recommendation of MainStreet) and confirms that, after having made all reasonable enquiries and to the best of their knowledge, there are no omissions of any material facts which would make any statement in this IAL false or misleading.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and importance to you for a holistic assessment of the Proposals and, therefore, are of general concern to you. Notwithstanding the following:

(i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposals; and

(ii) we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual shareholder or any specific groups of shareholders. We recommend that any of you who require specific advice in relation to the Proposals in the context of your individual investment objectives, financial situation, risk profile or particular needs should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on, amongst others, the equity capital market, economic, industry, regulatory and other prevailing conditions and the information/documents made available to us as at the LPD. It is also based on the assumption that the parties to the SSA, SPA and Tenancy Agreement are able to fulfil their respective obligations in accordance with the terms and conditions of the SSA, SPA and Tenancy Agreement.

After the despatch of this IAL, MainStreet will immediately notify the non-interested shareholders of EHB if, we become aware of the following:

(i) significant change affecting the information contained in this IAL;

(ii) there is reasonable ground to believe that the statements in this IAL are misleading or deceptive; or

(iii) there is a material omission in this IAL.

4. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

We are a corporate finance advisory firm licensed by the SC to carry out the regulated activity of advising on corporate finance under the Capital Market and Services Act 2007. We have in the past assumed the role as an Independent Adviser for other corporate exercises, which included the following transactions for the past two (2) years:

(i) Voluntary withdrawal of MyKRIS International Berhad (currently known as Zenworld Holdings Berhad) from the official list of the LEAP Market of Bursa Securities pursuant to Rules 8.05 and 8.06 of the LEAP Market Listing Requirements, as per our independent advice letter dated 16 December 2021;

(ii) Conditional voluntary take-over offer by Hextar Tech Sdn Bhd and Dato' Ong Choo Meng through M&A Securities to acquire all the remaining ordinary shares in Complete Logistic Services Berhad not already owned by Hextar Tech Sdn Bhd and Dato' Ong Choo Meng, as per our independent advice circular dated 31 December 2021;

(iii) Unconditional voluntary take-over offer by Chew Choo Soon and Chang Wai Hoong through UOB Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares in Zenworld Holdings Berhad not already owned by Chew Choo Soon and Chang Wai Hoong, as per our independent advice circular dated 14 February 2022;

(iv) Unconditional mandatory take-over offer by Dato' Sri Dr. Pang Chow Huat through M&A Securities to acquire all the remaining ordinary shares in Computer Forms (Malaysia) Berhad not already owned by Dato' Sri Dr. Pang Chow Huat, as per our independent advice circular dated 5 May 2022;

(v) Proposed acquisition of the entire equity interest in iMedia Asia Sdn Bhd by Catcha Digital Berhad ("**Catcha Digital**") from Catcha Investments Ltd and iCreative Asia Sdn Bhd for a total purchase consideration of RM10.00 million ("**Proposed Acquisition of iMedia**"); and proposed exemption under subparagraphs 4.08(1)(a) and 4.08(1)(b) of the Rules for Patrick YKin Grove, Catcha Group Pte Ltd and the persons acting in concert with them from the obligation to undertake a mandatory take-over offer upon completion of the Proposed Acquisition of iMedia and the proposed rights issue in Catcha Digital, as per our independent advice letter dated 30 June 2022;

(vi) Proposed disposal of 100% equity interest in Lee Soon Seng Plastic Industries Sdn Bhd, a wholly owned subsidiary of SCGM Bhd for a total cash consideration of approximately RM544.38 million, as per our independent advice letter dated 29 July 2022;

(vii) Proposed exemption under subparagraph 4.08(1)(b) of the Rules to Heng Holdings Sdn Bhd and persons acting in concert with it, from the obligation to undertake a mandatory offer for the remaining Hua Yang Berhad ("**HYB**") shares and warrants not already owned by them pursuant to the proposed renounceable rights issue of issue of new shares and warrants in HYB, as per our independent advice letter dated 12 August 2022;

(viii) Unconditional voluntary take-over offer by Lee Ming Tee, Lee Seng Huang, Lee Seng Hui, Klang Enterprise Sdn Bhd, Sagittarius Management Sdn Bhd, Mount Glory Investments Limited, Magic Unicorn Limited, Mountbatten Corporation & Nautical Investments Limited (collectively, the "**Joint Offerors**") to acquire all the remaining ordinary shares in Mulpha International Bhd not already held by the Joint Offerors, as per our independent advice circular dated 25 October 2022;

(ix) Conditional mandatory take-over offer by Intisari Delima Sdn Bhd ("**IDSB**") through TA Securities Holdings Berhad to acquire all the remaining ordinary shares in Ornapaper Berhad not already owned by IDSB as well as Sai Ah Sai, Sai Han Siong, Sai Chin Hock and persons acting in concert with them, as per our independent advice circular dated 25 October 2022;

(x) Proposed disposal of 100% equity interest in Seng Yip Furnitures Sdn Bhd, a wholly-owned subsidiary of SYF Resources Berhad ("**SYF**") to Mieco Chipboard Berhad for a total cash consideration of RM50.0 million, proposed disposal of two (2) parcels of freehold land to Juta Development Sdn Bhd for a total cash consideration of RM21.2 million, proposed acquisition of the entire equity interest and redeemable convertible preference shares in M&A Securities by SYF from Insas Berhad ("**Insas**") for a purchase consideration of RM222.0 million ("Proposed Acquisition of M & A Securities") and proposed exemption under subparagraph 4.08(1)(a) of the Rules for Insas and the persons acting in concert with it from the obligation to undertake a mandatory offer to acquire the remaining shares in SYF not already owned by them upon completion of the Proposed Acquisition of M&A Securities, as per our independent advice letter dated 28 December 2022;

(xi) Proposals of three (3) industrial properties by RHB Trustees Berhad, being the trustee of AME Real Estate Investment Trust, from the subsidiaries of AME Elite Consortium Berhad for a total cash consideration of RM69,250,000, as per our independent advice letter dated 10 February 2023;

(xii) Proposed private placement of 240,405,370 new ordinary shares in LFE Corporation Berhad ("**LFE**"), representing approximately 30.0% of the total number of issued shares in LFE; and proposed acquisition of 367,500 ordinary shares in Cosmo Property Management Sdn Bhd ("**CPBMSB**"), representing the remaining 49.0% equity interest in CPMSB from Resolute Accomplishment Sdn Bhd for a purchase consideration of RM29,400,000 to be satisfied via a combination of cash and the issuance of new shares in LFE, as per our independent advice letter dated 12 April 2023;

(xiii) Conditional mandatory take-over offer by Special Flagship Holdings Sdn Bhd ("**SFHSB**") through UOB Kay Hian Securites (M) Sdn Bhd to acquire all the remaining ordinary shares in Minda Global Berhad not already held by SFHSB and Tan Sri Dato' Dr Palaniappan A/L Ramanathan Chettiar, as per our independent advice circular dated 19 June 2023; and

(xiv) Proposed acquisition of 100% equity interest by Maxim Global Berhad in Zapland Property Sdn Bhd from Gan Lee Ha and Lee Cheh Hian for a purchase consideration of RM39,034,668.65; proposed acquisition of 100% equity interest in Asiatic Network Sdn Bhd from Chai Chang Guan and Chai Seong Min for a purchase consideration of RM32,196,845.87; proposed acquisition of 100% equity interest in Brogan Maxim Sdn Bhd from Tan Sri Gan Seong Lam and Gan Kuok Chyuan for a purchase consideration of RM21,411,281.71; proposed acquisition of 100% equity interest in Maxim Realty Sdn Bhd from Tan Sri Gan Seong Liam and Puan Sri Loh Foong Ping for a purchase consideration of RM10,757,108.81 and proposed acquisition of 13.11% equity interest in Maxim Holdings Sdn Bhd from Sanlens Sdn Bhd for a purchase consideration of RM15,600,094.96, as per our independent advice letter dated 20 July 2023.

MainStreet confirms that it is not aware of any circumstances which exist or likely to give rise to a possible conflict of interest situation for MainStreet to carry out the role as the Independent Adviser in connection with the Proposals. MainStreet also confirms that it has not had any professional relationship with the Company, and their related parties in the past two (2) years.

Premised on the foregoing, we confirm that we are capable and competent to carry out the role and responsibilities as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of EHB in relation to the Proposals.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS OF EHB AND/OR PERSONS CONNECTED WITH THEM

The interests of the Directors, Major Shareholders of EHB and/or persons connected with them are disclosed in Section 11 of Part A of the Circular. Save for those disclosed in Section 11 of Part A of the Circular, none of the Directors, Major Shareholders of EHB and/or persons connected with them have any interests in the Proposals.

6. OUR EVALUATION OF THE PROPOSALS

In evaluating the Proposals, we have taken into consideration the following factors:

No.	Factors	Details in this IAL
(1)	Rationale for the Proposals	Section 6.1
(2)	Evaluation of the Proposed Disposal of DFSB	Section 6.2
(3)	Evaluation of the Proposed Disposal of EFSB Properties	Section 6.3
(4)	Evaluation of the Proposed Tenancy	Section 6.4
(5)	Effects of the Proposals	Section 6.5
(6)	Risk factors relating to the Proposals	Section 6.6

6.1 Rationale for the Proposals

We take note of the rationale for the Proposals as set out in Section 4 of Part A of the Circular.

6.1.1 Proposed Disposals

(i) Realise the value of investment in DFSB and EFSB Properties

The Proposed Disposals will provide an opportunity for EHB to unlock and monetise the value of its investment in DFSB and EFSB Properties in cash. As highlighted in the Group's future plans under Section 6 of Part A of the Circular, we note that there will be minimal disruption to the Group's existing business operations arising from the Proposed Disposal of DFSB premised on the following considerations:

(a) the Group is principally involved in the manufacturing and trading of furniture and wood-based products which is mainly contributed by EFSB. EFSB carries out the sales function for the Group and operates the full manufacturing operations, which covers the production of component parts, assembly of finished goods as well as packing. On the other hand, DFSB only provides additional production capacity to EFSB by producing and supplying component parts for furniture products such as table base, table legs, chair legs and drawers to EFSB. EFSB also has the ability to produce components parts for its furniture products;

(b) the revenue contribution from DFSB to the Group through the sales of component parts for furniture products to third parties were immaterial, approximately RM0.27 million or 0.72% of the Group's total revenue for the FYE 31 May 2023 as compared to EFSB which contributed approximately RM36.97 million or 98.20% of the Group's total revenue; and

(c) The EFSB Properties has a production capacity of approximately 800.0 cubic metres ("**m^3**") per month representing 57.14% of the Group's total production capacity of approximately 1,400 m^3 per month. The Group's manufacturing facilities has been operating at an average utilisation rate of approximately 55.0% (or approximately 770.0 m^3 per month) for the past one (1) year up to the LPD.

In this regard, the Group is not expected to face with shortage of supply to meet its customers' orders as a result of the Proposed Disposal of DFSB based on the available capacity of EFSB's existing manufacturing facilities and availability of suppliers in the furniture and wood products market, including DFSB. We understand from the management of EHB that there are many furniture and wood products manufacturers available in Pulau Pinang which offer prices that are similar to what DFSB currently offers, approximately 1.0% to 2.0% variance.

Nevertheless, in the event the Group purchases supplies from DFSB in the foreseeable future, this transaction:

(1) shall be carried out on arm's length basis;

(2) based on normal commercial terms which are not more favourable to DFSB than those generally available to third parties; and

(3) will be subject to the approval of the shareholders of EHB in accordance with the Listing Requirements.

We further note that the Purchasers have provided an irrevocable written undertaking (which is infinite, i.e. not subject to any limited time period or expiry) to ensure DFSB will not engage in any activities which may directly compete with the Group or may give rise to a potential conflict of interest whether directly or indirectly with the Group upon completion of the Proposed Disposal of DFSB.

Arising from the Proposed Disposals, EHB is expected to record a total net pro forma gain on disposals of RM27.28 million or RM26.50 million (after taking into account the estimated expenses of RM0.78 million for the Proposals), based on the audited financial statements of EHB for the FYE 31 May 2023.

Please refer to Sections 6.2.1 and 6.3.1 of this IAL for more details on our evaluation of the basis and justification of the SSA Consideration and SPA Consideration respectively.

(ii) Cost management and seeking new opportunities

The Group has been facing with a challenging business environment amidst increasing competition in its furniture and wood-based products business. For the past six (6) financial years up to FYE 31 May 2023 (save for FYE 31 May 2021), the Group has been recording losses which saw its revenue declined to the lowest level since FYE 31 May 2003 at RM37.65 million during the FYE 31 May 2023. We have considered the Group's revenue, profits and/ or losses and cash flows for the past six (6) FYEs up to FYE 31 May 2023 as well as the latest financial quarter of 3M-FPE 31 August 2023 as set out below:

	Audited FYE 31 May						**Unaudited 3M-FPE 31 August**
	2018 RM'000	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**	**2023 RM'000**
Revenue	60,241	48,077	47,051	52,583	39,980	37,646	6,995
Operating profit/(loss)	(1,610)	(4,062)	(2,105)	4,141	(5,246)	(6,030)	263
Profit/(Loss) before tax	(1,676)	(4,102)	(2,178)	4,096	(5,311)	(6,086)	4,598(1)
Profit/(Loss) after tax	(1,383)	(3,956)	(2,491)	3,458	(4,606)	(6,144)	4,129(1)
Net cash from operating activities	(1,589)	(961)	2,442	4,871	(5,455)	(3,770)	4,329(1)
Net cash (used in) / from investing activities	(389)	(534)	(489)	(753)	(1,695)	2,971	1,756
Net cash (used in) / from financing activities	(1,969)	797	(574)	(658)	1,512	(3,206)	(147)
Net (decrease) / increase in cash and cash equivalents	**(3,948)**	**(697)**	**1,379**	**3,460**	**(5,638)**	**(4,005)**	**5,938**

Note:

(1) Includes gain on disposal of properties of RM6.13 million, comprising gain from the Disposal of Kulim Property of RM5.19 million and gain from the disposal of a shop lot of RM0.94 million. Excluding the exceptional gain on disposal of properties, the Group would record loss before tax of RM1.53 million and negative operating cash flows of RM1.80 million.

We note that over the historical financial years (save for FYEs 31 May 2020 and 2021), the cash flows from operating activities have been negative. This indicates that the Group has not been able to generate enough cash from its operations and may not be sufficient for the Group's working capital expenditures to maintain its competitiveness and grow its operations on a sustainable basis. The cash proceeds from the Proposed Disposals will assist to fulfil the Group's working capital requirements going forward.

In addition, the Group may not be able to raise funds through borrowings and/or equity fund raising with terms favourable to the Group to fund its working capital requirements. Raising funds through external borrowings may lead to an adverse impact on the loss-making Company and its cash flow whilst raising funds through equity fund raising may have dilutive impact to the existing shareholders of EHB.

Based on the Group's declining financial performance, it is imperative for the Group to manage its cost and seek for opportunities which may involve acquiring new business(es) or asset(s) to expand and diversify the Group's revenue stream and improve its profitability to create value for the shareholders of the Company.

The total proceeds from the Proposed Disposals of RM54.55 million (comprising RM38.90 million from Proposed Disposal of DFSB and RM15.65 million from Proposed Disposal of EFSB Properties) ("**Total Proceeds**") are expected to have favourable impact to the Group's financial performance upon realisation of the benefits deriving from such use of proceeds from the Proposed Disposals.

The Company intends to use the Total Proceeds in the following manner:

Description	**RM'000**
Distribution of special dividend to shareholders (1)	8,884
Payment for amount owing to DFSB (2)	4,279
Acquisition of new business(es) / asset(s) to be identified (3)	15,000
Working capital (4)	24,737
Estimated expenses for the Proposals (5)	1,650
	54,550

Notes:

(1) Distribution of RM8.88 million to the shareholders of EHB via a special dividend, which translates into RM0.20 per EHB Share based on the existing issued 44,421,700 EHB Shares as at the LPD.

(2) Settlement of outstanding inter-company balance owing by EFSB to DFSB arising from the supply by DFSB of the component parts for EFSB's furniture products over the course of its day-to-day operations.

Upon completion of the Proposed Disposal of DFSB, DFSB will cease to be a subsidiary of EHB and the Group will settle any outstanding inter-company balance owing to DFSB at such point in time. For information, the amount payable by EFSB to DFSB as at 31 May 2023 is RM4.28 million.

Any purchases by the Group from DFSB subsequent to the completion of the Proposed Disposal of DFSB shall be carried out on arm's length basis and based on normal commercial terms which are not more favourable to DFSB than those generally available to third parties and, where applicable, subject to the approval of the Company's shareholders in accordance with the Listing Requirements.

Any variation to the amount payable by EFSB to DFSB at completion of the Proposed Disposal of DFSB will be adjusted to or from the amount allocated for the Group's working capital, of which the allocation will be adjusted accordingly among each category as the management of EHB deems appropriate.

(3) *At this juncture, the Board has yet to identify the type or nature of the business(es) or asset(s) to be acquired by the Group, which may be business(es) or asset(s) within the furniture sector and/or complementary to the Group's existing businesses. Notwithstanding the foregoing, the Group endeavours to undertake the acquisition of new business(es) or asset(s) within 24 months from the completion of the Proposed Disposals.*

The Company shall make the necessary announcement(s) and seek for approval(s) from its shareholders, if required, upon such business(es) or asset(s) being identified by the Board and relevant agreements are entered into, where applicable, subject always to the compliance with the Listing Requirements.

(4) *The Group intends to allocate up to RM24.74 million to meet its day-to-day working capital requirements for its existing businesses and/or new business(es) as set out in Note (3) above in the following manner:*

Description	***Notes***	***RM'000***
Payments to suppliers and creditors	*(a)*	*18,037*
Staff salaries and related costs	*(b)*	*4,200*
Other operating and administrative expenses	*(c)*	*2,500*
		24,737

Notes:

(a) *Comprising payments to suppliers for, among others, purchase of raw materials, parts, accessories and consumables as well as services in relation to the Group's operations.*

(b) *Comprising staff salaries, wages and allowances as well as statutory payments and/or contributions.*

(c) *Comprising, among others, payments for the Rental of approximately RM0.09 million per month (i.e. RM2.10 million for a period of 24 months after the completion of the Proposed Disposals), utilities, upkeep of office and professional fees in relation to audit, secretarial, legal and consultancy.*

(5) *The breakdown of the estimated expenses for the Proposals of RM1.65 million is as follows:*

Description	***RM'000***
Professional fees – advisers, solicitors, Valuer, reporting accountants, share registrar and company secretary	*635*
Fees to relevant authorities	*30*
Estimated RPGT for the Proposed Disposal of EFSB Properties	*871*
Other incidental expenses in relation to the Proposals – comprising expenses to convene the forthcoming EGM, printing, advertising and other ancillary expenses	*114*
	1,650

Further details on the utilisation of proceeds from the Proposed Disposals are set out in Section 3 of Part A of the Proposals;

(iii) Strengthen the Group's financial position and liquidity

Upon completion of the Proposals, the Group will record a total net pro forma gain on disposals of approximately RM27.28 million (net of estimated RPGT applicable for the Proposed Disposal of EFSB Properties and after taking into account the other estimated expenses for the Proposals of RM0.78 million).

In addition, the consolidated NA of the Group as at 31 May 2023 will increase from RM33.04 million (or RM0.74 per EHB Share) to RM56.69 million (or RM1.28 per EHB Share). Its cash and cash equivalents are also expected to increase significantly from RM2.95 million to RM43.10 million (after taking into consideration the Proposed Distribution, payment for amount owing of DFSB and the estimated expenses for the Proposals as set out above). The improved liquidity will provide greater flexibility to the Group to seek expansion and diversification of the Group's revenue stream and improving its profitability, without relying on bank borrowings which will incur finance costs to the Group.

Further details on the effects of the Proposals are set out in Section 6.5 of this IAL and Section 7 of Part A of the Circular.

(iv) Adopt an asset light strategy

The Proposed Disposals will reduce the Group's fixed overheads and will improve the use of its resources as well as enabling the Group to compete on a more cost-efficient manner amid the challenging environment of its existing furniture and wood-based products business.

(v) Rewarding the shareholders of EHB via special dividend

Part of the proceeds from the Proposed Disposal of DFSB of RM8.88 million (based on cash distribution of RM0.20 per EHB Share multiplied by 44,421,700 EHB Shares as at the LPD) is intended to be used for the Proposed Distribution to reward the shareholders of the Company for their investments in the Group.

6.1.2 Proposed Tenancy

The Proposed Tenancy allows the Group to ensure that its business operations at the EFSB Properties are not disrupted as a result of the Proposed Disposals. The Group may continue its operations at the EFSB Properties beyond the Tenancy Period (subject to mutual agreement between EFSB and DFSB at the end of the Tenancy Period as well as EHB obtaining mandate from its shareholders in respect of recurrent related party transactions) or seek for new location which is more suitable and strategic subject to the Group's strategic planning and business needs moving forward.

In addition, the Proposed Tenancy will provide the Group a reasonable time to review its business operations and implement plans to improve the efficiency on the use of the Group's resources and cost management, which may include the determination of a strategic location for its business operations, to improve the Group's financial performance.

Premised on the above, we are of the view that the rationale for the Proposals are **fair and reasonable** and **not detrimental** to the non-interested shareholders of EHB.

6.2 Evaluation of the Proposed Disposal of DFSB

6.2.1 Basis and justification of the SSA Consideration

The basis and justification of arriving at the SSA Consideration are set out in Section 2.1.2 of Part A of the Circular.

In evaluating and arriving at the valuation of the entire equity interest in DFSB, MainStreet has considered various methodologies commonly used for valuation, taking into account EFSB's recent financial performance, future earnings generating capabilities, future prospects, its business sustainability as well as other relevant business considerations and business factors affecting its business.

In arriving at the estimated value of DFSB, we are of the opinion that the asset-based valuation methodology, i.e. the adjusted NA methodology, is the most suitable valuation methodology based on the following considerations:

(i) DFSB owns a significant portion of assets in the form of land and buildings of which the carrying value constitutes approximately 32.80% of total assets as at 31 May 2023. In addition, we also noted that approximately 51.66% of DFSB's assets comprise current assets such as inventories, trade and other receivables, as well as cash and bank balances with licensed financial institutions, of which the carrying amount is reasonably expected to approximate the fair values.

On 30 June 2023, the management of EHB Group had appointed Laurelcap as the Valuer to conduct valuation of the DFSB Properties. Based on the valuation as at 31 May 2023 as appraised by the Valuer, the market value of the DFSB Properties amounts to RM24.0 million.

We have reviewed the qualifications of the Valuer and their scope of engagement. The valuation certificates and valuation reports were prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and Malaysian Valuation Standard issued by the Board of Valuer, Appraisers, Estate Agents and Property Managers with necessary professional responsibility and due diligence. We are of the view that the valuation methodologies adopted are reasonable, appropriate and consistent with generally applied valuation methodologies. In addition, we are also satisfied with the reasonableness of the key bases and assumptions adopted by the Valuer. As such, we are satisfied and adopted the valuation conducted by the Valuer. Please refer to Section 6.2.1.1 of this IAL for more details on properties held by DFSB; and

(ii) DFSB's historical financial performance has been on a declining trend and recorded operating losses for the past two (2) financial years and 3M-FPE 31 August 2023 as set out below:

	Audited			Unaudited 3M-FPE 31 August	
	2021 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000
Revenue [(1)]	26,359	18,291	16,350	5,450	1,940
Operating profit/(loss)	2,316	(3,042)	(4,884)	(922)	4,621[(2)]
Profit/(Loss) before tax	2,295	(3,078)	(4,901)	(933)	4,621[(2)]
Profit/(Loss) after tax	1,716	(2,374)	(4,901)	(933)	4,186[(2)]

Notes:

(1) Inclusive of sales by DFSB to EFSB (i.e. being transactions between companies within the Group which will be eliminated from the consolidated financial statements of the Group).

(2) Profits were mainly due to the gain on disposal of RM5.19 million from the Disposal of Kulim Property which was completed on 2 August 2023. Excluding this exceptional gain, DFSB would have recorded a loss before tax of RM0.57 million for the 3M-FPE 31 August 2023.

3M-FPE 31 August 2023 vs 3M-FPE 31 August 2022

Although DFSB recorded a profit after tax of RM4.19 million in the 3M-FPE 31 August 2023 as compared to a LAT of RM0.93 million in the 3M-FPE 31 August 2022, without the exceptional gain from the Disposal of Kulim Property, DFSB would have recorded a loss before tax of RM0.57 million. This was mainly due to lower orders for the supply of component parts for EFSB's furniture products during the 3M-FPE 31 August 2023.

FYE 31 May 2023 vs FYE 31 May 2022

The LAT recorded in FYE 31 May 2022 amounting to RM2.37 million was due to the company unable to fulfil sales orders arising from the COVID-19 movement restriction order imposed by the government which mandated the Group to stop production during first quarter of the financial year. Revenue continued to decline from RM18.29 million in the FYE 31 May 2022 to RM16.35 million in the FYE 31 May 2023 because of lower demand from customers. In addition, DFSB incurred rising cost of sales due to higher import cost of raw materials from Euro ("**EUR**") 330 per m^3 (FYE 31 May 2022) to EUR400 per m^3 (FYE 31 May 2023) which translates to an increase of 21.21% year on year. As a result, DFSB's LAT increased by RM2.53 million from RM2.37 million in the FYE 31 May 2022 to RM4.90 million in the FYE 31 May 2023.

Premised on the above, DFSB is not expected to have any consistent or predictable cash flow in the immediate term.

We have also considered the following methodologies and are of the view that they are not as appropriate to estimate the value of DFSB based on the following factors:

Valuation Methodologies	Description	Justification
Relative Valuation Analysis ("**RVA**")	RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth.	We note that the financial performance of DFSB has been on a declining trend during the past two (2) financial years. Based on the near to medium term outlook of DFSB's business, DFSB is not expected to have any consistent or predictable cashflow in the immediate term. Therefore, we are unable to apply earnings-based valuation methodologies such as price-to-earnings multiple, enterprise value / earnings before interest, taxation, depreciation and amortisation ("**EV/EBITDA**") multiple and DCF based approach methodologies as a basis to determine the fair value of DFSB.
Discounted cashflow methodology ("**DCF**")	DCF methodology is an investment appraisal technique which considers both the time value of money and the projected net cash flow generated and discounted at a specified discount rate to derive at the valuation of the subject matter.	
Comparable Transaction Analysis ("**CTA**")	CTA is a valuation method whereby it seeks to compare a company's implied trading multiple against other recent comparable transactions undertaken by companies in a similar industry as DFSB.	We are of the view that there are no recent comparable transactions of the same size and industry as DFSB.

Adjusted NA Methodology

Adjusted NA is a commonly adopted valuation methodology in approaching valuations of predominantly asset-based companies as all or certain substantial property-related assets may be carried at their historical costs or book values. The adjusted NA takes into consideration any surplus and/or deficit arising from the revaluation of the material assets of a company to reflect their market values, based on the assumption that the market values of the assets are realisable on a willing buyer-willing seller basis. As at 31 May 2023, the audited NA of DFSB is RM17.64 million.

In applying the adjusted NA method, we have made the following key assumptions which we believe are appropriate and reasonable in assessing the DFSB Properties:

(i) DFSB will continue to operate on a going concern basis;

(ii) the revalued DFSB Properties are in good condition;

(iii) all required licences, certificates of occupancy, legislative or administrative consents or approvals from local and/or state authorities or the government have been or can be obtained for use on which the market value of the DFSB Properties is based on;

(iv) the current accounting policies adopted by DFSB will remain relevant and there will not be any significant changes in the accounting policies of the DFSB which will have a material adverse effect on the financial performance and financial position of the company; and

(v) there will be no material changes in the Malaysian economic conditions and regulatory requirements.

We set out below the composition of the assets of DFSB as at 31 May 2023:

	Note	RM'000	% over total assets
Non-current asset			
Property, plant and equipment ("**PPE**")	(1)	9,173	48.34
Current assets			
Inventories	(2)	3,186	16.79
Trade and other receivables	(3)	4,386	23.11
Assets held for sale	(4)	1,233	6.50
Tax recoverable	(5)	394	2.08
Cash and bank balances	(6)	603	3.18
TOTAL ASSETS		**18,976**	**100.00**

Notes:

(1) The breakdown of DFSB's PPE is as follows:

	RM'000	*% of total PPE*	*% of total assets*
Freehold land	*3,366*	*36.69*	*17.74*
Factory buildings	*2,857*	*31.14*	*15.05*
Plant, machinery and factory equipment	*2,879*	*31.38*	*15.17*
Furniture, fittings, renovation and office equipment	*72*	*0.79*	*0.38*
Total	***9,173***	***100.00***	***48.34***

The abovementioned PPE are measured at costs less accumulated depreciation and accumulated impairment loss, if any. The carrying value of the components of the PPE above approximate their fair value except for the freehold land and factory buildings with NBV of RM3.37 million and RM2.86 million respectively, which have been revalued by the Valuer as detailed in Section 6.2.1.1 of this IAL.

(2) Inventories consist of raw materials, work-in-progress and finished goods of which the carrying amount approximates the fair value.

(3) The trade and other receivables mainly consist of trade receivables and other receivables (comprises sundry receivables, refundable deposits and prepayments), of which the carrying amount approximates the fair value.

(4) Assets held for sale of RM1.23 million refers to the Disposal of Kulim Property which was completed on 2 August 2023 and resulted in a gain on disposal of RM5.19 million.

(5) Tax recoverable is short term in nature, of which the carrying amount approximates the fair value.

(6) The cash and bank balances consist of cash balances and deposits with licensed financial institutions, of which the carrying values approximate their fair value as they are short-term and liquid in nature.

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6.2.1.1 Properties held by DFSB

The details of the net revaluation surplus of the DFSB Properties, i.e. the buildings and freehold land under PPE as appraised by the Valuer are set out below:

Description	Date of valuation	Valuation methodology	Component	Market value (RM'000) (A)	Audited NBV as at 30 May 2023 (RM'000) (B)	Revaluation surplus (RM'000) (C) = (A) – (B)	Deferred tax[1] (RM'000) (D)	Net revaluation surplus (RM'000) (E) = (C) – (D)
Sungai Baong Factory Single storey detached factory located at Lot 2, Lorong Bakau 3, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang	30 June 2023	Primary Approach: Cost Approach	Building	11,950	2,866	9,084	2,180	6,904
Tenure : Grant in perpetuity (freehold) Land area : HS(D) 6740, Lot 2966 [(i)] 11,331.20 square meters ("**sq. m**") (approx. 121,969.00 sq. ft. ("**sq. ft.**") ***Note:*** *(i) A part of the land with land size of 324 sq. ft. is leased to TNB for 30 years commencing from 31 January 2004 to 30 January 2034* HS(D) 6743, Lot 2969 11,250.26 sq. m.. (approx.121,097.80 sq. ft.) Floor area : 155,139.50 sq. ft. (Gross) Category of land use : Industrial		Cross check: Income Approach by way of "Investment Method"	Land	6,050	1,559	4,491	449	4,042
Subtotal				18,000	4,425	13,575	2,629	10,946

Description	Date of valuation	Valuation methodology	Component	Market value (RM'000) (A)	Audited NBV as at 30 May 2023 (RM'000) (B)	Revaluation surplus (RM'000) (C) = (A) – (B)	Deferred tax[(1)] (RM'000) (D)	Net revaluation surplus (RM'000) (E) = (C) – (D)
Sungai Baong Land Two (2) vacant contiguous parcels of industrial lands, located at Plots A9 and A10, Lorong Bakau 5, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang Tenure : Grant in perpetuity (freehold) Land area : HS(D) 6745, Lot 2971 10,966.98 sq. m. (118,048.57 sq. ft. / 2.71 acres) HS(D) 6746, Lot 2972 11,169.32 sq. m. (120,226.59 sq. ft. / 2.76 acres) Gross floor area : Not applicable Category of land use : Industrial	30 June 2023	Primary method: Comparison Approach	Land	6,000	1,807	4,193	419	3,774
Subtotal				6,000	1,807	4,193	419	3,774
Total				**24,000**	**6,232**	**17,768**	**3,048**	**14,720**

Note:

(1) *In accordance with MFRS 112, for non-depreciable properties, such as freehold land, there is no recovery through use as the asset is not subject to depreciation. In such circumstances, deferred tax on the temporary differences (i.e. the revaluation surplus) is recognised on the expected property gains tax payable, as such minimum RPGT rate of 10% shall be used. As for depreciable properties, such as freehold building, leasehold land and leasehold building, the revalued carrying amount of the asset will be recovered through use and this will generate taxable income which exceeds the capital allowance that will be deductible for tax purposes in future, as such the current income tax rate of 24% shall be used to compute the deferred tax.*

(1) Valuation of DFSB Properties

(a) Sungai Baong Factory

We note that in arriving at the market value of the Sungai Baong Factory, the Valuer had adopted the Cost Approach as the primary method and cross-check against the Income Approach by way of "Investment Method".

We concur with Laurelcap's view that the adoption of Cost Approach is the most appropriate as the Sungai Baong Factory is a factory that was built for a specific purpose. The Income Approach by way of "Investment Method" is only suitable to serve as a secondary approach (cross check), due to the dearth of actual data of rental or lease in Seberang Perai Selatan. Furthermore, the rental rates and yields in the area are volatile which makes it difficult to establish a consistent pattern of values as most of the industrial properties in the surrounding area are mostly owner occupied and not for investment.

The description of the methodologies adopted by the Valuer, general assumptions and justifications as extracted from the valuation report are as follows:

Valuation methodology	General description
Primary Approach: Cost Approach	The Cost Approach seeks to determine the value of the property through the summation of the value components of the land, building and fixtures. In determining the value of land, the analysed apportionment value attributable to the land is adopted using Comparison Approach whereby it seeks to determine the value of the land by comparing and adopting recent sale transactions as a benchmark involving similar properties in the vicinity. Where dissimilarities exist, adjustments are made. In determining the value of buildings, current estimates on construction costs to erect equivalent buildings are adopted, appropriate adjustments are then made for factors of obsolescence and existing physical condition of the buildings. In arriving at the market value of the Sungai Baong Factory, Laurelcap valued the factory together with the land as a whole and not in isolation due to the following factors: (i) the boundaries between Lot 2966 and Lot 2969 are not demarcated by any form of fencing and the buildings erected on both lands are connected by a single detached factory; and (ii) the building was approved under one planning approval and was issued with the Certificate of Fitness of Occupation ("**CFO**") by MBSP).

a) Land value

As there is a dearth of comparable transaction of similar properties within the industrial area, Laurelcap have identified three (3) comparable transactions, taking into consideration that these comparables adopted are recently transacted, situated closest (within a 10.00 kilometres radius from the subject property), similar zoning (industrial) and similar terrain.

A summary of the comparable transactions considered by Laurelcap in arriving at the market value of the subject land is as follows:

Description		Comparable 1	Comparable 2	Comparable 3
Address	:	No. 966, Jalan Bukit Panchor, Taman Industri Bukit Panchor, Nibong Tebal, Pulau Pinang	Lot 2499, Jalan Sungai Baong, Kampung Perabut Sungai Baong, Sungai Jawi, Pulau Pinang	Lot 667, Jalan Perindustrian Valdor, Kawasan Industri Valdor, Simpang Ampat, Pulau Pinang
Distance from subject property	:	Approximately 11.0 kilometres south-west of subject property	Approximately 650 metres south-east of subject property	Approximately 10.0 kilometres north-west of subject property
Description	:	Industrial land		
Title details	:	Geran 4558	HSD 8773	HS(D) 24978
Lot no.	:	Lot 966	Lot 2499	Lot 667
Mukim	:	Mukim 7	Mukim 5	Mukim 12
District	:	Seberang Perai Selatan		
State	:	Pulau Pinang		
Land Area		28,279.00 sq. m (304,395.16 sq. ft. or 6.99 acres)	4,249.20 sq. m (45,738.39 sq. ft. or 1.05 acres)	7,244.28 sq. m (77,977.40 sq. ft. or 1.79 acres)
Zoning	:	Industrial		
Tenure	:	Grant in perpetuity (freehold)		
Vendor/ Purchaser	:	Murni Plastics Sdn. Bhd. / Binasco Construction Sdn. Bhd.	Jurus Dinasti Development Sdn. Bhd. / Oriental Panel Sdn. Bhd.	Mohamad Zainol Bin Din / Omega Frozen Seafood Sdn. Bhd.

Description		Comparable 1	Comparable 2	Comparable 3
Transaction date	:	17 March 2020	31 March 2021	28 October 2022
Consideration	:	RM8,000,000.00	RM1,509,352.00	RM2,681,542.00
Analysis (Transacted price/ sq. ft)	:	RM26.28/ sq. ft.	RM33.00/ sq. ft.	RM34.39/ sq. ft.
Remarks	:	Vacant industrial land		
Source	:	Jabatan Penilaian Dan Perkhidmatan Harta, Malaysia (“**JPPH**”)		
Adjustments				
• Time	:	+3.0%	+2.0%	+1.0%
Price/sq. ft. after time adjustments	:	RM27.07/sq. ft.	RM33.66/sq. ft.	RM34.73/sq. ft.
• Location	:	-5.0%	–	-10.0%
• Accessibility	:	-5.0%	–	-5.0%
• Tenure	:	–	–	–
• Size	:	+2.0%	-24.0%	-14.0%
• Shape	:	–	–	–
Total adjustments	:	-8.0%	-24.0%	-29.0%
Adjusted price	:	RM24.90/sq. ft.	RM25.58/sq. ft.	RM24.66/sq. ft.

Premised on the foregoing and having considered all other relevant factors in the valuation, Laurelcap have adopted Comparable 2 as it is located closest to the subject land.

With Comparable 2 as the best comparable, Laurelcap have rounded the adjusted rate and adopted RM25.00 per sq. ft. that serves as the industrial land value for Cost Approach, to arrive at a total market value of RM6.05 million. We are of the view that the adopted Comparable 2 is reasonable as it is located within a 10.00 kilometres radius from the subject land.

b) Building Construction Costings

In determining the value of the buildings, current estimates on construction costs to build similar buildings were adopted. Adjustments are then made due to the physical, functional and economical obsolescence.

Source/ Range	Construction costing range	
	Minimum (RM)	Maximum (RM)
Juru Ukur Bahan Malaysia (“**JUBM**”) & Arcadis Construction Cost Handbook Malaysia 2022 – Based on *owner operated factories, low rise*)	1,530.00/sq. m. (142.14/sq. ft.)	1,880.00/ sq. m. (174.65/sq. ft.)
Building Cost Information Services Malaysia (“**BCISM**”) Costbook 2022 - Based on warehouses	1,860.00/ sq. m. (172.80/sq. ft.)	2,010.00/ sq. m. (186.73/sq. ft.)

Laurelcap have adopted the following construction costings for the building:

Building	Construction costings	
	Main floor area	Ancillary floor area
Detached factory	RM170.00/sq. ft.	RM85.00/sq. ft.

The Valuer had taken into consideration the following:

Assumption	MainStreet’s comments
Construction costs	This is reasonable as the Valuer had made reference to the JUBM & Arcadis Construction Cost Handbook Malaysia 2022 and BCISM Costbook 2022 inclusive of 10% preliminaries.
Area cost for ancillary floor area is 50.0% lower than the main floor area	This is reasonable as the main floor areas are fully enclosed spaces whilst ancillary floor areas (comprising extended awnings, rest area, and storeroom which have been approved by the relevant authorities) are covered areas that are not fully enclosed.
Total depreciation rate of 48.0%:	
- Physical depreciation: 38.0%	This is reasonable to reflect the average lifespan of a building which is 60 years old to arrive at approximately 1.67% per annum. Based on the current age of the building of 23 years old, Laurelcap adopted 38.0% as the physical depreciation rate.
- Functional depreciation: 0.0%	We noted there was no adjustment made for this factor as the building is adequate for its intended use as a storage/manufacturing facility.
- Economical depreciation: 10.0%	This is reasonable as the industrial activity in the area has been declining due to a lack of catalyst and the increased competition of industrial areas which are closer to the Pulau Pinang bridges.

A summary of the Cost Approach is tabulated below:

Description	RM	RM
Main Building Works (Inclusive 10% preliminaries)		
Single storey detached factory		
- Main floor area (122,190.00 sq. ft. @ RM170.00 /sq. ft.)	20,772,300.00	
- Ancillary Floor Area (32,949.50 sq. ft. @ RM85.00 /sq. ft.)	2,800,707.50	
Total development cost		23,573,007.50
Less: Depreciation @ 48.0%		(11,315.043.60)
Add: Land Value (241,985.48 sq. ft. @ RM25.00 psf)		6,049,637.10
Market value		18,307,601.00
Rounding		**18,000,000.00**

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Valuation methodology	General description
Secondary Approach (cross-check): Income Approach by way of "Investment Method"	The market value is derived from an estimate of the market rental, which means the estimated amount for which an interest in real property should be leased/tenanted on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalized at an appropriate current market yield to arrive at its indicative market value. As there is a dearth of comparable transaction of similar properties within the industrial area, Laurelcap have identified three (3) comparable transactions, taking into consideration that these comparables are recent asking prices, situated closest (within a 10.0 kilometres radius from the Subject Property), similar accessibility and similar size as illustrated below:

		Comparable 1	Comparable 2	Comparable 3
Description	:	A detached factory located within Valdor Industrial Area, Pulau Pinang	A detached factory located within Sungai Bakap Industrial Area, Pulau Pinang	A detached factory located within Nibong Tebal Industrial Area, Pulau Pinang
Built-up area	:	50,000.00 sq. ft. (4,645.11 sq. m.)	50,000.00 sq. ft. (4,645.11 sq. m.)	30,000.00 sq. ft. (2,787.07 sq. m.)
Monthly asking rental	:	RM60,000.00 (RM1.20/sq. ft.)	RM55,000.00 (RM1.10/sq. ft.)	RM15,500.00 (RM0.67/sq. ft.)
Date	:	2 May 2023	17 May 2023	27 June 2023
Source	:	*iProperty*		
Adjustments				
• Location	:	-10.0%	-5.0%	–
• Accessibility	:	-5.0%	-5.0%	–
• Tenure	:	-14.0%	-14.0%	-30.0%
• Size	:	-10.0%	-10.0%	-10.0%
Total adjustments	:	-39.0%	-34.0%	-40.0%
Adjusted price	:	RM0.73/sq. ft.	RM0.73/sq. ft.	RM0.40/sq. ft.

Premised on the foregoing and having considered all other relevant factors in the valuation, Laurelcap have placed greater emphasis on Comparable 2 as the overall adjustments made for Comparable 2 is the least, i.e. 34.00%.

With Comparable 2 as the most suitable comparable, Laurelcap have adopted the rental rate for the main floor area of RM0.73/sq. ft. and rental rate for the ancillary floor area would be half of the main floor area, i.e. RM0.37/sq. ft. We are of the view that the adopted Comparable 2 is reasonable as it is located within 10.00 kilometres a radius from the Sungai Baong Factory.

The Valuer has taken into consideration in arriving at the market value for the Sungai Baong Factory:

Assumption	MainStreet's comments
Rental rate (Main floor area: RM0.73 /sq. ft and ancillary floor area: RM0.37 /sq. ft)	The gross rental rate adopted is reasonable based on current market rental rates of factories or warehouses in the surrounding neighbourhood of between RM0.67 – RM1.20 /sq. ft.
Annual outgoings of RM186,202.29	This is reasonable as this is based on the company's historical annual expenditure for quit rent, assessment and fire insurance premiums.
Yield of 5.50%	This is reasonable based on Laurelcap's analysis on the surrounding yield ranges from 5.45% to 5.78% which averages at 5.59 %.
Void period of 3.00%	The rate is derived using the average time taken to rent out an industrial premise, i.e. two (2) months over the common lease term of five (5) years (60 months), which translates to a rate of 3.33 %. As such, the rate of 3.0% is a reasonable void period.

A summary of the Investment Method is tabulated below:

Description	RM
Main floor area (122,190.00 sq. ft @ RM0.73 /sq. ft.)	89,198.70
Ancillary Floor Area (32,949.50 sq. ft @ RM0.37 /sq. ft.)	12,026.57
Gross monthly rental	101,225.27
Gross annual rental	1,214,703.21
Less: Annual outgoings	(186,202.29)
Less: Void Period (3.00%)	(36,441.10)
Net annual rental	992,059.82
Years purchase in perpetuity @ 6.50% per annum	18.18
Market value	18,037,451.34
Rounding	**18,000,000.00**

A summary of market value derived using the Cost Approach and Income Approach by way of “Investment Method” is as follows:

Valuation method	Market value (RM’ 000)
Primary Approach: Cost Approach	18,000
Cross Check: Income Approach by way of “Investment Method”	18,000

We are of the view that the market value of RM18.0 million, as appraised by Laurelcap using the Cost Approach as **fair and reasonable**. Further details of the valuation of Sungai Baong Factory are set out in the valuation certificate in Appendix VI of the Circular.

(b) <u>Sungai Baong Land</u>

In arriving at the market value of the Sungai Baong Land, the Valuer had adopted the Comparison Approach as the primary and only approach.

The description of the methodology adopted by the Valuer is as follows:

Valuation methodology	General description
Comparison Approach	This method involves comparing the subject properties with recently transacted properties of a similar nature or offers for sale/rental of similar properties in the area. Adjustments are then made for differences in location, shape of the lot, size, site facilities available, market conditions and other factors in order to arrive at a common basis for comparison.

We concur with the Valuer’s view that the adoption of Comparison Approach is the most appropriate due to the following factors:

(i) there are consistent and recent transactions with similar characteristics as the Sungai Baong Land and located in similar areas;

(ii) there is a dearth of vacant industrial lands for rent in the neighbourhood. In the absence of actual rental transactions, the only reliable source is via property advertisements. The rental rates as published in these advertisements are only asking prices and therefore not a true representation of the actual tenancy rates in the area. Any adjustments made will only be arbitrary and as such, the accuracy of using the Income Approach in arriving at the market value would be diminished; and

(iii) there is no development order or any development planning of any sort at the current moment. Thus, the Residual Method would not be a suitable method of valuation for Sungai Baong Land.

A summary of the comparable transactions considered by Laurelcap in arriving at the market value of the subject properties is as follows:

Description		Comparable 1	Comparable 2	Comparable 3
Address	:	No. 966, Jalan Bukit Panchor, Taman Industri Bukit Panchor, Nibong Tebal, Pulau Pinang	Lot 2499, Jalan Sungai Baong, Kampung Perabut Sungai Baong, Sungai Jawi, Pulau Pinang	Lot 667, Jalan Perindustrian Valdor, Kawasan Industri Valdor, Simpang Ampat, Pulau Pinang
Distance from subject property	:	Approximately 11.0 kilometres south-west of subject property	Approximately 650.0 metres south-east of subject property	Approximately 10.0 kilometres north-west of subject property
Description	:	Industrial land	Industrial land	Vacant industrial land
Title details	:	Geran 4558	HSD 8773	HS(D) 24978
Lot no.	:	Lot 966	Lot 2499	Lot 667
Mukim	:	Mukim 7	Mukim 5	Mukim 12
District	:	Seberang Perai Selatan		
State	:	Pulau Pinang		
Land Area		28,279.00 sq. m (304,395.16 sq. ft. or 6.99 acres)	4,249.20 sq. m (45,738.39 sq. ft. or 1.05 acres)	4,249.20 sq. m (45,738.39 sq. ft. or 1.05 acres))
Zoning	:	Industrial		
Tenure	:	Grant in perpetuity (freehold)		
Vendor/ Purchaser	:	Murni Plastics Sdn. Bhd. / Binasco Construction Sdn. Bhd.	Jurus Dinasti Development Sdn. Bhd. / Oriental Panel Sdn. Bhd.	Mohamad Zainol Bin Din / Omega Frozen Seafood Sdn. Bhd.
Transaction date	:	17 March 2020	31 March 2021	28 October 2022
Consideration	:	RM8,000,000.00	RM1,509,352.00	RM2,681,54.00
Analysis (Transacted Price/ sq. ft)	:	RM26.28/sq. ft.	RM33.00/sq. ft.	RM34.39/sq. ft.
Remarks	:	Vacant industrial land		
Source	:	JPPH		
Adjustments • Time	:	+3.0%	+2.0%	+1.0%
Price/ sq. ft. after time adjustments	:	RM27.07/sq. ft.	RM33.66/sq. ft.	RM34.73/sq. ft.

Description		Comparable 1	Comparable 2	Comparable 3
• Location	:	-5.0%	–	-10.0%
• Accessibility	:	-5.0%	–	-5.0%
• Tenure	:	–	–	–
• Size	:	+2.0%	-24.0%	-14.0%
• Shape	:	–	–	–
Total adjustments	:	-8.0%	-24.0%	-29.0%
Adjusted price	:	RM24.90/sq. ft.	RM25.58/sq. ft.	RM24.66/sq. ft.

Premised on the foregoing and having considered all other relevant factors in the valuation, Laurelcap have adopted Comparable 2 as it is located closest to the Sungai Baong Land.

With Comparable 2 as the best comparable, Laurelcap have rounded the adjusted rate and adopted RM25.00 psf that serves as the industrial land value for Comparison Approach, to arrive at a market value of RM6.0 million. We are of the view that the adopted Comparable 2 is reasonable as it is located within a 10.00 kilometres radius from the Sungai Baong Land.

A summary of market value derived using the Comparison Approach is as follows:

Description	(RM)
Plot A9 (Lot 2791) (118,985.26 sq. ft. @ RM 25.00 /sq. ft.)	2,974,631.50
Plot A10 (Lot 2792) (120,212.35 sq. ft. @ RM 25.00 /sq. ft.)	3,005,308.75
Total market value	5,979,940.25
Rounding	**6,000,000.00**

Based on the above, we are of the view that the market value of RM6.00 million, as appraised by Laurelcap using the Comparison Approach as **fair and reasonable**. Further details of the valuation of Sungai Baong Land are set out in the valuation certificate in Appendix VI of the Circular.

Based on the audited NA of DFSB as at 31 May 2023, the estimated adjusted NA of DFSB is as follows:

Description	**RM'000**
Audited NA of DFSB as at 31 May 2023	17,644
Add: Gain from the Disposal of Kulim Property (1)	5,186
Add: Insurance claim (2)	1,344
Add: Net revaluation surplus	14,720
Adjusted NA of DFSB	**38,894**
Premium over the SSA Consideration to the estimated adjusted NA	
- **RM'000**	**6**
- **%**	**0.02**

Notes:

(1) DFSB has entered into a sale and purchase agreement on 3 March 2023 for the disposal of a leasehold land with a single storey office and factory building erected thereon in Kulim, Kedah for a cash consideration of RM6.95 million. The disposal was completed on 2 August 2023 and resulted in a gain on disposal of RM5.19 million.

(2) DFSB has filed an insurance claim of up to RM1.34 million with Takaful Malaysia on 3 February 2023 for damages to its stocks due to flood at its factory. As at the LPD, the insurer has appointed an adjuster to appraise the estimated loss pursuant to the insurance claims which is currently pending. For avoidance of doubt, any variance between the actual amount paid by the insurer to DFSB for the settlement of the said insurance claim and the amount claimed by DFSB will not result in the SSA Consideration being adjusted or varied.

Premised on the above, we are of the opinion that the SSA Consideration is **fair** and **reasonable** and **not detrimental** to the non-interested shareholders of EHB as it approximates the adjusted NA of DFSB of RM38.89 million.

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6.2.2 Salient terms of the SSA

We have reviewed the salient terms for the SSA as set out in Appendix I of the Circular and our comments on the pertinent salient terms are set out below:

No.	Salient terms	MainStreet's comments
(1)	***Consideration and Payment*** *(i) EHB, shall sell, and the Purchasers, (collectively, referred to as the "**Parties**") shall purchase the Sale Shares at the SSA Consideration, upon the terms and conditions hereinafter appearing on a willing buyer and willing seller basis.* *(ii) The Purchasers shall pay or cause to be paid the SSA Consideration in the following manner:* *(a) RM3,890,000 ("**Deposit**"):* *(aa) upon execution of the SSA, the Purchasers shall pay or cause to be paid the Deposit to EHB; and* *(bb) the Deposit shall be treated as part payment towards the SSA Consideration and EHB shall refund the Deposit, free of interest, to the Purchasers in the event the transaction contemplated under the SSA is not completed.* *(b) RM35,010,000 ("**Balance Purchase Price**")* *(aa) upon fulfilment of all the conditions precedent as set out in section 2(i) of Appendix I of the Circular, the Purchasers shall pay or cause to be paid the Balance Purchase Price to EHB on the day falling within 30 calendar days from the date upon which the SSA becomes unconditional or is deemed to have become unconditional in accordance with the provisions of the SSA ("**Unconditional Date**") ("**Completion Date**");*	This term is reasonable as it states the obligation of both parties in relation to mode of payment of the Proposed Disposal of DFSB. For more details on our evaluation on the SSA Consideration, please refer to Section 6.2.1 of this IAL. The payment of a 10% deposit upon the signing of the SSA is common for such transactions and not detrimental to the non-interested shareholders of EHB. We are of the view that the compensation amount based on interest rate of 8.0% per annum on the Balance Purchase Price or amount that remains unpaid by the Purchasers to EHB is common for transactions of such nature and not detrimental to the non-interested shareholders of EHB as the interest rate of 8.0% is considered favourable to EHB as compared against the prevailing banks' fixed deposit rates of between 3.0% - 4.0% per annum for placements of up to 12 months.

No.	Salient terms	MainStreet's comments
	*(bb) in the event the Purchasers are unable to pay the Balance Purchase Price on the Completion Date, the Parties hereby agree that the Completion Date shall be extended to a further period of 1 month commencing from the day immediately following the expiry of the Completion Date or such other date as may be agreed upon between the Parties upon which the completion of the sale and purchase of the Sale Shares shall take place ("**Extended Completion Date**") and the Purchasers shall pay the Balance Purchase Price by the Extended Completion Date subject to a late payment interest payable by the Purchasers to EHB at an interest rate of 8% per annum calculated on a daily rest basis on the Balance Purchase Price or such part thereof that remains unpaid by the Purchasers to EHB; and* *(cc) the Balance Purchase Price together with the late payment interest shall be remitted by the Purchasers to EHB by the Extended Completion Date.* *(c) such amount owing or payable by EFSB to DFSB as at the Completion Date or Extended Completion Date (as the case may be) shall be paid within one (1) month from the Completion Date or Extended Completion Date respectively.*	

No.	Salient terms	MainStreet's comments
(2)	***Conditions Precedent***	
	*(i) The SSA shall be conditional upon the following being obtained and/or fulfilled within the date falling 6 months after the date of the SSA or such other date as may be agreed upon by the Parties in writing by which date the conditions precedent must be fulfilled or obtained or mutually agreed to be waived in writing by the Parties to the extent permissible under the laws of Malaysia ("**Cut-Off Date**") by the Purchasers and/or EHB (where applicable):*	
	(a) the approvals of the shareholders of EHB in a general meeting in respect of transactions contemplated in the SSA, SPA and Tenancy Agreement upon such terms and conditions set out herein;	This condition is reasonable and not detrimental to the non-interested shareholders of EHB as the approvals from shareholders are required in order to be in compliance with the Listing Requirements and the Companies Act.
	(b) the written approval from the State Forestry Department of Pulau Pinang for the change of shareholdings in DFSB;	This condition is reasonable and not detrimental to the non-interested shareholders of EHB as the approval is required to facilitate implementation of the Proposed Disposal of DFSB.
	(c) the discharge of corporate guarantee given by DFSB to United Overseas Bank (Malaysia) Berhad in respect of banking facilities granted to EFSB being obtained; and	This condition is reasonable as DFSB will no longer be a subsidiary of EHB upon the completion of the Proposed Disposal of DFSB.
	(d) such other waivers, consents or approvals as may be required (or deemed necessary by the Parties) from any third party or governmental, regulatory body or relevant authorities including but not limited to the Ministry of Investment, Trade and Industry (if required) having jurisdiction over any part of the sale and purchase of the Sale Shares contemplated under the SSA.	This condition is reasonable and not detrimental to the non-interested shareholders of EHB as the approvals from relevant parties or authorities are required to facilitate implementation of the Proposed Disposal of DFSB.
	(ii) If the conditions precedent are granted subject to any condition, then such condition precedent will not be deemed to have been fulfilled for the purposes of the SSA unless such	Terms (ii) and (iii) are reasonable and protects the interest of EHB as it states the

No.	Salient terms	MainStreet's comments
	condition is acceptable to the other party and such condition is deemed acceptable to such party if there is no written objection received by counter party within 7 business days from the date upon which the condition is made known in writing to the other party. *(iii) If on the expiry of the Cut-Off Date, any of the conditions precedent have not been fulfilled; or at any time prior to the expiry of the Cut-Off Date, any of the conditions precedent shall have been granted subject to terms and conditions which are not acceptable to any of the Parties, being terms and conditions which affect the sale and purchase of the Sale Shares or any of the rights or interests of the Parties, and further appeals to the relevant authorities or persons to vary such terms and conditions have not been successful and/or the said party is not willing to accept such terms and conditions then imposed by the relevant authorities or persons, then either of the Parties shall be entitled to terminate the SSA by giving a written notice of termination to that effect to the other party and upon termination thereof, the Parties shall not have any further rights under the SSA except in respect of:-.* *(a) obligation under the SSA which is expressed to apply after the termination of the SSA; and* *(b) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SSA to either party prior to such termination.*	obligations of both Parties in the event a condition precedent is not met.
(3)	***Completion*** *(i) The completion of the sale and purchase of the Sale Shares shall take place at a place as may be mutually agreed by the Parties.* *(ii) On the Completion Date or the Extended Completion Date, as the case may be:-*	This term is reasonable as it states the obligations of both Parties in order to complete the Proposed Disposal of DFSB.

No.	Salient terms	MainStreet's comments
	(a) *EHB shall deliver to the Purchasers the following documents (collectively the "**Completion Documents**"):-* (aa) *duly completed and signed instruments of transfer or transfer forms in favour of the Purchasers, in respect of the Sale Shares, together with the duly sealed original share certificates in relation thereto;* (bb) *certified true copy or extract of a resolution of the board of directors of DFSB approving the transfer of the Sale Shares from EHB to the Purchasers and directing the company secretary of DFSB to register the same;* (cc) *undated letters of resignation of secretaries, auditors and directors of DFSB;* (dd) *certified true copy or extract of a resolution of the board of directors of DFSB to appoint person nominated by the Purchasers to the board of directors of DFSB and acceptance of the resignation of the existing directors of DFSB pursuant to the letters of resignation above;* (ee) *the statutory books and records, complete and up-to-date, and all other records and documents of DFSB, including but not limited including but not limited to the certificate of incorporation, any certificates of incorporation on change of name or re-registrations, licences, share certificate books, minute books, all unused cheque books and the common seals of DFSB;*	

No.	Salient terms	MainStreet's comments
	(ff) all documents of title, certificates and other documents evidencing title to the assets of DFSB; and *(gg) all other relevant documents to effect the transfer of legal and beneficial title of the Sale Shares to the Purchasers (if any).* *(iii) On the Completion Date or the Extended Completion Date, as the case may be, and against the delivery of the documents set out in section 3(ii)(a) of Appendix I of the Circular, the Purchasers shall pay the Balance Purchase Price to EHB.*	
(4)	***Default by the Vendor*** *In the event that the Purchasers shall have performed and observed all their obligations herein stated as are capable of being performed by the Purchasers up to the date of default by EHB, but EHB shall fail to remedy the relevant default or breach within 10 business days or such extended period as may be allowed by the Purchasers after being given notice by the Purchasers, to rectify such breach, the Purchasers shall be entitled at its option to either:* *(a) seek for specific performance against EHB and all reliefs flowing therefrom in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of the other in the performance of the terms and conditions herein; or* *(b) rescind and terminate the SSA and EHB shall then immediately refund all monies paid by the Purchasers and pay to the Purchasers a further sum equivalent to the Deposit as agreed liquidated damages and thereafter SSA shall become null and void and be of no further effect and neither party shall have any further claims against the other.*	This term is reasonable, wherein the events of default are set out to enable the Purchasers to protect their interest pursuant to the SSA.

No.	Salient terms	MainStreet's comments
(5)	***Default by the Purchasers*** *In the event that EHB shall have performed and observed all its obligations herein stated as are capable of being performed by EHB up to the date of default by the Purchasers, but the Purchasers shall fail to remedy the relevant default or breach within 10 business days or such extended period as may be allowed by EHB after being given notice by EHB, to rectify such breach, EHB shall be entitled to rescind and terminate the SSA and EHB shall be entitled to forfeit the Deposit paid, and refund such other monies paid by the Purchasers to EHB, if any, free of interest, thereafter the SSA shall become null and void and be of no further effect and neither party shall have any further claims against the other.*	This term is reasonable, wherein the events of default are set out to enable EHB to protect its interest pursuant to the SSA.
(6)	***Representations, warranties and undertakings by the Vendor*** *Save for the SPA and Tenancy Agreement, between the date of the SSA and the Completion Date or the Extended Completion Date, as the case may be, EHB undertakes that it shall use its voting powers for the time being in DFSB or direct EHB's nominated directors at the board of directors of DFSB to take such steps as may be within their power to procure and ensure that DFSB shall not, save in the ordinary and usual course of business, without the prior consent in writing of the Purchasers pass any resolution of the directors or members to, among others:* *(i) issue or agree to issue any shares, warrants or other securities or loan capital or grant or agree to grant any option over or right to acquire or convertible into any share or loan capital or otherwise take any action which might result in the Purchasers acquiring on completion a percentage interest in DFSB lower than that contemplated in the SSA;* *(ii) consolidate or subdivide any shares, create any new classes of shares, alter any of the rights attached to any of the issued shares, reduce any share capital or otherwise reorganise or grant any right in respect of the share capital of DFSB in any way;*	This term is reasonable which sets out the representations, warranties and undertakings by EHB to enable the Purchasers to protect their interest pursuant to the SSA.

No.	Salient terms	MainStreet's comments
	(iii) form new subsidiaries or associated companies or invest therein, or carry on any business which involves a capital expenditure or commitment; *(iv) purchase or redeem any shares in DFSB or provide financial assistance for any such purchase;* *(v) declare, pay or make any dividends or other distributions, or return of any capital to its members;* *(vi) undertake any reconstruction, merger, consolidation or amalgamation exercise in relation to DFSB or issue any share, stock, security, warrant or otherwise in DFSB which are convertible into shares or approve any transfer of shares in DFSB or create any option, warrant or right of whatever nature over any registered capital or interest in DFSB or vary any rights attaching to any shares of DFSB; and* *(vii) enter into any material contract or incur any material or substantial liability or obligation, other than in the ordinary and usual course of the business of DFSB, on commercial terms and on arm's length basis.*	

Based on our evaluation of the salient terms of the SSA above, we are of the view that the salient terms of the SSA are generally on normal commercial terms for transactions of similar nature and the said terms are **reasonable** and **not detrimental** to the non-interested shareholders of EHB**.**

6.3 Evaluation of the Proposed Disposal of EFSB Properties

6.3.1 Basis and justification of the SPA Consideration

The basis and justification of arriving at the SPA Consideration are set out in Section 2.2.2 of Part A of the Circular.

On 30 June 2023, the management of EHB Group had appointed Laurelcap as the Valuer to conduct valuation of the EFSB Properties. Based on valuation as at 31 May 2023 as appraised by the Valuer, the market value of the EFSB Properties amounts to RM15.00 million.

We have reviewed the qualifications of the Valuer and their scope of engagement. The valuation certificates and valuation reports were prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and Malaysian Valuation Standard issued by the Board of Valuer, Appraisers, Estate Agents and Property Managers with necessary professional responsibility and due diligence. We are of the view that the valuation methodologies adopted are reasonable, appropriate and consistent with generally applied valuation methodologies. In addition, we are also satisfied with the reasonableness of the key bases and assumptions adopted by the Valuer.

We note that in arriving at the market value of the EFSB Properties, the Valuer had adopted the Cost Approach as the primary method and cross-check against the Income Approach by way of "Investment Method".

We concur with Laurelcap's view that the adoption of Cost Approach is the most appropriate as the EFSB Properties comprise two (2) single storey detached factories connected with covered driveway and three (3) storey office building that are built for a specific purpose.

The Income Approach by way of "Investment Method" is only suitable to serve as a secondary approach (cross check), due to the dearth of actual data of rental or lease in Butterworth, Pulau Pinang to establish a more accurate rental rate and yield. In addition, the rental rates and yields in the area are volatile and hence difficult to establish a consistent pattern of values as most of the industrial and commercial properties in the surrounding area are mostly owner occupied and not for investment purposes.

(The rest of this page is intentionally left blank)

The general assumptions and justifications under the Cost Approach as extracted from the valuation report are as follows:

<table>
<tr><th>Valuation methodology</th><th>General description</th></tr>
<tr><td>Primary Approach: Cost Approach</td><td>
In arriving the market value of the EFSB Properties, Laurelcap valued the buildings together with the land as a whole and not in isolation due to the following factors:

(i) the boundaries between Lot 3564 and Lot 3565 are not demarcated by any form of fencing and the buildings erected on both lands are connected by a covered driveway; and

(ii) the buildings were approved under one planning approval and were issued with the CFO by Majlis Bandaraya Seberang Perai.

<u>Land value</u>

As there is a dearth of comparable transaction of similar properties within the industrial area, Laurelcap has adopted two (2) comparables situated within the same scheme, i.e. Kawasan Perusahaan Sungai Lokan; and one (1) comparable situated within Kawasan Perindustrian Bukit Minyak, Simpang Ampat, which is situated approximately 25.0 kilometres away from the EFSB Properties. Other considerations adopted by Laurelcap include recent transactions, situated closest, similar zoning and similar terrain.

A summary of the comparable transactions considered by Laurelcap in arriving at the market value of the subject properties is as follows:

<table>
<tr><th>Description</th><th></th><th>Comparable 1</th><th>Comparable 2</th><th>Comparable 3</th></tr>
<tr><td>Address</td><td>:</td><td>Lot 20268, Lorong Perindustrian Bukit Minyak 22, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang</td><td>Lot 367, Off Industri Kampung Telok, Taman Perindustrian Baru Sungai Lokan, 13800 Butterworth, Pulau Pinang</td><td>Lot 366, Off Jalan Permatang Maklom – Sungai Dua, Taman Perindustrian Baru Sungai Lokan, 13800 Butterworth, Pulau Pinang</td></tr>
<tr><td>Distance from subject property</td><td></td><td>Approximately 25.0 kilometres south of subject property</td><td>Approximately 2.30 kilometres west of subject property</td><td>Approximately 2.30 kilometres west of subject property</td></tr>
<tr><td>Land category</td><td>:</td><td colspan="3">Industrial land</td></tr>
</table>
</td></tr>
</table>

Description		Comparable 1	Comparable 2	Comparable 3
Title details	:	PN 10887	GM 448	GM 720
Lot no.	:	Lot 20268	Lot 367	Lot 366
Mukim	:	Mukim 13	Mukim 16	Mukim 16
District	:	Seberang Perai Tengah	Seberang Perai Utara	
State	:	Pulau Pinang		
Land Area		8,099.92 sq. m. (87,187.59 sq. ft. or 2.00 acres)	10,950.69 sq. m. (117,873.23 sq. ft or 2.71 acres)	6,875.54 sq. m (74,008.36 sq. ft or 1.70 acres)
Zoning	:	Industrial		
Tenure	:	Leasehold for 99 years. Term expiring on 24 April 2073. Leaving an unexpired term of approximately 52 years as the date of transaction.	Grant in perpetuity (leasehold)	
Vendor/ Purchaser	:	Perbadanan Pembangunan Pulau Pinang/ Q Plas Sdn Bhd	Modernria Plastistic Industries (M) Sdn Bhd / Nava Service Sdn Bhd	Kiaratex Jaya Sdn Bhd / Medixtra Sdn Bhd
Transaction date	:	21 October 2021	11 October 2022	20 January 2023
Consideration	:	RM4,359,485.00	RM7,308,000.00	RM4,440,506.00
Analysis (Transacted Price/ sq.ft)	:	RM50.00/ sq. ft.	RM62.00/ sq. ft.	RM60.00/ sq. ft.
Remarks	:	Vacant industrial land	During the course of inspection, the land is currently used as temporary storage area	
Source	:	JPPH		
Adjustments				
• Time	:	+2.0%	+1.0%	–
Price/sq. ft. after time adjustments	:	RM51.00/sq. ft.	RM62.62/sq. ft.	RM60.00/sq. ft.
• Location	:	-5.0%	–	–
• Accessibility	:	–	–	–

Description		Comparable 1	Comparable 2	Comparable 3
• Tenure	:	+13.0%	–	–
• Size	:	-2.0%	-2.0%	-4.0%
• Shape	:	–	+5.0%	–
• Usage Restriction		-10.0%	-10.0%	-10.0%
Total adjustments	:	-4.0%	-7.0%	-14.0%
Adjusted price	:	RM48.96/sq. ft.	RM58.24/sq. ft.	RM51.60/sq. ft.

Premised on the foregoing and having considered all other relevant factors in the valuation, Laurelcap have adopted Comparable 3 due to the following reasons:

(i) it is located within the same scheme as the EFSB Properties;

(ii) Comparable 3 and the EFSB Properties share similar tenure, i.e. grant in perpetuity (leasehold); and

(iii) it is the latest transaction recorded, i.e. as at 20 January 2023.

With Comparable 3 as the best comparable, Laurelcap have rounded the adjusted rate and adopted RM51.50 per sq. ft. (rounded down from RM 51.60) that serves as the industrial land value for Cost Approach, to arrive at a total market value of RM6.79 million. We are of the view that the adopted Comparable 3 is reasonable as it is located within a 10.00 kilometres radius from the subject land.

Building Construction Costings

In determining the value of the buildings, current estimates on construction costs to build similar buildings were adopted. Adjustments are then made due to the physical, functional and economical obsolescence.

Source/ Range	Construction costing range (RM)	
	Minimum (RM)	Maximum (RM)
JUBM & Arcadis Construction Cost Handbook Malaysia 2022 – Based on owner operated factories, low rise)	1,530.00/square metre (142.14/sq. ft.)	1,880.00/square metre (174.65/sq. ft.)
BCISM Costbook 2022 - Based on warehouses	1,860.00/square metre (172.80/sq. ft.)	2,010.00/square metre (186.73/sq. ft.)
BCISM Costbook 2022 - Based on owner operated three (3) storey offices	1,600.00/square metre (148.64/sq. ft.)	2,020.00/square metre (187.66/sq. ft.)

Laurelcap has adopted the following construction costings for the buildings:

Building	Construction costing	
	Main floor area	Ancillary floor area
Single storey factory	RM170.00/sq. ft.	RM85.00/sq. ft.
Three (3) storey office	RM160.00/sq. ft.	RM80.00/sq. ft.

The Valuer has taken into consideration the following:

Assumption	MainStreet's comments
Construction costs	This is reasonable as the Valuer had made reference to the JUBM & Arcadis Construction Cost Handbook Malaysia 2022 and BCISM Costbook 2022 inclusive of 10% preliminaries.
Area cost for ancillary floor area is 50.0% lower than the main floor area	This is reasonable as the main floor areas are fully enclosed spaces whilst ancillary floor areas (comprising covered driveway connecting the two (2) factory buildings which have been approved by the relevant authorities) are covered areas that are not fully enclosed.
Total depreciation rate of 42.0%:	
- Physical depreciation: 42.0%	This is reasonable to reflect the average lifespan of a building which is 60 years old to arrive at approximately 1.67% per annum. Based on the current age of the building of 25 years old, Laurelcap adopted 42.0% as the physical depreciation rate.
- Functional depreciation: 0.0%	We noted there was no adjustment made for this factor as the building is adequate for its intended use as a storage/manufacturing facility.

Assumption	MainStreet's comments
- Economical depreciation: 0.0%	This is reasonable as the building is useful and there are no severe economic changes to the area which affects the economic viability of the improvements and its utility.
Demolition cost: RM80.0 million; Removal of building structures: RM10.0 million	This is reasonable as certain areas of the property have been extended and not stipulated within the approved building plan. The cost of removal and demolition was adopted based on the cost opinion letter by Nova Impact Sdn Bhd, a demolition works contractor, dated 3 July 2023. As such, the potential purchaser is expected to factor the cost for demolishing and removing such structures to comply with the building and planning guidelines as set out by the authorities.

A summary of the Cost Approach is tabulated below:

Description	RM	RM
Main Building Works (Inclusive 10% preliminaries)		
Single storey detached factory		
- Main floor area (62,871.00 sq.ft @ RM 170.00 /sq. ft)	10,688,070.00	
- Ancillary Floor Area (19,700.00 sq.ft @ RM 85.00 /sq. ft)	1,674,500.00	
Three Storey Office Building		
- Main floor area (14,260.00 sq.ft @ RM 160.00 /sq. ft)	2,281,600.00	
- Ancillary Floor Area (1,280.00 sq.ft @ RM 80.00 /sq. ft)	102,400.0	
Guard house (100.00 sq.ft @ RM 80.00 /sq. ft)	8,000.00	
Total development cost		14,754,570.00
Less: Depreciation @ 42.0%		(6,196,919.40)
Add: Land Value (131,783.65 sq.ft @ RM 51.50/sq. ft)		6,786,858.08
Market value (before removal and demolition cost)		15,344,508.68
Less: Demolition cost		(80,000.00)
Less: Hack & removal of building structures		(10,000.00)
Market value		15,254,508.68
Rounding		**15,000,000.00**

Valuation methodology	General description
Secondary Approach (cross-check): Income Approach by way of "Investment Method"	The market value is derived from an estimate of the market rental, which means the estimated amount for which an interest in real property should be leased/ tenanted on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalized at an appropriate current market yield to arrive at its indicative market value. As there is a dearth of comparable transaction of similar properties within the industrial area, Laurelcap have identified three (3) comparable transactions situated within Seberang Perai, taking into consideration that these comparables are recent asking prices, situated closest (within a 10.00 kilometres radius from the Subject Property), similar accessibility and similar size as illustrated below:

		Comparable 1	Comparable 2	Comparable 3
Description	:	A detached factory located along Jalan Talang, Taman Emas, Perai, Pulau Pinang	A detached factory located along Tingkat Mak Mandin 3, Butterworth, Pulau Pinang	A detached factory located along Lorong Perusahaan 64, Perai, Pulau Pinang
Built-up area	:	35,000.00 sq. ft. (3,251.58 sq. m.)	23,800.00 sq. ft. (2,211.07sq. m.)	26,745 sq. ft. (2,484.67 sq. m.)
Monthly asking rental	:	RM50,000.00 (RM1.43/sq. ft.)	RM32,000.00 (RM1.34/sq. ft.)	RM38,000.00 (RM1.42/sq. ft.)
Date	:	8 July 2023	9 July 2023	14 July 2023
Adjustments				
• Location	:	-5.0%	–	-5.0%
• Accessibility	:	–	–	–
• Size	:	-4.0%	-6.0%	-6.0%
• Asking price	:	-10.0%	-10.0%	-10.0%
• Usage Restriction	:	-10.0%	-10.0%	-10.0%
Total adjustments	:	-29.0%	-26.0%	-31.0%
Adjusted price	:	RM1.01/ sq. ft	RM0.99/ sq. ft	RM0.98/ sq. ft

Source: iProperty

Premised on the foregoing and having considered all other relevant factors in the valuation, Laurelcap have placed greater emphasis on Comparable 3 due to the following factors:

(i) it has similar characteristics with the subject property; and

(ii) it is the latest asking rental i.e. 14 July 2023.

We are of the view that the adopted Comparable 3 is reasonable as it is located within a 10.00 kilometres radius from the subject property and also reflects the most recent asking rental rate.

With Comparable 3 as the most suitable comparable, Laurelcap have adopted the rental rate for the main floor area of RM1.00/sq. ft. and rental rate for the ancillary floor area would be half of the main floor area, i.e. RM.050/sq. ft. We are of the view that the lower rate adopted for the ancillary floor area as reasonable as the main floor areas are fully enclosed spaces whilst ancillary floor areas (comprising extended awnings, rest area and storeroom which have been approved by the relevant authorities) are covered areas that are not fully enclosed.

The Valuer has taken into consideration in arriving at the market value for the EFSB Properties:

Assumption	MainStreet's comments
Rental rate (Main floor area: RM1.00 /sq. ft and ancillary floor area: RM0.50 /sq. ft)	The gross rental rate adopted is reasonable based on adjusted current market rental rates of factories or warehouses in the surrounding neighbourhood of between RM0.98 – RM1.01 /sq. ft.
Void period of 3.00%	Void period refers to void allowance for possible future vacancies and rent-free periods. The rate of 3.00% is reasonable based on the average time taken to rent out an industrial premise, i.e. two (2) months over the common lease term of 5 years (60 months), which translates to a rate of approximately 3.33%.
Yield of 5.50%	This is reasonable based on Laurelcap's analysis on the surrounding yield ranges from 5.10% to 6.15%%.
Demolition cost: RM80.0 million; Removal of building structures: RM10.0 million	This is reasonable as certain areas of the property have been extended and not stipulated within the approved building plan. The cost of removal and demolition was adopted from the cost opinion letter by Nova Impact Sdn Bhd, a demolition works contractor, dated 3 July 2023. As such, the potential purchaser is expected to factor the cost for demolishing and removing such structures to comply with the building and planning guidelines as set out by the authorities.
Annual outgoings	This is reasonable as this is based on historical annual expenditure for the quit rent, assessment and fire insurance premiums.

A summary of the Investment Method is tabulated below:

Description	RM
Main floor area (77,131.00 sq. ft @ RM1.00 /sq. ft.)	77,131.00
Ancillary Floor Area (21,080.00 sq. ft @ RM0.50 /sq. ft.)	10,540.00
Gross monthly rental	87,671.00
Gross annual rental	1,052,052.00
Annual outgoings	(212,725.80)
Void period (3.00%)	(31,561.56)
Net annual rental	807,764.64
Years purchase in perpetuity @ 7.00% per annum	18.18
Market value (before removal and demolition cost)	14,686,629.82
Less: Demolition cost	(80,000.00)
Less: Hack & removal of building structures	(10,000.00)
Market Value	14,596,629.82
Rounding	**14,600,000.00**

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A summary of market values derived using the Cost Approach and Income Approach by way of "Investment Method" is as follows:

Valuation method	Market value (RM' 000)
Primary Approach: Cost Approach	15,000
Cross-check: Income Approach by way of "Investment Method"	14,600

We note that the Valuer had excluded TNB substation from the computation of market value due to the small size of the land leased to TNB on the subject site at 525.00 sq. ft. or 0.40% of the total combined land area of 131,783.65 sq.ft. We concur with the Valuer's opinion that the TNB substation does not have significant impact on the market value of the EFSB Properties.

Based on the above, we are of the view that the market value of RM15.00 million, as appraised by Laurelcap using the Cost Approach as **fair and reasonable**. Further details of the valuation of the EFSB Properties are set out in the valuation certificate in Appendix VI of the Circular.

We further note that the Valuer had excluded a certain section of the factory whereby extensions were erected on Lot 3565 (with total built-up area of approximately 15,612 sq. ft.) which were not stipulated within the approved building plan by MBSP with a NBV of RM0.54 million as at 31 May 2023. Therefore, we have included this extension to arrive at the adjusted market value of RM15.54 million as follows:

Description	(RM' 000)
Market value based on Cost Approach	15,000
Add: NBV for extension without authority's approval as at 31 May 2023	542
Adjusted market value	**15,542**
Premium over the SPA Consideration to the adjusted market value	
- **RM'000**	**108**
- **%**	**0.70**

Premised on the above, we are of the opinion that the SPA Consideration is **fair and reasonable** and **not detrimental** to the non-interested shareholders of EHB as it approximates the adjusted market value of the EFSB Properties of RM15.54 million.

6.3.2 Salient terms of the SPA

We have reviewed the salient terms for the SPA as set out in Appendix II of the Circular and our comments on the pertinent salient terms are set out below:

No.	Salient terms	MainStreet's comments
(1)	***Sale and Purchase*** *EFSB, as vendor, shall sell, and DFSB, as purchaser, (collectively, referred to as the "**Parties**") shall purchase the EFSB Properties free from all encumbrances, save for the TNB Sublease, on an "as is where is" basis, subject to all conditions of title and restrictions-in-interest contained in the documents of title and upon the terms and conditions set out herein.*	This term is reasonable as it sets out the obligation of both parties to complete the Proposed Disposal of EFSB Properties.

No.	Salient terms	MainStreet's comments
(2)	***Payment*** *DFSB shall pay or cause to be paid the SPA Consideration in the following manner:-* *(i) RM1,565,000 ("**Deposit**"):* *(a) upon execution of the SPA, DFSB shall pay or cause to be paid the Deposit as part payment of the SPA Consideration to EFSB and EFSB's solicitors as follows;* *(aa) 70% of the Deposit, equivalent to 7% of the SPA Consideration, shall be paid to EFSB; and;* *(bb) 30% of the Deposit, equivalent to 3% of the SPA Consideration, shall be paid to EFSB's solicitors as stakeholder as the retention sum and EFSB's solicitors shall irrevocably and unconditionally be authorised to release the retention sum to the Director General of Inland Revenue ("**DGIR**") in accordance with the provisions of the SPA.* *(ii) RM14,085,000 ("**Balance Purchase Price**")* *(a) upon fulfilment of all the conditions precedent as set out in section 3 of Appendix II of the Circular, DFSB shall pay or cause to be paid the Balance Purchase Price to EFSB within 3 months commencing from the date on which the last of the conditions precedent as set out in section 3 of Appendix II of the Circular has been obtained unconditionally or upon terms, if any, acceptable to the Parties ("**Unconditional Date**"); or any other extended period as may be mutually agreed by the Parties ("**Completion Period**");* *(b) in the event DFSB is unable to pay the Balance Purchase Price on or before the date on which the Balance Purchase Price is paid to EFSB which shall be on or before expiry of the Completion Period or a*	This term is reasonable as it states the obligation of the Purchasers in relation to mode of payment of the Proposed Disposal of EFSB Properties. For more details on our evaluation on the SPA Consideration, please refer to Section 6.3.1 of this IAL. The payment of a 10% deposit upon the signing of the SSA is common for such transactions and not detrimental to the non-interested shareholders of EHB. We are of the view that the late payment interest at the interest rate of 8.0% per annum on the Balance Purchase Price or amount that remains unpaid by DFSB to EFSB is common for transactions of such nature and not detrimental to the non-interested shareholders of EHB as the interest rate of 8.0% is considered favourable to EHB as compared against the prevailing banks' fixed deposit rates of between 3.0% - 4.0% per annum for placements of up to 12 months.

No.	Salient terms	MainStreet's comments
	*further period of 1 month commencing from and including the day immediately following the expiry of the Completion Period to pay the SPA Consideration ("**Extended Completion Period**") ("**Completion Date**"), DFSB shall be automatically entitled to pay the Balance Purchase Price within the Extended Completion Period subject to a late payment interest payable by DFSB to EFSB at an interest rate of 8% per annum calculated on a daily rest basis on the Balance Purchase Price or such monies which remains unpaid by DFSB to EFSB; and* *(c) the Balance Purchase Price together with the late payment interest, if any, shall be remitted by DFSB to EFSB within the Completion Period or the Extended Completion Period, as the case may be.*	
(3)	***Conditions Precedent*** *Completion of the sale and purchase herein is conditional upon the following being fulfilled within 6 months commencing from the date of the SPA ("**Conditional Period**"):-*	
	(i) the issuance of the written consent by TNB in its capacity as the lessee of the TNB Sublease consenting to the transfer of the EFSB Properties by EFSB to DFSB;	This condition is reasonable and not detrimental to the non-interested shareholders of EHB as the consent is required to facilitate implementation of the Proposed Disposal of EFSB Properties.
	(ii) the completion of the SSA; and	This condition is reasonable as the Proposed Disposal of EFSB Properties is conditional upon the completion of the Proposed Disposal of DFSB.
	(iii) if required, the approvals, consents authorizations, permits or waivers of the relevant authorities and any other third parties necessary or appropriate to carry out the sale and purchase of the EFSB Properties pursuant to the terms of the SPA having been obtained.	The condition is reasonable and not detrimental to the non-interested shareholders of EHB as the approvals from the shareholders of EHB and relevant parties or authorities are required for the Proposed Disposal of EFSB Properties.
	The conditions precedent shall be fulfilled within the Conditional Period, failing which the Parties hereby agree that the Conditional Period shall be automatically extended to a further period of 1 month commencing from and including the day immediately following the expiry of the Conditional Period or such other extended period as may be mutually agreed by	

No.	Salient terms	MainStreet's comments
	*the Parties ("**Extended Conditional Period**") for the Parties to fulfil the conditions precedent.*	
(4)	***Completion*** *In exchange of payment of the Balance Purchase Price together with late payment interest, if any, EFSB shall immediately deliver to DFSB the following documents:* *(i) the documents of title for the EFSB Properties;* *(ii) a copy of the latest current quit rent and assessment receipts (if any) for the EFSB Properties;* *(iii) written consent issued by TNB in its capacity as the registered lessee of the TNB Sublease consenting to the transfer of the EFSB Properties by EFSB to DFSB; and* *(iv) any other documents necessary to effect the registration of the memorandum of transfer in favour of DFSB free from all encumbrances as the registered proprietor of the EFSB Properties.* *Completion of the sale and purchase of the EFSB Properties shall take place on the date upon which DFSB has paid the SPA Consideration to EFSB in full, together with late payment interest, if any, without any deductions, set off, claims or counter claims save and except for all such deductions, set-off, claims or counter claims which have been mutually agreed between the parties (if any).*	This term is reasonable as it states the obligations of both parties in order to complete the Proposed Disposal of EFSB Properties.
(5)	***Default by EFSB*** *In the event that DFSB shall have performed and observed all its obligations herein stated as are capable of being performed by DFSB up to the date of default by EFSB, but EFSB shall fail to complete this transaction for whatsoever reason, DFSB shall be entitled at its option to either:* *(i) seek for specific performance against EFSB and all reliefs flowing therefrom in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of the other in the performance of the terms and conditions herein; or*	This term is reasonable, wherein the events of default are set out to enable the DFSB to protect its interest pursuant to the SPA.

No.	Salient terms	MainStreet's comments
	(ii) rescind and terminate the sale and purchase of the EFSB Properties under the SPA and EFSB shall then immediately refund all monies paid by DFSB and pay to DFSB a further sum equivalent to the Deposit as agreed liquidated damages and thereafter the SPA shall become null and void and be of no further effect and neither party shall have any further claims against the other.	
(6)	***Default by DFSB*** *Subject always that EFSB shall have performed and observed all its obligations herein stated as are capable of being performed by EFSB up to the date of default by DFSB, in the event that DFSB fails to pay the SPA Consideration by the expiry of the Completion Period or Extended Completion Period, as the case may be, EFSB shall be entitled to terminate the SPA by a notice in writing to DFSB and in such event, EFSB shall be entitled to forfeit the Deposit paid, and refund such other monies paid by DFSB to EFSB, free of interest, thereafter the SPA shall be deemed terminated and be of no further force or effect and neither of the Parties hereto shall have any further rights and claims against the other save and except for any antecedent breach of the SPA and EFSB shall have the absolute right to resell the EFSB Properties to such person(s) in such manner and at such price and terms as EFSB may think fit.*	This term is reasonable, wherein the events of default are set out to enable EFSB to protect its interest pursuant to the SPA.
(7)	***Representations, warranties, covenants and undertakings by the Vendor*** *EFSB hereby irrevocably represents, warrants, covenants and undertakes with DFSB, among others:* *(i) that EFSB is the registered and beneficial owner of the EFSB Properties and there are no other persons or parties who have claim to have any rights, title or interest, whether legal or equitable, over the EFSB Properties save and except what has been stated in the SPA;* *(ii) that EFSB has the full legal right, authority and absolute power to sell and transfer the EFSB Properties and has obtained the prior consent or authorisation from any other party, if required, to sell the EFSB Properties at the SPA Consideration;*	This term is reasonable which sets out the representations, warranties and undertakings by EFSB to enable DFSB to protect its interest pursuant to the SPA.

No.	Salient terms	MainStreet's comments
	(iii) that EFSB is not in breach and shall not during the subsistence of the SPA, commit any breach of any express or implied condition of title to the EFSB Properties; and *(iv) EFSB shall not further charge, lease, let, sell, dispose, assign or in any manner whatsoever encumber or deal with the EFSB Properties or any part thereof after the date of the SPA save for the TNB Sublease. In the event there is such encroachment and/or encumbrances created on the EFSB Properties after the execution of the SPA, DFSB shall at its absolute discretion be entitled to rescind the SPA and to proceed to exercise its rights and remedy under the law and the SPA.*	

Based on our evaluation of the salient terms of the SPA above, we are of the view that the salient terms of the SPA are generally on normal commercial terms for transactions of similar nature and the said terms are **reasonable** and **not detrimental** to the non-interested shareholders of EHB**.**

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6.4 Evaluation of the Proposed Tenancy

6.4.1 Basis and justification of the Rental

The basis and justification of arriving at the Rental are set out in Section 2.3.1 of Part A of the Circular.

On 30 June 2023, the management of EHB Group had appointed Laurelcap as the Valuer to conduct a rental assessment of the EFSB Properties. In arriving at the market rental value of the ESFB Properties, the Valuer had adopted the Comparison Approach as the only approach.

The description of the methodology adopted by the Valuer are as follows:

Valuation methodology	General description
Comparison Approach	This method involves comparing the subject property with asking rental rates properties of a similar nature or offers for sale/rental of similar properties in the area. Adjustments are then made for differences in location, size and shape of the lot, size, condition and design of the building, site facilities available, market conditions and other factors in order to arrive at a common basis for comparison.

A summary of the asking rental rates of similar properties situated within the vicinity that were considered by Laurelcap in arriving at the market rental value is as follows:

		Comparable 1	Comparable 2	Comparable 3
Description	:	A detached factory located along Jalan Talang, Taman Emas, Perai, Pulau Pinang	A detached factory located along Tingkat Mak Mandin 3, Butterworth, Pulau Pinang	A detached factory located along Lorong Perusahaan 6a, Perai, Pulau Pinang
Built-up area	:	35,000.00 sq. ft. (3,251.58 sq. m.)	52,272.00 sq. ft. (4,856.19 sq. m.)	30,000.00 sq. ft. (2,787.07 sq. m.)
Monthly asking rental	:	RM50,000.00 (RM1.43/sq. ft.)	RM80,000.00 (RM1.34/sq. ft)	RM45,000.00 (RM1.42/sq. ft.)
Date	:	8 July 2023	9 July 2023	14 July 2023
Adjustments				
• Location	:	-5.0%	–	-5.0%
• Access	:	–	–	–
• Size	:	-4.0%	-6.0%	-6.0%
• Asking price	:	-10.0%	-10.0%	-10.0%
• Usage restriction	:	-10.0%	-10.0%	-10.0%
Total adjustments	:	-29.0%	-26.0%	-31.0%
Adjusted asking monthly rental	:	RM1.01/sq. ft.	RM0.99/sq. ft.	RM0.98/sq. ft.

Source: iProperty

Premised on the foregoing and having considered all other relevant factors in the market rental value, Laurelcap have adopted Comparable 3 as it has similar characteristics to EFSB Properties and it is the latest asking rental i.e. 14 July 2023.

We are of the view that the adopted Comparable 3 is reasonable as it is located within a 10.00 kilometres radius from the subject property and also reflects the most recent asking rental rate.

With Comparable 3 as the best comparable, Laurelcap have rounded the adjusted rental rate and adopted RM1.00 per sq. ft. for the main floor area and RM0.50 for the ancillary floor area (which is half of the main floor area. We are of the view that the lower rate adopted for the ancillary floor area as reasonable as the main floor areas are fully enclosed spaces whilst ancillary floor areas (comprising extended awnings, rest area and storeroom which have been approved by the relevant authorities) are covered areas that are not fully enclosed.

A summary of market rental value derived using the Comparison Approach is as follows:

		Rental	
EFSB Properties	**Built-up area (sq. ft.)**	**RM per sq. ft.**	**RM**
Main floor area	77,131	1.00	77,131
Ancillary floor area	21,080	0.50	10,540
Total	**98,211**		**87,671**

Premised on the above, we are of the opinion that the Rental is **fair and reasonable** and **not detrimental** to the non-interested shareholders of EHB as it as it is within the range of adjusted asking monthly rental of the comparable properties (RM0.98 psf – RM1.01 psf).

6.4.2 Salient terms of the Tenancy Agreement

We have reviewed the salient terms for the Tenancy Agreement as set out in Appendix III of the Circular and our comments on the pertinent salient terms are set out below:

No.	Salient terms	MainStreet's comments
(1)	***Term***	
	*(i) DFSB, as landlord, shall grant and EFSB, as tenant, (collectively, referred to as the "**Parties**") shall accept a tenancy of the EFSB Properties together with the use and enjoyment of the EFSB Properties for a period of 2 years with an option to further renew the tenancy for a period of 2 years.*	This term is reasonable and serves to protect the interests of EHB as it ensures that on-going business operations of the Group is not disrupted as a result of the Proposed Disposal of EFSB Properties. In addition to the monthly rental for future renewals being at the market rate, it will also forms part of the recurrent related party transactions to be approved by the shareholders of EHB on an annual basis.
	*(ii) The Tenancy Agreement is conditional upon the completion of the SPA, which shall be fulfilled within a period of 6 months from the date hereof or such longer period to be agreed by both Parties ("**Conditional Period**").*	This term is reasonable as the Proposed Tenancy is conditional upon the completion of the Proposed Disposal of EFSB Properties.
	(iii) The Tenancy Agreement shall be unconditional on the date the conditions precedent set out in section 1(ii) of Appendix III of the Circular are satisfied.	This term is reasonable as it states the obligations of both Parties to complete the Proposed Tenancy.

No.	Salient terms	MainStreet's comments
	*If the conditions precedent cannot be satisfied on or before the Conditional Period, DFSB shall grant EFSB an automatic extension of 2 months ("**Extended Conditional Period**") for the Parties to fulfil the conditions precedent EFSB, as vendor, shall sell, and DFSB, as purchaser, (collectively, referred to as the "**Parties**") shall purchase the EFSB Properties free from all encumbrances, save for the TNB Sublease, on an "as is where is" basis, subject to all conditions of title and restrictions-in-interest contained in the documents of title and upon the terms and conditions set out herein.*	
(2)	***Commencement Date*** *The tenancy for the EFSB Properties shall commence on the date on which the Balance Purchase Price as set out in section 2(ii) of Appendix II of the Circular is paid to EFSB which shall be on or before expiry of the Completion Period as set out in section 2(ii)(a) of Appendix II of the Circular or the Extended Completion Period as set out in section 2(ii)(b) of Appendix II of the Circular.*	This term is reasonable and serves to protect the interests of EHB as it ensures that on-going business operations of the Group is not disrupted as a result of the Proposed Disposal of EFSB Properties.
(3)	***EFSB's Covenants*** *EFSB hereby agrees and covenants as follows:-* *(i) EFSB shall duly pay the Rental without any deductions, counterclaims and set offs any other sums payable under the Tenancy Agreement on or before the first day of each succeeding calendar month of this tenancy.* *(ii) EFSB shall pay to DFSB on the commencement date as set out in section 2 of Appendix III of the Circular, RM175,342 being the security deposit ("**Security Deposit**") as security for the due observance and performance by EFSB of the terms, covenants, conditions and stipulations of and contained in the Tenancy Agreement. The Security Deposit shall not without the written consent of DFSB be deemed to be or treated as payment of the Rental and DFSB shall at the expiration of the term of tenancy refund the said security deposit, free of interest, to EFSB less such sum or sums as may be due to DFSB within 30 days after EFSB vacated*	These terms are reasonable as it states the obligation of EFSB in relation to the Proposed Tenancy.

No.	Salient terms	MainStreet's comments
	from the EFSB Properties on a satisfactory and tenanted condition. *(iii) EFSB hereby agrees not to sublet the EFSB Properties without the prior written consent of DFSB (the consent of which should not be unreasonably withheld).*	
(4)	***DFSB's Covenants*** *DFSB hereby agrees and covenants as follows:-* *(i) The possession of the EFSB Properties shall be deemed delivered by DFSB to EFSB on the commencement date as set out in section 2 of Appendix III of the Circular.* *(ii) DFSB shall at EFSB's request, assist EFSB in obtaining all necessary approvals, permits and/or licences from the relevant authority in respect of the EFSB Properties and all such other requirements governing the conduct of EFSB's business and operations at the EFSB Properties. It is agreed that the costs in relation to obtaining the necessary approvals, permits and/or licences shall be borne by:-.* *(a) DFSB, if it is in relation to approvals, permits and/or licences which are to be secured DFSB as owner of the EFSB Properties; and* *(b) EFSB, in relation to approvals, permits and/or licences which are to be secured by EFSB for its occupation and operation on EFSB Properties.*	These terms are reasonable and serve to protect the interest of EFSB as it sets out the obligations of DFSB in relation to the Proposed Tenancy.
(5)	***Default and Termination*** *(i) In the event that EFSB breaches any provision of the Tenancy Agreement, DFSB shall prior to exercising any of its rights under the Tenancy Agreement:-* *(a) in respect of a default in payment of the Rental and/or any other sum payable by EFSB under the Tenancy Agreement, serve on EFSB a notice in writing requiring EFSB to rectify such default within the period of 30 days from the date of receipt of the written notice;*	These terms are reasonable as it sets out the events of default and rights of DFSB in order to terminate the Proposed Tenancy.

No.	Salient terms	MainStreet's comments
	(b) in respect of other defaults including but not limited to the event where EFSB shall have a receiving order made against it or shall make any assignment for the benefit of its creditors or enter into any agreement or make any arrangement with its creditors by composition or otherwise or suffer any distress or attachment or execution to be levied against its goods or the EFSB Properties, serve on EFSB notice in writing requiring EFSB to rectify such default within 30 days from the date of receipt of the written notice. *(ii) Should any event referred to in section 5(i) of Appendix III of the Circular occur, DFSB may:-* *(a) deduct from the Security Deposit, any amount which is due and payable to DFSB under the Tenancy Agreement to remedy the default which sums shall be substantiated by evidence from DFSB of such loss or damage (save for non-payment of rent); and/or* *(b) terminate the Tenancy Agreement by giving 3 months' written notice of such termination to EFSB, then in any of such cases, it is hereby mutually agreed that if on the expiration of the 3 months' written notice, the defaults complained of has not been remedied, DFSB upon service of notice of termination upon EFSB shall forthwith be at liberty to re-enter upon and take possession of the EFSB Properties or any party thereof in the name of the whole and thereupon the Tenancy Agreement shall absolutely determine but without prejudice herein provided or otherwise including the right of action of DFSB in respect of any antecedent breach of the agreement, stipulation and regulations on EFSB herein contained.* *(iii) Any surplus of Security Deposit after deduction pursuant to section 5(ii)(a) of Appendix III of the Circular, all sums paid by EFSB shall be returned to EFSB within 14 days after the termination of the Tenancy Agreement.* *(iv) In the event DFSB shall be in breach of any of its terms, conditions, covenants or*	

No.	Salient terms	MainStreet's comments
	warranties herein set out on DFSB to be performed and observed, and the breach, if capable of being remedied, shall not have been remedied within 7 days (if the breach related to the peaceful and quiet enjoyment of the EFSB Properties) or 30 days (any other breaches) from the date of the receipt of the notice from EFSB to DFSB which shall include the estimated cost of the repairing and making good of such breach, EFSB shall be entitled at its option to:- *(a) make good such breach, then in such case it shall be lawful for EFSB to serve a notice on DFSB to claim for such sums as set out in the notice and DFSB shall, within 14 days of the receipt of EFSB's notice abovementioned, pay such sum or sums or set off the sum against the Rental payable provided that nothing herein shall be construed as imposing an obligation upon EFSB to remedy such failure on behalf of DFSB and shall be without prejudice to such other rights of EFSB in respect of DFSB's breach; or* *(b) immediately terminate the tenancy herein created by serving upon DFSB a written notice of termination whereupon EFSB shall vacate the EFSB Properties and redeliver vacant possession of the EFSB Properties to DFSB. Upon such termination, DFSB shall within 14 days from the date of receipt of the notice of termination refund in full to EFSB the Security Deposit.*	

Based on our evaluation of the salient terms of the Tenancy Agreement above, we are of the view that the salient terms of the Tenancy Agreement are generally on normal commercial terms for transactions of such nature and the said terms are **reasonable** and **not detrimental** to the non-interested shareholders of EHB**.**

6.5 Effects of the Proposals

The Proposals will not have any effect on the Company's issued share capital and substantial shareholders' shareholdings as the Proposals do not involve or result in any change to the number of issued EHB Shares. The effects of the Proposals are set out in Section 7 of Part A of the Circular:

(i) NA, NA per EHB Share and gearing

For illustrative purposes, the pro forma effects of the Proposals on the NA, NA per EHB Share and gearing of the Group, based on the audited consolidated statement of financial position of EHB as at 31 May 2023, are as follows:

	(Audited) As at 31 May 2023 RM'000	(I) After subsequent events up to the LPD[1] RM'000	(II) After (I) and the Proposed Disposal of DFSB RM'000	(III) After (II) and the Proposed Distribution RM'000	(IV) After (III) and the Proposed Disposal of EFSB Properties RM'000
Share capital	52,796	52,796	52,796	52,796	52,796
(Accumulated losses)/ Retained profits	(19,759)	(13,730)	2,948 [2]	(5,936)[3]	3,889 [4]
NA attributable to the owners of the Company / Total equity	**33,037**	39,066	55,744	46,860	56,685
No. of EHB Shares in issue ('000)	44,421	44,421	44,421	44,421	44,421
NA per EHB Share[5] (RM)	0.74	0.88	1.25	1.05	1.28
Total borrowings (RM'000)	540	540	540	540	540
Gearing[6] (times)	0.02	0.01	0.01	0.01	0.01

Notes:

(1) After taking into account the following events occurred after 31 May 2023 up to the LPD:

(i) the Disposal of Kulim Property which was completed on 2 August 2023 and resulted in a gain on disposal of approximately RM5.19 million; and

(ii) disposal by EFSB of a parcel of industrial land together with a 1 ½ storey terrace factory erected thereon in Butterworth, Pulau Pinang for a disposal consideration of RM1.20 million pursuant to a sale and purchase agreement dated 22 March 2023, which was completed in July 2023 and resulted in a gain on disposal of approximately RM0.84 million.

(2) After taking into consideration the pro forma net gain on disposal arising from the Proposed Disposal of DFSB of approximately RM16.68 million as set out in Section 7.3 of Part A of the Circular.

(3) After taking into consideration the Proposed Distribution, i.e. declaration and payment of special dividend to the Company's shareholders, of RM8.88 million.

(4) *After taking into consideration the pro forma net gain on disposal arising from the Proposed Disposal of EFSB Properties of approximately RM10.60 million (after deducting the applicable RPGT) as set out in Section 7.3 of Part A of the Circular and the estimated expenses for the Proposals of approximately RM0.78 million.*

(5) *Computed based on NA attributable to the owners of the Company divided by the number of EHB Shares in issue.*

(6) *Computed based on total borrowings divided by total equity.*

Based on the table above, the illustrative proforma effects shows an improvement in the NA of the Group as at 31 May 2023 from RM33.04 million to RM55.74 million or from NA per EHB Share of RM0.74 to RM1.25 after the completion of the Proposed Disposal of DFSB, subsequently decrease to RM46.86 million or RM1.05 per EHB Share after the Proposed Distribution and finally increase to RM56.69 million or RM1.28 per EHB Share after the Proposed Disposal of EFSB Properties.

EHB's gearing will also improve from 0.02 times as at 31 May 2023 to 0.01 times after the completion of the Proposals.

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(ii) Earnings and EPS

For illustrative purposes, assuming the Proposed Disposals were completed at the beginning of the FYE 31 May 2023, the pro forma effects of the Proposed Disposals on the earnings and EPS of EHB Group for the FYE 31 May 2023 will result in the turnaround of losses from RM6.14 million or LPS of RM0.14 to a pro forma PAT of RM24.13 million or EPS of RM0.54 as illustrated below:

	Audited as at 31 May 2023 RM'000	Basic (LPS) / EPS[(1)] sen
LAT attributable to owners of the Company for the 31 May 2023	(6,144)	(13.83)[(2)]
Add:		
- Deconsolidation of DFSB's LAT for the FYE 31 May 2023	4,901	11.03
- Pro forma net gain on disposal from the Proposed Disposal of DFSB	16,678	37.54
- Pro forma net gain on disposal from the Proposed Disposal of EFSB Properties	10,604	23.87
Less:		
- Expenses in relation to the Rental[(2)]	(1,126)	(2.53)
- Estimated expenses in relation to the Proposals	(779)	(1.75)
Pro forma profit after tax attributable to owners of the Company for the FYE 31 May 2023	**24,134**	**54.33**

Notes:

(1) Computed based on the weighted average number of EHB Shares in issue of 44,421,700 for the FYE 31 May 2023.

(2) Comprising the depreciation of right-of-use assets and finance cost on lease liabilities.

The turnaround in earnings and EPS is due to the total net pro forma gain on disposals (based on EHB's audited NA for the FYE 31 May 2023) of RM27.28 million, comprising net gain on disposal from the Proposed Disposal of DFSB (RM16.68 million) and net gain on disposal from Proposed Disposal of EFSB Properties of RM10.60) million respectively as illustrated below:

(a) Proposed Disposal of DFSB

	RM'000
SSA Consideration	38,900
Less: Audited NA of DFSB as at 31 May 2023	(17,644)
Less: Estimated gain on disposal from disposal of the Kulim Factory	(5,186)
Add: Deconsolidation effect of the Proposed Disposal of DFSB	608
Pro forma net gain on disposal from Proposed Disposal of DFSB	**16,678**

(b) Proposed Disposal of EFSB Properties

	RM'000
SPA Consideration	15,650
Less: NBV of the EFSB Properties as at 31 May 2023	(4,175)
Less: RPGT[(1)]	(871)
Pro forma net gain on disposal from Proposed Disposal of EFSB Properties	**10,604**

Note:

(1) Based on RPGT of 10% on the SPA Consideration less costs of investment of the EFSB Properties.

Based on the above, we are of the view that the overall financial effects of the Proposals are **not detrimental** to the non-interested of shareholders of EHB.

6.6 Risk factors relating to the Proposals

Section 5 of Part A of the Circular has set out the risk factors which may have an impact on EHB in relation to the Proposals.

We take cognisance of the risk factors pertaining to the Proposals and we set out our views on the risk factors pertaining to the Proposals as follows:

6.6.1 Contractual risk

EHB is subject to certain contractual risks including, but not limited to, amongst others, the representations, warranties and/ or undertakings which are given by the Company and/or EFSB pursuant to the SSA and SPA (i.e., Section 6 of Appendix I and Section 7 of Appendix II of the Circular).

Nonetheless, EHB shall endeavour to ensure full compliance in relation to the fulfilment of its obligations under the SSA and SPA.

6.6.2 Non-completion risk

We note that the SSA, SPA and Tenancy Agreement are conditional upon fulfilment of the conditions precedent set forth in the respective agreements, as detailed in Appendices I, II and III of the Circular. In the event that any of the conditions precedent are not satisfied, fulfilled and/or waived within the prescribed timeframe, the Proposals may be delayed or terminated and all the potential benefits arising therefrom may not materialise. There can be no assurance that the Proposals can be completed and within the time period stipulated in the SSA, SPA and/or Tenancy Agreement.

Notwithstanding this risk, we do not foresee these conditions precedent not being met by the parties as the proposed terms are considered to be fair to EHB and the Purchasers and the Company will use its best endeavours and take reasonable steps to ensure the conditions precedent are fulfilled and the Proposed Disposals are completed in a timely manner.

6.6.3 Loss of principal place of business

Currently, the Group’s business operations are carried out at the EFSB Properties. Accordingly, the Proposed Disposals will result in the Group losing ownership over its principal place of business.

Nevertheless, the Proposed Tenancy provides the Group with the right to continue to operate from its existing principal place of business over the Tenancy Period. Meanwhile, the Group may source for a new location or premise to relocate its business operations, if necessary and is in the interest of the Group.

6.6.4 Loss of potential higher value of DFSB and the EFSB Properties

The SSA Consideration which is largely based on the adjusted unaudited NA of DFSB as at 31 May 2023 and the SPA Consideration is based on the market value of the EFSB Properties as appraised by the Valuer as at 30 June 2023.

As such, the Company will not be able to benefit from any potential increase in values of DFSB's NA, DFSB Properties and the EFSB Properties in the future after the completion of the Proposals.

Notwithstanding the above, there is no guarantee that the Group will be able to secure purchasers for the DFSB Properties and the EFSB Properties at higher values and/or the NA of DFSB will increase in the future.

We wish to highlight that although measures will be taken by the Board and the management of EHB to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not occur and give rise to material and adverse impact on the operation and business of EHB, financial positions and/or EHB's prospects thereon.

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

7 OUR CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals after taking into consideration the relevant factors as discussed in Section 6 of this IAL. In arriving at our opinion on the fairness and reasonableness of the Proposals, we have considered the following factors, which the non-interested shareholders of EHB should consider in evaluating the Proposals as summarised below:

(i) The rationale and benefits for the Proposals are **fair and reasonable** and not detrimental to the non-interested shareholders of EHB;

(ii) The SSA Consideration, SPA Consideration and the Rental are **fair and reasonable** and not detrimental to the non-interested shareholders of EHB;

(iii) The salient terms of the SSA, SPA and Tenancy Agreement are **reasonable and not detrimental** to non-interested shareholders of EHB;

(iv) The financial effects of the Proposals are **not detrimental** to the non-interested shareholders of EHB; and

(v) The risk factors relating to the Proposals.

Premised on the factors discussed above and our evaluation of the Proposals based on the information made available to us, we are of the view that the Proposals are **FAIR and REASONABLE** and **NOT DETRIMENTAL** to the non-interested shareholders of EHB.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolutions in respect of the Proposals to be tabled at the forthcoming EGM.

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

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

Yours faithfully,
MAINSTREET ADVISERS SDN BHD

Lai Swee Sim Managing Director	**Goh Chin Chai** Head, Corporate Finance

SALIENT TERMS OF SSA

The salient terms of the SSA are as follows:

1. Consideration and Payment

(i) EHB, shall sell, and the Purchasers, (collectively, referred to as the "**Parties**") shall purchase the Sale Shares at the SSA Consideration, upon the terms and conditions hereinafter appearing on a willing buyer and willing seller basis.

(ii) The Purchasers shall pay or cause to be paid the SSA Consideration in the following manner:-

(a) RM3,890,000 ("**Deposit**"):

(aa) upon execution of the SSA, the Purchasers shall pay or cause to be paid the Deposit to EHB; and

(bb) the Deposit shall be treated as part payment towards the SSA Consideration and EHB shall refund the Deposit, free of interest, to the Purchasers in the event the transaction contemplated under the SSA is not completed.

(b) RM35,010,000 ("**Balance Purchase Price**")

(aa) upon fulfilment of all the conditions precedent as set out in section 2(i) of Appendix I of this Circular, the Purchasers shall pay or cause to be paid the Balance Purchase Price to EHB on the day falling within 30 calendar days from the date upon which the SSA becomes unconditional or is deemed to have become unconditional in accordance with the provisions of the SSA ("**Unconditional Date**") ("**Completion Date**");

(bb) in the event the Purchasers are unable to pay the Balance Purchase Price on the Completion Date, the Parties hereby agree that the Completion Date shall be extended to a further period of 1 month commencing from the day immediately following the expiry of the Completion Date or such other date as may be agreed upon between the Parties upon which the completion of the sale and purchase of the Sale Shares shall take place ("**Extended Completion Date**") and the Purchasers shall pay the Balance Purchase Price by the Extended Completion Date subject to a late payment interest payable by the Purchasers to EHB at an interest rate of 8% per annum calculated on a daily rest basis on the Balance Purchase Price or such part thereof that remains unpaid by the Purchasers to EHB; and

(cc) the Balance Purchase Price together with the late payment interest shall be remitted by the Purchasers to EHB by the Extended Completion Date.

(c) such amount owing or payable by EFSB to DFSB as at the Completion Date or Extended Completion Date (as the case may be) shall be paid within one (1) month from the Completion Date or Extended Completion Date respectively.

2. Conditions Precedent

(i) The SSA shall be conditional upon the following being obtained and/or fulfilled within the date falling 6 months after the date of the SSA or such other date as may be agreed upon by the Parties in writing by which date the conditions precedent must be fulfilled or obtained or mutually agreed to be waived in writing by the Parties to the extent permissible under the laws of Malaysia ("**Cut-Off Date**") by the Purchasers and/or EHB (where applicable):

(a) the approvals of the shareholders of EHB in a general meeting in respect of transactions contemplated in the SSA, SPA and Tenancy Agreement upon such terms and conditions set out herein;

(b) the written approval from the State Forestry Department of Pulau Pinang for the change of shareholdings in DFSB;

(c) the discharge of corporate guarantee given by DFSB to United Overseas Bank (Malaysia) Berhad in respect of banking facilities granted to EFSB being obtained; and

(d) such other waivers, consents or approvals as may be required (or deemed necessary by the Parties) from any third party or governmental, regulatory body or relevant authorities including but not limited to the Ministry of Investment, Trade and Industry (if required) having jurisdiction over any part of the sale and purchase of the Sale Shares contemplated under the SSA.

(ii) If the conditions precedent are granted subject to any condition, then such condition precedent will not be deemed to have been fulfilled for the purposes of the SSA unless such condition is acceptable to the other party and such condition is deemed acceptable to such party if there is no written objection received by counter party within 7 business days from the date upon which the condition is made known in writing to the other party.

(iii) If on the expiry of the Cut-Off Date, any of the conditions precedent have not been fulfilled; or at any time prior to the expiry of the Cut-Off Date, any of the conditions precedent shall have been granted subject to terms and conditions which are not acceptable to any of the Parties, being terms and conditions which affect the sale and purchase of the Sale Shares or any of the rights or interests of the Parties, and further appeals to the relevant authorities or persons to vary such terms and conditions have not been successful and/or the said party is not willing to accept such terms and conditions then imposed by the relevant authorities or persons, then either of the Parties shall be entitled to terminate the SSA by giving a written notice of termination to that effect to the other party and upon termination thereof, the Parties shall not have any further rights under the SSA except in respect of:-

(a) obligation under the SSA which is expressed to apply after the termination of the SSA; and

(b) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SSA to either party prior to such termination.

3. Completion

(i) The completion of the sale and purchase of the Sale Shares shall take place at a place as may be mutually agreed by the Parties.

(ii) On the Completion Date or the Extended Completion Date, as the case may be:-

(a) EHB shall deliver to the Purchasers the following documents (collectively the "**Completion Documents**"):-

(aa) duly completed and signed instruments of transfer or transfer forms in favour of the Purchasers, in respect of the Sale Shares, together with the duly sealed original share certificates in relation thereto;

(bb) a certified true copy or extract of a resolution of the board of directors of DFSB approving the transfer of the Sale Shares from EHB to the Purchasers and directing the company secretary of DFSB to register the same;

(cc) undated letters of resignation of secretaries, auditors and directors of DFSB;

(dd) certified true copy or extract of a resolution of the board of directors of DFSB to appoint person nominated by the Purchasers to the board of directors of DFSB and acceptance of the resignation of the existing directors of DFSB pursuant to the letters of resignation above;

(ee) the statutory books and records, complete and up-to-date, and all other records and documents of DFSB, including but not limited including but not limited to the certificate of incorporation, any certificates of incorporation on change of name or re-registrations, licences, share certificate books, minute books, all unused cheque books and the common seals of DFSB;

(ff) all documents of title, certificates and other documents evidencing title to the assets of DFSB; and

(gg) all other relevant documents to effect the transfer of legal and beneficial title of the Sale Shares to the Purchasers (if any).

(iii) On the Completion Date or the Extended Completion Date, as the case may be, and against the delivery of the documents set out in section 3(ii)(a) of Appendix I of this Circular, the Purchasers shall pay the Balance Purchase Price to EHB.

4. Default by the vendor

In the event that the Purchasers shall have performed and observed all their obligations herein stated as are capable of being performed by the Purchasers up to the date of default by EHB, but EHB shall fail to remedy the relevant default or breach within 10 business days or such extended period as may be allowed by the Purchasers after being given notice by the Purchasers, to rectify such breach, the Purchasers shall be entitled at its option to either:

(a) seek for specific performance against EHB and all reliefs flowing therefrom in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of the other in the performance of the terms and conditions herein; or

(b) rescind and terminate the SSA and EHB shall then immediately refund all monies paid by the Purchasers and pay to the Purchasers a further sum equivalent to the Deposit as agreed liquidated damages and thereafter SSA shall become null and void and be of no further effect and neither party shall have any further claims against the other.

5. Default by the Purchasers

In the event that EHB shall have performed and observed all its obligations herein stated as are capable of being performed by EHB up to the date of default by the Purchasers, but the Purchasers shall fail to remedy the relevant default or breach within 10 business days or such extended period as may be allowed by EHB after being given notice by EHB, to rectify such breach, EHB shall be entitled to rescind and terminate the SSA and EHB shall be entitled to forfeit the Deposit paid, and refund such other monies paid by the Purchasers to EHB, if any, free of interest, thereafter the SSA shall become null and void and be of no further effect and neither party shall have any further claims against the other.

6. Representations, warranties and undertakings by the Vendor

Save for the SPA and Tenancy Agreement, between the date of the SSA and the Completion Date or the Extended Completion Date, as the case may be, EHB undertakes that it shall use its voting powers for the time being in DFSB or direct EHB's nominated directors at the board of directors of DFSB to take such steps as may be within their power to procure and ensure that DFSB shall not, save in the ordinary and usual course of business, without the prior consent in writing of the Purchasers pass any resolution of the directors or members to, among others:

(i) issue or agree to issue any shares, warrants or other securities or loan capital or grant or agree to grant any option over or right to acquire or convertible into any share or loan capital or otherwise take any action which might result in the Purchasers acquiring on completion a percentage interest in DFSB lower than that contemplated in the SSA;

(ii) consolidate or subdivide any shares, create any new classes of shares, alter any of the rights attached to any of the issued shares, reduce any share capital or otherwise reorganise or grant any right in respect of the share capital of DFSB in any way;

SALIENT TERMS OF SSA *(Cont'd)*

(iii) form new subsidiaries or associated companies or invest therein, or carry on any business which involves a capital expenditure or commitment;

(iv) purchase or redeem any shares in DFSB or provide financial assistance for any such purchase;

(v) declare, pay or make any dividends or other distributions, or return of any capital to its members;

(vi) undertake any reconstruction, merger, consolidation or amalgamation exercise in relation to DFSB or issue any share, stock, security, warrant or otherwise in DFSB which are convertible into shares or approve any transfer of shares in DFSB or create any option, warrant or right of whatever nature over any registered capital or interest in DFSB or vary any rights attaching to any shares of DFSB; and

(vii) enter into any material contract or incur any material or substantial liability or obligation, other than in the ordinary and usual course of the business of DFSB, on commercial terms and on arm's length basis.

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SALIENT TERMS OF SPA

The salient terms of the SPA are as follows:

1. Sale and Purchase

EFSB, as vendor, shall sell, and DFSB, as purchaser, (collectively, referred to as the "**Parties**") shall purchase the EFSB Properties free from all encumbrances, save for the TNB Sublease, on an "as is where is" basis, subject to all conditions of title and restrictions-in-interest contained in the documents of title and upon the terms and conditions set out herein.

2. Payment

DFSB shall pay or cause to be paid the SPA Consideration in the following manner:-

(i) RM1,565,000 ("**Deposit**"):

(a) upon execution of the SPA, DFSB shall pay or cause to be paid the Deposit as part payment of the SPA Consideration to EFSB and EFSB's solicitors as follows:-

(aa) 70% of the Deposit, equivalent to 7% of the SPA Consideration, shall be paid to EFSB; and

(bb) 30% of the Deposit, equivalent to 3% of the SPA Consideration, shall be paid to EFSB's solicitors as stakeholder as the retention sum and EFSB's solicitors shall irrevocably and unconditionally be authorised to release the retention sum to the Director General of Inland Revenue ("**DGIR**") in accordance with the provisions of the SPA.

(ii) RM14,085,000 ("**Balance Purchase Price**")

(a) upon fulfilment of all the conditions precedent as set out in section 3 of Appendix II of this Circular, DFSB shall pay or cause to be paid the Balance Purchase Price to EFSB within 3 months commencing from the date on which the last of the conditions precedent as set out in section 3 of Appendix II of this Circular has been obtained unconditionally or upon terms, if any, acceptable to the Parties ("**Unconditional Date**"); or any other extended period as may be mutually agreed by the Parties ("**Completion Period**");

(b) in the event DFSB is unable to pay the Balance Purchase Price on or before the date on which the Balance Purchase Price is paid to EFSB which shall be on or before expiry of the Completion Period or a further period of 1 month commencing from and including the day immediately following the expiry of the Completion Period to pay the SPA Consideration ("**Extended Completion Period**") ("**Completion Date**"), DFSB shall be automatically entitled to pay the Balance Purchase Price within the Extended Completion Period subject to a late payment interest payable by DFSB to EFSB at an interest rate of 8% per annum calculated on a daily rest basis on the Balance Purchase Price or such monies which remains unpaid by DFSB to EFSB; and

(c) the Balance Purchase Price together with the late payment interest, if any, shall be remitted by DFSB to EFSB within the Completion Period or the Extended Completion Period, as the case may be.

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3. Conditions Precedent

Completion of the sale and purchase herein is conditional upon the following being fulfilled within 6 months commencing from the date of the SPA ("**Conditional Period**"):-

(i) the issuance of the written consent by TNB in its capacity as the lessee of the TNB Sublease consenting to the transfer of the EFSB Properties by EFSB to DFSB;

(ii) the completion of the SSA; and

(iii) if required, the approvals, consents authorizations, permits or waivers of the relevant authorities and any other third parties necessary or appropriate to carry out the sale and purchase of the EFSB Properties pursuant to the terms of the SPA having been obtained.

The conditions precedent shall be fulfilled within the Conditional Period, failing which the Parties hereby agree that the Conditional Period shall be automatically extended to a further period of 1 month commencing from and including the day immediately following the expiry of the Conditional Period or such other extended period as may be mutually agreed by the Parties ("**Extended Conditional Period**") for the Parties to fulfil the conditions precedent.

4. Completion

In exchange of payment of the Balance Purchase Price together with late payment interest, if any, EFSB shall immediately deliver to DFSB the following documents:

(i) the documents of title for the EFSB Properties;

(ii) a copy of the latest current quit rent and assessment receipts (if any) for the EFSB Properties;

(iii) written consent issued by TNB in its capacity as the registered lessee of the TNB Sublease consenting to the transfer of the EFSB Properties by EFSB to DFSB; and

(iv) any other documents necessary to effect the registration of the memorandum of transfer in favour of DFSB free from all encumbrances as the registered proprietor of the EFSB Properties.

Completion of the sale and purchase of the EFSB Properties shall take place on the date upon which DFSB has paid the SPA Consideration to EFSB in full, together with late payment interest, if any, without any deductions, set off, claims or counter claims save and except for all such deductions, set-off, claims or counter claims which have been mutually agreed between the Parties (if any).

5. Default by EFSB

In the event that DFSB shall have performed and observed all its obligations herein stated as are capable of being performed by DFSB up to the date of default by EFSB, but EFSB shall fail to complete this transaction for whatsoever reason, DFSB shall be entitled at its option to either:

(i) seek for specific performance against EFSB and all reliefs flowing therefrom in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of the other in the performance of the terms and conditions herein; or

(ii) rescind and terminate the sale and purchase of the EFSB Properties under the SPA and EFSB shall then immediately refund all monies paid by DFSB and pay to DFSB a further sum equivalent to the Deposit as agreed liquidated damages and thereafter the SPA shall become null and void and be of no further effect and neither Party shall have any further claims against the other.

6. Default by DFSB

Subject always that EFSB shall have performed and observed all its obligations herein stated as are capable of being performed by EFSB up to the date of default by DFSB, in the event that DFSB fails to pay the SPA Consideration by the expiry of the Completion Period or Extended Completion Period, as the case may be, EFSB shall be entitled to terminate the SPA by a notice in writing to DFSB and in such event, EFSB shall be entitled to forfeit the Deposit paid, and refund such other monies paid by DFSB to EFSB, free of interest, thereafter the SPA shall be deemed terminated and be of no further force or effect and neither of the Parties hereto shall have any further rights and claims against the other save and except for any antecedent breach of the SPA and EFSB shall have the absolute right to resell the EFSB Properties to such person(s) in such manner and at such price and terms as EFSB may think fit.

7. Representations, warranties, covenants and undertakings by the Vendor

EFSB hereby irrevocably represents, warrants, covenants and undertakes with DFSB, among others:

(i) that EFSB is the registered and beneficial owner of the EFSB Properties and there are no other persons or parties who have claim to have any rights, title or interest, whether legal or equitable, over the EFSB Properties save and except what has been stated in the SPA;

(ii) that EFSB has the full legal right, authority and absolute power to sell and transfer the EFSB Properties and has obtained the prior consent or authorisation from any other party, if required, to sell the EFSB Properties at the SPA Consideration;

(iii) that EFSB is not in breach and shall not during the subsistence of the SPA, commit any breach of any express or implied condition of title to the EFSB Properties; and

(iv) EFSB shall not further charge, lease, let, sell, dispose, assign or in any manner whatsoever encumber or deal with the EFSB Properties or any part thereof after the date of the SPA save for the TNB Sublease. In the event there is such encroachment and/or encumbrances created on the EFSB Properties after the execution of the SPA, DFSB shall at its absolute discretion be entitled to rescind the SPA and to proceed to exercise its rights and remedy under the law and the SPA.

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SALIENT TERMS OF TENANCY AGREEMENT

The salient terms of the Tenancy Agreement are as follows:

1. Term

(i) DFSB, as landlord, shall grant and EFSB, as tenant, (collectively, referred to as the "**Parties**") shall accept a tenancy of the EFSB Properties together with the use and enjoyment of the EFSB Properties for a period of 2 years with an option to further renew the tenancy for a period of 2 years.

(ii) The Tenancy Agreement is conditional upon the completion of the SPA, which shall be fulfilled within a period of 6 months from the date hereof or such longer period to be agreed by both Parties ("**Conditional Period**").

(iii) The Tenancy Agreement shall be unconditional on the date the conditions precedent set out in section 1(ii) of Appendix III of this Circular are satisfied. If the conditions precedent cannot be satisfied on or before the Conditional Period, DFSB shall grant EFSB an automatic extension of 2 months ("**Extended Conditional Period**") for the Parties to fulfil the conditions precedent.

2. Commencement Date

The tenancy for the EFSB Properties shall commence on the date on which the Balance Purchase Price as set out in section 2(ii) of Appendix II of this Circular is paid to EFSB which shall be on or before expiry of the Completion Period as set out in section 2(ii)(a) of Appendix II of this Circular or the Extended Completion Period as set out in section 2(ii)(b) of Appendix II of this Circular.

3. EFSB's Covenants

EFSB hereby agrees and covenants as follows:-

(i) EFSB shall duly pay the Rental without any deductions, counterclaims and set offs any other sums payable under the Tenancy Agreement on or before the first day of each succeeding calendar month of this tenancy.

(ii) EFSB shall pay to DFSB on the commencement date as set out in section 2 of Appendix III of this Circular, RM175,342 being the security deposit ("**Security Deposit**") as security for the due observance and performance by EFSB of the terms, covenants, conditions and stipulations of and contained in the Tenancy Agreement. The Security Deposit shall not without the written consent of DFSB be deemed to be or treated as payment of the Rental and DFSB shall at the expiration of the term of tenancy refund the said security deposit, free of interest, to EFSB less such sum or sums as may be due to DFSB within 30 days after EFSB vacated from the EFSB Properties on a satisfactory and tenanted condition.

(iii) EFSB hereby agrees not to sublet the EFSB Properties without the prior written consent of DFSB (the consent of which should not be unreasonably withheld).

4. DFSB's Covenants

DFSB hereby covenants with EFSB:-

(i) The possession of the EFSB Properties shall be deemed delivered by DFSB to EFSB on the commencement date as set out in section 2 of Appendix III of this Circular.

(ii) DFSB shall at EFSB's request, assist EFSB in obtaining all necessary approvals, permits and/or licences from the relevant authority in respect of the EFSB Properties and all such other requirements governing the conduct of EFSB's business and operations at the EFSB Properties. It is agreed that the costs in relation to obtaining the necessary approvals, permits and/or licences shall be borne by:-

   (a) DFSB, if it is in relation to approvals, permits and/or licences which are to be secured DFSB as owner of the EFSB Properties; and

(b) EFSB, in relation to approvals, permits and/or licences which are to be secured by EFSB for its occupation and operation on EFSB Properties.

5. Default and Termination

(i) In the event that EFSB breaches any provision of the Tenancy Agreement, DFSB shall prior to exercising any of its rights under the Tenancy Agreement:-

(a) in respect of a default in payment of the Rental and/or any other sum payable by EFSB under the Tenancy Agreement, serve on EFSB a notice in writing requiring EFSB to rectify such default within the period of 30 days from the date of receipt of the written notice;

(b) in respect of other defaults including but not limited to the event where EFSB shall have a receiving order made against it or shall make any assignment for the benefit of its creditors or enter into any agreement or make any arrangement with its creditors by composition or otherwise or suffer any distress or attachment or execution to be levied against its goods or the EFSB Properties, serve on EFSB notice in writing requiring EFSB to rectify such default within 30 days from the date of receipt of the written notice.

(ii) Should any event referred to in section 5(i) of Appendix III of this Circular occur, DFSB may:-

(a) deduct from the Security Deposit, any amount which is due and payable to DFSB under the Tenancy Agreement to remedy the default which sums shall be substantiated by evidence from DFSB of such loss or damage (save for non-payment of rent); and/or

(b) terminate the Tenancy Agreement by giving 3 months' written notice of such termination to EFSB, then in any of such cases, it is hereby mutually agreed that if on the expiration of the 3 months' written notice, the defaults complained of has not been remedied, DFSB upon service of notice of termination upon EFSB shall forthwith be at liberty to re-enter upon and take possession of the EFSB Properties or any party thereof in the name of the whole and thereupon the Tenancy Agreement shall absolutely determine but without prejudice herein provided or otherwise including the right of action of DFSB in respect of any antecedent breach of the agreement, stipulation and regulations on EFSB herein contained.

(iii) Any surplus of Security Deposit after deduction pursuant to section 5(ii)(a) of Appendix III of this Circular, all sums paid by EFSB shall be returned to EFSB within 14 days after the termination of the Tenancy Agreement.

(iv) In the event DFSB shall be in breach of any of its terms, conditions, covenants or warranties herein set out on DFSB to be performed and observed, and the breach, if capable of being remedied, shall not have been remedied within 7 days (if the breach related to the peaceful and quiet enjoyment of the EFSB Properties) or 30 days (any other breaches) from the date of the receipt of the notice from EFSB to DFSB which shall include the estimated cost of the repairing and making good of such breach, EFSB shall be entitled at its option to:-

(a) make good such breach, then in such case it shall be lawful for EFSB to serve a notice on DFSB to claim for such sums as set out in the notice and DFSB shall, within 14 days of the receipt of EFSB's notice abovementioned, pay such sum or sums or set off the sum against the Rental payable provided that nothing herein shall be construed as imposing an obligation upon EFSB to remedy such failure on behalf of DFSB and shall be without prejudice to such other rights of EFSB in respect of DFSB's breach; or

(b) immediately terminate the tenancy herein created by serving upon DFSB a written notice of termination whereupon EFSB shall vacate the EFSB Properties and redeliver vacant possession of the EFSB Properties to DFSB. Upon such termination, DFSB shall within 14 days from the date of receipt of the notice of termination refund in full to EFSB the Security Deposit.

INFORMATION ON DFSB

1. HISTORY AND BUSINESS

DFSB is a private limited company incorporated in Malaysia on 4 January 1992 under the Companies Act 1965. On 30 April 2000, DFSB became a wholly-owned subsidiary of our Company upon completion of our Company's acquisition of the entire equity interest of DFSB. DFSB commenced its manufacturing activities at the Sungai Baong Factory in the same year to complement our then existing manufacturing facility at the EFSB Properties to produce furniture and wood-based products.

DFSB is principally involved in the manufacturing of furniture and wood-based products. DFSB's principal place of business and manufacturing facility is located at Lot 2, Lorong Bakau 3, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang, , i.e. its Sungai Baong Factory.

DFSB's principal products are component parts of furniture products such as, among others, table base, table legs, chair legs and drawers. The manufacturing activities carried out by DFSB are mainly to provide additional production capacity to EFSB by producing and supplying component parts to EFSB for finishing operations carried out by EFSB such as assembly of finished goods and packing. As such, the revenue generated by DFSB is mainly from EFSB which made up between approximately 95.8% and 99.8% of DFSB's total revenue for the FYEs 31 May 2020 to FYE 31 May 2023, whilst the remaining revenue was from sales to local external parties which are based in Malaysia.

The breakdown of DFSB's revenue for the past 4 FYEs 31 May 2020 to 31 May 2023 are as follows:

	FYE 31 May 2020		FYE 31 May 2021		FYE 31 May 2022		FYE 31 May 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales to EFSB	25,588	99.8	25,478	96.7	17,525	95.8	16,078	98.3
Sales to external parties (local)	51	0.2	881	3.3	766	4.2	272	1.7
Total	**25,639**	**100.0**	**26,359**	**100.0**	**18,291**	**100.0**	**16,350**	**100.0**

DFSB uses beech and rubberwood as the key raw materials for its wood based products which are mainly sourced from several European countries and Thailand respectively.

Assets owned by DFSB

The material assets owned by DFSB are as follows:

	Sungai Baong Factory	Sungai Baong Land
Location	Lot 2, Lorong Bakau 3, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang	Plot A9 and Plot A10, Lorong Bakau 5, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang
Tenure	Grant in perpetuity (or freehold)	Grant in perpetuity (or freehold)
Land area	22,581.46 m^2 (approximately 243,066.80 sq. ft.)	22,136.30 m^2 (approximately 238,275.16 sq. ft.)
Current use	Single storey detached factory	Vacant land
Gross floor area	155,139.50 sq. ft.	Not applicable

Further information on the DFSB Properties are set out in Section 2.1.4, Part A of this Circular.

The capacity, production output and utilisation rate of the DFSB's manufacturing plant, i.e., Sungai Baong Factory, for the past 3 financial years up to FYEs 30 May 2021 to 30 May 2023 are as follows:

	FYE 31 May 2021	FYE 31 May 2022	FYE 31 May 2023
Annual production capacity (m^3)	7,200	7,200	7,200
Actual production output (m^3)	5,199	4,644	4,481
Utilisation rate	72%	65%	62%

2. SHARE CAPITAL

As at the LPD, DFSB's issued share capital is RM17,600,000 comprising 2,600,000 DFSB Shares and 15,000,000 DFSB NCRCPS.

The salient terms of the DFSB NCRCPS are as follows:

(i) the DFSB NCRCPS shareholders shall have the right to receive non-cumulative dividends or distributions at a rate to be determined and payable upon declaration by the by the Directors of DFSB. For avoidance of doubt, there is no fixed dividend for the DFSB NCRCPS;

(ii) the DFSB NCRCPS shareholders shall have the right to rank in regard to return of capital and dividend in priority to the DFSB Shares and all other classes of shares of DFSB, if any, for the time being for DFSB;

(iii) in the event DFSB is being wound up, the DFSB NCRCPS shareholders shall have the right to payment of preferential dividend which have been declared but not paid and of all capital paid up on the DFSB NCRCPS and the right to participate in the residue of such surplus assets of DFSB;

(iv) the DFSB NCRCPS shall entitle its shareholder to the right to convert each outstanding DFSB NCRCPS into 1 DFSB Share;

(v) the DFSB NCRCPS are redeemable at the option of DFSB, at a redemption price of RM1.00 per DFSB NCRCPS, which shall be paid together with arrears of dividend payment (if any) up to the date of redemption, from time to time until all such DFSB NCRCPS are fully redeemed or DFSB is being wound up; and

(vi) the DFSB NCRCPS has no fixed tenure.

3. SHAREHOLDER

As at the LPD, DFSB is a wholly-owned subsidiary of our Company and all the DFSB NCRCPS in issue are held by our Company.

4. DIRECTORS

As at the LPD, the directors of DFSB are as follows:

Name	Designation	Nationality
GKB	Director	Malaysian
Lee Beng Tek	Director	Malaysian
GSK	Director	Malaysian
GSY	Director	Malaysian
Mahendran A/L Ramachandran	Director	Malaysian

5. SUBSIDIARY AND ASSOCIATED COMPANY

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

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6. FINANCIAL INFORMATION

A summary of the financial information of DFSB based on its audited financial statements for the past 4 FYEs 31 May 2020 to 31 May 2023 as well as unaudited financial statements for the 3M-FPE 31 August 2022 and 31 August 2023 is set out below:

	Audited				Unaudited	
	FYE 31 May 2020	**FYE 31 May 2021**	**FYE 31 May 2022**	**FYE 31 May 2023**	**3M-FPE 31 August 2022**	**3M-FPE 31 August 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue(1)	25,639	26,359	18,291	16,350	5,450	1,940
Operating profit/(loss)	2,336	2,316	(3,042)	(4,884)	(922)	4,621
Profit/(Loss) before tax	2,304	2,295	(3,078)	(4,901)	(933)	4,621
Profit/(Loss) after tax	1,881	1,716	(2,374)	(4,901)	(933)	4,186
Total assets	30,806	28,303	24,410	18,976	23,772	22,929
Total liabilities	22,602(2)	3,383(3)	1,864	1,332	2,159	1,098
Total equity / NA	8,204	24,920(3)	22,545	17,644	21,612	21,831
Share capital	2,600	17,600(4)	17,600(4)	17,600(4)	17,600(4)	17,600(4)
Current assets	20,545	17,532	13,077	9,919	12,528	13,904
Current liabilities	22,198	2,728	1,864	1,448	2,159	1,098
Current ratio(5) (times)	0.93	6.43	7.02	6.85	5.80	12.66
No. of DFSB Shares in issue ('000)	2,600	2,600	2,600	2,600	2,600	2,600
Basic earnings / (loss) per DFSB Share(6) (sen)	0.72	0.66	(0.91)	(1.89)	(0.36)	1.61
NA per DFSB Share(7) (RM)	3.16	9.58	8.67	6.79	8.31	8.40
Total borrowings	1,252	969	-	-	-	-
Gearing(8) (times)	0.15	0.04	-	-	-	-

Notes:

(1) *Inclusive of sales by DFSB to EFSB (i.e. being transactions between companies within our Group which will be eliminated from the consolidated financial statements of our Group).*

(2) *Including amount due to holding company, i.e. our Company, of RM15.52 million.*

(3) *On 30 April 2021, our Company had subscribed for the 15,000,000 DFSB NCRCPS by way of converting part of the amount due to holding company (per item (1) above) amounting to RM15.00 million.*

(4) *Including the value of issued 15,000,000 DFSB NCRCPS of RM15.00 million.*

(5) *Computed based on current assets divided by current liabilities.*

(6) *Computed based on profit or loss after tax divided by the number of DFSB Shares in issue.*

(7) *Computed based on NA divided by the number of DFSB Shares in issue.*

(8) *Computed based on total borrowings divided by total equity.*

Commentaries:

3M-FPE 31 August 2023 vs 3M-FPE 31 August 2022

DFSB's revenue decreased by approximately RM3.51 million or 64.40% from RM5.45 million in the 3M-FPE 31 August 2022 to RM1.94 million in the 3M-FPE 31 August 2023 mainly due to lower orders for the supply of component parts for EFSB's furniture products in the 3M-FPE 31 August 2023.

DFSB recorded a profit before tax of approximately RM4.62 million in the 3M-FPE 31 August 2023 as compared to a loss before tax of approximately RM0.93 million in the 3M-FPE 31 August 2022 mainly due to the gain on disposal of approximately RM5.19 million from the Disposal of Kulim Property which was completed on 2 August 2023. In view of the foregoing, DFSB recorded a profit after tax of approximately RM4.19 million in the 3M-FPE 31 August 2023 as compared to a loss after tax of approximately RM0.93 million in the 3M-FPE 31 August 2022.

FYE 31 May 2023 vs FYE 31 May 2022

DFSB's revenue decreased by approximately RM1.94 million or 10.61% from RM18.29 million in the FYE 31 May 2022 to RM16.35 million in the FYE 31 May 2023 mainly due to lower orders for the supply of component parts for EFSB's furniture products in the FYE 31 May 2023.

DFSB's loss before tax increased by approximately RM1.82 million or 59.23% from RM3.08 million in the FYE 31 May 2022 to RM4.90 million in the FYE 31 May 2023 mainly due to the lower revenue recorded in the FYE 31 May 2023 as detailed above. In view of the foregoing, DFSB's loss after tax increased by approximately RM2.53 million or 106.44% from RM2.37 million in the FYE 31 May 2022 to RM4.90 million in the FYE 31 May 2023.

FYE 31 May 2022 vs FYE 31 May 2021

DFSB's revenue decreased by approximately RM8.07 million or 30.61% from RM26.36 million in the FYE 31 May 2021 to RM18.29 million in the FYE 31 May 2022 mainly due to lower orders for the supply of component parts for EFSB's furniture products in the FYE 31 May 2022.

DFSB recorded a loss before tax of approximately RM3.08 million in the FYE 31 May 2022 as compared to a profit before tax of approximately RM2.30 million in the FYE 31 May 2021 mainly due to the lower revenue recorded in the FYE 31 May 2022 as detailed above. In view of the foregoing, DFSB recorded a loss after tax of approximately RM2.37 million in the FYE 31 May 2022 as compared to a profit after tax of RM1.72 million in the FYE 31 May 2021.

FYE 31 May 2021 vs FYE 31 May 2020

DFSB's revenue increased marginally by approximately RM0.72 million or 2.81% from RM25.64 million in the FYE 31 May 2020 to RM26.36 million in the FYE 31 May 2021 mainly due to increased orders for the supply of component parts for EFSB's furniture products in the FYE 31 May 2021.

Notwithstanding the marginal increase in DFSB's revenue, the profit before tax of DFSB is relatively unchanged at approximately RM2.30 million in the FYE 31 May 2021 mainly due to an increase in its administrative expenses of approximately RM0.44 million in the FYE 31 May 2021 which offset the marginal increase in the revenue as detailed above. DFSB's profit after tax decreased from approximately RM1.88 million in the FYE 31 May 2020 to RM1.72 million in the FYE 31 May 2021 mainly due to higher taxation incurred in the FYE 31 May 2021 of RM0.58 million as compared to RM0.42 million in the FYE 31 May 2020 as a result of higher current tax payable and under-provision of deferred tax in prior year.

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7. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, the Board of Directors of DFSB confirmed that there are no material contracts (not being contracts entered in the ordinary course of business) which have been entered into by DFSB within the 2 years immediately preceding the date of this Circular:

(i) sale and purchase agreement dated 3 March 2023 entered into between DFSB and Khoo Kok Seang, Khoo Kay Sen and Khoo Yi Sen in relation to the Disposal of Kulim Property for a disposal consideration of RM6.95 million in cash, which has been completed on 2 August 2023.

8. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATION

As at the LPD, DFSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board of Directors of DFSB is not aware of any proceedings, pending or threatened against DFSB, or of any facts likely to give rise to any proceedings which may materially and adversely affect the business or financial position of DFSB.

9. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

9.1 Material commitments

As at the LPD, there is no material commitments incurred or known to be incurred by DFSB, which may have a material impact on the profits and/or NA of DFSB.

9.2 Contingent liabilities

As at the LPD, there is no material contingent liabilities incurred by DFSB which may have a substantial impact on the financial position of DFSB.

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Registration No. 199201000248 (231752-D)

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31 MAY 2023

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Registration No. 199201000248 (231752-D)

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

CORPORATE INFORMATION

Directors	Guan Kok Beng Lee Beng Tek Guan Shaw Kee Guan Shaw Yin Mahendran A/L Ramachandran
Secretaries	Kong Sown Kaey Ong Lu See
Registered Office	35 1st Floor Jalan Kelisa Emas 1 Taman Kelisa Emas 13700 Seberang Jaya Penang
Business Addresses	2 Lorong Bakau 3 Kawasan Perusahaan Perabot Sungai Baong 14200 Sungai Bakap Penang
Auditors	Grant Thornton Malaysia PLT Chartered Accountants
Bankers	Public Bank Berhad United Overseas Bank (Malaysia) Bhd.

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended **31 May 2023**.

PRINCIPAL ACTIVITY

The principal activity of the Company in the course of the financial year remains unchanged and consists of manufacturing of furniture and wood-based products.

RESULTS

	RM
Loss for the financial year	**(4,901,101)**

In the opinion of the directors, the results of operations of the Company for the financial year ended **31 May 2023** have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

There are no dividends proposed, declared or paid by the Company since the end of the previous financial year.

The directors do not recommend any final dividend for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture.

HOLDING COMPANY

The Company is a wholly-owned subsidiary of Eurospan Holdings Berhad, a company incorporated and domiciled in Malaysia, and whose shares are quoted on the Main Market of Bursa Malaysia Securities Berhad.

The directors regard Eurospan Holdings Berhad as the ultimate holding company.

Registration No. 199201000248 (231752-D)

DIRECTORS

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Guan Kok Beng
Lee Beng Tek
Guan Shaw Kee
Guan Shaw Yin
Mahendran A/L Ramachandran (appointed on 7.8.2023)

DIRECTORS' INTERESTS IN SHARES

Pursuant to Section 59(3) of the Companies Act 2016, the beneficial interests of **Mr. Guan Kok Beng** are disclosed in the Directors' Report of the holding company, Eurospan Holdings Berhad.

The interest of **Mr. Lee Beng Tek** in the holding company is as follows:

	Number of ordinary shares			
	Balance at 1.6.2022	**Bought**	**Sold**	**Balance at 31.5.2023**
Holding company - Eurospan Holdings Berhad				
Direct interest:				
Lee Beng Tek	1,000	-	-	1,000

Other than as disclosed above, none of the other directors at the end of the financial year had any interest in the shares of the Company or its related corporation during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits and receivable by the directors of the Company are as follows:

	RM
Fees	**60,000**
Salaries, allowances and bonus	**925,750**
Defined contribution plan	**187,513**
Social security contributions and employment insurance scheme	**4,005**
Benefits-in-kind	**6,500**
	1,183,768

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 above) by reason of a contract made by the Company or a related corporation with a 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.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Registration No. 199201000248 (231752-D)

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The directors and officers of the Company, who are also the directors or officers of its holding company, are covered under the Directors' and Officers' Liability Insurance policy procured by its holding company against liabilities arising from acts committed in their respective capacity as director or officer of the Company and the cost of such insurance is borne by its holding company during the financial year.

There were no indemnity given to or insurance effected for other directors and officers of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the directors took reasonable steps:

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

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

At the date of this report, the directors are not aware of any circumstances:

(i) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Company; or

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

(iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

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

In the opinion of the directors:

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

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

SIGNIFICANT EVENT DURING AND AFTER THE REPORTING PERIOD

The details of the event during and after the reporting period are disclosed in Note 21 to the financial statements.

AUDITORS

The auditors, **Grant Thornton Malaysia PLT**, have expressed their willingness to continue in office.

The total amount of fees paid to or receivable by the auditors as remuneration for their services to the Company for the financial year ended 31 May 2023 is RM23,000.

The Company has agreed to indemnify the auditors to the extent permissible under the provisions of the Companies Act 2016 in Malaysia. However, no payment has been made under this indemnity for the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

....	....
Guan Kok Beng	**Guan Shaw Yin**

Penang

Date: 18 September 2023

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 11 to 43 are properly 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 May 2023** and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

....
Guan Kok Beng

....
Guan Shaw Yin

Date: 18 September 2023

STATUTORY DECLARATION

I, **Guan Shaw Yin**, the director primarily responsible for the financial management of **Dynaspan Furniture Sdn. Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 11 to 43 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.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **18th**)
day of **September 2023**.)

....
Guan Shaw Yin

Before me,

PESURUHJAYA SUMPAH
No: P 125
Nama: GOH SUAN BEE
01-01-2022 – 31-12-2024
MALAYSIA

....
Commissioner for Oaths

20 Lebuh King
10200 Pulau Pinang

GrantThornton

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

Grant Thornton Malaysia PLT
Level 5, Menara BHL
51 Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

T +604 228 7828
F +604 227 9828

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Dynaspan Furniture Sdn. Bhd.**, which comprise the statement of financial position as at **31 May 2023**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of accounting policies, as set out on pages 11 to 43.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at **31 May 2023**, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

GrantThornton

Independent Auditors' Report To The Member Of
Dynaspan Furniture Sdn. Bhd. (cont'd)
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

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

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

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 the financial statements.

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

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

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

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

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

GrantThornton

Independent Auditors' Report To The Member Of
Dynaspan Furniture Sdn. Bhd. (cont'd)
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

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

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

Other Matter

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

Grant Thornton Malaysia PLT	**Yeap Bee Har**
AF: 0737	**No. 03715/02/2025 J**
201906003682 (LLP0022494-LCA)	**Chartered Accountant**
Chartered Accountants	

Penang

Date: 18 September 2023

Registration No. 199201000248 (231752-D)

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023

	NOTE	2023 RM	2022 RM
ASSETS			
Non-current asset			
Property, plant and equipment	4	9,173,143	11,332,950
Current assets			
Inventories	5	3,186,278	6,542,845
Trade and other receivables	6	4,386,277	5,764,197
Tax recoverable		393,524	393,524
Short term investments	7	-	124,779
Cash and bank balances	8	603,440	251,526
		8,569,519	13,076,871
Non-current assets held for sale	9	1,233,401	-
		9,802,920	13,076,871
TOTAL ASSETS		18,976,063	24,409,821
EQUITY AND LIABILITY			
Share capital	10	2,600,000	2,600,000
Non-cumulative redeemable convertible preference shares ("NCRCPS")	11	15,000,000	15,000,000
Reserves	12	44,376	4,945,477
Total equity		17,644,376	22,545,477
Current liability			
Trade and other payables	13	1,331,687	1,864,344
Total liability		1,331,687	1,864,344
TOTAL EQUITY AND LIABILITY		18,976,063	24,409,821

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

Registration No. 199201000248 (231752-D)

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	NOTE	2023 RM	2022 RM
Revenue	14	16,349,830	18,290,981
Cost of sales		(16,931,955)	(18,651,978)
Gross loss		(582,125)	(360,997)
Other income		7,635	193,002
Administrative expenses		(2,967,396)	(2,869,695)
Other operating expenses		(1,342,253)	(10,433)
Operating loss		(4,884,139)	(3,048,123)
Finance income		3,439	6,389
Finance cost		(20,401)	(36,735)
Loss before tax	15	(4,901,101)	(3,078,469)
Taxation	16	-	704,034
Net loss, representing total comprehensive loss for the financial year		(4,901,101)	(2,374,435)

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

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	Share Capital RM	NCRCPS RM	Non-distributable Capital Reserve RM	(Accumulated Losses)/ Retained Profits RM	Total Equity RM
2023					
Balance at beginning	**2,600,000**	**15,000,000**	**122,449**	**4,823,028**	**22,545,477**
Total comprehensive loss for the financial year	**-**	**-**	**-**	**(4,901,101)**	**(4,901,101)**
Balance at end	**2,600,000**	**15,000,000**	**122,449**	**(78,073)**	**17,644,376**
2022					
Balance at beginning	2,600,000	15,000,000	122,449	7,197,463	24,919,912
Total comprehensive loss for the financial year	-	-	-	(2,374,435)	(2,374,435)
Balance at end	2,600,000	15,000,000	122,449	4,823,028	22,545,477

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

Registration No. 199201000248 (231752-D)

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(4,901,101)**	(3,078,469)
Adjustments for:		
Depreciation	**691,819**	638,905
Fair value loss on derivatives	-	1,890
Loss/(Gain) on disposal of property, plant and equipment	**30,761**	(175,360)
Impairment loss on property, plant and equipment	**232,335**	-
Interest expense	**20,401**	36,735
Interest income	**(3,439)**	(6,389)
Inventories written off	**1,339,231**	-
Property, plant and equipment written off	**59,720**	4,079
Reversal of inventories written down	-	(268,680)
Unrealised loss on foreign exchange	**29,937**	29,992
Operating loss before working capital changes	**(2,500,336)**	(2,817,317)
Changes in:		
Inventories	**2,017,336**	(539,632)
Receivables	**962,740**	305,966
Payables	**(532,657)**	106,046
Net change in a related company's balance	**415,180**	3,928,327
Cash generated from operations	**362,263**	983,390
Income tax paid	-	(211,787)
Income tax refunded	-	12,878
Interest paid	**(20,401)**	(36,735)
Net cash from operating activities	**341,862**	747,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**3,439**	6,389
Additions of property, plant and equipment	**(250,823)**	(1,227,264)
Proceeds from disposal of/(Additions) of short term investment	**124,779**	(124,779)
Proceeds from disposal of property, plant and equipment	**162,594**	197,601
Net cash from/(used in) investing activities	**39,989**	(1,148,053)
Balance carried forward	**381,851**	(400,307)

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

Registration No. 199201000248 (231752-D)

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	2023 RM	2022 RM
Balance broughtd forward	**381,851**	(400,307)
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of foreign currency invoice financing, representing net cash used in financing activity	-	(969,336)
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	**381,851**	(1,369,643)
Effects of foreign exchange rate changes	**(29,937)**	(29,992)
CASH AND BANK BALANCES AT BEGINNING	**251,526**	1,651,161
CASH AND BANK BALANCES AT END	**603,440**	251,526

A. Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is as follows:

	Balance at beginning RM	Net Cash flows RM	Balance at end RM
2022			
Borrowings, representing total liabilities arising from financing activities	969,336	(969,336)	-

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

DYNASPAN FURNITURE SDN. BHD.
Registration No. 199201000248 (231752-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2023

1. CORPORATE INFORMATION

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

The principal activity of the Company in the course of the financial year remains unchanged and consists of manufacturing of furniture and wood-based products.

The Company is a wholly-owned subsidiary of Eurospan Holdings Berhad, a company incorporated and domiciled in Malaysia and whose shares are quoted on the Main Market of Bursa Malaysia Securities Berhad.

The directors regard Eurospan Holdings Berhad as the ultimate holding company.

The registered office of the Company is located at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang.

The principal place of business of the Company are located at 2, Lorong Bakau 3, Kawasan Perusahaan Perabot Sungai Baong, 14200 Sungai Bakap, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 September 2023.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies as set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

Level 1	-	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	-	Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
Level 3	-	Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

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

2.4 Adoption of Amendments/Improvements to MFRSs

The accounting policies adopted by the Company are consistent with those of the previous financial years except for the adoption of the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Effective for annual period beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combination: Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020

Initial application of the above amendments/improvements to MFRSs did not have any material impact to the financial statements of the Company upon adoption.

2.5 Standards Issued But Not Yet Effective

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Company:

Effective for annual period beginning on or after 1 January 2023

MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112 Income Taxes: International Tax Reform - Pillar Two Model Rules

Effective for annual period beginning on or after 1 January 2024
Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101 Presentation of Financial Statements: Non-current Liabilities with Covenants
Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

Effective for annual period beginning on or after 1 January 2025
Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

Effective date yet to be confirmed
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impact to the financial statements of the Company upon adoption.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have a significant effect on the amount recognised in the financial statements.

2.6.2 Key sources of estimation uncertainty

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

(i) **Inventories**

The management reviews for damage, slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

The carrying amount of the Company's inventories at the end of the reporting period is disclosed in Note 5 to the financial statements.

(ii) **Allowance for expected credit losses ("ECL") of receivables**

The Company uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECL on the Company's trade receivables is disclosed in Note 18.3.1 to the financial statements.

3. ACCOUNTING POLICIES

The following accounting policies adopted by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Property, Plant and Equipment

All, property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment are depreciated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Categories	
Leasehold land	Amortise over its lease period of 85 years
Factory buildings	2%
Plant, machinery and factory equipment	10% - 20%
Furniture, fittings, renovation and office equipment	10%
Motor vehicles	10%

Freehold land is not depreciated as it has an infinite life.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

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

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

3.2 **Impairment of Non-financial Assets**

The Company assesses at the end of each reporting period whether there is an indication that an asset other than inventories may be impaired.

For the purpose of impairment testing, recoverable amount (i.e., the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.3 **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.

3.3.1 **Financial assets**

(i) **Initial recognition and measurement**

Financial assets are measured at initial recognition at fair value and subsequently measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exceptions of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, at its transaction costs.

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(ii) **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at AC (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Company does not have any financial assets measured at FVOCI as at the end of the reporting period.

Financial assets at AC

Financial assets at AC are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at AC include cash and bank balances and trade and other receivables.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

This category includes derivative instruments which the Company had not irrevocably elected to classify at FVOCI.

The Company's financial assets at FVTPL include investments funds.

(iii) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(iv) **Impairment**

The Company recognises allowance for ECLs on financial assets measured at AC, debt investments measured at FVOCI, contract assets, and lease receivables. ECLs are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime ECL, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the asset, while 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the ECLs on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at AC is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Company assesses whether the financial assets carried at AC and debt securities at FVOCI are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts owing. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

3.3.2 **Financial liabilities**

(i) **Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

(ii) **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at AC
- Financial liabilities at FVTPL

The Company does not have financial liabilities at FVTPL as at the end of the reporting period.

Financial liabilities at AC

This is the category most relevant to the Company. After initial recognition, trade and other payables are subsequently measured at AC using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

(iii) **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

3.3.3 **Offsetting of financial instruments**

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

3.3.4 **Financial guarantee contracts**

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statement of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3.4 **Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.5 **Cash and Cash Equivalents**

Cash and cash equivalents comprises cash at bank and on hand, demand deposits and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.6 **Non-current Assets Held For Sale**

Non-current assets or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Classification of the asset (or disposal group) as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale (or disposal group), the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

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

3.7 **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3.8 **Borrowing Costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the EIR method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

3.9 **Revenue Recognition**

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The performance obligations to recognise revenue are as follows:

(i) **Sale of goods**

Revenue from sale of goods is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

(ii) **Interest income**

Interest income is recognised as it accrues using the EIR method in profit or loss.

3.9.1 **Contract balances**

Contract balances refers to the closing balances of the trade receivables as at the end of the reporting period.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

3.10 **Employee Benefits**

Short term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") and employment insurance scheme ("EIS") are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

3.11 **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

3.12 **Sales and Service Tax ("SST")**

SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Revenue is recognised net of the amount of SST billed as it is payable to the taxation authority.

The net SST payable to the authority is included as part of payables in the statement of financial position. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

3.13 **Foreign Currency Transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

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

3.14 **Share Capital, Share Issuance Costs and Dividends**

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared or approved.

3.15 **Redeemable Preference Shares**

Preference shares are classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity.

Preference shares are classified as liability if it is redeemable on a specific date or at the option of the equity holders, of if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as incurred.

3.16 Contingencies

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

3.17 Related Parties

A related party is a person or entity that is related to the Company. A related party transaction is a transfer of resources, services or obligations between the Company and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of the holding company.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) The entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a) (i) above has significant influence over the Company or is a member of the key management personnel of the Company.
- (viii) The entity, or any member of a Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

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4. PROPERTY, PLANT AND EQUIPMENT

2023	Freehold Land RM	Leasehold Land RM	Factory buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At cost								
Balance at beginning	3,365,691	383,735	7,212,234	25,885,742	383,136	63,624	297,368	37,591,530
Additions	-	-	-	216,324	34,499	-	-	250,823
Disposals	-	-	-	(2,794,843)	-	-	-	(2,794,843)
Impairment								-
Written off	-	-	-	(1,787,908)	(11,850)	-	-	(1,799,758)
Reclassification	-	-	-	108,063	-	-	(108,063)	-
Reclassified to non-current assets held for sale	-	(383,735)	(2,166,731)	-	-	-	-	(2,550,466)
Balance at end	3,365,691	-	5,045,503	21,627,378	405,785	63,624	189,305	30,697,286
Accumulated depreciation								
Balance at beginning	-	121,463	3,235,628	19,591,252	256,827	63,624	-	23,268,794
Current charge	-	4,515	144,245	534,374	8,685	-	-	691,819
Disposals	-	-	-	(2,048,624)	-	-	-	(2,048,624)
Written off	-	-	-	(1,537,052)	(10,653)	-	-	(1,547,705)
Reclassified to non-current assets held for sale	-	(125,978)	(1,191,087)	-	-	-	-	(1,317,065)
Balance at end	-	-	2,188,786	16,539,950	254,859	63,624	-	19,047,219
Accumulated impairment losses								
Balance at beginning	-	-	-	2,911,089	78,697	-	-	2,989,786
Addition	-	-	-	43,030	-	-	189,305	232,335
Disposals	-	-	-	(552,864)	-	-	-	(552,864)
Written off	-	-	-	(192,333)	-	-	-	(192,333)
Balance at end	-	-	-	2,208,922	78,697	-	189,305	2,476,924
Carrying amount	3,365,691	-	2,856,717	2,878,506	72,229	-	-	9,173,143

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	Freehold Land RM	Leasehold Land RM	Factory buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2022								
At cost								
Balance at beginning	3,365,691	383,735	7 212,234	25,410,419	395,741	63,624	811,574	37,643,018
Additions	-	-	-	729,367	26,160	-	471,737	1,227,264
Reclassification	-	-	-	985,943	-	-	(985,943)	-
Disposals	-	-	-	(959,569)	-	-	-	(959,569)
Written off	-	-	-	(280,418)	(38,765)	-	-	(319,183)
Balance at end	3,365,691	383,735	7.212,234	25,885,742	383,136	63,624	297,368	37,591,530
Accumulated depreciation								
Balance at beginning	-	116,948	3,091,383	20,106,464	278,655	63,624	-	23,657,074
Current charge	-	4,515	144,245	484,122	6,023	-	-	638,905
Disposals	-	-	-	(722,995)	-	-	-	(722,995)
Written off	-	-	-	(276,339)	(27,851)	-	-	(304,190)
Balance at end	-	121,463	3,235,628	19,591,252	256,827	63,624	-	23,268,794
Accumulated impairment losses								
Balance at beginning	-	-	-	3,125,442	89,611	-	-	3,215,053
Disposals	-	-	-	(214,353)	-	-	-	(214,353)
Written off	-	-	-	-	(10,914)	-	-	(10,914)
Balance at end	-	-	-	2,911,089	78,697	-	-	2,989,786
Carrying amount	3,365,691	262,272	3,976,606	3,383,401	47,612	-	297,368	11,332,950

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(i) The information of right-of-use asset of the Company which are included in the property, plant and equipment is as follows:

	Carrying amount RM	Current depreciation RM	Reclassified to non-current assets held for sale RM
2023			
Leasehold land	-	**4,515**	**257,757**
2022			
Leasehold land	262,272	4,515	-

(ii) During the financial year, the Company has carried out a review of the recoverable amount of its property, plant and equipment due to certain plant and equipment has become obsolete. An impairment loss of **RM232,335** (2022: RM Nil), representing the write down of these plant and equipment to the recoverable amount, was recognised in the profit or loss during the financial year. The recoverable amount was based on its fair value less cost to sales.

5. INVENTORIES

	2023 RM	2022 RM
At cost		
Raw materials	**1,265,949**	3,542,317
Work-in-progress	**1,914,160**	2,825,899
Finished goods	**6,169**	174,629
	3,186,278	6,542,845
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**16,931,955**	18,920,658
Inventories written off recognised as other operating expenses	**1,339,231**	-
Reversal of inventories written down recognised as cost of sales	-	(268,680)

During the financial year, certain inventories were written off due to flood incident happened during the financial year.

In the previous financial year, the reversal of inventories written down was made when the related inventories were sold above their carrying amounts.

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6. TRADE AND OTHER RECEIVABLES

	2023 RM	2022 RM
Trade receivables		
Third parties	-	39,195
Amount due to a related company	**4,278,377**	4,693,557
	4,278,377	4,732,752
Other receivables		
Sundry receivables	-	31,928
Refundable deposits	**26,289**	44,767
Prepayments	**81,611**	954,750
	107,900	1,031,445
Total trade and other receivables	**4,386,277**	5,764,197

The normal credit term granted to trade receivables is **60 days** (2022: 60 days). Other credit terms are assessed and approved on case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The currency profile of trade and other receivables is as follows:

	2023 RM	2022 RM
Ringgit Malaysia	**4,386,277**	4,925,157
United Stated Dollar	-	756,302
EUR	-	82,738
	4,386,277	5,764,197

7. OTHER INVESTMENTS

	2023 RM	2022 RM
Debt instrument at FVTPL:		
Investment funds with a licensed bank	-	124,779

Short term investment funds of the Company are primarily invested in money market instruments with financial institutions. The funds can be redeemed at any point in time upon request.

8. CASH AND BANK BALANCES

The currency profile of cash and bank balances is as follows:

	2023 RM	2022 RM
Ringgit Malaysia	**602,384**	250,508
United States Dollar	**131**	131
Euro	**925**	887
	603,440	251,526

9. **NON-CURRENT ASSETS HELD FOR SALE**

	2023 RM	2022 RM
Land and buildings, reclassified from property, plant and equipment (Note 4)	**1,233,401**	-

During the financial year, the Company has entered into a Sale and Purchase Agreement with a third party to dispose of a piece of land together with factory buildings for total cash consideration of RM6,950,000 as disclosed in Note 21 to the financial statements.

The disposal transaction has been completed subsequent to the financial year end.

10. **SHARE CAPITAL**

	Number of ordinary shares		Amount	
	2023	2022	**2023 RM**	2022 RM
Issued and fully paid with no par value:				
Balance at beginning/ at end	**2,600,000**	2,600,000	**2,600,000**	2,600,000

11. **NON-CUMULATIVE REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("NCRCPS")**

	Number of NCRCPS		Amount	
	2023	2022	**2023 RM**	2022 RM
Issued and fully paid with no par value:				
Balance at beginning/ at end	**15,000,000**	15,000,000	**15,000,000**	15,000,000

The salient terms of the NCRCPS are as follows:

(i) The NCRCPS shareholders shall have the right to receive non-cumulative dividends or distributions ("Preferential Dividend") at a rate to be determined by the Directors and payable upon declaration by the Directors;

(ii) The NCRCPS shareholders shall have the right to rank in regard to return of capital and dividend in priority to the ordinary shares and all other classes of shares, if any, for the time being of the Company;

(iii) The NCRCPS shareholders shall not confer on the holders thereof the right to vote either in person or by proxy at any general meeting of the Company unless at the date of notice convening the meeting any dividend on the NCRCPS has been declared but remains unpaid for more than six months and the business of such meetings is or includes the consideration of a resolution relating to the (a) reduction of capital, (b) winding-up of the Company, (c) any abrogation or variation or otherwise directly affecting the special rights and privileges attaching to the NCRCPS, (d) the creation of any new class of redeemable preference shares ranking in priority to or *pari passu* with the NCRCPS in issue unless the shareholders holding at least 75% of the total number of NCRCPS consent thereto in writing, or (e) proposal for the disposal of the whole of the Company's property, business and undertaking except for any disposal in the ordinary course of business;

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(iv) In the event of the Company is being wound up, the NCRCPS shareholders shall have the right to payment of preferential dividend which have been declared but not paid and of all capital paid up on the NCRCPS and the right to participate in the residue of such surplus assets of the Company;

(v) The NCRCPS shareholders shall have no right to demand redemption of any part or parts of the NCRCPS including the whole thereof;

(vi) Any NCRCPS that has already been redeemed shall not be entitled to any dividend payable after the redemption date; and

(vii) Subject to the Act and notwithstanding any provisions that may be contained herein, the rights and privileges of NCRCPS shareholders shall not be altered except with the consent of the NCRCPS shareholders of not less than 75%.

12. RESERVES

	2023 RM	2022 RM
Capital reserve	**122,449**	122,449
(Accumulated losses)/Retained profits	**(78,073)**	4,823,028
	44,376	4,945,477

The non-distributable capital reserve comprises the cumulative value of employee services received for the issue of share options by the holding company.

13. TRADE AND OTHER PAYABLES

	2023 RM	2022 RM
Trade payables		
Third parties	**140,874**	548,168
Other payables		
Sundry payables	**602,441**	656,144
Accruals	**588,372**	660,032
	1,190,813	1,316,176
Total trade and other payables	**1,331,687**	1,864,344

All trade and other payables are denominated in RM and the normal credit terms extended by trade payables range from **15 to 90 days** (2022: 15 to 90 days).

14. REVENUE

14.1 Disaggregated revenue information

	2023 RM	2022 RM
Sales of goods in Malaysia recognised at a point in time upon delivery of goods to the customers, representing total revenue from contracts with customers	**16,349,830**	18,290,981

14.2 Performance obligations

The performance obligations are spelt out in Note 3.9 to the financial statements.

15. LOSS BEFORE TAX

This is arrived at:

	2023 RM	2022 RM
After charging:		
Audit fee	**23,000**	21,000
Depreciation	**691,819**	638,905
Directors' fee	**60,000**	60,000
Fair value loss on derivatives	**-**	1,890
Impairment loss on property, plant and equipment	**232,335**	-
Interest expense on foreign currency invoice financing	**20,401**	36,735
Inventories written down	**1,339,231**	-
Loss on disposal of property, plant and equipment	**30,761**	-
Property, plant and equipment written off	**59,720**	4,079
* Staff costs	**5,273,763**	6,300,951
Unrealised loss on foreign exchange	**29,937**	29,992
And crediting:		
Gain on disposal of property, plant and equipment	**-**	175,380
Interest income	**3,439**	6,389
Reversal of inventories written down	**-**	268,680
Realised gain on foreign exchange	**7,135**	9,112

* **Staff costs**		
- Salaries, allowances, overtime and bonus	**4,733,638**	5,642,528
- EPF	**478,005**	585,003
- SOCSO	**57,420**	67,906
- EIS	**4,700**	5,514
	5,273,763	6,300,951

Directors' emoluments

Included in the staff costs is directors' emoluments as shown below:

	2023 RM	2022 RM
Salaries, allowances, and bonus	**925,750**	1,202,975
EPF	**187,513**	233,757
SOCSO	**3,666**	3,078
EIS	**339**	285
	1,117,268	1,440,095

The estimated money value of benefits-in-kind received or receivable by a director of the Company during the financial year is **RM6,500** (2022: RM1,767).

16. **TAXATION**

	2023 RM	2022 RM
Malaysian income tax		
Based on results for the financial year		
- Deferred tax relating to the origination and reversal of temporary differences	-	684,352
Over/(Under) provision in prior year		
- Current tax	-	48,487
- Deferred tax	-	(28,805)
	-	19,682
	-	704,034

The reconciliation of tax income of the Company is as follows:

	2023 RM	2022 RM
Loss before tax	**(4,901,101)**	(3,078,469)
Income tax at Malaysian statutory tax rate of 24%	**1,176,264**	738,833
Income not subject to tax	-	23,328
Expenses not deductible for tax purposes	**(86,124)**	(39,674)
Deferred tax assets not recognised	**(1,090,140)**	(38,135)
	-	684,352
Over provision in prior year	-	19,682
	-	704,034

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The following net deferred tax assets have not been recognised as at the end of the reporting period as it is not probable that future taxable profit will be available against which they may be utilised. As at the end of the reporting period, the Company's deferred tax position is as follow:

	2023 RM	2022 RM
Deferred tax recognised:		
Property, plant and equipment	(3,988,897)	(3,691,855)
Unused tax losses	1,668,059	2,349,680
Unabsorbed capital allowances	2,320,838	1,342,175
	-	-
Deferred tax not recognised:		
Unused tax losses	4,901,287	304,791
Unutilised reinvestment allowances	1,025,179	882,769
Other deductible temporary differences	283,493	480,148
	6,209,959	1,667,708

The gross amount and future availability of unused tax losses and unabsorbed allowances which are available to be carried forward for set-off against future taxable income are estimated as follows:

	2023 RM	2022 RM
Unused tax losses	6,569,346	2,654,471
Unabsorbed capital allowances	2,320,838	1,342,175
Unabsorbed reinvestment allowance	1,025,179	882,769

The unused tax losses can be carried forward for ten consecutive years of assessment immediately following that year of assessment ("YA") of which tax losses was incurred. Unabsorbed reinvestment allowance at the end of the qualifying reinvestment allowance period of fifteen years can be carried forward for seven consecutive YAs. However, unabsorbed capital allowances can be carried forward indefinitely.

The unabsorbed reinvestment allowance and unused tax losses will be disregarded in the following YAs:

	2023 RM	2022 RM
YA 2030	882,769	882,769
YA 2033	2,654,471	2,654,471
YA 2034	4,057,285	-
	7,594,525	3,537,240

17. **RELATED PARTY DISCLOSURES**

(i) **Identity of related parties**

The Company has related party relationship with its holding company, a company related by virtue of having the same holding company and key management personnel.

Registration No. 199201000248 (231752-D)

(ii) **Related party transactions**

Related party transactions have been entered into at terms agreed between the parties during the financial year.

	2023 RM	2022 RM
Sales to a related company	**16,077,749**	17,524,758

(iii) **Compensation of key management personnel**

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The remuneration of directors is disclosed in Note 15 to the financial statements. The Company does not have any other members of key management personnel

18. **FINANCIAL INSTRUMENTS**

18.1 **Categories of financial instruments**

The table below provides an analysis of financial instruments categorised at AC and FVTPL.

	Carrying amount RM	**AC RM**	**FVTPL RM**
2023			
Financial assets			
Trade and other receivables excluding prepayments	**4,304,666**	**4,304,666**	**-**
Cash and bank balances	**603,440**	**603,440**	**-**
	4,908,106	**4,908,106**	**-**
Financial liabilities			
Trade and other payables	**1,331,687**	**1,331,687**	**-**
2022			
Financial assets			
Trade and other receivables excluding prepayments	4,809,447	4,809,447	-
Short term investments	124,779	-	124,779
Cash and bank balances	251,526	251,526	-
	5,185,752	5,060,973	124,779
Financial liabilities			
Trade and other payables	1,864,344	1,864,344	-

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18.2 **Financial risk management**

The Company is exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative activities.

18.3 **Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk arises principally from its trade receivables and financial guarantees provided to financial institutions in respect of banking facilities granted to a related company.

18.3.1 **Trade receivables**

The Company extends credit terms to customers generally on 60 days. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an ongoing basis via Company's management reporting procedures and action will be taken for long outstanding debts.

The maximum exposure to credit risk arising from trade receivables is represented by the carrying amount in the statement of financial position.

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

	2023 **RM**	2022 RM
Not past due	**1,863,531**	1,671,297
1 to 30 days past due	**940,715**	1,887,212
31 to 60 days past due	**1,000,424**	972,800
More than 90 days past due	**473,707**	201,443
	2,414,846	3,061,455
	4,278,377	4,732,752

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Company. None of the Company's trade receivables that are neither past due nor impaired has been renegotiated during the financial year.

The Company has trade receivables amounting to **RM2,414,846** (2022: RM3,061,455) that are past due but not impaired as at end of the reporting period as the management is of the view that these debts will be recovered in due course.

The Company has significant concentration of credit risk in the form of outstanding balances from **1 customer** (2022: 1 customer) which represents **100%** (2022: 99%) of the total trade receivables.

Maximum exposure to credit risk

The Company regards the entire trade receivables to be low risk.

In managing the credit risk of the trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Company measures the allowance for ECLs of trade receivables at an amount equal to lifetime ECL using a simplified approach. The ECLs on trade receivables are estimated based on past default experience and an analysis of the trade receivables' current financial position, adjusted for factors that are specific to the trade receivables such as liquidation and bankruptcy. Forward looking information such as country risk assessment has been incorporated in determining the ECLs.

Trade receivables are usually collectible and the Company does not have much material historical bad debts written off or impairment of trade receivables. There are circumstances where the settlement of trade receivables will take longer than the credit terms given to the customers. The delay in settlement is mainly due to disagreement of pricing and quality issue or administrative matter. No expected credit losses is provided during the financial year based on the above assessment as the impact to the Company's financial statements is not material.

18.3.2 **Intercompany balances**

The Company has trade related balance owing from its related company. The Company monitors the results of the related company regularly.

The maximum exposure to credit risk is represented by the carrying amount of the amount due from a related company.

As at the end of the reporting period, there was no indication that the trade related balance owing from related companies are not recoverable. The Company does not specifically monitor the ageing of these balances.

18.3.3 **Financial guarantees**

The Company provides unsecured financial guarantees to financial institutions in respect of banking facilities granted to a related company up to a limit of **RM10,000,000** (2022: RM10,000,000), of which the amount utilised as at the end of the reporting period was **RM469,380** (2022: RM739,380), representing the credit risk exposure to the Company as at that date.

The Company monitors on an ongoing basis the results of the related company and repayments made by the related company. As at the end of the reporting period, there was no indication that the related company would default on repayment. The directors considered that the fair value of the financial guarantee contracts on initial recognition is insignificant.

18.4 **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due. The Company actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Company maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within one year RM
2023			
Non-derivative financial liabilities			
Trade and other payables	**1,331,687**	**1,331,687**	**1,331,687**
* Financial guarantees	**-**	**469,380**	**469,380**
	1,331,687	**1,801,067**	**1,801,067**
2022			
Non-derivative financial liabilities			
Trade and other payables	1,864,344	1,864,344	1,864,344
* Financial guarantees	-	739,380	739,380
	1,864,344	2,603,724	2,603,724

* The financial guarantee is included for illustration purpose only as it has not crystallised as at the end of the reporting period.

18.5 **Foreign currency risk**

The objectives of the Company's foreign exchange policies are to allow the Company to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Company to unnecessary foreign exchange risks.

The Company is exposed to foreign currency risk mainly on sales and purchases that are denominated in currencies other than the functional currency of the Company. The Company also holds cash and bank balances denominated in foreign currencies for working capital purpose. The currencies giving rise to this risk are United States Dollar ("USD") and Euro ("EUR").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Company's loss before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have impacted loss before tax by the amount shown below and a corresponding weakening of the RM would have an equal but opposite effect. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period.

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	2023 RM	2022 RM
USD	**14**	75,643
EUR	**94**	89
Increase in loss before tax	**108**	75,732
Decrease in equity	**82**	57,556

18.6 **Equity price risk**

Equity price risk is the risk that the fair value or future cash flows of the Company's financial assets designated at FVTPL will fluctuate because of changes in market prices. Equity price risk arises from the Company's short term investments funds with a licensed bank.

Management of the Company monitors the investment funds and the material investments within the portfolio on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Company.

Sensitivity analysis for equity price risk

A 5% increase in the quoted prices of the investment funds at the end of the reporting period would have impacted on loss before tax by the amount shown below, and a decrease would have an equal but opposite effect, arising as a result of higher/lower fair value gain on short term investment funds.

	2023 RM	2022 RM
Decrease in loss before tax	**-**	6,239
Increase in equity	**-**	6,239

19. **FAIR VALUE MEASUREMENT**

The carrying amounts of the Company's financial assets and financial liabilities as at the end of the reporting period approximate their fair values due to their short-term nature.

19.1 **Financial assets that are measured at fair value on a recurring basis**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy:

2022	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying amount RM
Financial asset					
Short term investments	124,779	-	-	124,779	124,779

Level 1 fair value

Level 1 fair value of the other investments is derived by reference to their quoted market prices in active markets at the end of the reporting period.

Level 2 fair value

Level 2 fair value of the derivatives is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate at the end of the reporting period.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, level 2 and level 3 during the financial year.

20. CAPITAL MANAGEMENT

The primary objective of the Company's capital management policy is to maintain a strong capital base to support its business and to maximise its shareholder's value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Company. The Company may adjust the capital structure by issuing new shares, returning capital to its shareholder or adjusting the amount of dividends to be paid to its shareholder or sell assets to reduce debts. No changes were made in the objective, policy of process during the financial year under review as compared to the previous financial year.

21. SIGNIFICANT EVENT DURING AND AFTER THE REPORTING PERIOD

Disposal of properties

On 3 March 2023, the Company has entered into a sale and purchase agreement to dispose of a piece of leasehold land together with a factory building for a total cash consideration of RM6,950,000. As at to-date, the disposal transaction has been completed.

VALUATION CERTIFICATES FOR THE DFSB PROPERTIES AND EFSB PROPERTIES

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Laurelcap Sdn. Bhd.
200801005326 (806610-U)
SUITE E-6-2, E-7-2, W-6-1 & W-7-1,
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Jalan SS 15/4G, 47500 Subang Jaya,
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VALUATION CERTIFICATE

Date : 30th June 2023
Our Ref No. : LC/VAL/23/014434/ST-CV

PRIVATE & CONFIDENTIAL

BOARD OF DIRECTORS
EUROSPAN HOLDINGS BERHAD
1168, Kampung Teluk, Sungai Dua,
Kawasan Perusahaan Sungai Lokan,
13800 Butterworth, Penang, Malaysia

Dear Sirs,

VALUATION CERTIFICATE OF:-

A) A DETACHED FACTORY ERECTED ON TWO (2) PARCELS OF INDUSTRIAL LAND BEARING POSTAL ADDRESS LOT 2, LORONG BAKAU 3, TAMAN INDUSTRI PERABOT, SUNGAI BAONG, 14200 SUNGAI JAWI, PULAU PINANG HELD UNDER TITLE NOS. HS(D) 6740, LOT 2966 & HS(D) 6743, LOT 2969, BOTH OF WHICH ARE SITUATED WITHIN MUKIM 04 ("SUNGAI BAONG FACTORY");
B) TWO (2) CONTIGUOUS PARCELS OF INDUSTRIAL LAND IDENTIFIED AS PLOT A9 & A10, LORONG BAKAU 5, TAMAN INDUSTRI PERABOT, SUNGAI BAONG, 14200 SUNGAI JAWI, PULAU PINANG HELD UNDER TITLE NOS. HS(D) 6745, LOT 2971 & HS(D) 6746, LOT 2972, BOTH OF WHICH ARE SITUATED WITHIN MUKIM 04 ("SUNGAI BAONG LAND");
C) TWO (2) SINGLE STOREY DETACHED FACTORIES CONNECTED WITH COVERED DRIVEWAY AND WITH A THREE (3) STOREY OFFICE BUILDING ANNEXED BEARING POSTAL ADDRESS LOT 1168 & LOT 1169, KAMPUNG TELOK SUNGAI DUA, KAWASAN PERUSAHAAN SUNGAI LOKAN, 13800 BUTTERWORTH, PULAU PINANG HELD UNDER TITLE NOS. GM 1058 (LOT 3564) & GM 1059 (LOT 3565), TEMPAT KAMPONG TELUK SUNGAI DUA, MUKIM 16 ("SUNGAI LOKAN FACTORY"); AND
ALL OF WHICH SITUATED WITHIN DISTRICT OF SEBERANG PERAI UTARA, STATE OF PULAU PINANG HEREIN ARE REFERRED TO AS "SUBJECT PROPERTIES"

We refer to the instructions by **EUROSPAN HOLDINGS BERHAD** ("**EHB**" or the "**COMPANY**") to provide an opinion on the **Market Value** of the abovementioned properties ("**Subject Properties**") for the purpose of submission to Bursa Malaysia Securities Berhad ("**Bursa Securities**") and for inclusion in the circular to shareholders of EHB in respect of the following:-

(i) Proposed disposal by EHB of 2,600,000 ordinary shares in Dynaspan Furniture Sdn Bhd ("DFSB") and 15,000,000 non-cumulative redeemable convertible preference shares in DFSB, representing the entire equity interest in DFSB, to Guan Kok Beng, Guan Shaw Yin and Guan Shaw Kee (collectively, "Purchasers");
(ii) Proposed disposal by Eurospan Furniture Sdn Bhd ("EFSB"), a wholly-owned subsidiary of the company, of Sungai Lokan Factory to DFSB; and
(iii) Proposed tenancy between DFSB, as landlord, and EFSB, as tenant, in respect of Sungai Lokan Factory upon completion of the proposed disposal of Sungai Lokan Factory.

The Subject Properties were inspected on June 30th, 2023. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. June 30th, 2023.

The Valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards (MVS) issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia and with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined by the MVS to be "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

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The Valuation Certificate should be read in conjunction with the full Report (Ref Nos: LC/VAL/23/014434/ST(A), LC/VAL/23/014434/ST(B) & LC/VAL/23/014434/ST(C)) prepared by Laurelcap Sdn Bhd for submission to Bursa Securities which detailed the basis under which the valuations have been prepared.

IDENTIFICATION OF SUNGAI BAONG FACTORY

Sungai Baong Factory	
Address:	Lot 2, Lorong Bakau 3, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang
Type of Property:	A detached factory erected on two (2) parcels of industrial land
Date of Inspection:	June 30th, 2023
Date of Valuation:	June 30th, 2023
Title Particulars:	(see below)

Title Particulars:

Identification	Lot 2966	Lot 2969	**Total**
Title No.	HS(D) 6740	HS(D) 6743	
Lot No.	Lot 2966	Lot 2969	
Land Area	11,331.20 sq.m. (121,969.00 sq.ft./2.80 acres)	11,250.26 sq.m. (121,097.80 sq.ft./2.78 acres)	**22,581.46 sq.m. (243,066.80 sq.ft./ 5.58 acres)**
Quit Rent	RM 7,319.00 p.a.	RM 7,266.00 p.a.	**RM 14,585.00 p.a.**
Endorsement	A part of the land measuring approximately 324.00 square feet is leased to Tenaga Nasional Berhad vide Presentation No. 0799SC2004015555 dated January 31st, 2004 to June 16th, 2004	Nil	

Common features for both lots

Bandar / Pekan / Mukim	:	Mukim 04
District	:	Seberang Perai Selatan
State	:	Pulau Pinang
Tenure	:	Grant in perpetuity
Category of Land Use	:	"Perusahaan/Perindustrian"
Registered Owner(s)	:	Dynaspan Furniture Sdn Bhd (1/1 share)
Express Conditions	:	"Tanah yang diberimilik ini hendaklah digunakan untuk tujuan Industri sahaja"
Restriction In Interest	:	Nil
Charge/Encumbrances	:	Nil

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Sungai Baong Factory

Land Area:

Lot No	Land Area as Per Title Document	Land Area as Per Certified Plan	Difference	
Lot 2966	11,331.20 sq.m.	11,334.00 sq.m.	2.80 sq.m.	0.02%
Lot 2969	11,250.26 sq.m.	11,147.00 sq.m.	103.26 sq.m.	0.92%
Total	22,581.46 sq.m.	22,481.00 sq.m.	100.46 sq.m.	0.44%

For the purpose of this report and valuation, we have adopted the surveyed land area as stated in the Certified Plans bearing Reference No. PA40305 as the land area of the Sungai Baong Factory.

Location:

The Sungai Baong Factory is situated along Lorong Bakau 3 within Taman Industri Perabot located within Sungai Jawi. It is approximately 50.00 kilometres south-east of Georgetown and 322.00 kilometres north-west of Kuala Lumpur City Centre. The Sungai Baong Factory is accessible from Georgetown via Jalan Penang, thereonto Jalan Dr Lim Chwee Leong, Gat Jalan Prangin, Tun Dr. Lim Chong Eu Highway, taking the Penang Bridge, thereafter onto the North South Expressway (south bound), exiting onto towards Persimpangan Jawi, heading onto Jalan Nibong Tebal, Jalan Sungai Bakap, Route P134 and finally onto Lorong Bakau 3 to where the Sungai Baong Factory is located.

The surrounding developments within Taman Industri Perabot are a mixture of residential, commercial and industrial in character, consisting of terraced houses, detached houses, shop-offices, and detached factories. It is home to many established timber and furniture manufacturing companies such as Hin Lim Furniture Manufacturer Sdn Bhd, Tong Yin Timber Sdn Bhd, Delano Furniture Industries (M) Sdn Bhd, Heng Huat Resources Group Berhad, Master-Pack Sdn Bhd, Bejay Presswood Sdn Bhd, Alno Industri Sdn Bhd, Welley Timber Industries Sdn Bhd, HK Fibre Sdn Bhd and Dee Noon Corporation Sdn Bhd. The Econsave Jawi and the Bukit Jawi Golf Resort are located approximately 5.60 kilometres and 6.40 kilometres south-west of the Sungai Baong Factory respectively.

Description of the Property:

Collectively, the site is an irregular shaped parcel of land encompassing a total land area of approximately 22,481.00 sq.m. (241,985.48 sq.ft.). The physical terrain of the site is generally flat and is levelled with the frontage road. The site boundaries are demarcated with plastered brick walls topped with metal grills and barbed wires, chain link fencing and corrugated metal wall sheets. The main entrance is secured with a guard house and metal sliding gate. The internal road of the compound is tarmacadamed.

Constructed on the site is a detached factory with a dry kiln, silo and boiler room. Generally, the buildings are constructed of a steel portal framework with plastered brick walls atop with corrugated metal sheet claddings and reinforced concrete floors, supporting steel trusses, rafters and laid over with a pitched metal deck roof.

Buildings	Measurements		
	Main Floor Area (sq.ft.)	*Ancillary Floor Area (sq.ft.)*	*Gross Floor Area (sq.ft.)*
Detached Factory, Office Area & Maintenance Room	122,190.00	-	122,190.00
Boiler Room	-	2,400.00	2,400.00
Dry Kiln	-	713.00	713.00
Silo	-	729.00	729.00
Guard Houses	-	209.00	209.00
TNB switch room	-	300.00	300.00
Switch Room	-	360.00	360.00
Pump Room	-	180.00	180.00
Rest Area	-	2,976.00	2,976.00
Store Room	-	4,250.00	4,250.00
Extended Awnings	-	20,832.50	20,832.50
Grand Total	**122,190.00**	**32,949.50**	**155,139.50**

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Sungai Baong Factory	
Outgoings:	The outgoings inclusive of assessment, quit rent and fire insurance are displayed below:

Quit Rent	RM 14,585.00
Assessment	RM 48,569.18
Fire Insurance	RM 123,048.11
Total	**RM 186,202.29**

Building Certification:	The detached factory has been issued with a Certificate of Fitness of Occupation vide Reference No. 03419 dated November 8th, 2000. Subsequently, the boiler room, dry kiln & silo was issued with a Certificate of Fitness of Occupation vide Reference No. 03634 dated August 3rd, 2001. Both certificates were issued by Majlis Perbandaran Seberang Perai (now known as Majlis Bandaraya Seberang Perai).
Age of Building as at Date of Valuation:	For the purpose of this valuation, the adopted building age is 23 years old as according to the completion date of the detached factory.
Occupancy Status:	The Sungai Baong Factory is occupied by DFSB.
Planning Details:	The Sungai Baong Factory is situated within an area designated for industrial use.

IDENTIFICATION OF SUNGAI BAONG LAND

Sungai Baong Land	
Address:	Plot A9 & A10, Lorong Bakau 5, Taman Industri Perabot, Sungai Baong, 14200 Sungai Jawi, Pulau Pinang
Type of Property:	Two (2) contiguous parcels of industrial land
Date of Inspection:	June 30th, 2023
Date of Valuation:	June 30th, 2023
Title Particulars:	

Identification	Plot A9	Plot A10	Total
Title No.	HS(D) 6745	HS(D) 6746	
Lot No.	Lot 2971	Lot 2972	
Land Area	10,966.98 sq.m. (118,048.57 sq.ft. / 2.71 acres)	11,169.32 sq.m. (120,226.59 sq.ft / 2.76 acres)	**22,136.30 sq.m. (238,275.16 sq.ft. / 5.47 acres)**
Quit Rent	RM 7,083.00 p.a.	RM 7,214.00 p.a.	**RM 14,297.00 p.a.**

Common features for both lots

Bandar / Pekan / Mukim	:	Mukim 04
District	:	Seberang Perai Selatan
State	:	Pulau Pinang
Tenure	:	Grant in perpetuity
Category of Land Use	:	"Perusahaan/Perindustrian"

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<table>
<tr><th colspan="2">Sungai Baong Land</th></tr>
<tr><td>Title Particulars: (cont'd)</td><td>Registered Owner(s) : Dynaspan Furniture Sdn Bhd (1/1 share)

Express Conditions : "Tanah yang diberimilik ini hendaklah digunakan untuk tujuan Industri sahaja"

Restriction In Interest : "Tiada"

Charge/Encumbrances : Nil

Endorsements : Nil</td></tr>
<tr><td>Land Area:</td><td><table><tr><th>Lot No</th><th>Land Area as Per Title Document</th><th>Land Area as Per Certified Plan</th><th colspan="2">Difference</th></tr><tr><td>Lot 2971</td><td>10,966.98 sq.m.</td><td>11,054.00 sq.m.</td><td>87.02sq.m.</td><td>0.79%</td></tr><tr><td>Lot 2972</td><td>11,169.32 sq.m.</td><td>11,168.00 sq.m.</td><td>1.32sq.m.</td><td>0.01%</td></tr><tr><td>Total</td><td>22,136.30 sq.m.</td><td>22,222.00 sq.m.</td><td>85.70sq.m.</td><td>0.39%</td></tr></table>
For the purpose of this report and valuation, we have adopted the surveyed land area as stated in the Certified Plans bearing Reference No. PA40305 as the land area of the Sungai Baong Land.</td></tr>
<tr><td>Location:</td><td>The Sungai Baong Land is situated along Lorong Bakau 5 within Taman Industri Perabot located within Sungai Jawi. It is approximately 50.00 kilometres south-east of Georgetown and 322.00 kilometres north-west of Kuala Lumpur City Centre. The Sungai Baong Land is accessible from Georgetown via Jalan Penang, thereonto Jalan Dr Lim Chwee Leong, Gat Jalan Prangin, Tun Dr. Lim Chong Eu Highway, taking the Penang Bridge, thereafter onto the North South Expressway (south bound), exiting onto towards Persimpangan Jawi, heading onto Jalan Nibong Tebal, Jalan Sungai Bakap, Route P134 and finally onto Lorong Bakau 5 to where the Sungai Baong Land is located.

The surrounding developments within Taman Industri Perabot are a mixture of residential, commercial and industrial in character, consisting of terraced houses, detached houses, shop-offices, and detached factories. It is home to many established timber and furniture manufacturing companies such as Hin Lim Furniture Manufacturer Sdn Bhd, Tong Yin Timber Sdn Bhd, Delano Furniture Industries (M) Sdn Bhd, Heng Huat Resources Group Berhad, Master-Pack Sdn Bhd, Bejay Presswood Sdn Bhd, Alno Industri Sdn Bhd, Welley Timber Industries Sdn Bhd, HK Fibre Sdn Bhd and Dee Noon Corporation Sdn Bhd. The Econsave Jawi and the Bukit Jawi Golf Resort are located approximately 5.60 kilometres and 6.40 kilometres south-west of the Sungai Baong Land respectively.</td></tr>
<tr><td>Description of the Property:</td><td>Collectively, the site resembles a rectangular shaped parcel of land encompassing a total land area of approximately 22,222.00 sq.m. (239,197.61 sq.ft.). The physical terrain of the site is generally flat and is levelled with the frontage road. The site boundaries are not demarcated with any form of fencing

During the course of inspection, it is noted that the Subject Properties are overgrown with shrubs, trees and wild vegetation.</td></tr>
<tr><td>Occupancy Status:</td><td>During the course of inspection, an abandoned temporary structure can be seen on the south-eastern corner of the Sungai Baong Land. The temporary structure can be easily removed during site clearance thus, we are of the opinion that the abovementioned structure does not have a material impact to the Market Value of the Sungai Baong Land.</td></tr>
<tr><td>Planning Details:</td><td>The Sungai Baong Land is situated within an area designated for industrial use.</td></tr>
</table>

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IDENTIFICATION OF SUNGAI LOKAN FACTORY

Sungai Lokan Factory	
Address:	Lot 1168 & Lot 1169, Kampung Telok Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth, Pulau Pinang
Type of Property:	Two (2) single storey detached factories connected with covered driveway and with a three (3) storey office building annexed
Date of Inspection:	June 30th, 2023
Date of Valuation:	June 30th, 2023
Title Particulars:	

Identification	**Lot 3564**	**Lot 3565**	**Total**
Title No.	GM 1058	GM 1059	
Lot No.	Lot 3564	Lot 3565	
Land Area	5,778.00 sq.m. (62,194.39 sq.ft./1.43 acres)	6,465.00 sq.m. (69,589.26 sq.ft./1.60 acres)	**12,243.00 sq.m. (131,783.65 sq.ft./ 3.03 acres)**
Quit Rent	RM 3,756.00 p.a.	RM 4,203.00 p.a.	**RM 7,959.00 p.a.**
Express Conditions	i) "Tanah ini hendaklah digunakan untuk tujuan perabut sahaja" ii) Pelan bangunan hendaklah seperti yang diluluskan oleh Pihak Berkuasa Tempatan MPSP."	i) "Tanah ini hendaklah digunakan untuk tujuan perusahaan perabut sahaja" ii) "Pelan bangunan hendaklah seperti yang diluluskan oleh Pihak Berkuasa Negeri."	
Endorsement	Nil	A part of the land is leased to Tenaga Nasional Berhad, with an area of 525 square feet for a period of 30 years starting from November 25th, 1997 and ending on November 24th, 2027, registered on June 8th, 1998	

Common features for both lots

Tempat	:	Kampong Teluk Sungai Dua
Bandar / Pekan / Mukim	:	Mukim 16
District	:	Seberang Perai Utara
State	:	Pulau Pinang
Tenure	:	Grant in perpetuity
Category of Land Use	:	"Perusahaan/Perindustrian"
Registered Owner(s)	:	Eurospan Furniture Sdn. Bhd. (1/1 share)
Restriction In Interest	:	"Tiada"
Charge/Encumbrances	:	Nil

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Sungai Lokan Factory	
Location:	The Sungai Lokan Factory is situated along Jalan Kampung Teluk within the prominent industrial area of Kawasan Perusahaan Sungai Lokan, in the bustling District of Butterworth, Penang. It boasts a strategic location, situated adjacent to the western flank of Lebuhraya Utara-Selatan (North-South Expressway), ensuring convenient access and excellent connectivity. It is situated approximately 5.00 kilometres and 29.00 kilometres due north-east of the Butterworth town and Georgetown, the capital city of the Penang respectively. The Sungai Lokan Factory is accessible from Butterworth town centre via Jalan Kampung Baru, Jalan Ong Yi How, continue onto Jalan Bagan Lalang 1 and finally onto Jalan Kampung Teluk to where the Sungai Lokan Factory is located. Kawasan Perusahaan Sungai Lokan is a thriving industrial estate located on the eastern outskirts of Butterworth, Penang. This area is primarily dedicated to industrial activities, accommodating a range of factories and warehouses belonging to prominent companies. Among the notable companies that have established their presence in the area are Hong Seng Group China Truck Division, Guan Hong Plastic Industries Sdn Bhd, Southern Plastic Products Sdn. Bhd., Watsons Distribution Centre Penang, Swift Integrated Logistics Sdn Bhd, Gudang SWIFT Padiberas Nasional Berhad (BERNAS), and HSJBC Corporation Sdn. Bhd., to name just a few. The presence of these reputable entities showcases the significance and appeal of Kawasan Perusahaan Sungai Lokan as an established industrial hub.
Description of the Property:	Collectively, the site is a trapezoidal shaped parcel of land encompassing a total land area of approximately 12,243.00 sq.m. (131,783.65 sq.ft.). The physical terrain of the sites is generally flat and levelled with the frontage road of Jalan Kampung Teluk. The site boundaries are demarcated by brick walls fencing surmounted with metal grilles at the front boundary, whilst both sides and rear boundaries are demarcated by metal deck hoarding. The entrances are secured by sliding metal gates and further fortified by a guard house. Internal access roads are surfaced with tarmacadam. Constructed on the site are two (2) single storey detached factories connected with covered driveway and with a three (3) storey office building annexed. The Subject Property is broken down into a single storey factory with a three (3) storey office building annexed constructed on Lot 3564 and a single storey factory constructed on Lot 3565. Both factory buildings are connected via a covered driveway.

Lot No.	Buildings	Measurements		
		Main Floor Area (sq.ft.)	***Ancillary Floor Area (sq.ft.)***	***Gross Floor Area (sq.ft.)***
3564	**3 Storey Office Building**	14,260.00	1,280.00	15,540.00
	Single Storey Factory	28,600.00	100.00	28,700.00
Covered Driveway		-	19,600.00	19,600.00
3565	**Single Storey Factory**	34,271.00	-	34,271.00
	Guard House	-	100.00	100.00
Grand Total		77,131.00	21,080.00	98,211.00

Outgoings: The outgoings inclusive of assessment, quit rent and fire insurance are displayed below:

Quit Rent	RM 7,959.00
Assessment	RM 58,862.30
Fire Insurance	RM 145,904.50
Total	**RM 212,725.80**

Building Certification: The buildings have been issued with the Certificate of Fitness of Occupation (CFO) vide Reference No. 01840 dated January 24th, 1998 issued by Majlis Perbandaran Seberang Perai (now known as Majlis Bandaraya Seberang Perai).

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Sungai Lokan Factory	
Age of Building as at Date of Valuation:	For the purpose of this valuation, the adopted building age is 25 years old as according to the completion date of the Sungai Lokan Factory.
Occupancy Status:	The Sungai Lokan Factory is occupied by EFSB.
Planning Details:	The Sungai Lokan Factory is situated within an area designated for industrial use.

METHOD OF VALUATION

In arriving at the Market Value of the Subject Properties, we have adopted the **Comparison Approach, Cost Approach** and **Income Approach by way of "Investment Method".**

Comparison Approach

This method involves comparing the Subject Properties with recently transacted properties of a similar nature or offers for sale of similar properties in the area. Adjustments are then made for differences in location, size, access, tenure, zoning, terrain, market conditions and other factors in order to arrive at a common basis for comparison.

Cost Approach

The Cost Approach of Valuation seeks to determine the value of the property through the summation of the value components of the land, building and fixtures. In determining the value of the land, the analysed apportionment value attributable to the land is adopted using Comparison Approach whereby it seeks to determine the value of the land by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Where dissimilarities exist, adjustments are made. In determining the value of the buildings, current estimates on construction costs to erect equivalent buildings are adopted. Appropriate adjustments are then made for factors of obsolescence and existing physical condition of the buildings.

Income Approach by way of "Investment Method"

The Market Value is derived from an estimate of the Market Rental, which the Subject Properties can reasonably be let for. Outgoings or operating expenses, such as repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is capitalized at an appropriate current market yield to arrive at its indicative Market Value.

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METHOD OF VALUATION FOR SUNGAI BAONG FACTORY

In arriving at the Market Value of Sungai Baong Factory, we have adopted the Cost Approach and Income Approach by way of "Investment Method".

Cost Approach (Land Value)

Recent transactions of vacant industrial land of similar nature within the neighbourhood which are pertinent to substantiate a Market Value indication for the Sungai Baong Factory are reviewed and these sales are listed below.

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
Description	Vacant industrial land	Vacant industrial land	Vacant industrial land
Address	No. 966, Jalan Bukit Panchor, Taman Industri Bukit Panchor, Nibong Tebal, Penang	Lot 2499, Jalan Sungai Baong, Kampung Perabut Sungai Baong, Sungai Jawi, Penang	Lot 667, Jalan Perindustrian Valdor, Kawasan Industri Valdor, Simpang Ampat, Penang
Transaction Date	17/03/2020	31/03/2021	28/10/2022
Vendor	Murni Plastics Sdn. Bhd.	Jurus Dinasti Development Sdn. Bhd.	Mohamad Zainol Bin Din
Purchaser	Binasco Construction Sdn. Bhd.	Oriental Panel Sdn. Bhd.	Omega Frozen Seafood Sdn. Bhd.
Tenure	Grant in perpetuity	Grant in perpetuity	Grant in Perpetuity
Land Area	28,279.00 sq.m. (304,395.16 sq.ft. or 6.99 acres)	4,249.20 sq.m. (45,738.39 sq.ft. or 1.05 acres)	7,244.28 sq.m. (77,977.40 sq.ft. or 1.79 acres)
Consideration	RM 8,000,000.00	RM 1,509,352.00	RM 2,681,542.00
Analysis	**RM 26.28 psf**	**RM 33.00 psf**	**RM 34.39 psf**
Adjustments	General adjustments are made for time and various factors inclusive of location, accessibility, tenure, size, frontage, market conditions and other factors.		
Adjusted Price Psf	**RM 24.90 psf**	**RM 25.58 psf**	**RM 24.66 psf**

We have applied the Comparison Approach in deriving the industrial land value for the Cost Approach by identifying three relevant land transactions within the vicinity, and have made adjustments for time and various factors inclusive of location, accessibility, tenure, access, size and shape.

After making adjustments for time factor to Comparables 1, 2 & 3, it is noted that the land price transactions were hovering between RM 27.07 psf and RM 34.73 psf. Further adjustments were made to reflect the difference for other factors as stated above, to arrive at a final adjusted price of RM 24.66 psf to RM 25.58 psf. The total adjustments between the comparable ranges from 8.00% to 29.00%. The adjustments made to the comparables were due to the difference in location (5.00% to 10.00%) followed by accessibility (5.00%) and size (2.00% to 24.00%).

Taking into consideration of the differences of the Sungai Baong Factory and the comparables, we have placed greater emphasis on Comparable 2 as it is located closest to the Sungai Baong Factory.

With Comparable 2 as the most suitable comparable, we have adopted the rate of **RM 25.00 psf** as the industrial land value for Cost Approach which amounts to **RM 6,049,637.10**.

Cost Approach (Building Value)

In determining the value of the buildings, current estimates on construction costs to build similar buildings are adopted. Necessary adjustments are then made due to the physical, functional and economical obsolescence.

We have adopted a construction cost of **RM 170.00 psf** for the main floor area (MFA) and **RM 85.00 psf** for the ancillary floor area (AFA). A total depreciation rate of 48% is made on the total construction cost to arrive at the building value.

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The adopted depreciation rate is based on the average lifespan for buildings of 60 years, equivalent to approximately 1.67% per annum. Considering the current age of the building at approximately 23 years, we have accounted for and rounded it to 38.00% as the physical depreciation rate. Additionally, we adopted 10.00% for economical depreciation rate due to the lack of catalyst and increased competition from industrial properties situated closer to the Penang bridges

A summary of the Cost Approach is shown below for easy reference.

Description	Total
Total Land Value	RM 6,049,637.10
Total Construction Cost	RM 23,573,007.50
Less : Depreciation @ 48%	(RM 11,315,043.60)
Total Building Value	RM 12,257,963.90
Market Value (Land Value + Building Value)	**RM 18,307,601.00**
Say	**RM 18,000,000.00**

Income Approach by way of "Investment Method"

Recent asking rental prices of three (3) storey detached factories situated within the neighbourhood which are pertinent to substantiate a value indication for the subject are reviewed and these sales are listed below.

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	iProperty.com.my	iProperty.com.my	iProperty.com.my
Address	Valdor Industrial Area, Penang	Sungai Bakap Industrial Area, Penang	Nibong Tebal Industrial Area, Penang
Posted Date	02/05/2023	17/05/2023	27/06/2023
Floor Area	4,645.11 sq.m. (50,000.00 sq.ft.)	4,645.11 sq.m. (50,000.00 sq.ft.)	2,136.75 sq.m. (23,000.00 sq.ft.)
Monthly Rental	RM 60,000.00	RM 55,000.00	RM 15,500.00
Analysis	**RM 1.20 psf**	**RM 1.10 psf**	**RM 0.67 psf**
Adjustments	General adjustments are made for location, accessibility size, and other factors.		
Adjusted Rental	**RM 0.73 psf**	**RM 0.73 psf**	**RM 0.40 psf**

The major parameters adopted in the computation of Income Approach is tabulated below.

No.	**Key Parameter**	
1.	Gross Monthly Rental	The gross monthly rental rate was derived from rentals of similar properties within the surrounding neighbourhood. In arriving at the Rental Value of the Sungai Baong Factory, we have taken into consideration each aspect of the Comparable(s) in terms of location, accessibility, size and asking prices discount. Adjustments were made to reflect the differences between the Sungai Baong Factory and the Comparable(s) to arrive at the asking rental is between RM 0.40 psf to RM 0.73 psf. The total adjustments between the comparable ranges from 34.00% to 40.00%. The adjustment made is due to the difference in location (5.00% to 10.00%), followed by the accessibility (5.00%), size (14.00% to 30.00%) and asking price (10.00%). In reconciling our opinion of Rental Value of the Sungai Baong Factory, we have placed greater emphasis on Comparable 2 as the overall adjustments made for Comparable 2 is the least, i.e. 34.00%. With Comparable 2 as the most suitable comparable, we have adopted the rental rate of **RM 0.73 psf**.

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No.		Key Parameter
2.	Void	**3%** We have taken into consideration of 3.00% void allowance in arriving the Market Value for the possible future vacancies and rent-free periods. The rate is derived using the average time taken to rent out an industrial premise, i.e two (2) months over the common lease term of 5 years (60 months), which translates to a rate of 3.33%. As such, we have adopted a rate of 3.00% as a fair and reasonable void period in our valuation computation via the Income Approach.
3.	Outgoings	The outgoings rate is adopted from analysing assessment, quit rent and fire insurance are displayed below: Quit Rent: RM 14,585.00 Assessment: RM 48,569.18 Fire Insurance: RM 123,048.11 **Total: RM 186,202.29**
4.	Yield	**5.50%** Our analysis on the surrounding yield ranges from 5.45% to 5.78% which averages at 5.59%. Thus, we have adopted the surroundings yield of 5.50% in the computation of the Market Value.

A summary of the Investment Method is tabulated below for easy reference.

Description	Total
Main Floor Area @ RM 0.73 psf per month	RM 89,198.70
Ancillary Floor Area @ RM 0.37 psf per month	RM 12,026.57
Gross Monthly Rental	RM 101,225.27
Gross Annual Rental	RM 1,214,703.21
Less : Outgoings	(RM 186,202.29)
Less : Void @ 3.00%	(RM 36,441.10)
Net Annual Rental	RM 992,059.82
YP in Perpetuity @ 5.50%	18.1818
Market Value	**RM 18,037,451.34**
Say	**RM 18,000,000.000**

METHOD OF VALUATION FOR SUNGAI BAONG LAND

In arriving at the Market Value of Sungai Baong Land. We have adopted only one method of valuation. We are of the opinion that the Comparison Approach is the best and only approach in this instance, as a result of the following factors:-

a. There are consistent and recent transactions with similar characteristics as the Sungai Baong Land and located in similar areas, which solidifies the price trend and thus favours the Comparison Approach.

b. There is a dearth of vacant industrial lands for rent in the neighbourhood. In the absence of actual rental transactions, the only reliable source is via property advertisements. The rental rates as published in these advertisements are only asking prices and therefore not the true representation of the actual tenancy rates in the area. Any adjustments made will only be arbitrary and as such, the accuracy of using the Income Approach in arriving at the Market Value would be diminished.

c. There is no Development Order or any development planning of any sort at the current moment. Thus, the Residual Method would not be a suitable method of valuation in this instance.

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Comparison Approach

Recent transactions of vacant industrial land of similar nature within the neighbourhood which are pertinent to substantiate a Market Value indication for the Sungai Baong Land are reviewed and these sales are listed below.

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
Description	Vacant industrial land	Vacant industrial land	Vacant industrial land
Address	No. 966, Jalan Bukit Panchor, Taman Industri Bukit Panchor, Nibong Tebal, Penang	Lot 2499, Jalan Sungai Baong, Kampung Perabut Sungai Baong, Sungai Jawi, Penang	Lot 667, Jalan Perindustrian Valdor, Kawasan Industri Valdor, Simpang Ampat, Penang
Transaction Date	17/03/2020	31/03/2021	28/10/2022
Vendor	Murni Plastics Sdn. Bhd.	Jurus Dinasti Development Sdn. Bhd.	Mohamad Zainol Bin Din
Purchaser	Binasco Construction Sdn. Bhd.	Oriental Panel Sdn. Bhd.	Omega Frozen Seafood Sdn. Bhd.
Tenure	Grant in perpetuity	Grant in perpetuity	Grant in Perpetuity
Land Area	28,279.00 sq.m (304,395.16 sq.ft. or 6.99 acres)	4,249.20 sq.m (45,738.39 sq.ft. or 1.05 acres)	7,244.28 sq.m (77,977.40 sq.ft. or 1.79 acres)
Consideration	RM 8,000,000.00	RM 1,509,352.00	RM 2,681,542.00
Analysis	**RM 26.28 psf**	**RM 33.00 psf**	**RM 34.39 psf**
Adjustments	General adjustments are made for time and various factors inclusive of location, accessibility, tenure, size, frontage, market conditions and other factors.		
Adjusted Price Psf	**RM 24.90 psf**	**RM 25.58 psf**	**RM 24.66 psf**

We have identifying three relevant land transactions within the vicinity, and have made adjustments for time and various factors inclusive of location, accessibility, tenure, access, size and shape.

After making adjustments for time factor to Comparables 1, 2 & 3, it is noted that the land price transactions were hovering between RM 27.07 psf and RM 34.73 psf. Further adjustments were made to reflect the difference for other factors as stated above, to arrive at a final adjusted price of RM 24.66 psf to RM 25.58 psf. The total adjustments between the comparable ranges from 8.00% to 29.00%. The adjustments made to the comparables were due to the difference in location (5.00% to 10.00%) followed by accessibility (5.00%) and size (2.00% to 24.00%).

Taking into consideration the differences of the Sungai Baong Land and the comparables, we have placed greater emphasis on Comparable 2 as it is located closest to the Sungai Baong Land.

With Comparable 2 as the most suitable comparable, we have adopted the rate of **RM 25.00 psf** or **RM 6,000,000.00** as the Market Value of the Sungai Baong Land.

METHOD OF VALUATION FOR SUNGAI LOKAN FACTORY

In arriving at the Market Value of Sungai Lokan Factory, we have adopted the Cost Approach and Income Approach by way of "Investment Method".

Cost Approach (Land Value)

Recent transactions of vacant industrial land of similar nature within the neighbourhood which are pertinent to substantiate a Market Value indication for the Sungai Lokan Factory are reviewed and these sales are listed overleaf.

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COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)
Description	Vacant industrial land	Vacant industrial land	Vacant industrial land
Address	Lot 20268, Lorong Perindustrian Bukit Minyak 22, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang	Lot 367, Off Industri Kampung Telok, Taman Perindustrian Baru Sungai Lokan, 13800 Butterworth, Pulau Pinang	Lot 366, Off Jalan Permatang Maklom – Sungai Dua, Taman Perindustrian Baru Sungai Lokan, 13800 Butterworth, Pulau Pinang
Transaction Date	21/10/2021	11/10/2022	20/01/2023
Vendor	Perbadanan Pembangunan Pulau Pinang	Modernria Plastistic Industries (M) Sdn Bhd	Kiaratex Jaya Sdn Bhd
Purchaser	Q Plas Sdn Bhd	Nava Service Sdn Bhd	Medixtra Sdn Bhd
Tenure	Leasehold for 99 years. Term expiring on April 24th, 2073. Leaving an unexpired term of approximately 52 years as the date of transaction.	Grant in perpetuity	Grant in Perpetuity
Land Area	8,099.92 sq.m. (87,187.59 sq.ft. or 2.00 acres)	10,950.69 sq.m. (117,873.23 sq.ft. or 2.71 acres)	6,875.54 sq.m. (74,008.36 sq.ft. or 1.70 acres)
Consideration	RM 4,359,485.00	RM 7,308,000.00	RM 4,440,506.00
Analysis	**RM 50.00 psf**	**RM 62.00 psf**	**RM 60.00 psf**
Adjustments	General adjustments are made for time and various factors inclusive of location, accessibility, tenure, size, frontage, market conditions and other factors.		
Adjusted Price Psf	**RM 48.96 psf**	**RM 58.24 psf**	**RM 51.60 psf**

We have applied the Comparison Approach in deriving the industrial land value for the Cost Approach by identifying three relevant land transactions within the vicinity, and adjustment for time and various factors inclusive of location, accessibility, tenure, access, size and shape.

After making adjustments for time factor to Comparables 1, 2 & 3, it is noted that the land price transactions were hovering between RM 51.00 psf and RM 62.62 psf. Further adjustments were made to reflect the difference for other factors as stated above, to arrive at a final adjusted price of RM 48.96 psf to RM 58.24 psf. The total adjustments between the comparable ranges from 4.00% to 14.00%. The adjustments made to the comparables were due to the difference in location (0.00% to 5.00%) followed by tenure (0.00% to 13.00%), size (2.00% to 4.00%), shape (0.00% to 5.00%) and usage restriction (0.00% to 10%).

Taking into consideration of the differences of the Sungai Lokan Factory and the comparables, we have placed greater emphasis on Comparable 3 due to the following characteristics: -

a) It is located within the same scheme as the Sungai Lokan Factory;
b) The Comparable 3 and Sungai Lokan Factory shares similar tenure, i.e. grant in perpetuity; and
c) It is latest transaction recorded.

With Comparable 3 as the most suitable comparable, we have adopted the rounded rate of **RM 51.50 psf** (rounded down from RM 51.60) as the industrial land value for Cost Approach which amounts to **RM 6,786,858.08**.

Cost Approach (Building Value)

In determining the value of the buildings, current estimates on construction costs to build similar buildings are adopted. Necessary adjustments are then made due to the physical, functional and economical obsolescence.

We have adopted the following construction costings for the buildings:

Buildings	**Construction costings**	
	Main Floor Area (MFA)	**Ancillary Floor Area (AFA)**
Single Storey Factory	RM 170.00/square feet	RM 85.00/square feet
Three (3) Storey Office	RM 160.00/square feet	RM 80.00/square feet

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The total depreciation rate for the building is 42.00%. The adopted depreciation rate is based on the average lifespan of buildings, which is 60 years, equivalent to approximately 1.67% per annum. Considering the current age of the building at approximately 25 years, we have accounted for 42.00% as the physical depreciation rate.

During the course of inspection, we have noted that the southern portion of the factory erected on Lot 3565 has been extended. Due to the extended areas not stipulated within the Approved Building Plan, we have considered only the building areas illustrated within the Approved Building Plan in our computation of values. The cost of removal and demolition of the extended area has been included in our valuation computation under the Cost Approach. An opinion letter was provided by Nova Impact Sdn Bhd, a registered contractor, for the cost of removal and demolition of the extended area vide letter reference No. Nova/Win/Mgmt/26/23 dated July 3rd, 2023. A breakdown for the costs as based on the opinion by the contractor are shown in the table below:

Item	Description	Amount	Duration	Remarks
1.	Demolish of the extension wall and roof and cut away from site	RM 75,000.00 – RM 85,000.00	10 days	The cost is excluding making good of the existing building.
2.	Hack and remove concrete floor and cut away the debris from the site	RM 10,000.00	4 days	The cost is excluding making good of the existing building.

A summary of the Cost Approach is shown below for easy reference.

Description	Total
Total Land Value	RM 6,786,858.08
Total Construction Cost	RM 14,754,570.00
Less : Depreciation @ 42%	(RM 6,196,919.40)
Less : Demolish of the extension wall and roof and cut away from site	(RM 80,000.00)
Less : Hack and remove concrete floor and cut away the debris from the site	(RM 10,000.00)
Total Building Value	RM 8,467,650.60
Market Value (Land Value + Building Value)	**RM 15,254,508.68**
Say	**RM 15,000,000.00**

Income Approach by way of "Investment Method"

Recent asking rental prices of three (3) storey detached factories situated within the neighbourhood which are pertinent to substantiate a value indication for the subject are reviewed and these sales are listed below.

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
Source	iProperty.com.my	iProperty.com.my	iProperty.com.my
Address	Jalan Talang, Taman Emas, Perai, Penang	Tingkat Mak Mandin 3, Butterworth, Penang	Lorong Perusahaan 6a, Perai, Penang
Posted Date	08/07/2023	09/07/2023	14/07/2023
Floor Area	3,251.58 sq.m. (35,000.00 sq.ft.)	2,211.07 sq.m. (23,800.00 sq.ft.)	2,484.67 sq.m. (26,745.00 sq.ft.)
Monthly Rental	RM 50,000.00	RM 32,000.00	RM 38,000.00
Analysis	**RM 1.43 psf**	**RM 1.34 psf**	**RM 1.42 psf**
Adjustments	General adjustments are made for location, accessibility size, and other factors.		
Adjusted Rental	**RM 1.01 psf**	**RM 0.99 psf**	**RM 0.98 psf**

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The major parameters adopted in the computation of Income Approach is tabulated below.

No.		Key Parameter
1.	Gross Monthly Rental	The gross monthly rental rate was derived from rentals of similar properties within the surrounding neighbourhood. In arriving at the Rental Value of the Sungai Lokan Factory, we have taken into consideration each aspect of the Comparable(s) in terms of location, accessibility, size and asking prices discount. Adjustments were made to reflect the differences between the Sungai Lokan Factory and the Comparable(s) to arrive at the asking rental is between RM 0.99 psf to RM 1.01 psf. The total adjustments between the comparable ranges from 26.00% to 31.00%. The adjustment made is due to the difference in location (0.00% to 5.00%), followed by the size (4.00% to 6.00%), asking price (10.00%) and usage restriction imposed on the Sungai Lokan Factory (10.00%). In reconciling our opinion of Rental Value of the Sungai Lokan Factory, we have placed greater emphasis on Comparable 3 as Comparable 3 has similar characteristics and it is the latest asking rental. With Comparable 3 as the most suitable comparable, we have adopted the rental rate of **RM 1.00 psf** (rounded from RM 0.98 psf).
2.	Void	**3%** We have taken into consideration of 3.00% void allowance in arriving the Market Value for the possible future vacancies and rent-free periods. The rate is derived using the average time taken to rent out an industrial premise, i.e two (2) months over the common lease term of 5 years (60 months), which translates to a rate of 3.33%. As such, we have adopted a rate of 3.00% as a fair and reasonable void period in our valuation computation via the Income Approach.
3.	Outgoings	The outgoings rate is adopted from analysing assessment, quit rent and fire insurance are displayed below: Quit Rent: RM 7,959.00 Assessment: RM 58,862.30 Fire Insurance: RM 145,904.50 **Total: RM 212,725.80**
4.	Yield	**5.50%** Our analysis on the surrounding yield ranges from 5.10% to 6.15% which averages at 5.53%. Thus, we have adopted the surroundings yield of 5.50% in the computation of the Market Value.

A summary of the Investment Method is tabulated below for easy reference.

Description	Total
Main Floor Area @ RM 1.00 psf per month	RM 77,131.00
Ancillary Floor Area @ RM 0.50 psf per month	RM 10,540.00
Gross Monthly Rental	RM 87,671.00
Gross Annual Rental	RM 1,052,052.00
Less : Outgoings	(RM 212,725.80)
Less : Void @ 3.00%	(RM 31,561.56)
Net Annual Rental	RM 807,764.64
YP in Perpetuity @ 5.50%	18.1818
Less : Demolish of the extension wall and roof and cut away from site	(RM 80,000.00)
Less : Hack and remove concrete floor and cut away the debris from the site	(RM 10,000.00)
Market Value	**RM 14,596,629.82**
Say	**RM 14,600,000.000**

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RECONCILIATION OF VALUE

Method Of Valuation	Derivation Of Value
Sungai Baong Factory	
Cost Approach	**RM 18,000,000.00**
Income Approach by way of "Investment Method"	RM 18,000,000.00
Adopt Cost Approach as primary approach	
From the above valuation approaches, we have concluded that the best approach in arriving at the Market Value of the Sungai Baong Factory is the Cost Approach. This approach is the most suitable in this instance because it is more of a reflection of the brick-and-mortar value and the property is purpose built for a specific industry. On hind sight, the Income Approach by way of "Investment Method" is only suitable to serve as a secondary approach (cross check), due to the dearth of actual data of rental or lease in Seberang Perai Selatan to establish a more accuracy rental rate and yield. In addition, the rental rates and yields in the area are volatile and hence difficult to established a consistent pattern of values as most of the industrial properties in the surrounding area are mostly owner occupiers and not for investment. As such, the information available may skew or cause inaccuracy in deriving the Market Value of the Sungai Baong Factory thus we have adopted the value derived using the Cost Approach.	
Sungai Baong Land	
Comparison Approach	**RM 6,000,000.00**
Sungai Lokan Factory	
Cost Approach	**RM 15,000,000.00**
Income Approach by way of "Investment Method"	RM 14,600,000.00
Adopt Cost Approach as primary approach	
From the above valuation approaches, we have concluded that the best approach in arriving at the Market Value of the Sungai Lokan Factory is the Cost Approach. This approach is the most suitable in this instance because it is more of a reflection of the brick-and-mortar value and the property is purpose built for a specific industry. On hind sight, the Income Approach by way of "Investment Method" is only suitable to serve as a secondary approach (cross check), due to the dearth of actual data of rental or lease in Butterworth to establish a more accuracy rental rate and yield. In addition, the rental rates and yields in the area are volatile and hence difficult to established a consistent pattern of values as most of the industrial properties in the surrounding area are mostly owner occupiers and not for investment. As such, the information available may skew or cause inaccuracy in deriving the Market Value of the Sungai Lokan Factory thus we have adopted the value derived using the Cost Approach.	

VALUATION CONCLUSION

Having taken into consideration all the relevant and pertinent factors, we are of the opinion that the **Market Value** of the grant in perpetuity of the Subject Properties in their existing physical conditions with vacant possession and subject to their titles being free from encumbrances, good, marketable and registerable as of **June 30th, 2023** is:-

Sungai Baong Factory - **RM 18,000,000.00** **(Ringgit Malaysia : Eighteen Million Only)**

Sungai Baong Land - **RM 6,000,000.00** **(Ringgit Malaysia : Six Million Only)**

Sungai Lokan Factory - **RM 15,000,000.00** **(Ringgit Malaysia : Fifteen Million Only)**

The above Report and Valuation has been carried out by Sr Stanley Toh Kim Seng,
For and on behalf of Laurelcap Sdn. Bhd.

LAURELCAP SDN. BHD. STANLEY TOH V-927 E-2303 200501005326 (806610-U)

Sr STANLEY TOH KIM SENG
BSc (Hons) Estate Management,
MRISM, MRICS, MPEPS, MMIPFM, ICVS, MBVAM
Registered Valuer (V-927)

Note : This Report was peer reviewed by Mr Tan San Yew (Peer Reviewer)(V-607) from Laurelcap (HQ) Sdn Bhd

EUROSPAN HOLDINGS BERHAD
(Registration No.: 199501022724 (351927-M))
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023

GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS
Member Firm of Grant Thornton International Ltd.

GrantThornton

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Prepared for inclusion in the Circular to shareholders of Eurospan Holdings Berhad in relation to the Proposals.)

Grant Thornton Malaysia PLT
Level 5, Menara BHL
51 Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

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3 November 2023

The Board of Directors
Eurospan Holdings Berhad
1168 Kampung Teluk
Sungai Dua
Kawasan Perusahaan Sungai Lokan
13800 Butterworth
Penang

Dear Sirs,

EUROSPAN HOLDINGS BERHAD ("EHB" OR "THE COMPANY") AND ITS SUBSIDIARIES ("EHB GROUP" OR "THE GROUP")

REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP TO BE INCLUDED IN THE CIRCULAR TO SHAREHOLDERS OF EHB IN CONNECTION WITH THE FOLLOWING PROPOSALS:

(i) Proposed disposal by EHB of 2,600,000 ordinary shares in Dynaspan Furniture Sdn. Bhd. ("DFSB") and 15,000,000 non-cumulative redeemable convertible preference shares in DFSB, representing the entire equity interest in DFSB, to Guan Kok Beng, Guan Shaw Yin and Guan Shaw Kee for a total disposal consideration of RM38,900,000 ("Proposed Disposal of DFSB");

(ii) Proposed disposal by Eurospan Furniture Sdn. Bhd. ("EFSB"), a wholly-owned subsidiary of the Company, of 2 parcels of freehold industrial land held under documents of title Geran Mukim 1058, Lot 3564 and Geran Mukim 1059, Lot 3565, both in Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang, together with the buildings erected thereon (collectively referred as the "EFSB Properties") to DFSB for a total disposal consideration of RM15,650,000 ("Proposed Disposal of EFSB Properties"); and

(iii) Proposed tenancy between DFSB, as landlord, and EFSB, as tenant, in respect of EFSB Properties upon completion of the Proposed Disposal of EFSB Properties ("Proposed Tenancy").

(Collectively referred as the "Proposals")

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statement of Financial Position of the Group as at 31 May 2023 together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board of Directors have compiled the Pro Forma Consolidated Statement of Financial Position are described in Note 1 to the Pro Forma Consolidated Statement of Financial Position ("Applicable Criteria").

GrantThornton

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Board of Directors for inclusion in the Circular to shareholders of the Company solely to illustrate the impact of the Proposals on the consolidated statement of financial position of the Group as at 31 May 2023, as if the Proposals had taken place at 31 May 2023. As part of this process, information about the consolidated statement of financial position of the Group has been extracted by the Board of Directors from the Group's audited financial statements for the financial year ended 31 May 2023, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Board of Directors is responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis of the Applicable Criteria.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly, the firm is required to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statement of Financial Position as at 31 May 2023 has been compiled, in all material respects, by the Board of Directors of the Company on the basis of the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position.

The purpose of Pro Forma Consolidated Statement of Financial Position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 May 2023 would have been as presented.

GrantThornton

Our Responsibilities (cont'd)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted consolidated statement of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statement of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria.

Other Matter

This letter has been prepared solely for inclusion in the Circular to shareholders of EHB in connection with the Proposals. As such, this report should not be used or relied upon for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

GrantThornton.

Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494-LCA)
Chartered Accountants

Yeap Bee Har
No. 03715/02/2025 J
Chartered Accountant

Penang

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 MAY 2023 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

EUROSPAN HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023

The Pro Forma Consolidated Statement of Financial Position of Eurospan Holdings Berhad as at 31 May 2023 as set out below have been prepared for illustrative purposes only to show the effects of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Statement of Financial Position, had the events been occurred or the transactions been undertaken on 31 May 2023, and should be read in conjunction with the notes accompanying to the Pro Forma Consolidated Statement of Financial Position.

	Audited as at 31 May 2023 RM'000	Subsequent events up to LPD RM'000	Pro Forma I After subsequent events up to LPD RM'000	Proposed Disposal of DFSB RM'000	Pro Forma II After Pro Forma (I) and Proposed Disposal of DFSB RM'000	Proposed Distribution RM'000	Pro Forma III After Pro Forma (II) and Proposed Distribution RM'000	Proposed Disposal of EFSB Properties RM'000	Pro Forma IV After Pro Forma (III) and Proposed Disposal of EFSB Properties RM'000	Proposed Tenancy RM'000	Pro Forma V After Pro Forma (IV) and Proposed Tenancy RM'000
ASSETS											
Non-current assets											
Property, plant and equipment	17,288	-	17,288	(8,791)	8,497	-	8,497	(4,175)	4,322	-	4,322
Right-of-use assets	151	-	151	-	151	-	151	-	151	3,785	3,936
Other investments	3,494	-	3,494	-	3,494	-	3,494	-	3,494	-	3,494
Deferred tax asset	72	-	72	(72)	-	-	-	-	-	-	-
	21,005		21,005		12,142		12,142		7,967		11,752
Current assets											
Inventories	8,155	-	8,155	(2,888)	5,267	-	5,267	-	5,267	-	5,267
Trade and other receivables	8,019	-	8,019	(108)	7,911	-	7,911	-	7,911	-	7,911
Tax recoverable	478	-	478	(394)	84	-	84	-	84	-	84
Cash and bank balances	2,952	6,948	9,900	28,086	37,986	(8,884)	29,102	14,000	43,102	-	43,102
	19,604		26,552		51,248		42,364		56,364		56,364
Non-current assets held for sale	1,490	(1,490)	-	-	-	-	-	-	-	-	-
	21,094		26,552		51,248		42,364		56,364		56,364
TOTAL ASSETS	42,099		47,557		63,390		54,506		64,331		68,116
EQUITY AND LIABILITIES											
Share capital	52,796	-	52,796	-	52,796	-	52,796	-	52,796	-	52,796
(Accumulated losses)/Retained profits	(19,759)	6,029	(13,730)	16,678	2,948	(8,884)	(5,936)	9,825	3,889	-	3,889
Total equity	33,037		39,066		55,744		46,860		56,685		56,685
Non-current liabilities											
Retirement benefit obligations	3,208	-	3,208	-	3,208	-	3,208	-	3,208	-	3,208
Borrowings	337	-	337	-	337	-	337	-	337	-	337
Lease liability	-	-	-	-	-	-	-	-	-	3,785	3,785
	3,545		3,545		3,545		3,545		3,545		7,330
Current liabilities											
Trade and other payables	4,078	(571)	3,507	(845)	2,662	-	2,662	-	2,662	-	2,662
Borrowings	202	-	202	-	202	-	202	-	202	-	202
Contract liabilities	1,050	-	1,050	-	1,050	-	1,050	-	1,050	-	1,050
Derivatives	32	-	32	-	32	-	32	-	32	-	32
Lease liability	155	-	155	-	155	-	155	-	155	-	155
	5,517		4,946		4,101		4,101		4,101		4,101
Total liabilities	9,062		8,491		7,646		7,646		7,646		11,431
TOTAL EQUITY AND LIABILITIES	42,099		47,557		63,390		54,506		64,331		68,116

4

EUROSPAN HOLDINGS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023

1. BASIS OF PREPARATION

The Pro Forma Consolidated Statement of Financial Position of Eurospan Holdings Berhad ("EHB" or "the Company") as at 31 May 2023, together with the notes thereon, for which the Board of Directors of EHB is solely responsible, has been prepared for the purpose of illustration only for inclusion in the Circular to shareholders of EHB in connection with the following proposals:

(i) Proposed disposal by EHB of 2,600,000 ordinary shares in Dynaspan Furniture Sdn. Bhd. ("DFSB") and 15,000,000 non-cumulative redeemable convertible preference shares in DFSB, representing the entire equity interest in DFSB, to Guan Kok Beng, Guan Shaw Yin and Guan Shaw Kee for a total disposal consideration of RM38,900,000 ("Proposed Disposal of DFSB");

(ii) Proposed disposal by Eurospan Furniture Sdn. Bhd. ("EFSB"), a wholly-owned subsidiary of the Company, of 2 parcels of freehold industrial land held under documents of title Geran Mukim 1058, Lot 3564 and Geran Mukim 1059, Lot 3565, both in Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang, together with the buildings erected thereon (collectively referred as the "EFSB Properties") to DFSB for a total disposal consideration of RM15,650,000 ("Proposed Disposal of EFSB Properties"); and

(iii) Proposed tenancy between DFSB, as landlord, and EFSB, as tenant, in respect of EFSB Properties upon completion of the Proposed Disposal of EFSB Properties ("Proposed Tenancy").

(Collectively referred as the "Proposals")

The Pro Forma Consolidated Statement of Financial Position has been prepared based on the audited consolidated financial statements of EHB for the financial year ended 31 May 2023, which were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and in a manner consistent with the format of the financial statements and the accounting policies of EHB Group, and adjusted for the impacts of the events and transactions as set out in Note 2 to Pro Forma Consolidated Statement of Financial Position had the events been occurred or the transactions been undertaken on 31 May 2023. The Pro Forma Consolidated Statement of Financial Position is not necessarily indicative of the financial position that would have been attained had the Proposals actually occurred at the respective dates and such information does not purport to predict the future financial position of EHB Group.

The auditors' report on the audited consolidated financial statements of the Group for the financial year ended 31 May 2023 used in the preparation of the Pro Forma Consolidated Statement of Financial Position was not subject to any audit qualification.

2. PRO FORMA ADJUSTMENTS

(i) Pro Forma I: Subsequent events up to 31 October 2023 being the latest practicable date ("LPD") prior to the date of the Circular

Subsequent events up to LPD incorporates the effects of the subsequent events after 31 May 2023 up to LPD which entails the following:

(a) Disposal by DFSB of a piece of leasehold land together with a factory and office building in Kulim, Kedah for a net disposal consideration of RM6,420,000 pursuant to Sale and Purchase Agreement dated 3 March 2023. The transaction was completed on 9 August 2023 subsequently and resulted in a gain on disposal of non-current assets held for sale of approximately RM5,186,000 and reversal of deposit received of RM488,000; and

EUROSPAN HOLDINGS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023

2. **PRO FORMA ADJUSTMENTS (CONT'D.)**

(i) Pro Forma I: Subsequent events up to 31 October 2023 being the latest practicable date ("LPD") prior to the date of the Circular (cont'd.)

(b) Disposal by EFSB of a piece of freehold land together with a factory building in Seberang Perai Utara, Pulau Pinang for a net disposal consideration of RM1,099,000 pursuant to Sale and Purchase Agreement dated 22 March 2023. The transaction was completed on 10 July 2023 subsequently and resulted in a gain on disposal of non-current assets held for sale of approximately RM843,000 and reversal of deposit received of RM83,000.

(ii) Pro Forma II: After Pro Forma I and Proposed Disposal of DFSB

Pro Forma II incorporates the effects of Pro Forma I and the effects of Proposed Disposal of DFSB.

The Proposed Disposal of DFSB will result in deconsolidation of net assets of DFSB amounting to RM22,222,000 and the effects of the Proposed Disposal of DFSB on the financial position of the Group are as follows:

	RM'000
Carrying amount of DFSB as at 31 May 2023	
Property, plant and equipment	8,791
Deferred tax asset	72
Inventories	2,888
Trade and other receivables	108
Tax recoverable	394
Cash and bank balances	603
Non-current assets held for sale	1,234
Trade and other payables (inclusive of deposit received in relation to non-current assets held for sale)	(1,333)
Amount due from EFSB	4,279
	17,036
Add: Gain on disposal of non-current assets held for sale (Note 2(i)(a))	5,186
Adjusted carrying amount	22,222
Disposal consideration	38,900
Gain on Proposed Disposal of DFSB	16,678
Disposal consideration	38,900
Less: Repayment of amount due from EFSB to DFSB	(4,279)
Cash and bank balances of DFSB	(603)
Net cash received from disposal of non-current assets held for sale after offsetting against deposit received (Note 2(i)(a))	(5,932)
Net cash inflow from Proposed Disposal of DFSB	28,086

(iii) Pro Forma III: After Pro Forma II and Proposed Distribution

Pro Forma III incorporates the effects of Forma II and the effects of proposed single tier dividend of RM0.20 per share amounting to RM8,884,000.

EUROSPAN HOLDINGS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023

2. **PRO FORMA ADJUSTMENTS (CONT'D.)**

(iv) Pro Forma IV: After Pro Forma III and Proposed Disposal of EFSB Properties

Pro Forma IV incorporates the effects of Pro Forma III and the effects of Proposed Disposal of EFSB Properties.

The Proposed Disposal of EFSB Properties for a net consideration of RM14,779,000 (after deducting the applicable real property gains tax) will result in a gain on disposal of property, plant and equipment of RM10,604,000 after comparing with the carrying amount of EFSB Properties as at 31 May 2023 of RM4,175,000.

The defrayment of the estimated expenses of RM779,000 in relation to the Proposals will further result in a decrease in cash and bank balances and retained profits by RM779,000.

(v) Pro Forma V: After Pro Forma IV and Proposed Tenancy

Pro Forma V incorporates the effects of Pro Forma IV and the effects of Proposed Tenancy which entail the renting of EFSB Properties by EFSB (as tenant) from DFSB (as landlord), upon completion of the Proposed Disposal of EFSB Properties for a period of 2 years with an option to further renew the tenancy for another 2 years, subject to the terms and conditions of the tenancy agreement at a monthly rental of RM87,671. The Proposed Tenancy will result in an increase in right-of-use asset and lease liability by RM3,785,000.

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular 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 in this Circular misleading.

All statements and information in relation to the Purchasers contained in this Circular were obtained from and confirmed by the Purchasers. The sole responsibility of our Board is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS AND CONFLICT OF INTERESTS

2.1 TA Securities

TA Securities, being the Principal Adviser to our Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

TA Securities confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Principal Adviser to our Company for the Proposals.

2.2 MainStreet

MainStreet, being the Independent Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the independent advice letter as set out in Part B of this Circular and all references thereto in the form and context in which it appears in this Circular.

MainStreet confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Independent Adviser for the Proposals.

2.3 Grant Thornton Malaysia PLT

Grant Thornton Malaysia PLT, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the pro forma consolidated statement of financial position of our Company as at 31 May 2023 together with the Reporting Accountants' letter thereon and all references thereto in the form and context in which it appears in this Circular.

Grant Thornton Malaysia PLT confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Reporting Accountants for the Proposals.

2.4 Laurelcap

Laurelcap, being the Independent Property Valuer for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the valuation certificates for the DFSB Properties and EFSB Properties and all references thereto in the form and context in which it appears in this Circular.

Laurelcap confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Independent Property Valuer for the Proposals.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group, which may have a material impact on the profits and/or NA of our Group.

3.2 Contingent liabilities

As at the LPD, our Board is not aware of any material contingent liabilities incurred by us which may have a substantial impact on the financial position of our Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the registered office of our Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang, Malaysia, during normal business hours on Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(i) the Constitutions of our Company and DFSB;

(ii) the audited consolidated financial statements of our Company for the past 2 FYEs 31 May 2022 and 31 May 2023 as well as the latest unaudited financial results of our Company for the 3M-FPE 31 August 2023;

(iii) the audited financial statements of DFSB for the past 2 FYEs 31 May 2022 and 31 May 2023 as well as the latest unaudited financial results of DFSB for the 3M-FPE 31 August 2023;

(iv) the SSA;

(v) the SPA;

(vi) the Tenancy Agreement;

(vii) the valuation reports and valuation certificates (as set out in Appendix VI of this Circular) for the DFSB Properties and EFSB Properties;

(viii) the pro forma consolidated statement of financial position of our Company as at 31 May 2023 together with the Reporting Accountants' letter thereon as set out in Appendix VII of this Circular;

(ix) the material contract referred to in Section 7 of Appendix IV; and

(x) the letters of consent and declaration of conflict of interest referred to in Section 2 of this Appendix.

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EUROSPAN HOLDINGS BERHAD
Company No. 199501022724 (351927-M)
EST.1972

EUROSPAN HOLDINGS BERHAD

(Registration No. 199501022724 (351927-M))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Eurospan Holdings Berhad ("**EHB**" or "**Company**") will be held at Forum 3, Level 1, G Hotel Kelawai, 2 Persiaran Maktab, 10250 Penang on Friday, 8 December 2023 at 10:30 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED DISPOSAL BY EHB OF 2,600,000 ORDINARY SHARES IN DYNASPAN FURNITURE SDN BHD ("DFSB") AND 15,000,000 NON-CUMULATIVE REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN DFSB, REPRESENTING THE ENTIRE EQUITY INTEREST IN DFSB, TO GUAN KOK BENG, GUAN SHAW YIN AND GUAN SHAW KEE FOR A TOTAL DISPOSAL CONSIDERATION OF RM38.90 MILLION TO BE FULLY SATISFIED VIA CASH ("PROPOSED DISPOSAL OF DFSB")

"**THAT s**ubject to the passing of Ordinary Resolutions 2 and 3 and the approvals of all relevant authorities being obtained (where required), approval be and is hereby given to EHB to dispose its entire equity interest in DFSB, i.e., 2,600,000 ordinary shares in DFSB and 15,000,000 non-cumulative redeemable convertible preference shares in DFSB, to Guan Kok Beng, Guan Shaw Yin and Guan Shaw Kee (collectively, the "**Purchasers**") for a total disposal consideration of RM38,900,000 to be satisfied entirely in cash pursuant to and in accordance with the terms and conditions of the conditional share sale agreement dated 24 August 2023 entered between our Company and the Purchasers.

THAT the Board of Directors be and are hereby authorised to do all things and acts to use of the cash proceeds from the Proposed Disposal of DFSB in the manner as set out in the Company's circular to shareholders dated 20 November 2023 ("**Circular**") which include, among others, the distribution of approximately RM8.88 million to the Company's shareholders via a special dividend to be made after the completion of the Proposed Disposal of DFSB.

AND THAT the Board of Directors be and are hereby empowered and authorised to sign, execute, deliver or caused to be delivered on behalf of the Company all such documents and/or agreements (including but not limited to any deed, undertaking and/or covenant), do all things and acts and to deal with all matters relating thereto or as may be required or as the Board of Directors may consider necessary, expedient and/or appropriate to give full effect to and complete the Proposed Disposal of DFSB with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted by any relevant authorities in connection with the Proposed Disposal of DFSB."

ORDINARY RESOLUTION 2

PROPOSED DISPOSAL BY EUROSPAN FURNITURE SDN BHD ("EFSB"), A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, OF 2 PARCELS OF FREEHOLD INDUSTRIAL LAND HELD UNDER DOCUMENTS OF TITLE GERAN MUKIM 1058, LOT 3564 AND GERAN MUKIM 1059, LOT 3565, BOTH IN MUKIM 16, DAERAH SEBERANG PERAI UTARA, NEGERI PULAU PINANG, TOGETHER WITH THE BUILDINGS ERECTED THEREON (COLLECTIVELY, "EFSB PROPERTIES") TO DFSB FOR A TOTAL DISPOSAL CONSIDERATION OF RM15.65 MILLION TO BE FULLY SATISFIED VIA CASH ("PROPOSED DISPOSAL OF EFSB PROPERTIES")

"**THAT** subject to the passing of Ordinary Resolutions 1 and 3 and the approvals of all relevant authorities being obtained (where required), approval be and is hereby given to EFSB to dispose the EFSB Properties to DFSB for a total disposal consideration of RM15,650,000 to be satisfied entirely in cash pursuant to and in accordance with the terms and conditions of the conditional sale and purchase agreement dated 24 August 2023 entered between EFSB and DFSB.

THAT the Board of Directors be and are hereby authorised to do all things and acts to use of the cash proceeds from the Proposed Disposal of EFSB Properties in the manner as set out in the Circular.

AND THAT the Board of Directors be and are hereby empowered and authorised to sign, execute, deliver or caused to be delivered on behalf of the Company all such documents and/or agreements (including but not limited to any deed, undertaking and/or covenant), do all things and acts and to deal with all matters relating thereto or as may be required or as the Board of Directors may consider necessary, expedient and/or appropriate to give full effect to and complete the Proposed Disposal of EFSB Properties with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted by any relevant authorities in connection with the Proposed Disposal of EFSB Properties."

ORDINARY RESOLUTION 3

PROPOSED TENANCY BETWEEN DFSB, AS LANDLORD, AND EFSB, AS TENANT, IN RESPECT OF EFSB PROPERTIES UPON COMPLETION OF THE PROPOSED DISPOSAL OF EFSB PROPERTIES ("PROPOSED TENANCY")

"**THAT** subject to the passing of Ordinary Resolutions 1 and 2 and the approvals of all relevant authorities being obtained (where required), approval be and is hereby given to EFSB, as tenant, to rent the EFSB Properties from DFSB, as landlord, at the monthly rental as determined, for a period of 2 years with an option to further renew the tenancy for a period of 2 years, and in accordance with the terms and conditions in the tenancy agreement dated 24 August 2023 entered between EFSB and DFSB.

AND THAT the Board of Directors be and are hereby empowered and authorised to sign, execute, deliver or caused to be delivered on behalf of the Company all such documents and/or agreements (including but not limited to any deed, undertaking and/or covenant), do all things and acts and to deal with all matters relating thereto or as may be required or as the Board of Directors may consider necessary, expedient and/or appropriate to give full effect to and complete the Proposed Tenancy with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted by any relevant authorities in connection with the Proposed Tenancy."

BY ORDER OF THE BOARD

KONG SOWN KAEY (SSM PC No. 202008001434) (MAICSA 7047655)
ONG LU SEE (SSM PC No. 201908001450) (LS 0006228)
Company Secretaries

Penang
20 November 2023

Notes:

*(1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 1 December 2023 ("**General Meeting Record of Depositors**") shall be eligible to attend the extraordinary general meeting of the Company ("**EGM**").*

(2) A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the EGM shall have the same rights as the member to speak at the EGM.

(3) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

(4) A member of the Company may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(5) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.

*(6) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.*

(7) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof.

(8) The resolutions set out in this Notice of EGM will be put to vote by poll.

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Company No. 199501022724 (351927-M)
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(Incorporated in Malaysia)

CDS Account No.	Number of ordinary shares

Form of Proxy

I/We____ NRIC No./Passport No./Company No. ____________________

of ____

being a member/members of Eurospan Holdings Berhad hereby appoint:

Full name (in block)	NRIC/Passport No.
Address:	

*and/or *delete if inapplicable

Full name (in block)	NRIC/Passport No.
Address:	

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 ("**EGM**") to be held at Forum 3, Level 1, G Hotel Kelawai, 2 Persiaran Maktab, 10250 Penang on Friday, 8 December 2023 at 10:30 a.m. or any adjournment thereof.

My/our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1 – Proposed Disposal of DFSB		
Ordinary Resolution 2 – Proposed Disposal of EFSB Properties		
Ordinary Resolution 3 – Proposed Tenancy		

Please indicate with an "X" in the appropriate spaces how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.

____
*Signature of Shareholder/Common Seal
Date :
Contact No. :

* Delete if inapplicable.

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AFFIX
STAMP

The Company Secretaries of
EUROSPAN HOLDINGS BERHAD
(Registration No. 199501022724 (351927-M))
35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya, Penang
Malaysia

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Fold This Flap For Sealing