

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.

This Circular has been reviewed by KAF Investment Bank Berhad, the Adviser to Mikro MSC Berhad (“**Mikro**”) for the Proposals (as defined herein).

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MIKRO MSC BERHAD

(Registration No.: 200601018418 (738171-M))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

- (I) PROPOSED ACQUISITION BY MIKRO OF 100,000 ORDINARY SHARES IN TES PRODUCTIONS & PROJECTS PTE. LTD. (“TES”), REPRESENTING 100% OF THE ISSUED SHARE CAPITAL OF TES, FOR A PURCHASE CONSIDERATION OF RM30,000,000 TO BE SATISFIED VIA THE ISSUANCE OF 134,831,460 NEW ORDINARY SHARES IN MIKRO (“CONSIDERATION SHARES”) AT AN ISSUE PRICE OF APPROXIMATELY RM0.2225 PER CONSIDERATION SHARE; AND**
- (II) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF MIKRO AND ITS SUBSIDIARIES INTO THE SIGNAGE AND INTERIOR FIT-OUT BUSINESSES,**

COLLECTIVELY REFERRED TO AS THE “PROPOSALS”

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



The Extraordinary General Meeting (“**EGM**”) of Mikro will be held on a fully virtual and entirely through live streaming and online remote voting using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online at <https://tjih.online>, from the Broadcast Venue at Leadership Room, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Wednesday, 27 November 2024 at 10.30 a.m. or immediately upon the conclusion or adjournment of the Eighteen Annual General Meeting of Mikro (“**18th AGM**”) which will be held on the same day at 10.00 a.m., whichever is later, or at any adjournment thereof. The Notice of EGM together with the Proxy Form are enclosed herewith.

If you are unable to participate the EGM, you should complete, sign and return the Proxy Form enclosed with this Circular in accordance with the instructions printed therein as soon as possible so as to arrive at the Share Registrar’s office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suites, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, the Form of Proxy may be deposited via TIIH Online at <https://tjih.online> not less than forty-eight (48) hours before the time set for holding the EGM. Please refer to the Administrative Guide for the EGM for further information on electronic submission. The lodgement of the Proxy Form will not preclude you from participating the EGM should you subsequently wish to do so.

IMPORTANT DATES

Last date and time for lodging the Proxy Form	:	Monday, 25 November 2024 at 10.30 a.m.
Date and time for the EGM	:	Wednesday, 27 November 2024 at 10.30 a.m. or immediately upon the conclusion or adjournment of the 18 th AGM which will be held on the same day at 10.00 a.m., whichever is later, or at any adjournment thereof

This Circular is dated 5 November 2024

DEFINITIONS

In this Circular, unless otherwise indicated, the following words and abbreviations shall have the following meanings:-

“3D”	: Three-dimensional
“AGM”	: Annual General Meeting
“AWS”	: Amazon Web Services
“BCA”	: Building and Construction Authority in Singapore
“BESB”	: Bio Eneco Sdn Bhd (201101026049 / 954185-X)
“Biomass Fuel Business”	: The business of manufacturing and trading of biomass fuel products
“BNM”	: Bank Negara Malaysia
“Board”	: Board of directors of Mikro
“Bursa Securities”	: Bursa Malaysia Securities Berhad (200301033577 / 635998-W)
“CAGR”	: Compounded annual growth rate
“Circular”	: This circular dated 5 November 2024 to the shareholders of Mikro in relation to the Proposals
“Consideration Shares”	: New Mikro Shares to be allotted and issued pursuant to the Proposed Acquisition
“DLP”	: Defect liability period
“E&E”	: Electrical and electronics
“E&E Business”	: The research, development, design and manufacturing of analogue, digital and computer controlled electronic systems or devices for use in electrical, electronic and other industries such as power distribution industries and provision of technical and maintenance services for the Group’s products
“EEHB”	: Elridge Energy Holdings Berhad (202401001446 / 1547297-X)
“EGM”	: Extraordinary general meeting of Mikro in relation to the Proposals
“EJ”	: Exajoules
“EPS”	: Earnings per Share
“FPE”	: Financial period ended
“FYE”	: Financial year ended/ending
“GDP”	: Gross domestic product
“GST”	: Goods and Services Tax
“Guaranteed Profit Sums”	: Audited PAT of TES for the FYE 31 December 2024 shall not be less than SGD0.80 million and the audited PAT of TES for the FYE 31 December 2025 shall not be less than SGD0.89 million pursuant to the SSA
“HOA”	: Heads of agreement dated 12 August 2024 entered into between Mikro and the Vendor

DEFINITIONS (CONT'D)

“IBC”	: International Business Capital Pte. Ltd. (201223607Z)
“Issue Price”	: Issue price of approximately RM0.2225 per Consideration Share
“KAF IB”	: KAF Investment Bank Berhad (197401003530 / 20657-W)
“Listing Requirements”	: ACE Market Listing Requirements of Bursa Securities
“LPD”	: 23 October 2024, being the latest practicable date prior to the printing of this Circular
“LTD”	: 9 August 2024, being the last full trading day immediately preceding the date of the HOA
“MCST”	: Management Corporation Strata Title, refers to a legal entity in Singapore that manages and maintains common areas in strata-titled properties such as condominiums or any compound which has multiple owners and shared facilities
“MF”	: Mesocarp-fibre
“MICE”	: Meetings, Incentives, Conventions, and Exhibitions
“MIDA”	: Malaysian Investment Development Authority
“Mikro” or “Company”	: Mikro MSC Berhad (200601018418 / 738171-M)
“Mikro Group” or “Group”	: Mikro and its subsidiaries, collectively
“Mikro Shares” or “Shares”	: Ordinary shares in the Company
“Mr. Lim”	: Lim Seng Gee
“MW”	: Megawatt
“NA”	: Net assets
“P/E Multiple”	: Price-to-earnings multiple
“PAT”	: Profit after tax
“PBT”	: Profit before tax
“PKS”	: Palm kernel shells
“POME”	: Palm oil mill effluent
“Proposals”	: Collectively, the Proposed Acquisition and Proposed Diversification
“Proposed Acquisition”	: Proposed acquisition by Mikro of the Sale Shares at the Purchase Consideration to be satisfied via the issuance of 134,831,460 Consideration Shares at the Issue Price
“Proposed Diversification”	: Proposed diversification of the existing business of Mikro Group to Signage and Interior Fit-Out Businesses
“Purchase Consideration”	: The purchase consideration of RM30,000,000 pursuant to the Proposed Acquisition
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“SGD”	: Singapore Dollar

DEFINITIONS (CONT'D)

“Signage and Interior Fit-Out Businesses”	:	The business of design, manufacture and installation of signs and advertising displays, as well as the provision of interior fit-out services
“Singapore Companies Act”	:	Companies Act 1967 of Singapore
“Singapore”	:	Republic of Singapore
“SSA”	:	Conditional share sale agreement dated 11 September 2024 entered into between Mikro and the Vendor for the Proposed Acquisition
“TES”	:	TES Productions & Projects Pte. Ltd. (201100201G)
“TES Productions”	:	TES Productions (53032200E)
“TES Shares” or “Sale Shares”	:	100,000 ordinary shares in TES, representing 100% of the issued share capital of TES
“USD”	:	United States Dollar
“UV”	:	Ultraviolet
“Vendor” or “Calida”	:	Calida Group Pte. Ltd. (202419514W)
“WYNCORP”	:	WYNCORP Advisory Sdn Bhd (200301029902 / 632322-H)

Unless otherwise stated, the exchange rate of SGD1.00: RM3.3443 being the middle rate quoted by BNM as at 5.00 p.m. as at LTD is used throughout this Circular.

Words denoting the singular number only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa. Reference to persons shall include a body of persons, corporate or unincorporated (including a trust). Any reference to a time of day shall be a reference to Malaysian time, unless otherwise stated. Any reference to any statute is a reference to that statute as for the time being amended or re-enacted.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the pertinent information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

<u>Key information</u>	<u>Description</u>	<u>Reference to the Circular</u>
Summary of the Proposals	(i) Proposed Acquisition Mikro had on 11 September 2024 entered into the SSA with Calida for the proposed acquisition of the Sale Shares for the Purchase Consideration to be satisfied via the issuance of 134,831,460 Consideration Shares at the Issue Price. Upon completion of the Proposed Acquisition, Mikro will hold 100% equity interest in TES and accordingly, TES will become a wholly-owned subsidiary of Mikro.	Section 2.1
	(ii) Proposed Diversification The Group is principally involved in the E&E Business. In addition, the Group is also involved in the Biomass Fuel Business through its 20.62% equity interest in EEHB, which is listed on the ACE Market of Bursa Securities. Through the Proposed Acquisition, Mikro intends to expand and diversify its businesses to include the Signage and Interior Fit-Out Businesses with the aim of providing a new source of recurring income stream to the Mikro Group and thus, to reduce the reliance on its existing businesses.	Section 2.2
Basis and justifications of arriving at the Purchase Consideration	The Purchase Consideration was arrived at on a “willing-buyer willing-seller” basis after taking into consideration the following:-	Section 2.1.4
	(i) an implied P/E Multiple of 12.24 times based on the audited PAT of TES for FYE 31 December 2023 of SGD0.73 million or equivalent to RM2.45 million. The implied P/E Multiple of 12.24 times is within the range of P/E Multiple of the selected comparable companies of between 10.45 times and 18.41 times, and below the median P/E Multiple of the selected comparable companies of 13.67 times.	
	(ii) a two (2)-year profit guarantee provided by the Vendor, irrevocably and unconditionally for the Guaranteed Profit Sums. The Guaranteed Profit Sums represent an implied P/E Multiple of 10.60 times based on the average guaranteed profits of SGD0.85 million or equivalent to RM2.83 million; and	
(iii) the future earnings potential of TES pursuant to the outlook and prospect of the printed signage, interior design and maintenance sectors, where TES is involved in as more particularly set out in Sections 5.4 and 5.5 of this Circular.		
Premised on the above, the Board is of the view that the Purchase Consideration is justifiable.		

<u>Key information</u>	<u>Description</u>	<u>Reference to the Circular</u>
<u>Basis and justification of arriving at the Issue Price</u>	<p>The Purchase Consideration will be fully satisfied via the issuance of 134,831,460 Consideration Shares at the Issue Price, which was arrived at after taking into consideration, amongst others, the following:-</p> <ul style="list-style-type: none">(i) the historical share prices of Mikro;(ii) a discount of RM0.0247 or 9.99% equivalent to the five (5)-day volume-weighted average market price of Mikro Shares up to and including the LTD, of RM0.2472; and(iii) a premium of RM0.0425 or 23.61% to the audited consolidated NA per Share as at 30 June 2023 of RM0.18. For information purpose, the Issue Price also represents a premium of RM0.0025 or 1.14% to the audited consolidated NA per Share as at 30 June 2024 of RM0.22 as given in Section 7.3 of this Circular. <p>The Board is of the view that the issuance of the Consideration Shares to satisfy the Purchase Consideration is appropriate after taking into consideration the gearing ratio, level of borrowings and cash flow requirements of Mikro Group as it will provide the Group with flexibility to utilise its existing financial resources for the working capital requirements and/or to fund the growth of the Group's businesses.</p> <p>Subject to the terms of SSA, the 134,831,460 Consideration Shares will be issued to Calida on the completion date of SSA.</p>	Section 2.1.5
<u>Rationale and benefits of the Proposals</u>	<p>Presently, the Group is involved in the E&E Business and Biomass Fuel Business. The management of Mikro is consistently seeking business opportunities to provide positive and sustainable growth for its shareholders. In this regard, the Proposed Acquisition represents a strategic opportunity for the Company to expand its footprint in Singapore and diversify its revenue streams after recognising the potential of printed signage, interior design and maintenance sectors as further elaborate in Sections 5.4 and 5.5 of this Circular. The Signage and Interior Fit-Out Businesses complement the Group's existing expertise in E&E industry as many projects in commercial buildings, offices and hospitals require both fit-out services and robust electrical infrastructure.</p> <p>By entering into the new market segments where the Signage and Interior Fit-Out Businesses operate, the Company aims to broaden its customer base and capture additional revenue streams to reduce the risk of over-reliance on its existing businesses.</p> <p>Through the Proposed Acquisition, Mikro is able to access TES's existing customer base, which aligns strategically with Mikro's target clientele. TES has been involved in notable projects for prestigious commercial buildings, hospitals and offices of multinational companies. By leveraging on TES's market presence and customer relationships, Mikro can also introduce and integrate its core products such as digital embedded computer controlled protective relays, power meters and power factor regulators, and busducts, into TES's projects which require efficient electrical distribution system.</p>	Section 3.0

<u>Key information</u>	<u>Description</u>	<u>Reference to the Circular</u>
Rationale and benefits of the Proposals (Cont'd)	<p>The Proposed Acquisition will also introduce Mikro to new customer base and effectively expand its presence in Singapore, thereby facilitating its growth and market penetration initiatives. Presently, Mikro's revenue is predominantly generated from Malaysia. TES's presence in Singapore will enable Mikro to accelerate its market penetration to engage with the contractors involved in commercial buildings and infrastructure projects in Singapore.</p> <p>Further, the Proposed Diversification is undertaken pursuant to the Listing Requirements as the Board believes that, barring any unforeseen circumstances, the Proposed Diversification is reasonably expected to contribute more than 25% of the net profits of the Group and may result in a diversion of more than 25% of the NA of the Group to Signage and Interior Fit-Out Businesses.</p> <p>Barring any unforeseen circumstances and based on the above, the Proposals are expected to contribute positively to the Group's financials and enhance the shareholders' value.</p>	Section 3.0
Approvals required	<p>: The Proposals are subject to the following approvals being obtained:-</p> <ul style="list-style-type: none">(i) Bursa Securities, for the listing of and quotation for 134,831,460 Consideration Shares on the ACE Market of Bursa Securities, which was obtained vide its letter dated 22 October 2024, subject to the conditions set out in Section 9.0(i) of this Circular;(ii) the shareholders of Mikro at an EGM to be convened; and(iii) any other relevant parties/authorities (if applicable).	Section 9.0
Interest of directors, major shareholders, chief executive and/or person connected	<p>: None of the directors, major shareholders, chief executive and/or persons connected with them has any interest, direct or indirect, in the Proposals.</p>	Section 10.0
Directors' statement/recommendation	<p>: The Board, having considered all aspects of the Proposals, including but not limited to the rationale, financial effects, salient terms of SSA and risks associated with the Proposals, is of the opinion that the Proposals are in the best interest of the Company. Accordingly, on the basis above, the Board recommends you to vote in favour of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM.</p>	Section 11.0

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MIKRO MSC BERHAD

(Registration No.: 200601018418 (738171-M))
(Incorporated in Malaysia)

Registered Office:

No. 3, Jalan Anggerik Mokara 31/48
Seksyen 31, Kota Kemuning
40460 Shah Alam
Selangor Darul Ehsan

5 November 2024

BOARD OF DIRECTORS

Datuk Aznam bin Mansor (Non-Independent and Non-Executive Director/Chairman)
Syed Mohd Hafiz bin Syed Mohd (Chief Executive Officer)
Yim Yuen Wah (Managing Director)
Goh Yoke Chee (Executive Director)
Yang Shing Sing (Non-Independent and Non-Executive Director)
Michael Aw Ming Han (Non-Independent and Non-Executive Director)
Nor Azlan bin Zainal (Independent and Non-Executive Director)
Prof. Wang Hong (Independent and Non-Executive Director)
Wan Adli Ridzwan bin Wan Hassan (Independent and Non-Executive Director)
Sindi, Mohammed Nabil M (Independent and Non-Executive Director)

To: The Shareholders of Mikro

Dear Sir/Madam,

**(I) PROPOSED ACQUISITION; AND
(II) PROPOSED DIVERSIFICATION
COLLECTIVELY REFERRED TO AS THE "PROPOSALS"**

1.0 INTRODUCTION

- 1.1 On 12 August 2024, the Board announced that the Company had on even date entered into the HOA.
- 1.2 On 11 September 2024, KAF IB had, on behalf of the Board, announced that the Company is proposing to undertake the Proposals and on even date, the Company had entered into the SSA in relation to the Proposed Acquisition.
- 1.3 On 22 October 2024, KAF IB had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 22 October 2024, resolved to approve the listing of and quotation for 134,831,460 Consideration Shares on the ACE Market of Bursa Securities. Further details of the conditions imposed by Bursa Securities as well as the status of compliance in respect thereof are set out in Section 9.0(i) of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF MIKRO WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED HERewith IN THIS CIRCULAR.

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

2.0 DETAILS OF THE PROPOSALS

2.1 Proposed Acquisition

2.1.1 Background information on the Proposed Acquisition

Mikro had on 11 September 2024 entered into the SSA with Calida for the proposed acquisition of the Sale Shares for the Purchase Consideration to be satisfied via the issuance of 134,831,460 Consideration Shares at the Issue Price. The SSA serves to formalise the terms of the HOA, which sets out the salient terms of the Proposed Acquisition. The salient terms of the SSA are set out in Appendix I of this Circular.

In connection with the SSA, Mr. Lim, being the sole director and shareholder of Calida, has provided personal guarantees and undertaking to TES and Mikro to ensure Calida's fulfilment of its obligation under the SSA as well as non-solicitation and non-competition in relation to the business of TES. The salient terms of the personal guarantees and undertaking are set out in Appendix II of this Circular.

Upon completion of the Proposed Acquisition, TES will become a wholly-owned subsidiary of Mikro.

2.1.2 Information on TES

TES was incorporated in Singapore on 3 January 2011 under the Singapore Companies Act as a private company limited by shares. TES is principally involved in the manufacturing of signs and advertising displays. TES also provides general contractor services for interior fit-out.

Further details of TES are set out in Appendix III of this Circular.

2.1.3 Information on the Vendor

Calida was incorporated in Singapore on 15 May 2024 under the Singapore Companies Act as an exempt private company limited by shares. Presently, Calida has not commenced its business and is intended to operate in the provision of management consultancy services.

The issued and paid-up share capital of Calida is SGD100,000 comprising 100,000 ordinary shares. Mr. Lim is the sole director and shareholder of Calida. His shareholding in Calida as at the LPD is as follows:-

	Nationality	Designation	No. of shares			
			Direct	%	Indirect	%
Mr. Lim	Malaysian	Director	100,000	100.00	-	-

Calida does not have any business record or profit since its incorporation on 15 May 2024.

2.1.4 Basis and justifications of arriving at the Purchase Consideration

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

- (i) an implied P/E Multiple of 12.24 times based on the audited PAT of TES for FYE 31 December 2023 of SGD0.73 million or equivalent to RM2.45 million.

The implied P/E Multiple of 12.24 times is within the range of P/E Multiple of the selected comparable companies of between 10.45 times and 18.41 times, and below the median P/E Multiple of the selected comparable companies of 13.67 times, as below:-

Selected comparable companies	Principal Activities	Currency	⁽¹⁾ Market Capitalisation	⁽²⁾ PAT	P/E Multiples
			(million)	(million)	(times)
Cheil Worldwide Inc (“ Cheil Worldwide ”)	Cheil Worldwide provides a wide range of marketing services such as new product development and advertisement, brand management, advertising budget analysis, and advertising effectiveness evaluation. Cheil Worldwide also creates, prints, publishes, and produces promotional and advertising materials.	South Korean Won (KRW)	2,116,754.40	187,318.70	11.30
Kingsmen Creatives Ltd (“ Kingsmen ”)	Kingsmen Creatives specialises in the design and production of exhibits for exhibitions, museums, visitor centres, events, promotional functions and festivities. Kingsmen Creatives also designs and produces interiors for retail stores, eateries, corporate offices, showrooms, and other commercial interiors.	SGD	52.65	2.86	18.41
Pico Far East Holdings Ltd (“ Pico Far East ”)	Pico Far East, through its subsidiaries, designs exhibition stand and fabrication, museum interior fit outs, and advertising sign. Pico Far East also organises exhibition and conference, provides hall management services, and other activities.	Hong Kong Dollar (HKD)	2,382.44	228.08	10.45
Signature International Berhad (“ Signature ”)	Signature, through its subsidiaries, offers design, marketing and distribution of kitchen systems, wardrobe systems and built-in kitchen appliances. Signature also involves in manufacture of glass and aluminium products as well as interior fit-out works, specialising in interior fit-out and design consultation for commercial projects.	RM	806.06	50.25	16.04
				Minimum	10.45
				Maximum	18.41
				Median	13.67
				⁽³⁾ TES	12.24

(Source: Bloomberg and latest available annual reports of the respective companies as at the LPD)

Notes:-

- (1) Calculated by multiplying the closing market prices and the total number of outstanding shares of the respective companies as at the LPD.
- (2) Based on the latest audited PAT attributable to the owners of the company as at the LPD.
- (3) Being the implied P/E Multiple of TES.

The comparable companies are selected based on the following criteria:-

- (i) currently listed on the stock exchanges in Asia Pacific; and
- (ii) operated in advertising, event and exhibitions as well as interior fit-out sectors based on their latest audited consolidated financial statements available as at the LPD,

with an aim of obtaining an overall view of the market expectations in relation to the valuation on TES.

However, the comparable companies may not be exactly similar or directly comparable to TES in terms of composition of business, scale of operations, track record, shareholders' profile, future prospects, business risk and marketability of shares. The list of the comparable companies observed is reasonable, but by no means exhaustive.

- (ii) a two (2)-year profit guarantee provided by the Vendor, irrevocably and unconditionally for the Guaranteed Profit Sums.

The Guaranteed Profit Sums represent an implied P/E Multiple of 10.60 times based on the average guaranteed profits of SGD0.85 million or equivalent to RM2.83 million. The Board is of the opinion that the Guaranteed Profit Sums are reasonable and realistic, after taking into consideration the following:-

- (a) the audited PAT of TES of SGD0.73 million for the FYE 31 December 2023;
- (b) the implied P/E Multiple of 10.60 times based on the average guaranteed profits of SGD0.85 million is within the range of P/E Multiples of the selected comparable companies of between 10.45 times and 18.41 times, and below the median P/E Multiple of the selected comparable companies of 13.67 times;
- (c) outlook of the printed signage, interior design and maintenance sectors in Singapore as set out in Sections 5.4 and 5.5 of this Circular; and
- (d) future prospects of the enlarged Group as set out in Section 5.6 of this Circular.

Pursuant to the SSA, in the event that TES does not achieve these Guaranteed Profit Sums due to any reason (apart from reasons attributable to the direct fault of Mikro), Calida shall pay to TES a sum equal to the shortfall between the actual audited profit after tax of TES for the relevant financial year, and the applicable Guaranteed Profit Sums.

For instance, if TES achieves audited PAT of SGD0.70 million and SGD0.80 million for FYE 31 December 2024 and FYE 31 December 2025 respectively, it shall pursuant to the SSA pay Mikro SGD0.10 million and SGD0.09 million in cash within fourteen (14) calendar days after the delivery of the audited financial statements of TES for each of the FYE 31 December 2024 and FYE 31 December 2025 respectively.

If TES achieves audited PAT of SGD0.90 million for FYE 31 December 2024, the excess of SGD0.10 million will not be carried forward and excluded in the computation of profit shortfall for FYE 31 December 2025. For clarity, the profit guarantees are applied independently for FYE 31 December 2024 and FYE 31 December 2025.

If TES incurs audited loss after tax of SGD0.10 million and SGD0.15 million for FYE 31 December 2024 and FYE 31 December 2025 respectively, it shall pursuant to the SSA pay to Mikro the amount of SGD0.80 million and SGD0.89 million in cash within fourteen (14) calendar days after the delivery of the audited financial statements of TES for each of the FYE 31 December 2024 and FYE 31 December 2025 respectively.

In the event that Calida fails to settle the said profit shortfall, if any, within fourteen (14) calendar days after the delivery of the audited financial statements of TES for each of the FYE 31 December 2024 and FYE 31 December 2025 respectively, it is a breach of the terms of SSA and Mikro may take necessary legal action against Calida pursuant to the SSA.

- (iii) the future earnings potential of TES pursuant to the outlook and prospect of the printed signage, interior design and maintenance sectors, where TES is involved in as more particularly set out in Sections 5.4 and 5.5 of this Circular.

Premised on the above, the Board is of the view that the Purchase Consideration is justifiable.

In addition, the Board has appointed WYNCORP to provide its fairness opinion on the Purchase Consideration, details for which are set out in the expert's report enclosed in Appendix IV of this Circular.

2.1.5 Basis and justification of arriving at the Issue Price

The Purchase Consideration will be fully satisfied via the issuance of 134,831,460 Consideration Shares at the Issue Price, which was arrived at after taking into consideration, amongst others, the following:-

- (i) the historical share prices of Mikro;
- (ii) a discount of RM0.0247 or 9.99% equivalent to the five (5)-day volume-weighted average market price of Mikro Shares up to and including the LTD, of RM0.2472. The Board is of the view that the discount of 9.99% is reasonable, as it is within the permitted maximum discount of 10% for private placement exercises under general mandate pursuant to Rule 6.04 of the Listing Requirements, should the Company choose to fund the Purchase Consideration through a private placement exercise; and
- (iii) a premium of RM0.0425 or 23.61% to the audited consolidated NA per Share as at 30 June 2023 of RM0.18. For information purpose, the Issue Price also represents a premium of RM0.0025 or 1.14% to the audited consolidated NA per Share as at 30 June 2024 of RM0.22 as given in Section 7.3 of this Circular.

The Board is of the view that the issuance of the Consideration Shares to satisfy the Purchase Consideration is appropriate after taking into consideration the gearing ratio, level of borrowings and cash flow requirements of the Mikro Group as it will provide the Group with flexibility to utilise its existing financial resources for the working capital requirements and/or to fund the growth of the Group's businesses.

Subject to the terms of SSA, the 134,831,460 Consideration Shares will be issued to Calida on the completion date of SSA.

2.1.6 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Mikro Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution which may be declared, made or paid to the shareholders of Mikro, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

The approval from Bursa Securities for the listing of and quotation for 134,831,460 Consideration Shares on the ACE Market of Bursa Securities has been obtained vide its letter dated 22 October 2024, subject to the terms and conditions as set out in Section 9.0(i) of this Circular.

2.1.7 Assumption of liabilities

Mikro will not assume any liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisition. The existing liabilities of TES will be settled by TES in its ordinary course of business.

2.1.8 Additional financial commitment

There are no additional financial commitments to be incurred by Mikro in putting the businesses of TES on-stream pursuant to the Proposed Acquisition as TES is already in operation.

2.1.9 Date and original cost of investment

The original cost and date of investment by Calida in TES are as follows:-

Date of investment	No. of TES Shares	Original cost of investment (SGD)
15 May 2024	100,000	*1

Note:- Mr. Lim subscribed for the 100,000 TES Shares at SGD1.00 per TES Share on 3 January 2011 and subsequently, transferred the entire block of 100,000 TES Shares to Calida, which is wholly-owned by him, on 15 May 2024 at a nominal consideration.*

2.1.10 Public shareholding spread requirement

Pursuant to Rule 8.02(1) of the Listing Requirements, at least 25% of Mikro's total listed shares (excluding treasury shares) are required to be held by public shareholders. As at the LPD, the public shareholdings spread of Mikro is approximately 36.52%. Upon completion of the Proposed Acquisition, the public shareholding spread of Mikro is expected to decrease to approximately 32.45%, which is still above the requisite threshold of at least 25% of its total listed Shares to be held by public shareholders.

2.2 Proposed Diversification

The Group is principally involved in the E&E Business. In addition, the Group is also involved in the Biomass Fuel Business through its 20.62% equity interest in EEHB, which is listed on the ACE Market of Bursa Securities.

Through the Proposed Acquisition, Mikro intends to expand and diversify its businesses to include the Signage and Interior Fit-Out Businesses with the aim of providing a new source of recurring income stream to the Mikro Group and thus, to reduce the reliance on its existing businesses.

Premised on the above and barring any unforeseen circumstances, upon completion of the Proposed Acquisition, TES will become a wholly-owned subsidiary of Mikro, which is reasonably expected to contribute more than 25% of the net profits of the Group and may result in a diversion of more than 25% of the NA of the Group to an operation which differs widely from its current operations. In this regard, Mikro would be seeking the approval of its shareholders at an EGM to be convened for the Proposed Diversification pursuant to Rule 10.13 of the Listing Requirements.

Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's current businesses in the same manner, whilst the Signage and Interior Fit-Out Businesses are expected to become an important business segment of the Group moving forward. In view of the Group not having any historical track record in the Signage and Interior Fit-Out Businesses, the Proposed Diversification is expected to be spearheaded by Mr. Lim, the Managing Director of TES. Pursuant to the SSA, Mr. Lim will enter into a service agreement with TES for a period of twenty-four (24) months from the completion date of SSA to assist in supporting the operations of TES and ensuring smooth transition of the management to Mikro.

The Board believes that the Group will be able to leverage on the experience of Mr. Lim to venture into the Signage and Interior Fit-Out Businesses as well as manage TES alongside with the management team of TES. The details of total employees of TES as at the LPD are set out in Appendix III of this Circular.

The profile of Mr. Lim is as follows:-

Mr. Lim, aged 44, is the founder of TES and has been the Managing Director since its incorporation in 2011. He is currently responsible for overseeing the overall business operations of TES. Mr. Lim has twenty (20) years of experience in the signage manufacturing and interior fit-out industries.

He completed Sijil Pelajaran Malaysia (SPM) in 1998 at Sekolah Menengah Kebangsaan Dato' Idris, Perak. Upon completion of his studies, he began his career as Project Manager at Stage Solutions Pte. Ltd, a company involved in the activities of non-building general contractors such as constructions of stage sets, props, exhibitions and display booths. In September 2004, he left Stage Solutions Pte. Ltd. and founded TES Productions in October 2004, which operated as a sole proprietorship for the Signage and Interior Fit-Out Businesses. In January 2011, he founded TES and transferred the Signage and Interior Fit-Out Businesses to TES. Following that, TES Productions is currently engaged in letting light industrial property for rental income and has no other business activities.

He founded Calida and acquired TES on 15 May 2024. Subsequently, TES became a wholly-owned subsidiary of Calida. For the avoidance of doubt, Mr. Lim remains the ultimate shareholder of TES via his direct shareholding in Calida.

2.3 Signage and Interior Fit-Out Contractor Businesses

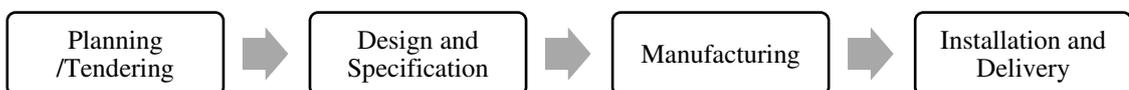
2.3.1 Signage Manufacturing

Since inception, TES has specialised in designing, fabricating, and installing signage and related advertising display products for both public and private sectors in Singapore. TES serves a diverse clientele, including but not limited to interior designers and consultants, interior fit-out contractors, healthcare facilities providers, professional service firms and MCST. Over the years, TES has built a strong reputation for delivering exceptional visual designs solutions for prestigious commercial buildings in Singapore through its custom made signage and related advertising display products.

The signage manufacturing business is operated on a project-by-project basis without long-term agreements with customers. The duration of TES's signage projects typically aligns with the customers' project timelines, ranging from one (1) to six (6) months.

As a registered contractor with the BCA under the category of signcraft installation (CR11), TES can participate in open tenders for projects requiring signage and related advertising display products.

The following outlines the workflow of TES in manufacturing signage and related advertising display products:-



(i) Planning/Tendering

During the initial consultation, the sales and marketing team of TES will discuss and assess the customer's needs, including design preferences, purpose, location and budget. A site survey will then be conducted to gather information on the location, dimensions, and environmental factors affecting the signage, ensuring compliance with local regulatory requirements.

TES generally participates in open tender. Upon receiving the invitation, the sales and marketing staff will prepare a tender bid by evaluating the relevant tender requirements and estimating the incidental costs.

(ii) Design and Specification

Based on the customer's requirements and site survey findings, the design and printing team will prepare and present the first draft within seven (7) working days for feedback and revisions. A detailed quotation will be provided upon the customer's approval on the final design specification.

(iii) **Manufacturing**

Upon acceptance of the quotation or successful tender award, fabrication and installation team of TES will proceed to fabricate custom-made signage or advertising display products according to the agreed specifications. The production process typically takes seven (7) to fourteen (14) working days, depending on the complexity of the work. TES will keep the customer informed of progress to ensure timely completion and regularly communicate to prevent delays on site readiness and material procurement.

(iv) **Installation and Delivery**

Upon the completion of the manufacturing process, TES's fabrication and installation team will arrange the installation of the products at the designated location. A final walk-through will be conducted with the customer to ensure the outcome meets its expectations. TES will identify and correct any deficiencies or adjustments during installation. Upon final acceptance of the customer, TES will provide a DLP of up to twelve (12) months from the date of handover form/delivery order, during which any product or workmanship errors must be rectified at TES's own costs.

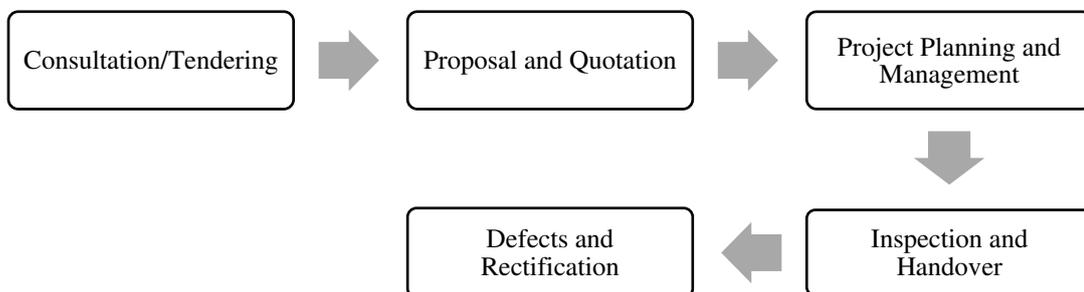
2.3.2 Interior Fit-Out Services

For interior fit-out services, TES offers project management services, such as planning, coordinating and monitoring the build and fit-out process to meet the customer's specific design and functionality requirements. Since commencement, TES has been involved in a variety of interior fit-out projects in Singapore, including renovation, addition and alteration as well as building repair and maintenance.

TES's interior fit-out services complement to its principal activity, signage manufacturing business. It has been extended to its existing customers from this business, such as interior designers and consultants, interior fit-out contractors, healthcare facility providers and MCST. As a registered contractor with BCA under the category of interior decoration & finishing works (CR06), TES can participate in open tenders for projects requiring renovation and interior fit-out works.

The customers' orders for interior fit-out services are secured on a project-by-project basis without long-term agreements and vary from contract to contract depending on the customers' needs. TES generally completes the renovation and interior fit-out works in one (1) to two (2) months, subject to the project's scale and complexity.

The following outlines the workflow of TES in rendering its interior fit-out services:-



(i) **Consultation/Tendering**

During the initial consultation, TES's project team will review the design specification provided by its customer and discuss the technical requirement, materials, budget and project schedule. A site survey will be conducted to identify potential challenges or limitations that may impact the execution of the design. TES will also verify measurements, access points and any other physical details to establish a more accurate assessment of the project requirement and timeline.

TES generally participates in open tender. Upon receiving the invitation, the project team will prepare a tender bid by evaluating the relevant tender requirements and estimating the incidental costs.

(ii) **Proposal and Quotation**

TES will refine the proposal and provide a detailed quotation outlining the scope of services and associated costs for the customer's approval.

For open tender, the contract terms such as the scope of services, timeline and associated costs will be finalised prior the award of the tender.

(iii) **Project Planning and Management**

Upon formal appointment or successful tender award, the project team will develop a comprehensive project timeline, comprising the key milestone and delivery dates for each project's phase. A project manager will be assigned to coordinate with the subcontractors and customers to ensure the interior fit-out project is completed according to plan, under safe conditions, and within the specified timeline and budget. The project manager will also perform site supervision and conduct weekly meetings to monitor the project progress.

For clarity, TES will engage subcontractors to carry out the interior fit-out construction, including the procurement of required raw materials for the project.

(iv) **Inspection and Handover**

Following the completion of construction, a final inspection will be performed on-site with the customer to ensure all aspects of the interior fit-out project meet the agreed-upon specifications. If the customer requests any minor adjustments or touch-ups, the project manager will coordinate with the subcontractors to address these issues. Once the customer is satisfied and approves the work, they will be required to sign the handover form.

(v) **Defects and Rectification**

Upon final acceptance by the customer, TES will provide a DLP of up to twelve (12) months from the date of hand over form. During the DLP, a retention sum equivalent to 5% of the contract value will be held to ensure any defects or issues identified are rectified. The project manager will appoint subcontractors and oversee the repair and maintenance of the interior fit-out works. The retention sum will be released to TES upon the expiry of the DLP, provided that all defects have been satisfactory addressed.

3.0 RATIONALE AND BENEFITS OF THE PROPOSALS

Presently, the Group is involved in the E&E Business and Biomass Fuel Business. The management of Mikro is consistently seeking business opportunities to provide positive and sustainable growth for its shareholders. In this regard, the Proposed Acquisition represents a strategic opportunity for the Company to expand its footprint in Singapore and diversify its revenue streams after recognising the potential of printed signage, interior design and maintenance sectors as further elaborate in Sections 5.4 and 5.5 of this Circular. The Signage and Interior Fit-Out Businesses complement the Group's existing expertise in E&E industry as many projects in commercial buildings, offices and hospitals require both fit-out services and robust electrical infrastructure.

By entering into the new market segments where the Signage and Interior Fit-Out Businesses operate, the Company aims to broaden its customer base and capture additional revenue streams to reduce the risk of over-reliance on its existing businesses.

Through the Proposed Acquisition, Mikro is able to access TES's existing customer base, which aligns strategically with Mikro's target clientele. TES has been involved in notable projects for prestigious commercial buildings, hospitals and offices of multinational companies. By leveraging on TES's market presence and customer relationships, Mikro can also introduce and integrate its core products such as digital embedded computer controlled protective relays, power meters and power factor regulators, and busducts, into TES's projects which require efficient electrical distribution system.

The Proposed Acquisition will also introduce Mikro to new customer base and effectively expand its presence in Singapore, thereby facilitating its growth and market penetration initiatives. Presently, Mikro's revenue is predominantly generated from Malaysia. TES's presence in Singapore will enable Mikro to accelerate its market penetration to engage with the contractors involved in commercial buildings and infrastructure projects in Singapore.

Further, the Proposed Diversification is undertaken pursuant to the Listing Requirements as the Board believes that, barring any unforeseen circumstances, the Proposed Diversification is reasonably expected to contribute more than 25% of the net profits of the Group and may result in a diversion of more than 25% of the NA of the Group to Signage and Interior Fit-Out Businesses.

Barring any unforeseen circumstances and based on the above, the Proposals are expected to contribute positively to the Group's financials and enhance the shareholders' value.

4.0 RISK FACTORS

Pursuant to the Proposals, the Group will be exposed to the transaction risks as well as risks inherent in the printed signage, interior design and maintenance sectors, including but not limited to the following:-

4.1 Completion risk

The Proposed Acquisition is conditional upon fulfilment of the respective conditions precedent to the SSA. There is a possibility that the Proposed Acquisition cannot be completed within the time period permitted under the SSA due to failure in fulfilling the conditions precedent. In the event that the conditions precedent are not fulfilled within the stipulated time period or any approvals required under SSA shall contain terms which are not acceptable to the parties to the SSA, the completion of the Proposed Acquisition may be affected. In this regard, the Board shall endeavour to ensure that there is no delay in fulfilling all the conditions precedent by the parties concerned and should there be any delay beyond the agreed time period, the Board shall negotiate with the relevant parties to the SSA to mutually extend the relevant period prior to its expiry.

4.2 Acquisition risk

The Proposed Acquisition is expected to contribute positively to the Group based on the prospects of the printed signage, interior design and maintenance sectors, as stated in Sections 5.4 and 5.5 of this Circular. However, there is no assurance that the anticipated benefits from the Proposed Acquisition will be realised or that Mikro will be able to generate sufficient returns from TES upon completing the Proposed Acquisition.

In mitigating such risk, Mikro has secured a 2-year profit guarantee from the Vendor, as particularly set out in Section 2.1.4(ii) of this Circular. Furthermore, it is the intention of the management of Mikro to retain the services of Mr. Lim via the execution of an employment agreement pursuant to the SSA, aimed at minimising any potential disruptions to the operations of TES and the business relationships between TES and its existing customers so as to avoid any negative impact on the profitability of TES. Besides, the Board has exercised due care in evaluating the potential risks and benefits associated with the Proposed Acquisition as well as conducted the assessment and review of TES before making its investment decision in TES.

4.3 Business diversification risk

The Proposals may expose the Group to risks inherent to the printed signage, interior design and maintenance sectors, in which the Group has not been participating in the past. These may include, amongst others, general economic downturn, competition from existing industry players or emerging competitors, socio-political instability, changes in the legal and environmental framework within which these industries operate, and changes in consumer preferences and behaviour.

Although the Group will seek to limit these risks by leveraging, inter alia, on Mr. Lim's expertise and TES's key management in the Signage and Interior Fit-Out Businesses, no assurance can be given that any occurrence of the aforementioned events will not have a material adverse effect on the Group's businesses and earnings in the future after completion of the Proposed Acquisition.

4.4 Dependence on key personnel of TES

The continuing success of TES is, to a certain extent, dependent on the continued efforts of its key management who are directly responsible for the strategic direction, leadership, business planning and development as well as management of its business operations. The loss of any of such key management personnel and subsequent inability to recruit suitable replacement personnel in a timely manner, may adversely affect the business operations and financial performance of TES as well as its continuing ability to compete effectively in the industry.

In recognising the importance of having key management personnel, TES will continuously adopt appropriate approaches or measures to retain the employees, which includes maintaining a competitive remuneration package and providing opportunities for career development. In addition, the existing key management of TES will work to attract and retain qualified and experienced employees as well as groom junior employees to complement the management team as part of its succession planning. TES will also ensure that there is continuity in the management of TES to avoid any disruption to its operations and business.

4.5 Risk of non-renewal, suspension or termination of the licences and registration

TES is a registered contractor with BCA. Presently, TES holds the grading of L1 for both the category of interior decoration & finishing works (CR06) and signcraft installation (CR11). The registration and licences are subject to periodic reviews and renewal by BCA. In the event that TES fails to comply with any requirements or conditions as set out by the BCA, the registration and licence may be suspended, revoked or not renewed upon expiry, which in turn may jeopardise the business operation. In mitigating such risks, TES will comply with and periodically review its compliance with the BCA relating to the licences.

Nonetheless, both the BCA registration grades of TES have not been downgraded since the registration as a contractor in 2015 for CR11 and 2021 for CR06.

4.6 Dependency on ability to secure new projects

Given the nature of the Signage and Interior Fit-Out Businesses, TES's revenue is derived from the execution and completion of projects. The customers usually engage TES for the products and services on an as-needed basis. Hence, the financial performance of TES is dependent on its ability to secure new projects and timely replenishment of its order book. If TES is unable to secure new projects on a timely manner, its order book may reduce over time, and this may adversely affect the enlarged Group's business operations and future financial performance.

As at the LPD, the total unbilled contract value of ongoing secured projects was SGD0.38 million, which is expected to be delivered by the end of January 2024 along with unsecured projects worth SGD4.16 million, which is anticipated to be delivered from last quarter of 2024 through 2025 upon securing the contracts. TES will seek to limit such risk by actively bidding for and securing new projects by leveraging on the competency of Mr. Lim and the management who have relevant expertise and experience in the industries.

Notwithstanding the above, there is no assurance that TES would be able to secure new projects promptly and continuously, nor can TES assure that the new projects upon secured will be commercially favourable to TES and the enlarged Group in terms of the overall project profitability.

4.7 Risk of DLP Claims

TES is exposed to the risk of defect liability claims by its customers during the DLP of up to twelve (12) months after final acceptance by the customers, where TES is responsible to make good and rectify any defects during such period. In the event the defects are not rectified satisfactorily or recurrent, the business and financial performance of TES could be adversely affected. As at the LPD, TES has not incurred any material rectification costs in relation to defects or faults arising from DLP claims as it has implemented stringent quality assurance processes and standard to ensure consistent product quality before handover to the customers. Nevertheless, there is no assurance that TES will not be subject to any material DLP claims in the future that would adversely affect the financial performance of TES.

4.8 Competition

TES faces competition from existing competitors, which may affect the profitability of the Signage and Interior Fit-Out Businesses and exert pressure on TES regarding its product quality and services. Nevertheless, both the Group and TES will strive to adopt proactive measures to maintain competitiveness in the industry. This includes staying updated on market conditions and consistently enhancing cost competitiveness and product/service quality to maintain a competitive edge. TES's management believes it has fostered close customer relationships and will continue taking proactive steps to secure recurring business from them.

4.9 Foreign currency risk

The reporting currency of TES is SGD whilst the reporting currency of Mikro is RM. For reporting purposes, any changes in SGD will result in foreign currency translation differences. No assurance can be given that any future significant exchange rate fluctuations or changes in foreign exchange control regulations will not have a material adverse impact on TES and correspondingly on the Group's operating results and financial conditions as a whole. In this regard, Mikro's management will continue to monitor the enlarge Group's foreign currency exposures after the Proposed Acquisition and take the necessary steps to minimise exchange rate exposures whenever deemed appropriate.

5.0 INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in E&E. The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2024, BNM)

Overall, the 2023 growth for the Malaysian economy normalised to 3.7%, following a strong growth registered in the previous year (2022: 8.7%).

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2023, BNM)

The services sector, the largest contributor to the economy, continued to lead growth following higher tourist arrivals and improved consumer spending. The construction sector continued to expand in tandem with the acceleration of infrastructure projects and realisation of investment in non-residential and residential developments. These developments helped to cushion the negative impact from the external sector following slow external demand, particularly from Malaysia's major trading partners.

The increased external uncertainties will pose risks to the economic growth. Notwithstanding these challenges, the economy continues reaping the benefit from policies and initiatives undertaken over the years to enhance resilience and competitiveness. Overall, the economy is projected to expand moderately in the second half of the year as external demand is expected to remain low and high base effect from the previous year. Nevertheless, domestic demand will continue to drive growth.

For 2024, the economy is projected to grow within the range of 4% to 5%. The growth is envisaged to be broad-based, led by the services sector as intermediate and final services groups are anticipated to rise further driven by sustained domestic consumption and improved export activities. The retail trade, accommodation and restaurants as well as communication segments are expected to increase in line with consumption trend, while the wholesale trade segment and transport and storage subsector will benefit from higher trade-related activities.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

5.2 Overview and outlook of the Singapore's economy

The Singapore economy grew by 2.9 per cent on a year on-year basis in the second quarter of 2024, extending the 3.0 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.4 per cent, unchanged from the 0.4 per cent expansion in the preceding quarter.

The manufacturing sector contracted by 1.0 per cent year-on-year, easing from the 1.7 per cent contraction in the previous quarter. The contraction was driven by the output declines in the biomedical manufacturing (-32.0 per cent) and precision engineering (-2.0 per cent) clusters.

The services producing industries grew by 3.7 per cent year-on-year, moderating from the 4.3 per cent growth registered in the previous quarter. Growth was supported by expansions in all the services sectors except for the real estate, retail trade and food & beverage services sectors. Among the services sectors that expanded, the finance & insurance (6.7 per cent), information & communications (6.4 per cent) and transportation & storage (5.4 per cent) sectors posted the strongest growth.

The construction sector grew by 3.8 per cent year-on-year, extending the 4.1 per cent growth in the previous quarter. Both public and private sector construction output increased during the quarter.

The top three positive contributors to GDP growth in the second quarter were the finance & insurance, wholesale trade and information & communications.

(Source: Economic Survey of Singapore Second Quarter 2024, August 2024, Ministry of Trade and Industry Republic of Singapore)

In the coming quarters, the dual factors acting on the Singapore economy in first quarter are likely to dissipate. Electronics production should be supported by the continued upturn in the global tech cycle, while tourism-related activity normalises after the concert-induced windfall. For the rest of the year, the Singapore economy will likely be driven by a broad alignment of the global macroeconomic, tech and interest rate cycles. The global economy has continued to display a higher-than-expected resilience and appears to be headed for a "soft landing". In the absence of a discernible pullback in economic activity among its major trading partners, Singapore's short-term prospects will be underpinned by the upturn in the global tech cycle, which is expected to be supported by both cyclical and structural demand. To a lesser extent, the expected start of the reversal of global monetary policy tightening will also provide a fillip to the domestic economy.

Overall, Singapore's GDP growth is projected to come in at 1–3% in 2024, following the 1.1% growth last year, with the main clusters of the economy converging towards their pre-pandemic growth rates. Growth in the trade-related and modern services clusters are expected to improve from last year, while that in the travel-related and domestic-oriented clusters will continue to moderate but stay above trend.

(Source: Macroeconomic Review Volume XXIII Issue 1, April 2024, Monetary Authority of Singapore)

5.3 Overview and outlook of the E&E Business and Biomass Fuel Business

5.3.1 Overview and outlook of the E&E industry in Malaysia

In 2023, exports of manufactured goods surpassed RM1 trillion mark for three successive years, reaching RM1.217 trillion or 85.4% of Malaysia's total exports. E&E products held the biggest share of total exports at 40.4%, declined by 3% to RM575.45 billion.

(Source: Trade Performance for Year 2023 and December 2023, Malaysia External Trade Development Corporation)

In 2023, E&E secured the highest level of investment in the manufacturing sector, which increased by 2.9 times from 2022 (RM29.3 billion). A total of 120 E&E projects with total investments of RM85.4 billion were approved, of which 42 were new projects with investments of RM11.7 billion, and 78 were expansion/diversification projects with investments worth RM73.7 billion. These projects are expected to generate more than 23,121 new jobs, including highly-skilled positions such as managerial roles, engineers, and technicians.

In terms of overall private investments in Malaysia in 2023, foreign entities contributed the majority of the total investments, amounting to RM188.4 billion (57.2%), whereas domestic investments totalled RM141.1 billion (42.8%). During the specified period, E&E products resulted in RM85.4 billion from the total investment. The domestic and foreign E&E industry is anticipated to sustain its upward momentum, even though there are predictions that demand in the industry has peaked.

(Source: Malaysia Investment Performance Report 2023, MIDA)

In August 2024, E&E products, valued at RM50.43 billion and accounted for 39% of total exports, increased by 16.5% compared to August 2023.

(Source: Malaysia External Trade Statistics, August 2024, MITI)

The E&E industry, a formidable contributor, producing 13% of global back-end semiconductors and driving 40% of the nation's export output. With ambitious targets set at RM120 billion by 2025 in GDP growth and RM495 billion in export earnings, the industry is a catalyst for Malaysia's economic progress.

(Source: Empowering Talent Development for Malaysia's Thriving E&E Industry, MIDA)

Malaysia is seeing accelerated data centre capacity plant-up and is expected to see a raft of new and emerging investments with over 800 MW capacity projected to come on stream in phases over the next five years due to lower land and energy costs.

Malaysia has evolved into an attractive location for data centre investments, thanks to abundant land and power resources, good international connectivity and supportive government policies, according to RHB Investment Bank Bhd.

Citing a report by Arizton Advisory and Intelligence, it said the domestic data centre market is projected to grow at a CAGR of 7% to USD1.6 billion (RM7.02 billion) by 2027 from USD1.1 billion in 2021. Growth is said to be driven by rapid hyper scale investments and strong co-location demands.

The local research house views the setting up of cloud regions by Microsoft Corp and AWS as a major coup with significant upsides for the domestic data centre industry and the economy.

Last month, AWS officially announced a USD6 billion investment to set up a cloud region in Malaysia to meet the strong demand for cloud services in the country and in South-East Asia. To be staggered over 15 years, the sum represents the single largest international technology investment of its kind in Malaysia.

It noted that the new government is committed to further accelerating digital adoption in the country, which augurs well for the domestic data centre industry.

It said the positive outlook of the data centre sector is also supported by the New Investment Policy unveiled by the Investment, Trade and Industry Ministry in October 2022, where the government is looking to boost economic complexity to spur high-value job opportunities.

Aside from AWS and Microsoft, which have committed to setting up cloud regions in the country, it noted that the likes of global data centre names such as GDS Holdings Ltd, Equinix Inc, and Yondr are pouring in significant capital to construct their maiden facilities in the country.

(Source: Malaysia, the next regional data centre hub, MIDA)

5.3.2 Overview and outlook of the biomass fuel industry

Malaysia

Based on the data compiled by the Energy Institute, Malaysia has generated 36.0 terawatt-hours of renewable energy in 2023, increased 0.6% from 35.8 terawatt-hours in 2022, of which 1.2 terawatt-hours is contributed by geothermal, biomass and other sources of renewable energy.

(Source: Energy Institute Statistical Review of World Energy 2024 73rd edition, Energy Institute)

The National Biomass Action Plan (the “**Plan**”) outlines Malaysia’s focus on the abundant biomass resources found in plantations, forests, agriculture, livestock and fisheries sectors. The estimated biomass potential from these sectors is approximately 182.6 million tonnes per annum, with a significant portion of 85.17% derived from the oil palm biomass industry. By 2025, it is expected that various institutional enablers will be further strengthened and by the year 2030, it is envisioned that the Plan will contribute to an incremental RM17 billion economic value and generate around 33,000 jobs based on the desired results areas of the Plan.

The country has an estimated total of 5.67 million hectares of oil palm plantations, producing more than 90 million tonnes of dried palm biomass. Oil palm biomass is derived from a variety of oil palm by products, such as oil palm fronds and oil palm trunks from plantation operations. While empty fruit bunches, PKS, MF and POME are generated from the milling operations.

The oil palm biomass industry has been growing at a steady pace over the past few years, thanks to the interest and transition towards using low-carbon renewable energy. Based on the data of 2019 compiled by the Energy Commission, Malaysia has achieved a total installed capacity of 440.5 MW powered by biomass including 70.65 MW coming from grid-connected power plant which is equivalent to 1.2% share of total electricity generated in Malaysia with a total emission reduction achieved i.e. 395.22 gigagrams carbon dioxide equivalents. Hence, bioenergy can be used to decarbonise our electricity supply through dedicated action plan.

The biomass industry in Malaysia has shown tremendous growth potential in the last decade or so. We are now producing and exporting solid biofuels such as PKS and wood pellets to key markets of Japan and the Republic of Korea.

PKS

PKS is a popular green fuel mainly used by palm oil mills for the purpose of co-generation of steam and electricity. It is also a highly sought after fuel commodity and a total of 1.25 million tonnes of PKS has been exported overseas mainly to Japan in 2022. Palm oil mills have been investing in biomass boilers to utilise their excess biomass such as MF, PKS as green fuel for co-generation in the mills. This bioenergy circular economy model complements as a measure to reduce reliance on fossil fuels, reduce greenhouse gas emission, increase environmental, social and governance profile of the company and achieve energy efficiency through saving of energy cost between 20% to 30%.

PKS can be converted to activated carbon serving as adsorption media due to its high surface area and porosity; it can effectively adsorb and remove various contaminants and impurities from gases and liquids solutions. Activated carbon is commonly used for treating industrial wastewater and river pollutions, purification of oleochemical products, bio-pharmaceutical solutions etc. PKS-based activated carbon is a high-value integrated circular economy model for palm oil industry which includes treating POME and purification of oleochemicals. It is recommended that palm oil mills to joint venture with activated carbon producer to manufacture activated carbon through tax incentive provided by Malaysia Government rather than selling raw PKS as fuel commodity. The global activated carbon market size was valued at USD5.7 billion in 2021 and is projected to reach USD8.9 billion by 2026, growing at CAGR of 9.3% from 2021 to 2026.

Malaysia imported 16,622 tonnes of activated carbon valued at RM153 million in 2022 and the total export was RM147 million. Hence, newly developed PKS-activated carbon can also potentially address local demand and reduce imports as well as developing circular economy opportunities in Malaysia through reactivated carbon technology.

Additionally, PKS are used as the raw material for producing bio-graphite and biographene. The PKS are dried and crushed to remove the water and oil to get the pure biomass form. In application of lithium-ion battery, graphite ranks above lithium as the key ingredient. Graphite is the key raw material in the battery anode with almost all electric vehicle battery anodes comprising 100% graphite. Whilst, graphene has many different applications including lithium battery, energy storage, high frequency transistor, heat dissipation, paint, thin-film transistor, carbon based computer device, molecular detection and imagery, biochemical, rubber additives, nanofluids and so on.

Intense commercialisation of graphite and graphene technology are taking place now especially China which is the top export country of artificial graphite. PKS is mainly used as green fuel at boilers or exported to Japan and sold around RM400 – RM500 per tonne in 2022. Bio-graphite and bio-graphene are higher value products with a better margin to offset the higher price of the feedstock.

Malaysia imported artificial graphite valued at USD671 million (598,751 tonnes) in 2022 and USD384.22 million (480,101 tonnes) in 2021, making Malaysia the largest importer in the world. Thus, Malaysia imported 1,078,852 tonnes of artificial graphite valued at USD1.05 billion between 2021 and 2022. The above-mentioned trade data solidifies the fact that Malaysia has a strong market demand for artificial graphite. In other words, there is a potential transformational new commodity business model of PKS-converted bio-graphite.

Wood Pellets

Currently, it is the most popular biomass commodity business model due to the global agenda to promote the usage of bioenergy from overseas such as Japan (feed-in-tariff), the Republic of Korea (renewable portfolio standard) etc. The wood pellets are being used as solid biofuel for industrial biomass boilers and biomass power plants. Many biomass SMEs have converted woody biomass from sawmill operations i.e. off-cuts and sawdust as wood pellets with ready market from both overseas and local market. Wood pellets producers can use the Sustainable Biomass Programme (SBP) certification scheme for the premium European Union market. Whilst for Japan and Republic of Korea market, the popular certification schemes are Green Gold Label (GGL), Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) and so on.

The global biomass pellets market has been growing as a result of government initiatives and stringent environmental regulations spurring the demand for renewable energy sources, especially as countries such as Japan and Republic of Korea have pledged to achieve net-zero emissions within the next few decades in line with the Sustainable Development Goals.

Both the Republic of Korea and Japan have imported 3.9 million tonnes and 4.4 million tonnes of wood pellets respectively in 2022. The imported volumes have been on the increasing trend between 2020 to 2022. Biomass pellets are foreseen to be in high demand in the coming years. Malaysia's fuel wood / wood pellets industry export revenue has achieved RM958 million in 2022. To be specific, the wood pellets industry achieved RM556.8 million export revenue in 2022.

(Source: National Biomass Action Plan 2023-2030, Ministry of Plantation and Commodities, 2023)

Overseas

According to the statistic published in the Energy Institute Statistical Review of World Energy 2024, in 2023, the renewable energy consumption in Japan increased by 7.6% to reach 1.49 EJ. Notably, Japan's renewable electricity generation in 2023 was 149.0 terawatt-hours, compared to 138.3 terawatt-hours in 2022. South Korea's renewable energy consumption in 2023 increased slightly at 1.0%, reaching 0.56 EJ. During the same year, South Korea's electricity generation from renewables in 2023 remained consistent at 52.0 terawatt-hours, from 51.9 terawatt-hours in 2022. Thailand's renewable energy consumption witnessed a 6.6% growth in 2023, reaching 0.33 EJ. In that same year, Thailand's electricity generation from renewables in 2023 amounted to 23.2 terawatt-hours, up from 21.9 terawatt-hours in 2022.

(Source: Energy Institute Statistical Review of World Energy 2024 73rd edition, Energy Institute)

5.4 Overview and outlook of the printed signage sector in Singapore

The Singapore printed signage market was valued at USD0.74 billion in 2023. It is expected to reach USD1.03 billion by 2029, registering a CAGR of 5.58% during the forecast period (2024-2029).

The printed signage sector in Singapore increasingly focuses on customisation to meet the diverse needs of businesses and individuals. Advanced printing technologies, such as UV printing, digital printing, and 3D printing, allow for high-quality and customised signage and enable the creation of intricate designs and unique materials.

Many companies are incorporating eco-friendly materials and sustainable practices in their printing processes. This includes using recycled materials and non-toxic inks, which appeals to environmentally conscious clients.

The Singapore Tourism Board plays a pivotal role in positioning Singapore as a premier destination for MICE. The resurgence of business travel to Singapore and the region in 2023 highlights several key factors influencing the printed signage market.

As business events regain momentum, there is a heightened need for printed materials such as banners, backdrops, directional signs, and informational boards. Exhibitors require high-quality and visually appealing signage to attract attendees and showcase their products and services.

The printed signage market has an opportunity to offer sustainable solutions, such as recyclable materials and energy-efficient printing processes, due to increasing environmental awareness.

According to AJ Marketing, a marketing agency, total advertising spending in Singapore has reached USD2.91 million, with a year-on-year growth of 5.4% in total ad spending. Printing companies might invest in advanced technologies such as UV printing, 3D printing, and eco-friendly inks to meet the growing demand.

The increasing customisation of printed signage in the retail sector responds to the competitive landscape that demands innovative ways to attract customers and enhance brand recognition.

Retailers must find new methods to draw customers into their stores constantly. Custom printed signage helps create a unique store ambiance that can capture the attention of passersby and potential customers.

The trend towards increased customisation in printed signage within the retail sector reflects the need for retailers to stand out in a crowded market. By leveraging advanced printing technologies and creative design, retailers can create impactful and dynamic in-store environments that attract customers, drive sales, and build lasting brand loyalty.

Price remains a significant factor, with customers looking for cost-effective solutions without compromising on quality. Economic conditions and competition can influence price sensitivity, affecting the demand for premium versus budget signage options.

The Singapore printed signage market is influenced by a complex interplay of factors related to various stakeholders. Customer preferences, supplier dynamics, regulatory requirements, competitive strategies, technological advancements, and end-user needs all contribute to shaping the market. Companies that effectively navigate these factors can position themselves for success in this dynamic industry.

(Source: Datasheet - Singapore Printed Signage, Event & Exhibition, and Interior Design Market, Mordor Intelligence)

5.5 Overview and outlook of the interior design and maintenance sector in Singapore

The Singapore interior design and maintenance market was valued at USD3.94 billion in 2023. It is expected to reach USD6.10 billion by 2029, registering a CAGR of 7.04% during the forecast period (2024-2029).

In Singapore, modern home renovations are characterised by a focus on minimalism, functionality, and the integration of technology. Open-plan living spaces are in high demand, fostering a sense of spaciousness and fluidity. The influence of Scandinavian design is prominent, showcasing clean lines, neutral color palettes, and an emphasis on natural materials. Smart home technology is becoming the norm, with features like automated lighting, climate control, and advanced security systems. This technological integration not only boosts convenience but also resonates with the rising focus on sustainability. There's a notable shift towards eco-friendly materials, energy-efficient appliances, and green building practices, underscoring a collective commitment to environmentally responsible living. Homeowners are increasingly opting for solar panels, rainwater harvesting systems, and sustainable landscaping to further reduce their environmental footprint. Additionally, multifunctional furniture and space-saving solutions are gaining popularity, catering to the need for practicality in urban living spaces.

Latest technological advancements are reshaping the landscape of home design in Singapore. Homeowners can now manage lighting, temperature, and security directly from their smartphones, thanks to smart home systems. The design process is being revolutionized by virtual reality and augmented reality, allowing clients to visualise and immerse themselves in their renovated spaces even before construction kicks off. Cutting-edge construction technologies, including 3D printing and modular building, are expediting home renovations and making them more budget-friendly. These technological strides not only boost efficiency but also pave the way for enhanced customization and innovative design possibilities.

Biophilic design, which seamlessly weaves nature into architectural and interior spaces, is witnessing an evolution, with Singapore at the forefront. The city-state's skyline boasts everything from lush green roofs to urban planning that prioritizes nature. Beyond mere aesthetics, Singapore's dedication to sustainable development is evident. Initiatives like the ambitious Green Plan 2030 and strides in renewable energy underscore the nation's commitment to a greener tomorrow. As a result, Singapore is not just participating in the design dialogue but is setting the agenda, especially in biophilic design. The trends emerging in 2024 reflect a deep-seated commitment to spaces that are not only sustainable and visually appealing but also technologically advanced. This blend of nature and innovation positions Singapore as a guiding light for the global design community, emphasising the pivotal role of biophilic design in the future of urban living.

(Source: Datasheet - Singapore Printed Signage, Event & Exhibition, and Interior Design Market, Mordor Intelligence)

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5.6 Prospect of the enlarged Mikro Group

The E&E Business has experienced minimal profitability growth over the past three (3) financial years. As a result, the Group has been actively exploring alternative avenues to enhance its financial performance. In 2023, the Group diversified into the Biomass Fuel Business. It resulted in a share of profits amounting to RM8.40 million, supported by a PBT of RM37.84 million based on the audited FYE 30 June 2024.

Premised on the outlook of the printed signage, interior design and maintenance sectors outlined in Sections 5.4 and 5.5 of this Circular, the Proposals represent an opportunity for the Group to venture into the Signage and Interior Fit-Out Businesses, which has growing demand and may yield favourable and sustainable earnings to the enlarged Group moving forward.

In line with the Group's strategic plan to introduce new viable income streams, the prospects of TES would seem promising as evident by its revenue growth from SGD1.78 million in 2021 to SGD3.16 million in 2023, reflecting a CAGR of 33.24%, particularly in interior fit-out services. Leveraging on Mr. Lim's industry knowledge and strategic insights, TES has completed numerous signage and interior fit-out projects for prestigious commercial buildings in Singapore, which have strengthened its market reputation since its inception. With Singapore's status as a premier destination for MICE, TES is well-positioned to capitalise on this growth, further enhancing its revenue potential and market presence.

Following the completion of the Proposed Acquisition, the Group intends to deploy relevant departments to work closely with TES's existing management team to seamlessly integrate Mikro's products into TES's offerings. This integration will enhance TES's product and offering, enabling TES to secure larger-scale interior fit-out projects in Singapore. Additionally, the Group plans to leverage cross-selling opportunities by offering TES and Mikro products to each other's existing and new customer bases, while capitalising on complementary geographic and market footprints.

The strategic collaboration of the enlarged Group does not require additional committed financial resources at this juncture, as TES is already a well-established operating entity. As of 31 August 2024, TES's cash and cash equivalents stood at SGD0.66 million or equivalent to approximately RM2.21 million, for which the management of Mikro anticipates that it would provide adequate liquidity for TES's operations and potential growth.

Meanwhile, the Group continues to grow the existing E&E Business to strengthen its market position within the E&E industry. The Group has taken initiatives to enhance the quality of its electrical distribution products and increase its market penetration both locally and internationally, recognising the potential business opportunities arising from the growing number of data centres in Malaysia as set out in Section 5.3 of this Circular. The Group's key products, such as digital embedded computer controlled protective relays, power meters and power factor regulators, and busducts, are essential components of electricity distribution systems in residential, commercial and industrial buildings, infrastructure and public amenities. A reliable power supply and distribution system is essential for data centres to maintain uninterrupted operations.

Premised on the foregoing and barring any unforeseen circumstances, the Board is optimistic that the existing businesses along with the Signage and Interior Fit-Out Businesses, are expected to strengthen the Group's financial position and provide increased value to its shareholders.

(Source: The management of Mikro)

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6.0 POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS

6.1 Policies in Singapore on foreign investments

- (i) As at the date hereof, there is generally no legislative framework in Singapore restricting or prohibiting foreign investment in companies incorporated in Singapore, save as described in paragraph 6.1(iii) below.
- (ii) From a Singapore corporate law perspective, as at the date hereof, there are no restrictions or prohibitions under Singapore laws against Mikro, being an entity incorporated in Malaysia, holding all the Shares in TES pursuant to the completion of the Proposed Acquisition.
- (iii) However, please note that under the Significant Investments Review Act 2024 of Singapore (“SIRA”), certain entities designated by the relevant authority as critical to the interests of Singapore’s national security may be subject to regulatory or approval requirements in relation to, inter alia, changes in ownership, control and key personnel, and other related restrictions. Under the SIRA, the relevant authority also has powers to review transactions and take targeted action against any entity which has acted against Singapore’s national security interests within a period of two years after such transaction. In addition, certain regulations or restrictions on foreign ownership may apply to entities carrying on business in regulated industries such as banking and telecommunications, or in certain circumstances such as the acquisition of real property. Based on the documents and information available, TES has not been designated as critical to the interests of Singapore’s national security under the SIRA.

6.2 Policies in Singapore on taxation

Corporate Income Tax

- (i) A company is regarded as tax resident in Singapore if the control and management of the company’s business is exercised in Singapore. Generally, the control and management of a company’s business is vested in the board of directors of the company (i.e. the decision-making on policy and strategic matters), hence the location of a company’s board of directors meetings usually determines where such control and management is exercised.
- (ii) A Singapore tax resident corporate taxpayer is subject to Singapore income tax on (i) income accruing in or derived from Singapore; and (ii) income derived from outside Singapore (i.e. foreign-sourced income) which is received or deemed received in Singapore, unless otherwise exempted.
- (iii) The prevailing corporate tax rate in Singapore is 17% and taxpayers are entitled to claim partial tax exemption on the first S\$200,000 of a company’s normal chargeable income as follows:
 - (a) 75% on the first S\$10,000 of normal chargeable income; and
 - (b) 50% on the next S\$190,000 of normal chargeable income.
- (iv) Tax exemption will be granted to a Singapore tax resident corporate taxpayer on its foreign-sourced income, including foreign-sourced dividends, foreign branch profits and foreign-sourced service income, received or deemed to be received in Singapore, subject to meeting all the qualifying conditions:
 - (a) such foreign-sourced income has been subject to tax in the foreign jurisdiction from which it is received;
 - (b) the highest corporate income tax rate of such foreign jurisdiction from which the foreign-sourced income is received is at least 15% at the time the foreign-sourced income is received in Singapore; and

- (c) the Comptroller of Income Tax is satisfied that the tax exemption is beneficial to the Singapore tax resident company.
- (v) A non-Singapore tax resident corporate taxpayer, who is carrying on a trade or business in Singapore, is liable to Singapore income tax on income accruing in or derived from Singapore, and foreign-sourced income received or deemed received in Singapore.
- (vi) The Avoidance of Double Taxation Agreements and other arrangements which Singapore has entered into with various jurisdictions, including Malaysia, has also served to relieve investors of the burden of double taxation of income earned in a jurisdiction by a resident of the other jurisdiction.

Dividend Distributions

- (vii) Singapore adopts the One-Tier Corporate Taxation System (“**One-Tier System**”). Under the One-Tier System, the tax paid by a Singapore tax resident company is a final tax. All dividends paid by a Singapore tax resident company are tax exempt in Singapore in the hands of the shareholders regardless of their tax residency and whether the shareholder is a company or an individual. As at the date hereof, Singapore does not impose withholding tax on dividends.
- (viii) Notwithstanding the above, Mikro is advised to consult its own tax advisers in respect of the tax laws of its country of residence which are applicable on such dividends received by Mikro and the applicability of any double taxation agreement that its country of residence may have with Singapore.

Gains on disposal of Shares

- (ix) As at the date hereof, Singapore does not impose tax on capital gains. Any gains from the disposal of a company’s shares which are considered to be capital in nature will not be taxable in Singapore. However, gains from the disposal of investments may be construed to be of an income nature and hence subject to Singapore income tax if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore.
- (x) There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. As the precise facts and circumstances will vary, Mikro is advised to consult its own tax advisers on the Singapore tax consequences of the subscription for, purchase, holding and disposal of shares that may be applicable to the relevant circumstances.

Stamp Duty

- (xi) Where shares evidenced in certificated form are acquired in Singapore and where the company maintains a share registry in Singapore, stamp duty is payable on the instrument (including electronic documents) of transfer of such shares at the rate of 0.2%, computed on the consideration paid or net asset value of such shares, whichever is higher.

GST

- (xii) The current GST rate in Singapore is 9%. GST-registered businesses are required to charge and account for GST at 9% on all sales of goods and services in Singapore unless the sale can be zero-rated or exempted under the law.
- (xiii) The sale of shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply and hence would not be subject to GST. Where shares are sold by a GST-registered investor to a person belonging outside Singapore, and the supply directly benefits (i) a person who belongs in a country other than Singapore and who is outside Singapore at the time of the sale; or (ii) a GST-registered person who belongs in Singapore, such sale of shares qualifies for zero-rating (i.e. subject to GST at 0%).

- (xiv) Notwithstanding the above, Mikro is advised to consult its own tax advisers in respect of the GST incurred in connection with the purchase and disposition of shares.

6.3 Policies in Singapore on repatriation of profits

- (i) There are no foreign exchange control restrictions imposed under Singapore laws and no exchange control formalities or approvals required for all forms of payments or capital transfers into or out of Singapore, subject to payment of the applicable taxes and so long as there is no breach of any rule for international monitoring for countering money-laundering and terrorism.
- (ii) Under the Singapore Companies Act, a company can only declare and pay dividends to its shareholders out of the profits of the company. There are no restrictions on the payment of dividends to a foreign shareholder.
- (iii) Capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Singapore Companies Act and the constitution of the company. There are no restrictions on payment of capital from a capital reduction exercise to a foreign shareholder.
- (iv) A company may, subject to the limits and conditions in its constitution and under the Singapore Companies Act, buy back or acquire its own shares. There are no specific restrictions on payment of such purchase price to foreign shareholders in respect of a share buy back exercise.
- (v) Accordingly, there are no Singapore governmental laws, decrees, regulations and other legislation that may affect the import or export of capital, or the remittance or currency denomination of dividends, interest or other payments to non-resident holders of TES.

Further details on the policies on foreign investments, taxation and repatriation of profits in Singapore and other relevant legal matters in respect of the Proposed Acquisition are set out in Appendix V of this Circular.

7.0 EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any effects on the issued share capital, substantial shareholders' shareholdings, consolidated NA per Share, consolidated gearing, consolidated earnings, and EPS of Mikro.

7.1 Issued share capital

The proforma effects of the Proposed Acquisition on the issued share capital of Mikro are as follows:-

	No. of shares	RM
Issued share capital as at the LPD	1,073,490,940	171,418,037
To be issued pursuant to the Proposed Acquisition ⁽¹⁾	134,831,460	30,000,000
Enlarged issued share capital	1,208,322,400	201,418,037

Note:-

(1) Based on the Issue Price of approximately RM0.2225 per Consideration Share.

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7.2 Earnings and EPS

For illustrative purpose only, based on the audited consolidated financial statements of Mikro for the FYE 30 June 2024 and assuming that the Proposed Acquisition had been effected at the beginning of FYE 30 June 2024, the pro forma effects of the Proposed Acquisition on the consolidated earnings and EPS of Mikro are as follows:-

	Audited as at 30.6.2024	After the Proposed Acquisition
	RM'000	RM'000
PAT attributable to the owners of Mikro	35,865	35,865
Add: PAT of TES ⁽¹⁾	-	⁽¹⁾ 1,648
Proforma PAT	35,865	37,513
No. of Shares ('000)	1,073,491	1,208,322
EPS (sen)	3.34	3.10

Note:-

- (1) Based on the entire equity interest of TES and after taking into consideration the following:-
- (i) the latest audited PAT of TES for the FYE 31 December 2023 of SGD732,548 and translated into RM based on the exchange rate of SGD1.00:RM3.4787, being the middle rate quoted by BNM as at 5.00 p.m. as at 31 December 2023; and
 - (ii) the estimated expenses in relation to the Proposed Acquisition of RM0.90 million.

Premised on the profit guarantee provided by the Vendor and barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the future earnings of the Mikro Group.

7.3 NA and gearing

The effects of the Proposed Acquisition on the consolidated NA per Share and gearing of Mikro based on the audited consolidated financial statements of Mikro for the FYE 30 June 2024 are as follows:-

	Audited as at 30.6.2024	After the Proposed Acquisition
	RM'000	RM'000
Share capital	171,418	201,418
Reserves	67,813	⁽¹⁾ 66,913
Shareholders' equity / NA	239,231	268,331
Non-controlling interest	276	276
Total equity	239,507	268,607
No. of Shares ('000)	1,073,491	1,208,322
NA per Share (RM)	0.22	0.22
Borrowings	7,269	7,269
Gearing (times)	0.03	0.03

Note:-

- (1) After deducting the estimated expenses incidental to the Proposed Acquisition of approximately RM0.90 million, which will be funded via internally generated funds.

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7.4 Substantial shareholders' shareholding

The pro forma effects of the Proposed Acquisition on the substantial shareholders' shareholdings in the Company are set out as below:-

	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Cartaban Nominees (Tempatan) Sdn Bhd - RHB Trustees Berhad for Kenanga Islamic Absolute Return Fund	322,039,800	30.00	-	-	322,039,800	26.65	-	-
Yeo Hock Cheong	215,731,223	20.10	-	-	215,731,223	17.85	-	-
Yim Yuen Wah	136,373,900	12.70	-	-	136,373,900	11.29	-	-
Calida	-	-	-	-	134,831,460	11.16	-	-
Mr. Lim	-	-	-	-	-	-	⁽¹⁾ 134,831,460	11.16

Note:-

(1) Deemed interested via his direct shareholding in Calida.

Premised on the above, Calida and Mr. Lim will emerge as one of the substantial shareholders of Mikro upon completion of the Proposed Acquisition. For information purpose, the Company does not have any controlling shareholder as at the LPD and upon completion of the Proposed Acquisition. In addition, there will be no change in the Board upon completion of the Proposed Acquisition.

7.5 Convertible securities

As at the LPD, Mikro does not have any convertible securities.

8.0 HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Mikro Shares as traded on Bursa Securities for the past twelve (12) months up to the LPD are as follows:-

	Highest (RM)	Lowest (RM)
<u>2023</u>		
October	0.285	0.235
November	0.270	0.215
December	0.260	0.225
<u>2024</u>		
January	0.275	0.175
February	0.225	0.200
March	0.225	0.200
April	0.250	0.210
May	0.245	0.220
June	0.250	0.225
July	0.280	0.230
August	0.335	0.215
September	0.245	0.225
Last transacted market price as at the LTD		0.247
Last transacted market price as at the LPD		0.220

(Source: Bloomberg)

9.0 APPROVALS REQUIRED

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

- (i) Bursa Securities, for the listing of and quotation for 134,831,460 Consideration Shares on the ACE Market of Bursa Securities, which was obtained vide its letter dated 22 October 2024, subject to the following conditions:-

	Conditions imposed	Status of compliance
(a)	Mikro and KAF IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition	To be complied
(b)	Mikro and KAF IB to inform Bursa Securities upon the completion of the Proposed Acquisition	To be complied
(c)	Mikro to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed	To be complied
(d)	Compliance by Mikro with the public shareholding spread upon completion of the Proposed Acquisition. In this connection, KAF IB is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirement to Bursa Securities, prior to the issuance of the Consideration Shares	To be complied

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

- (iii) any other relevant parties/authorities (if applicable).

The Proposals are inter-conditional upon each other but not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

Pursuant to Rule 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Acquisition is 66.92% based on the latest audited consolidated financial statements of Mikro for the FYE 30 June 2023.

10.0 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

None of the directors, major shareholders, chief executive and/or persons connected with them has any interest, direct or indirect, in the Proposals.

11.0 DIRECTORS' STATEMENT / RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the rationale, financial effects, salient terms of SSA and risks associated with the Proposals, is of the opinion that the Proposals are in the best interest of the Company. Accordingly, on the basis above, the Board recommends you to vote in favour of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM.

12.0 OUTSTANDING CORPORATE EXERCISES

As at LPD, save for the Proposals, there are no other intended corporate exercises/schemes which have been announced but yet to be completed by the Mikro Group prior to the printing of this Circular.

13.0 ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSALS

Subject to the approvals as stated in Section 9.0 of this Circular and barring any unforeseen circumstances, the Proposals are expected to be completed by the fourth (4th) quarter of 2024. The tentative timetable in relation to the completion of the Proposals is as follows:

Date	Events
27 November 2024	Convening of the EGM to obtain the approval of Mikro's shareholders for the Proposals
Fourth quarter of 2024	Implementation of the Proposals

14.0 EGM

The EGM, the notice of which is enclosed in this Circular, will be held on a fully virtual and entirely through live streaming and online remote voting using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online at <https://tiih.online>, from the Broadcast Venue at Leadership Room, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Wednesday, 27 November 2024 at 10.30 a.m., or immediately upon the conclusion or adjournment of the 18th AGM of Mikro which will be held on the same day at 10.00 a.m., whichever is later, or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions pertaining to the Proposals as described herein.

If you are unable to participate the EGM, you should complete, sign and return the Proxy Form enclosed with this Circular in accordance with the instructions printed therein as soon as possible so as to arrive at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suites, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, the Form of Proxy may be deposited via TIIH Online at <https://tiih.online> not less than forty-eight (48) hours before the time stipulated for holding the EGM. Please refer to the Administrative Guide for the EGM for further information on electronic submission. The lodgement of the Proxy Form will not preclude you from participating the EGM should you subsequently wish to do so.

15.0 FURTHER INFORMATION

Please refer to the appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board
MIKRO MSC BERHAD

SYED MOHD HAFIZ BIN SYED MOHD
Chief Executive Officer

SALIENT TERMS OF SSA

The salient terms of the SSA include the following:-

1.0 Agreement to Sell and Purchase

The parties to the SSA (collectively, the “**Parties**” and individually, the “**Party**”) agree that Calida shall, as legal and beneficial owner of the Sale Shares, sell the Sale Shares, and Mikro shall purchase from Calida the Sale Shares, free from all encumbrances, with full legal and beneficial title together with all rights, entitlements and benefits attached to the Sale Shares.

2.0 Consideration

The Purchase Consideration of RM30,000,000 is to be satisfied via the issuance of 134,831,460 Consideration Shares at the Issue Price.

3.0 Conditions Precedent & Completion

3.1 Conditions Precedent

The sale and purchase of the Sale Shares is conditional upon the following being satisfied (or waived as the case may be) (“**Conditions Precedent**”):-

- (i) no relevant authority taking, instituting, implementing, or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:-
 - (a) make the transactions contemplated in the SSA and all other transactions in connection to it, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;
 - (b) render any of the Parties unable to perform or satisfy its obligations as contemplated in the SSA;
 - (c) render Mikro unable to purchase or acquire the Sale Shares in the manner set out in the SSA; and/or
 - (d) render Calida unable to sell or transfer the Sale Shares in the manner set out in the SSA.
- (ii) the receipt of all necessary approvals which may include governmental, corporate, management, TES’s lenders and/or financiers and legal approvals (if any), and the necessary resolutions to effect the transactions contemplated in the SSA;
- (iii) Mikro being satisfied with the results of its due diligence investigation into the Calida’s titles to the Sale Shares, the financial, business, and legal due diligence on TES (“**Due Diligence Exercise**”) and the Due Diligence Exercise shall be completed by Mikro maximum of sixty (60) days from the date of the SSA or any other dates to be mutually agreed by the Parties (“**Due Diligence Completion Date**”);
- (iv) there are, at all material times, no facts or circumstances arising which have caused or are likely to cause a Material Adverse Effect in relation to TES or Calida, as applicable;
- (v) the receipt of the board of directors’ resolution of TES approving the SSA transactions and for the Sale Shares to be transferred from Calida to Mikro;
- (vi) the receipt of approval from Mikro’s directors at the boards’ of directors meetings and the shareholders of Mikro at a general meeting, for the purchase of the Sale Shares in accordance with the terms of the SSA;

SALIENT TERMS OF SSA (CONT'D)

- (vi) the approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities; and
 - (vii) the execution of an agreement or undertaking letter (as the case may be) by Mr. Lim to enter into an agreement and/or any other relevant employment letter with TES (collectively be referred to as the “**Service Agreement**”), for the purpose of ensuring he remain with TES for a period of twenty-four (24) months from the date no later than one (1) month from the Unconditional Date (as defined herein) (“**Completion Date**”) and to accept any other terms stipulated in the Service Agreement to assist in supporting the operation of TES and ensuring smooth transition of the management to Mikro.
- 3.2** A Condition Precedent may be waived in whole or in part and conditionally or unconditionally and may only be waived:-
- (i) by written notice from the Party possessing the right to the benefit of and to waive the relevant Condition Precedent to the other Party; or
 - (ii) by written agreement between all of the Parties.
- 3.3** Each party undertakes to use all reasonable endeavours to ensure that the respective Conditions Precedent(s) for which he is responsible are satisfied to the reasonable satisfaction of the other party as soon as reasonably practicable. If, at any time prior to the three (3) months from the date of the SSA or such other dates the Parties may mutually agree in writing (“**Conditional Period**”), Mikro and/or Calida becomes aware of a fact or circumstance which might prevent any of the Conditions Precedent as set out in Section 3.1 of the Appendix I from being satisfied, it shall immediately inform the other Party of the same by written notice.
- 3.4** Unless specifically waived by Mikro, if the Conditions Precedent stated in Section 3.1 of the Appendix I are not fulfilled within the Conditional Period, or such other date as Mikro and Calida shall mutually agree in writing, the SSA (save for the surviving provisions as stated in the SSA) shall terminate and no Party shall have any claim against the other Party for costs, damages, compensation or otherwise, save for any claim by a Party against the other Party arising from antecedent breach of the terms hereof.
- 3.5 Unconditional Date**
- When all the Conditions Precedent are fulfilled, the SSA will become unconditional (“**Unconditional Date**”).
- 3.6 Completion**
- 3.6.1** Subject to the terms herein, the sale and transfer of the Sale Shares shall be completed on the Completion Date, whereby Mikro shall perform all actions that are necessary to properly effect the SSA transactions and issue to Calida the Consideration Shares in electronic form to the relevant central depository system (CDS) account as separately instructed by the Calida, or in any other manner and form deemed satisfactory to the Calida. For the avoidance of doubt, each Party agrees and confirms that the issuance by Mikro of the Consideration Shares to Calida as contemplated herein shall constitute full and final discharge of the Mikro’s obligation to pay the Purchase Consideration in respect of the purchase of the Sale Shares under the SSA.
- 3.6.2** Subject to the terms of the SSA, and against Mikro’s compliance with all the provisions of Section 3.6.1 of the Appendix I, Calida shall perform and/or procure the performance of all actions that are necessary and desirable to properly effect the SSA transactions and deliver to Mikro the following:-
- (i) such form as is necessary for Mikro to acquire legal ownership of the Sale Shares in accordance with the laws of Singapore, together with the relevant original share certificates in respect of the Sale Shares;

SALIENT TERMS OF SSA (CONT'D)

- (ii) the certified true copy of an extract of the resolution passed by the board of directors of TES approving the appointment of the nominee directors of Mikro or its nominees to the Board;
- (iii) letter of resignation from the existing company secretary of TES and from the existing auditors of TES (if so required by Mikro);
- (iv) letter of resignation from the director of TES which were appointed by Mr. Lim, from his/her office as the director, with acknowledgements signed by him/her in a form satisfactory to Mikro to the effect that they individually and/or collectively have no claims whatsoever against TES and Mikro (including the directors, officers and employees of TES and Mikro), including for compensation for loss of office or otherwise;
- (v) the certified extracts of the resolutions passed by the board of directors of TES approving the sale and transfer of the Sale Shares from the Calida to Mikro, issuance of new share certificates in respect of the Sale Shares in favour of Mikro AND approving the entry into the Register of Members of TES, the name of Mikro as the holder of the relevant Sale Shares based on the terms herein contained and directing the company secretary of TES to effect the same;
- (vi) the certified true copy extract of the Board to amend TES's authorised bank(s) signatories to such person(s) as nominated by Mikro and the removal of all the existing signatories, with the account(s) to be solely controlled by Mikro, and the signatory mandates given to TES's banker(s), in such manner as the Parties hereto may agree (together with all such forms necessary to amend the mandates being duly executed);
- (vii) all payroll records, income records, inventory and other records relating to the business of TES, on the basis of understanding that, in the event TES is required by law to retain such records, Calida shall provide the copies and/or grant unimpeded access of the original copies thereof to Mikro;
- (viii) the statutory books of TES, its certificates of incorporation and changes of name, common seal, secretarial forms, any and all other records and/or documents which are in the possession of TES;
- (ix) confirmation signed by Calida that all the warranties have been complied with and are true and accurate and not misleading and that he has complied with all obligations under the SSA as at Completion Date and at all times between the date of the SSA and the Completion Date; and
- (x) the latest audited accounts of TES as at 31 December 2023, including all documents required by law to be annexed to them, the copies of which are annexed to the SSA.

3.7 Breach of Obligations on Completion

Without prejudice to any other remedies available, if in any respect, the provisions of this Section 3.0 of the Appendix I are not complied with or otherwise waived by either Mikro or Calida by the Completion Date, or if the sale and transfer of the Sale Shares shall not have taken place due to any failure by a Party to satisfy the obligations mentioned in Section 3.6.2 of the Appendix I, the Party not in default (as between Mikro and Calida) may:-

- (i) claim specific performance against the Party in default of his obligations under the SSA;
- (ii) effect the completion of the sale and transfer of the Sale Shares so far as practicable having regard to the defaults which have occurred (without prejudice to their rights hereunder); or
- (iii) terminate the SSA (save for the surviving provisions as stated in the SSA) and no Party shall have any claim against the other Parties for costs, damages, compensation or otherwise, save for any claim by a Party against the other Parties arising from any prior breach of the terms under the SSA.

SALIENT TERMS OF SSA (CONT'D)

4.0 Right to terminate

If at any time prior to completion of the sale and purchase of the Sale Shares pursuant to Section 3.0 of the Appendix I (“**Completion**”), Mikro becomes aware that there has been any material event, matter or circumstance which is inconsistent with contrary to or otherwise a material breach of Calida’s warranties or any other term as contained in the SSA which, in its opinion, has a material adverse effect on the financial position of TES and which, if capable of rectification, has not been rectified by Calida within thirty (30) days, or such longer period as may be mutually agreed between the Parties, of being so requested to do by Mikro, Mikro may terminate this Agreement and no Party shall have any claim against the other Parties for costs, damages, compensation or otherwise, save for any claim by a Party against the other Parties arising from antecedent breach of the terms hereof.

5.0 Warranties found to be untrue after Completion

If at any time within twelve (12) months from Completion it should transpire that any of Calida’s warranties as contained in the SSA are untrue or incorrect in a material respect and which, if capable of rectification, has not been rectified by Calida or TES within thirty (30) days, or such longer period as may be mutually agreed between the Parties, of being so requested to do by Mikro then Mikro is entitled to rescind the SSA whereupon Mikro shall forthwith transfer all the Sale Shares already owned by Mikro (subject to the allotment and issuance of the Consideration Shares) to Calida, return all documents, if any, delivered to them by or on behalf of Calida to Calida, all the Consideration Shares shall be sold through the stock exchange (Bursa Securities) (unless otherwise agreed by Mikro) and Calida shall refund the sum of monies equivalent to the Purchase Consideration (notwithstanding that any part of the Consideration Shares have been previously sold by Calida) free of interest within thirty (30) days from the date Mikro rescind the SSA, or such other period as may be mutually agreed between the Parties and thereafter, neither Party shall have any claims against the other.

6.0 Calida’s Indemnification

Calida shall indemnify and hold Mikro and its officers, directors (including its nominee directors appointed to TES’s board of directors), employees, agents and authorised representatives harmless from and against any and all losses, costs, liabilities, damages and expenses (including without limitation, legal fees and other expenses incidental thereto) of every kind, nature and description arising out of the breach of any of Calida’s warranties as contained in the SSA.

7.0 Profit Guarantee

- (i) Calida irrevocably and unconditionally guarantee to Mikro that the audited profit after tax of TES for FYE 31 December 2024 shall not be less than SGD800,000.00, and the audited profit after tax of TES for the FYE 31 December 2025 shall not be less than SGD890,000.00.
- (ii) In the event that TES does not achieve these Guaranteed Profit Sums due to any reason (apart from reasons attributable to the direct fault of Mikro), Calida shall pay to TES in cash within fourteen (14) calendar days after the delivery of the audited financial statements of TES for each relevant financial year, a sum equal to the shortfall between the actual audited profit after tax of TES for the relevant financial year, and the applicable Guaranteed Profit Sums.

For instance, if TES achieves audited profit after tax of SGD700,000.00 and SGD800,000.00 for FYE 31 December 2024 and FYE 31 December 2025 respectively, it shall pursuant to the SSA pay Mikro SGD100,000.00 and SGD90,000.00 in cash within fourteen (14) calendar days after the delivery of the audited financial statements of TES for each of the FYE 31 December 2024 and FYE 31 December 2025 respectively.

SALIENT TERMS OF SSA (CONT'D)

If TES achieves audited profit after tax of SGD900,000.00 for FYE 31 December 2024, the excess of SGD100,000.00 will not be carried forward and excluded in the computation of profit shortfall for FYE 31 December 2025. For clarity, the profit guarantees are applied independently for FYE 31 December 2024 and FYE 31 December 2025.

- (iii) Calida further agree and covenant that in the event TES incurs a loss after tax based on the audited financial statement for the FYE 31 December 2024 and FYE 31 December 2025, Calida shall pay to TES the maximum amount equivalent to the Guaranteed Profit Sums within fourteen (14) calendar days after the delivery of the audited financial statements of TES for each relevant financial year.

For instance, if TES incurs audited loss after tax of SGD100,000.00 and SGD150,000.00 for FYE 31 December 2024 and FYE 31 December 2025 respectively, it shall pursuant to the SSA pay to Mikro the amount of SGD800,000.00 and SGD890,000.00 in cash within fourteen (14) calendar days after the delivery of the audited financial statements of TES for each of the FYE 31 December 2024 and FYE 31 December 2025 respectively.

8.0 Restrictive Covenants

8.1 Non-Solicitation

Calida undertake for a period of five (5) years from the Completion Date, it will not directly or indirectly, in one or a series of transactions:-

- (i) solicit or induce, or attempt to solicit or induce, any customers and suppliers of TES to patronize or do business with any other company (or business) that is in the nature of business conducted by TES;
- (ii) request, advise or collaborate with any customer, supplier or vendor, or any potential customer, potential supplier or potential vendor, of TES to withdraw, curtail, cancel or refrain from doing business with TES in any capacity and/or to develop, build, design, make available any goods, products or services or similar goods, products or services provided to TES;
- (iii) manage, operate, be connected with, employed by, sell goods or products to, or perform services for, or on behalf of, in any manner, of any customer, or potential customer, of TES that may employ, engage or associate with TES in any manner;
- (iv) recruit, solicit or otherwise induce any proprietor, partner, shareholders, lender, director, officer, employee, sales agent, joint venturer, investor, lessor, supplier, customer, agent, representative, any person or entity or any other person which has a business relationship with TES or its affiliates to discontinue, reduce or detrimentally alter such employment, agency or business relationship with TES; and
- (v) employ or solicit, or attempt to employ or solicit, for employment any person, employee or agent who is then (or was at any time within five (5) years prior to the date TES or any entity related to TES seeks to employ such person) employed or retained by TES.

Should Calida (or any companies affiliated to Calida) violate any of the provisions as set out above, Calida shall at Mikro's request, pay to Mikro the amount equivalent to 10% of the Purchase Consideration as agreed liquidated damages. Should the actual damages suffered by TES is higher than the liquidated damages set forth in Section 8.1 of the Appendix I, Mikro shall be entitled to claim damages corresponding to the actual damages (less the liquidated damages). The payment of liquidated damages or other damages does not affect the right of Mikro to take any other action in relation to a violation of the provisions herein.

SALIENT TERMS OF SSA (CONT'D)

8.2 Non-Competition

Calida undertake for a period of five (5) years from the Completion Date, it will not directly or indirectly, in one or a series of transactions:-

- (i) enter into, engage in, accept engagement from, or provide any services to the scope of work to, or for, any other company (or business) that are substantially in the Signage and Interior Fit-Out Businesses conducted by TES; and
- (ii) assist or have any active interest in, own any assets or shares in, or act as agent or as adviser or consultant to, or otherwise enter into any relationship with, any customer or supplier of the Signage and Interior Fit-Out Businesses, or to carry out any other activities which compete with TES.

Should Calida (or any companies affiliated to Calida) violate any of the provisions as set out above, Calida shall at Mikro's request, pay to Mikro the amount equivalent to 10% of the Purchase Consideration as agreed liquidated damages. Should the actual damages suffered by TES is higher than the liquidated damages set forth in Section 8.2 of the Appendix I, TES shall be entitled to claim damages corresponding to the actual damages (less the liquidated damages). The payment of liquidated damages or other damages does not affect the right of Mikro to take any other action in relation to a violation of the provisions herein.

8.3 Acknowledgement

- (i) The Parties agree that Sections 8.1 and 8.2 of the Appendix I shall be construed independently of any other provisions in the SSA and the existence of any claim or cause of action of Calida against TES shall not constitute a defense to the enforcement of the abovementioned sections.
- (ii) Calida agrees that the provisions in Sections 8.1 and 8.2 of the Appendix I are reasonably necessary to protect the legitimate business interests of TES.
- (iii) Calida agrees that any part of the provisions in Sections 8.1 and 8.2 of the Appendix I which is held to be void or unenforceable by a court or arbitrator(s) of competent jurisdiction shall be ineffective only to the extent of such voidness or unenforceability without invalidating the remainder of the provisions thereof.
- (iv) Calida acknowledges that any breach of the provisions in Sections 8.1 and 8.2 of the Appendix I shall be construed as a material breach of the SSA and may subject Calida, and/or any individual(s), partnership, corporation, joint venture or other type of business with whom Calida is then affiliated or employed with, to damages and other legal remedies.

9.0 Governing Law and Dispute Resolution

9.1 The SSA and the documents to be entered into pursuant to it shall be governed by and construed in accordance with the laws of Malaysia.

9.2 Any dispute, controversy or claim arising out of or relating to the SSA, or the breach, termination or invalidity of the SSA shall be settled by arbitration in accordance with the Asian International Arbitration Centre (Malaysia) ("AIAC") Arbitration Rules. The seat of arbitration shall be Kuala Lumpur, Malaysia. The language to be used in the arbitral proceedings shall be English. Before referring the dispute to arbitration, the Parties shall seek an amicable settlement of that dispute by mediation in accordance with the AIAC Mediation Rules as in force on the date of the commencement of mediation.

SALIENT TERMS OF PERSONAL GUARANTEES AND UNDERTAKING

1.0 Personal Guarantee by Mr. Lim to TES

In consideration of Calida having entered into the SSA with Mikro and agreed to provide the personal guarantee under Section 7.0 of the Appendix I, Mr. Lim has irrevocably and unconditionally guarantee to TES:-

- (i) as a continuing obligation, the due performance by Calida of all its obligations arising under the SSA and accordingly, irrevocably and unconditionally undertake and agree to pay TES on demand, all or any unpaid monies attributable and/or liable to be paid by Calida to TES arising from, without limitation, the failure to fulfil the said profit guarantee provision, payment of the shortfall between the actual audited profit after tax of TES for the relevant financial year and the Guaranteed Profit Sums under the terms of the SSA, now or at any time hereafter which has or will become due and payable or owing to TES by Calida together with all other monies outstanding to TES and ensure the due performance of any and all obligations and liabilities whatsoever at any time undertaken or incurred by Calida to TES under the terms of the SSA or otherwise; and
- (ii) to indemnify TES and to keep TES indemnified from and against (direct and indirect) any and all losses, damages, expenses, claims, costs (including on a client and solicitor basis) and demands of whatever nature which TES may incur or sustain, arising from the non-performance or breach by Calida of any of its obligations under the SSA.

2.0 Personal Guarantee and Undertaking by Mr. Lim to Mikro (“Personal Guarantee and Undertaking”)**2.1 Personal Guarantee**

In consideration of Mikro having entered into the SSA with Calida, Mr. Lim has irrevocably and unconditionally guarantee to Mikro:-

- (i) as a continuing obligation, the due performance by Calida of all its obligations arising under the SSA and accordingly, irrevocably and unconditionally undertake and agree to pay Mikro on demand, all or any unpaid monies attributable and/or liable to be paid by Calida arising from, without limitation, the liquidated damages liable to be paid by Calida for breach of Sections 8.1 and 8.2 of the Appendix I, now or at any time hereafter which has or will become due and payable or owing to Mikro by Calida together with all other monies outstanding to Mikro and ensure the due performance of any and all obligations and liabilities whatsoever at any time undertaken or incurred by Calida to Mikro under the terms of the SSA or otherwise; and
- (ii) irrevocably and unconditionally guarantee to indemnify Mikro and to keep Mikro indemnified from and against (direct and indirect) any and all losses, damages, expenses, claims, costs (including on a client and solicitor basis) and demands of whatever nature which Mikro may incur or sustain, arising from the non-performance or breach by Calida of any of its obligations under the SSA.

2.2 Undertaking

- (i) Mr. Lim undertake for a period of five (5) years from the Completion Date, Mr. Lim will not directly or indirectly, in one or a series of transactions:-
 - (a) solicit or induce, or attempt to solicit or induce, any customers and suppliers of TES to patronize or do business with any other company (or business) that is in the nature of business conducted by TES;

SALIENT TERMS OF PERSONAL GUARANTEES AND UNDERTAKING (CONT'D)

- (b) request, advise or collaborate with any customer, supplier or vendor, or any potential customer, potential supplier or potential vendor, of TES to withdraw, curtail, cancel or refrain from doing business with TES in any capacity and/or to develop, build, design, make available any goods, products or services or similar goods, products or services provided to TES;
- (c) manage, operate, be connected with, employed by, sell goods or products to, or perform services for, or on behalf of, in any manner, of any customer, or potential customer, of TES that may employ, engage or associate with TES in any manner;
- (d) recruit, solicit or otherwise induce any proprietor, partner, shareholders, lender, director, officer, employee, sales agent, joint venturer, investor, lessor, supplier, customer, agent, representative, any person or entity or any other person which has a business relationship with TES or its affiliates to discontinue, reduce or detrimentally alter such employment, agency or business relationship with TES; and
- (e) employ or solicit, or attempt to employ or solicit, for employment any person, employee or agent who is then (or was at any time within five (5) years prior to the date TES or any entity related to TES seeks to employ such person) employed or retained by TES.

If Mr. Lim (or any companies affiliated to Mr. Lim) violate any of the provisions as set out above, Mr. Lim shall at Mikro's request, pay to Mikro the amount equivalent to 10% of the Purchase Consideration as agreed liquidated damages. Should the actual damages suffered by TES is higher than the liquidated damages set forth herein, Mikro shall be entitled to claim damages corresponding to the actual damages (less the liquidated damages). The payment of liquidated damages or other damages does not affect the right of Mikro to take any other action in relation to a violation of the provisions herein.

- (ii) Mr. Lim undertake for a period of five (5) years from the Completion Date, Mr. Lim will not directly or indirectly, in one or a series of transactions:-
 - (a) enter into, engage in, accept engagement from, or provide any services to the scope of work to, or for, any other company (or business) that are substantially in the Signage and Interior Fit-Out Businesses conducted by TES; and
 - (b) assist or have any active interest in, own any assets or shares in, or act as agent or as adviser or consultant to, or otherwise enter into any relationship with, any customer or supplier of the Signage and Interior Fit-Out Businesses, or to carry out any other activities which compete with TES.

If Mr. Lim (or any companies affiliated to Mr. Lim) violate any of the provisions as set out above, Mr. Lim shall at Mikro's request, pay to Mikro the amount equivalent to 10% of the Purchase Consideration as agreed liquidated damages. Should the actual damages suffered by TES is higher than the liquidated damages set forth herein, Mikro shall be entitled to claim damages corresponding to the actual damages (less the liquidated damages). The payment of liquidated damages or other damages does not affect the right of Mikro to take any other action in relation to a violation of the provisions herein.

- (iii) Mr. Lim agrees that Sections 2.2(i) and 2.2(ii) of the Appendix II shall be construed independently of any other provisions in the Personal Guarantee and Undertaking and the existence of any claim or cause of action of TES against Calida shall not constitute a defense to the enforcement of the abovementioned sections.
- (iv) Mr. Lim agrees that the undertakings in Section 2.2(i) and 2.2(ii) of the Appendix II are reasonably necessary to protect the legitimate business interests of TES.

SALIENT TERMS OF PERSONAL GUARANTEES AND UNDERTAKING (CONT'D)

- (v) Mr. Lim agrees that any part of the provisions in undertakings in Sections 2.2(i) and 2.2(ii) of the Appendix II which is held to be void or unenforceable by a court or arbitrator(s) of competent jurisdiction shall be ineffective only to the extent of such voidness or unenforceability without invalidating the remainder of the provisions thereof.

- (vi) Mr. Lim acknowledges that any breach of the provisions in Sections 2.2(i) and 2.2(ii) of the Appendix II shall be construed as a material breach of the Personal Guarantee and Undertaking and may subject Mr. Lim, and/or any individual(s), partnership, corporation, joint venture or other type of business with whom Mr. Lim is then affiliated or employed with, to damages and other legal remedies.

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INFORMATION OF TES

1.0 BACKGROUND INFORMATION

TES was incorporated in Singapore on 3 January 2011 under the Singapore Companies Act as a private company limited by shares. It commenced business operations on the date of its incorporation by assuming the business from TES Productions, which operated as a sole proprietorship for the Signage and Interior Fit-Out Businesses. In January 2011, Mr. Lim founded TES and transferred the Signage and Interior Fit-Out Businesses to TES. As at the LPD, TES does not have any subsidiary or associate company.

TES is principally involved in the manufacturing of signs and advertising displays, where TES is specialised in the design, fabrication, and installation of signs and related advertising display products. The key products and services offered by TES include a variety of interior and exterior signage, acrylic display products, banners and posters as well as large format graphic printing services. Additionally, TES also provides general contractor services for interior fit-out, which mainly covers renovation, addition and alteration as well as building repair and maintenance.

As at the LPD, the issued share capital of TES is SGD100,000 comprising 100,000 TES Shares.

TES operates at its registered office located at 51 Ubi Avenue 1, #03-01 Paya Ubi Industrial Park, Singapore 408933 with a total built-up area of approximately 3,584 sq ft. Additionally, TES also rented an office premises located at 51 Ubi Avenue 1, #03-16, Ubi Industrial Park, Singapore 408933 with a total built-up area of approximately 1,615 sq ft. as a clean room for its manufacturing activities.

The principal market of TES is Singapore, which accounts for 100.0% of its total revenue generated based on its audited financial statements for FYE 31 December 2023. TES mainly sources its raw materials, including but not limited to acrylic, plywood, stainless steel, light-emitting diode (LED), transformer, vinyl sticker and printing material from Singapore and China.

As at the LPD, TES has a total workforce of fifteen (15) employees, all of whom are permanent employees. The breakdown of TES's employees are as follows:-

Category of employees	Number of employees
<u>Management</u>	
- Managing Director	1
<u>Finance, accounting and administration</u>	
- Manager	1
- Executive	1
<u>Sales and project</u>	
- Manager	2
- Supervisor	1
- Executive	2
<u>Production operation and client service</u>	
- Manager	1
- Supervisor	1
- Executive	1
Graphic designer	1
Installer and labour	3

As at the LPD, TES is registered with the BCA grading of:-

- (i) L1 in the category of interior decoration & finishing works (CR06) which enable TES to undertake interior decoration and finishing work projects with a tendering limit of up to SGD0.8 million; and

INFORMATION OF TES (CONT'D)

- (ii) L1 in the category of signcraft installation (CR11) which enable TES to undertake signage or signcraft installation projects with a tendering limit of up to SGD0.8 million.

Throughout the years, TES has in place a set of key quality assurance processes and standard to ensure consistent product quality. Since 2017, TES's quality management system was assessed and accredited with International Organization for Standardization (ISO) 9001:2015 under the scope of "manufacture and installation of interior and exterior signage". TES is also committed to promote workplace safety and health and has attained BizSAFE Level 3 certification issued by the Workplace Safety and Health Council since 2015.

2.0 DIRECTOR

Mr. Lim is the sole director of TES and his shareholdings in TES as at the LPD is as follows:-

	Nationality	Designation	No. of TES Shares			
			Direct	%	Indirect	%
Mr. Lim	Malaysian	Managing Director	-	-	*100,000	100.00

Note:- Deemed interested via his direct shareholding in Calida.*

3.0 SUBSTANTIAL SHAREHOLDERS

The details of the substantial shareholders of TES as at the LPD are as follows:-

	Nationality / Country of Incorporation	No. of TES Shares			
		Direct	%	Indirect	%
Calida	Singapore	100,000	100.00	-	-
Mr. Lim	Malaysian	-	-	*100,000	100.00

Note:- Deemed interested via his direct shareholding in Calida.*

4.0 TYPE OF ASSETS OWNED

As at the LPD, TES does not own any land and building. The type of other assets owned by TES are as follows:-

Details	Audited net book value as at 31 December 2023 (SGD)
Furniture and fittings	1,699
Machineries *	27,600
Office equipment and computers	6,278
Renovation	16,350
Total	51,927

Note:- Comprised of machineries that are used for signage manufacturing and graphic printing, such as air compressor, cutting machines, laser cutting system, printers and sewing machine.*

5.0 MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there are no other material commitments and contingent liabilities incurred or known to be incurred by TES which, upon becoming due and enforceable, may have a material and adverse impact on the financial results/position of TES.

INFORMATION OF TES (CONT'D)

6.0 MATERIAL CONTRACTS

Save as disclosed below, there are other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by TES within the last two (2) years immediately preceding the date of this Circular:-

- (i) SSA;
- (ii) Loan agreement dated 1 October 2023 entered into between the TES and IBC whereby TES has provided a loan of SGD100,000 (“**Loan 1**”) to be utilised solely for the business operations of IBC, being the provision of economic research and management consultancy services to an international pool of clients (“**IBC Business Operations**”). The initial term of Loan 1 will be 12 months commencing from the date of receipt of the full loan amount by IBC. Pursuant to the terms set out in SSA, the Loan 1 will be fully settled prior to the completion date of SSA;
- (iii) Loan agreement dated 1 June 2024 entered into between TES and IBC whereby TES has provided a loan of S\$250,000 (“**Loan 2**”) to be utilised solely for IBC Business Operations. The initial term of Loan 2 will be 12 months commencing from the date of receipt of the full loan amount by IBC. Pursuant to the terms set out in SSA, the Loan 2 will be fully settled prior to the completion date of SSA; and
- (iv) Commercial investment agreement dated 9 May 2024 entered into between TES and International Business Capital Pte. Ltd. whereby TES has invested a sum of S\$100,000 (“**Investment Amount**”) to be used by IBC for the exclusive purpose of undertaking the investment and exploitation of various opportunistic investments in the private and public equity securities space, including capital markets, private credit, pre-initial public offerings private placements, and listed and unlisted equities globally. The investment tenure shall be an initial period of 36 months from the date of crediting of the Investment Amount by the investor, subject to extension by mutual agreement between the parties. Pursuant to the terms set out in SSA, the commercial investment agreement will be terminated prior to the completion date of SSA.

7.0 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, TES is not involved in any material litigation, claim or arbitration, either as plaintiff or defendant, including those pending or threatened against TES, that may materially affect the business or financial position of TES.

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INFORMATION OF TES (CONT'D)

8.0 HISTORICAL FINANCIAL INFORMATION

The historical financial information of TES from the FYE 31 December 2021 to FYE 31 December 2023 and the latest unaudited eight (8)-month FPE 31 August 2024 are as follows:-

	<----- Audited ----->			<----- Unaudited ----->	
	FYE 31.12.2021 SGD	FYE 31.12.2022 SGD	FYE 31.12.2023 SGD	8-month FPE 31.8.2023 SGD	8-month FPE 31.8.2024 SGD
Revenue	1,778,252	1,874,684	3,164,986	1,866,779	1,665,122
PBT	302,641	351,665	821,184	522,451	573,848
PAT	268,907	306,950	732,548	463,361	476,294
Issued share capital	100,000	100,000	100,000	100,000	100,000
Number of TES Shares	100,000	100,000	100,000	100,000	100,000
NA / Shareholders' funds	791,188	1,098,138	1,560,686	1,411,498	1,436,979
Total borrowings	172,657	60,504	-	-	-
Current assets	1,272,941	1,497,400	2,245,332	1,960,280	1,586,630
Current liabilities	590,412	462,421	898,231	735,086	555,735
Earnings per TES Share	2.69	3.07	7.33	4.63	4.77
NA per TES Share	7.91	10.98	15.61	14.11	14.37
Current ratio (times) ⁽¹⁾	2.16	3.24	2.50	2.67	2.86
Gearing ratio (times) ⁽²⁾	0.22	0.06	-	-	-

Notes:-

- (1) Computed based on total current assets over total current liabilities.
(2) Computed based on total bank borrowings over NA.

There was no exceptional or extraordinary item during the financial years under review. There was no accounting policy adopted by TES which are peculiar to TES because of the nature of the business or the industry it is involved in and there was no audit qualification of financial statements of TES for the financial years under review.

Commentaries:-**FYE 31 December 2022**

Revenue increased by SGD0.09 million or 5.06% to SGD1.87 million (FYE 31 December 2021: SGD1.78 million), driven primarily by the new signage and graphic prints projects secured from the existing customers for prestigious commercial buildings and offices of multinational companies.

In tandem with the above, TES recorded a higher PAT by 14.81% to SGD0.31 million (FYE 31 December 2021: SGD0.27 million).

FYE 31 December 2023

Revenue increased by SGD1.29 million or 68.98% to SGD3.16 million (FYE 31 December 2022: SGD1.87 million), driven primarily by signage replacement project for the entire office tower, large-scale of renovation projects secured from one of the major customers and a building upgrading and improvement contract with a well-established private hospital.

In tandem with the above, TES recorded a higher PAT by 135.48% to SGD0.73 million (FYE 31 December 2022: SGD0.31 million).

INFORMATION OF TES (CONT'D)

FPE 31 August 2024

Revenue declined by SGD0.20 million or 11.98% to SGD1.67 million (FPE 31 August 2023: SGD1.87 million), due mainly to the delay in customers' approval on the final design specification for signage and interior fit-out projects which resulted in delay in project deliveries.

Notwithstanding the above, the PBT improved by SGD0.05 million or 9.62% to SGD0.57 million (FPE 31 August 2023: SGD0.52 million) in view of the decrease in operating expenses by 9.55%, primarily driven by lower marketing consultation fees as well as reduced costs for staff accommodation and foreign workers salaries. Accordingly, TES recorded a higher PAT by SGD0.02 million or 4.35% to SGD0.48 million (FPE 31 August 2023: SGD0.46 million).

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INFORMATION OF TES (CONT'D)

9.0 AUDITED FINANCIAL STATEMENTS OF TES FOR FYE 31 DECEMBER 2023

TES PRODUCTIONS & PROJECTS PTE. LTD.
(Company Registration Number: 201100201G)

**DIRECTOR'S STATEMENT
AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NEXTON ASSURANCE PAC
Chartered Accountants, Singapore

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
(Company Registration Number: 201100201G)

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INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

(Company Registration Number: 201100201G)

DIRECTOR'S STATEMENT

The director is pleased to present his statement to the members together with the audited financial statements of TES Productions & Projects Pte. Ltd. (the "Company") for the financial year ended 31 December 2023.

1. OPINION OF THE DIRECTOR

In the opinion of the director,

- (i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Company for the year ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTOR

The director of the Company in office at the date of this report is:

Lim Seng Gee

3. ARRANGEMENTS TO ENABLE DIRECTOR TO ACQUIRE SHARES AND DEBENTURES

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

4. DIRECTOR'S INTERESTS IN SHARES AND DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967, particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

<u>The Company</u> (No. of ordinary shares)	Shareholdings registered in name of director	
	<u>At beginning of the year</u>	<u>At end of the year</u>
Lim Seng Gee	100,000	100,000

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
(Company Registration Number: 201100201G)

DIRECTOR'S STATEMENT (CONTINUED)

5. SHARE OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

6. INDEPENDENT AUDITOR

NEXTON ASSURANCE PAC has expressed its willingness to accept re-appointment as auditor.

The Sole Director



Lim Seng Gee
Director

Singapore
14 JUN 2024

INFORMATION OF TES (CONT'D)


NEXTON ASSURANCE PAC

Chartered Accountants
(UEN: 202349519D)

331 North Bridge Road
#14-03 Odeon Towers
Singapore 188720
Tel: +65 6365 1082/1090
Email: zi@nexton.com.sg

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TES PRODUCTIONS & PROJECTS PTE. LTD.**

Report on the Audit of the Financial Statements
Opinion

We have audited the financial statements of TES Productions & Projects Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and the Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2022 were unaudited as the Company is exempted from audit.

Other Information

Management is responsible for the other information. The other information comprises the director's statement, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INFORMATION OF TES (CONT'D)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TES PRODUCTIONS & PROJECTS PTE. LTD. (CONTINUED)**

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The director's responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, 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, 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 management.

INFORMATION OF TES (CONT'D)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TES PRODUCTIONS & PROJECTS PTE. LTD. (CONTINUED)**

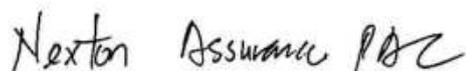
Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's 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 auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



NEXTON ASSURANCE PAC
Public Accountants and
Chartered Accountants
Singapore

14 June 2024

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
 (Company Registration Number: 201100201G)

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2023

	Note	<u>2023</u> \$	<u>2022</u> \$
Revenue	4	3,164,986	1,874,684
Cost of sales		<u>(860,824)</u>	<u>(273,363)</u>
Gross profit		2,304,162	1,601,321
Other income	5	84,880	124,278
Distribution and marketing costs		(191,193)	(120,124)
Administrative and other expenses		(1,358,443)	(1,243,979)
Finance costs	6	(18,222)	(9,831)
Profit before income tax	7	<u>821,184</u>	<u>351,665</u>
Income tax expense	8	(88,636)	(44,715)
Profit for the year, representing total comprehensive income for the year		<u><u>732,548</u></u>	<u><u>306,950</u></u>

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

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
 (Company Registration Number: 201100201G)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	<u>2023</u> \$	<u>2022</u> \$
ASSETS			
Non-current assets			
Property, plant and equipment	9	51,927	52,372
Right-of-use assets	10	256,333	83,562
		<u>308,260</u>	<u>135,934</u>
Current assets			
Trade and other receivables	11	976,169	825,108
Amount due from the director	12	-	22
Cash and cash equivalents	13	1,269,163	672,270
		<u>2,245,332</u>	<u>1,497,400</u>
Total assets		<u>2,553,592</u>	<u>1,633,334</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	646,367	334,990
Lease liabilities	15	162,133	22,212
Borrowings	16	-	60,504
Amount due to the director	12	1,095	-
Provision for taxation		88,636	44,715
		<u>898,231</u>	<u>462,421</u>
Non-current liabilities			
Lease liabilities	15	94,675	72,775
		<u>94,675</u>	<u>72,775</u>
Total liabilities		<u>992,906</u>	<u>535,196</u>
NET ASSETS		<u>1,560,686</u>	<u>1,098,138</u>
EQUITY			
Share capital	17	100,000	100,000
Retained earnings		1,460,686	998,138
TOTAL EQUITY		<u>1,560,686</u>	<u>1,098,138</u>

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

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
 (Company Registration Number: 201100201G)

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2023

	Note	<u>Share capital</u> \$	<u>Retained earnings</u> \$	<u>Total</u> \$
Balance as at 1 January 2022		100,000	691,188	791,188
Total comprehensive income for the year		-	306,950	306,950
<hr/>				
Balance as at 31 December 2022		100,000	998,138	1,098,138
Total comprehensive income for the year		-	732,548	732,548
Dividends paid	18	-	(270,000)	(270,000)
<hr/>				
Balance as at 31 December 2023		<u>100,000</u>	<u>1,460,686</u>	<u>1,560,686</u>

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

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
 (Company Registration Number: 201100201G)

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2023

	Note	<u>2023</u> \$	<u>2022</u> \$
Cash flows from operating activities			
Profit before income tax		821,184	351,665
Adjustments for:			
Gain on disposal of property, plant and equipment	5	-	(14,493)
Interest income	5	(42,911)	(34,852)
Depreciation - property, plant and equipment	9	28,445	36,169
Depreciation - right-of-use assets	10	163,038	117,147
Interest expenses	6	18,222	9,831
		<u>166,794</u>	<u>113,802</u>
Operating cash flow before working capital changes		987,978	465,467
Changes in operating assets and liabilities:			
Trade and other receivables		(151,061)	(341,799)
Trade and other payables		311,376	(6,910)
		<u>160,315</u>	<u>(348,709)</u>
Cash generated from operation		1,148,293	116,758
Income tax paid		(44,715)	(33,734)
Interest received		42,911	34,852
Net cash generated from operating activities		<u>1,146,489</u>	<u>117,876</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(28,000)	(15,880)
Proceed from disposal of property, plant and equipment		-	14,493
Acquisition of motor vehicle		(26,850)	-
Net cash used in investing activities		<u>(54,850)</u>	<u>(1,387)</u>
Cash flows from financing activities			
Dividend paid		(270,000)	-
Interest paid		(18,222)	(9,831)
Amount due by the director		1,117	(1,823)
Payment of lease liabilities		(147,137)	(110,044)
Repayment of borrowings		(60,504)	(112,153)
Net cash used in financing activities		<u>(494,746)</u>	<u>(233,851)</u>
Net increase / (decrease) in cash and cash equivalents		596,893	(117,362)
Cash and cash equivalents at beginning of the year		<u>672,270</u>	<u>789,632</u>
Cash and cash equivalents at end of the year	13	<u>1,269,163</u>	<u>672,270</u>

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

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

(Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

TES Productions & Projects Pte. Ltd. is incorporated in Singapore with its registered office principal place of business is located at 51 Ubi Avenue 1, #03-01 Paya Ubi Industrial Park, Singapore 408933.

The principal activities of the Company in the course of the financial year are those of general contractors and manufacturer of signs, advertising displays.

On 15 May 2024, the Company's 100% ordinary shares has been acquired by Calida Group Pte. Ltd.. As result, Calida Group Pte. Ltd. is the immediate and ultimate holding company, which is incorporated in Singapore.

2. MATERIAL ACCOUNTING POLICY INFORMATION**2.1 Basis of preparation**

The financial statements of the Company have been drawn up in accordance with Financial Reporting Standards in Singapore (FRSs). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (S\$), which is the Company's functional currency.

The preparation of financial statements in conformity with FRS requires management to make judgments, estimates and assumptions that affect the Company's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting judgments and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2023. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

(Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023**

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.3 Standards issued but not yet effective**

New standards, amendments to standards and interpretations that have been issued at the statement of financial position date but are not yet effective for the financial year ended 31 December 2023 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

2.4 Financial instruments**(a) Financial assets****Initial recognition and measurement**

Financial assets are recognised when, and only when the entity becomes a party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurementDebt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income (FVOCI) and FVPL. The Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
(Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.4 Financial instruments (Continued)****(a) Financial assets (Continued)****Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.5 Impairment of financial assets

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

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

(Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023**

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.5 Impairment of financial assets (Continued)**

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

2.6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

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NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023****2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****2.6 Impairment of non-financial assets (Continued)**

A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal 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. Impairment losses relating to goodwill cannot be reversed in future periods.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on property, plant and equipment is calculated using straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Furniture & fittings	- 5 years
Machinery	- 5 years
Motor vehicles	- 5 years
Office equipment & computers	- 5 years
Renovation	- 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year-end 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.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when 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. All other repair and maintenance expense is recognised in the profit and loss account when incurred.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.7 Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and other short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

2.9 Leases

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

As a lessee

(a) Right-of-use assets

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-used assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

Leased office	Remaining lease terms
Motor vehicle	5 years
Office equipment	Remaining lease term

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.9 Leases (Continued)****As a lessee****(b) Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are disclosed in Note 15.

(c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

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NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023**

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.10 Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

2.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.12 Government grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

2.13 Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.13 Revenue recognition (Continued)**Sales of sign board and installation services

The sales of sign board and installation services is recognised when the control over the goods has been transferred to the customer and the installation has been completed. The Company does not have an enforceable right to payment prior to completion of installation, revenue is recognised only when the good is delivered to the customer and the customer have accepted it in accordance with the quotation/contracts. The revenue is recognised at point in time upon completion of the installation.

Interest income

Interest income, including income arising from financial instruments, is recognised using the effective interest method.

Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.14 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

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NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023**

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.14 Taxes (Continued)**Deferred tax

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.15 Employee benefits(a) Defined contribution plan

The Company makes contributions to the Central Provident Fund Scheme in Singapore which is a defined contribution pension scheme. These contributions are recognised as compensation expense in the period in which the related service is performed.

(b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

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NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023**

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**2.16 Dividend**

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in Note 2, management made judgments, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Company's accounting policies, management are of the view that any instances of application of judgments are not expected to have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives of property, plant and equipment

The Company's property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's economic useful lives. Changes in the expected level of usage and technologies developments could impact the economic useful lives and the residual values of these assets, therefore, depreciation charges could be revised. The carrying amount of the Company's property, plant and equipment is disclosed in Note 9.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)
3.2 Key sources of estimation uncertainty (Continued)
Provision for income taxes

The Company has exposure to income taxes in countries where it operates. Significant judgment is involved in determining the Company's provision for income taxes. The Company recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the financial tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. As at 31 December 2023, the carrying amounts of the Company's provision for taxation was presented in the statements of financial position.

4. REVENUE

	<u>2023</u>	<u>2022</u>
	\$	\$
<u>Revenue recognised at point in time</u>		
Sales and services rendered	<u>3,164,986</u>	<u>1,874,684</u>

5. OTHER INCOME

	<u>2023</u>	<u>2022</u>
	\$	\$
Administrative and management support services	-	49,837
Gain on disposal of property, plant and equipment	-	14,493
Government paid leave scheme	494	-
Insurance claim	-	230
Interest income on loan to a third party	42,000	20,500
Interest income on loan to a related party	900	14,342
Interest income on bank account	11	10
Other income	999	150
Progressive wage credit scheme	1,555	-
Rental income	38,921	24,716
	<u>84,880</u>	<u>124,278</u>

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

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NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023****6. FINANCE COSTS**

	<u>2023</u>	<u>2022</u>
	\$	\$
Interest on lease liabilities	18,073	6,547
Interest on bank loans	149	3,284
	<u>18,222</u>	<u>9,831</u>

7. PROFIT BEFORE INCOME TAX*Profit before income tax has been arrived at after charging/(crediting) :*

	<u>2023</u>	<u>2022</u>
	\$	\$
Depreciation - property, plant and equipment (Note 9)	28,445	36,169
Depreciation - right-of-use assets (Note 10)	163,038	117,147
Employee benefits (Note 19)	853,506	726,913
Government grants	(2,049)	-
Sub-contract charges	396,946	128,071
Project management fee	306,500	-
Short-term lease expense (Note 10)	82,319	117,413
Marketing consultation fee	165,000	102,000
Management and administrative fee	48,000	72,000
	<u>48,000</u>	<u>72,000</u>

8. INCOME TAX EXPENSE

	<u>2023</u>	<u>2022</u>
	\$	\$
Current income tax		
- Current year	<u>88,636</u>	<u>44,715</u>

The income tax expense varied from the amount of income tax expense by applying the Singapore income tax rate of 17% (2022: 17%) to profit before income tax as a result of following differences:

Profit before income tax	<u>821,184</u>	<u>351,665</u>
Income tax expense at statutory rate	139,601	59,783
Non-tax deductible expenses	5,786	4,061
Enhanced deductions	(1,326)	(1,704)
Income tax rebate and exemption	<u>(55,425)</u>	<u>(17,425)</u>
Income tax expense	<u>88,636</u>	<u>44,715</u>

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

9. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles \$	Furniture & fittings \$	Machinery \$	Office equipment & computers \$	Renovation \$	Total \$
Cost						
At 1 January 2022	-	24,449	382,556	132,212	54,286	593,503
Additions	-	2,465	8,665	4,750	-	15,880
Reclassified from Right-of-use assets (Note 10)	150,184	-	-	-	-	150,184
Disposals	(64,081)	(8,400)	(55,385)	(41,630)	-	(169,496)
At 31 December 2022	86,103	18,514	335,836	95,332	54,286	590,071
Additions	-	-	28,000	-	-	28,000
Written off	-	(1,500)	(500)	-	-	(2,000)
At 31 December 2023	86,103	17,014	363,336	95,332	54,286	616,071
Accumulated depreciation						
As at 1 January 2022	-	23,809	355,531	119,916	21,586	520,842
Depreciation	-	703	21,857	5,434	8,175	36,169
Reclassified from Right-of-use assets (Note 10)	150,184	-	-	-	-	150,184
Disposals	(64,081)	(8,400)	(55,385)	(41,630)	-	(169,496)
At 31 December 2022	86,103	16,112	322,003	83,720	29,761	537,699
Depreciation	-	703	14,233	5,334	8,175	28,445
Written off	-	(1,500)	(500)	-	-	(2,000)
At 31 December 2023	86,103	15,315	335,736	89,054	37,936	564,144
Carrying amount						
At 31 December 2023	-	1,699	27,600	6,278	16,350	51,927
At 31 December 2022	-	2,402	13,833	11,612	24,525	52,372

In 2022, motor vehicles costing \$150,184 were reclassified from right-of-use assets to property, plant and equipment upon end of lease period (Note 10).

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TES PRODUCTIONS & PROJECTS PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

10. RIGHT-OF-USE (RoU) ASSETS

The Company has lease contracts for leased office, office equipment and motor vehicles with contract terms of 2 to 5 years.

The Company also has certain leases of staff accommodation, motor vehicle and machinery with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

The carrying amounts of RoU assets are as follows:

	<u>Leased Office</u> \$	<u>Office Equipment</u> \$	<u>Motor Vehicles</u> \$	<u>Total</u> \$
<u>Cost</u>				
At 1 January 2022	190,330	20,166	150,184	360,680
Additions	-	-	89,747	89,747
Derecognition	(190,330)	-	-	(190,330)
Reclassified to plant and equipment (Note 9)	-	-	(150,184)	(150,184)
At 31 December 2022	-	20,166	89,747	109,913
Additions	246,309	-	89,500	335,809
At 31 December 2023	246,309	20,166	179,247	445,722
<u>Accumulated depreciation</u>				
At 1 January 2022	95,165	4,369	150,184	249,718
Depreciation for the year	95,165	4,033	17,949	117,147
Derecognition	(190,330)	-	-	(190,330)
Reclassified to plant and equipment (Note 9)	-	-	(150,184)	(150,184)
At 31 December 2022	-	8,402	17,949	26,351
Depreciation for the year	123,155	4,033	35,850	163,038
At 31 December 2023	123,155	12,435	53,799	189,389
<u>Carrying amount</u>				
At 31 December 2023	123,154	7,731	125,448	256,333
At 31 December 2022	-	11,764	71,798	83,562

In 2022, motor vehicles costing \$150,184 were reclassified from right-of-use to property, plant and equipment upon end of lease period (Note 10).

Included within addition in 2023's financial statement are motor vehicle acquired under finance lease amounting to \$89,500. Cash outflow on acquisition of motor vehicle in 2023 amounted to \$26,850 (2022:\$Nil)

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

10. RIGHT-OF-USE (RoU) ASSETS (CONTINUED)

	<u>2023</u>	<u>2022</u>
	\$	\$
The following charges relating to RoU assets have been included in profit or loss:		
Depreciation on RoU assets	163,038	117,147
Interest expense on lease liabilities	18,073	6,547
Lease expense not capitalised in lease liabilities		
- Short-term leases (Note 7)	82,319	117,413
	<u>263,430</u>	<u>241,107</u>
Amounts recognised in statement of cash flows		
Total cash outflow for leases	<u>247,529</u>	<u>238,057</u>

11. TRADE AND OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
	\$	\$
<u>Trade receivables</u>		
- Related parties	4,338	7,214
- Third parties	578,259	408,665
	<u>582,597</u>	<u>415,879</u>
<u>Other receivables</u>		
Contract assets:		
- accrued revenue	4,084	-
- retention receivables	22,099	4,512
Deposits	11,250	13,950
Loans to a related party	-	40,767
Loans to a third party	350,000	350,000
Other receivables	11	-
Prepayments	6,128	-
	<u>976,169</u>	<u>825,108</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms.

Contract assets primarily relate to the Company's right to consideration for work completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become

Loans to a related party were fully repaid during the year. Interest was charged at 2.4% to 3.6% (2022: 2.4% to 3.65) per annum.

Loans to a third party is unsecured, interest bearing at 12% (2022: 12%) per annum and repayable on 12 months from June 2023 and October 2023, respectively. The loan to third party be renewable on 12-month basis and the Company can recall the loan upon demand.

INFORMATION OF TES (CONT'D)

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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables are non-interest bearing, unsecured and repayable on demand.

12. AMOUNT DUE FROM / TO THE DIRECTOR

Amount due from / to the director is non-trade, unsecured, interest free and repayable on demand.

13. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
	\$	\$
Cash at bank	1,268,259	671,112
Cash on hand	904	1,158
	<u>1,269,163</u>	<u>672,270</u>

14. TRADE AND OTHER PAYABLES

	<u>2023</u>	<u>2022</u>
	\$	\$
<u>Trade payables</u>		
- Related parties	316,809	184,139
- Third parties	40,673	19,562
	<u>357,482</u>	<u>203,701</u>
<u>Other payables</u>		
Accruals	196,486	86,492
Deposit received	30,768	12,041
GST payables	61,631	32,756
	<u>646,367</u>	<u>334,990</u>

Trade payables are non-interest bearing and are normally settled on 30 to 90 days terms.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

15. LEASE LIABILITIES

	<u>2023</u>	<u>2022</u>
	\$	\$
Analyses as:		
Current	162,133	22,212
Non-current	94,675	72,775
Total	<u>256,808</u>	<u>94,987</u>

The movements of lease liabilities during the year are disclosed in Note 16 and the maturity of lease liabilities is disclosed in Note 21(c).

The lease of motor vehicle of \$119,250 (2022:\$81,286) is secured by the Company's motor vehicles and personal guarantee by the director of the Company.

16. BORROWINGS

	<u>2023</u>	<u>2022</u>
	\$	\$
<u>EFS temporary bridging loan 1</u>		
Current	-	60,504
Total	<u>-</u>	<u>60,504</u>

The loan was fully repaid during the year. Interest was charged at Nil% (2022: 2.85%) per annum on monthly rests.

The loan was secured by joint and several guarantee from the Company's director.

A reconciliation of liabilities arising from financing activities is as follows:

	<u>Cash flows</u>				
	<u>1 January</u>	<u>Additions</u>	<u>Repayment of principal & interest</u>	<u>Interest expense</u>	
<u>2023</u>	\$	\$	\$	\$	\$
Bank borrowings					
- EFS temporary bridging loan 1	60,504	-	(60,653)	149	-
Lease liabilities	94,987	308,958	(165,210)	18,073	256,808
	<u>155,491</u>	<u>308,958</u>	<u>(225,863)</u>	<u>18,222</u>	<u>256,808</u>

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
 (Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

16. BORROWINGS (CONTINUED)

<u>2022</u>	<u>1 January</u>	<u>Additions</u>	<u>Cash flows</u>		<u>31 December</u>
			<u>Repayment of principal & interest</u>	<u>Interest expense</u>	
	\$	\$	\$	\$	\$
Bank borrowings					
- Working Capital loan					
- Bizmoney Loan	3,526	-	(3,540)	14	-
- SME working capital loan 1	967	-	(970)	3	-
- Business term loan	6,366	-	(6,418)	52	-
- EFS temporary bridging loan 1	162,203	-	(104,763)	3,064	60,504
Lease liabilities	115,284	93,800	(120,644)	6,547	94,987
	<u>288,346</u>	<u>93,800</u>	<u>(236,335)</u>	<u>9,680</u>	<u>155,491</u>

17. SHARE CAPITAL

	<u>2023</u>		<u>2022</u>	
	<u>Number of shares</u>	<u>\$</u>	<u>Number of shares</u>	<u>\$</u>
<u>Issued and fully paid ordinary shares</u>				
At beginning and at end of the year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

The holders of ordinary shares with no par value, are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share without restrictions. All shares rank equally with regard to the Company's residual assets.

18. DIVIDENDS PAID

	<u>2023</u>	<u>2022</u>
	\$	\$
First tier tax-exempt dividends declared and paid at \$1.50 (2022: Nil) per ordinary share in respect of current financial year	150,000	-
Second tier tax-exempt dividends paid at \$1.20 (2022: \$Nil) per ordinary share in respect of current financial year	120,000	-
	<u>270,000</u>	<u>-</u>

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
 (Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

19. EMPLOYEE BENEFITS

	<u>2023</u>	<u>2022</u>
	\$	\$
Salaries, bonuses and other costs	782,548	666,814
Defined contribution plans	70,958	60,099
	<u>853,506</u>	<u>726,913</u>
Inclusive of director's remuneration:	<u>132,444</u>	<u>132,240</u>

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Company has significant transactions with related parties on terms agreed between the parties concerned as follows:

(a) Sales and purchases of goods and services

	<u>2023</u>	<u>2022</u>
	\$	\$
<u>Related parties</u>		
Sales	(21,181)	(50,018)
Interest income	(900)	(14,342)
Administrative and management support service income	-	(49,837)
Marketing consultation expenses	165,000	102,000
Management and administrative expenses	48,000	72,000
Rental of office / lease payment	132,000	132,000
Rental of machinery	36,000	36,000
Rental of lorry	18,000	18,000
Sub-contract charges	112,680	9,710
Project management fee	306,500	-
	<u>306,500</u>	<u>-</u>
<u>Payable to directors of related parties</u>		
Salaries and bonus	123,716	-
Defined contribution plans	21,034	-
	<u>144,750</u>	<u>-</u>

Related parties are companies with the common controlling shareholder.

(b) Key management personnel compensation

	<u>2023</u>	<u>2022</u>
	\$	\$
Salaries and bonus	120,000	120,000
Defined contribution plans	12,444	12,240
	<u>132,444</u>	<u>132,240</u>

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

(Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023****21. FINANCIAL INSTRUMENT, FINANCIAL RISKS AND CAPITAL MANAGEMENT**

(a) Capital management policies and objectives

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

(b) Categories of financial instruments

The following table sets out the financial instruments as at the date of statement of financial position:

	2023	2022
	\$	\$
<u>Financial assets measured at amortised cost</u>		
Trade and other receivables	965,957	825,108
Amount due from the director	-	22
Cash and cash equivalents	1,269,163	672,270
	<u>2,235,120</u>	<u>1,497,400</u>
<u>Financial liabilities measured at amortised cost</u>		
Trade and other payables	584,736	302,234
Lease liabilities	256,808	94,987
Borrowings	-	60,504
Amount due to the director	1,095	-
	<u>842,639</u>	<u>457,725</u>

(c) Financial risk management policies and objectives

The management of the Company monitors and manages the financial risks relating to the operations of the Company to ensure appropriate measures are implemented in a timely and effective manner. These risks includes foreign currency risk, credit risk, liquidity risk and interest risk.

(i) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.

(Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS**For the financial year ended 31 December 2023****21. FINANCIAL INSTRUMENT, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)**

(c) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Company's historical information.

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 360 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
(Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

21. FINANCIAL INSTRUMENT, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

The Company's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >180 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

Trade receivables and contract assets

For trade receivables and contract assets, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime expected credit loss (ECL). The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

The Company has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
 (Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

21. FINANCIAL INSTRUMENT, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(ii) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Company finances its working capital requirements through a combination of funds generated from operations and bank borrowings. The directors are satisfied that funds are available to finance the operations of the Company.

The table below summarises the maturity profile of the Company's financial liabilities at the date of statement of financial position based on contractual undiscounted payments.

	Less than 1 year \$	Between 1 to 5 years \$	Total \$
2023			
Trade and other payables	584,736	-	584,736
Lease liabilities	172,584	105,157	277,741
Amount due to the director	1,095	-	1,095
	<u>758,415</u>	<u>105,157</u>	<u>863,572</u>
2022			
Trade and other payables	302,234	-	302,234
Lease liabilities	25,836	83,028	108,864
Borrowings	61,988	-	61,988
	<u>390,058</u>	<u>83,028</u>	<u>473,086</u>

(iii) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

No sensitivity analysis is prepared as the Company does not expect any material effect on the Company's profit or loss and equity arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

(iv) Foreign exchange risk

The Company operates predominantly in Singapore and therefore is not exposed to any material foreign currency exchange risk.

INFORMATION OF TES (CONT'D)

TES PRODUCTIONS & PROJECTS PTE. LTD.
(Company Registration Number: 201100201G)

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

21. FINANCIAL INSTRUMENT, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

v) Fair value of financial instruments

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Loans to a related party, a third party, lease liabilities and bank borrowings

The carrying amounts of loans to a related party and a third party, lease liabilities and bank borrowings approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

22. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company for the financial year ended 31 December 2023 were authorised for issue by the director on the date of director's statement.

INFORMATION OF TES (CONT'D)

10.0 DIRECTORS' REPORT ON TES

Registered Office:
 51 Ubi Avenue 1
 #03-01
 Paya Ubi Industrial Park
 Singapore 408933

Date: **05 NOV 2024**

To: The shareholders of Mikro MSC Berhad

Dear Sir/Madam,

On behalf of the board of directors of TES Productions & Projects Pte. Ltd. ("**TES**") ("**Board**"), I report after due inquiry in relation to TES that during the period from 31 December 2023 (being the date to which the latest audited financial statements of TES had been made up) to the date hereof (being a date not earlier than 14 days before the issue of the circular to shareholders of Mikro MSC Berhad), that:-

- (i) in the opinion of the Board, the business of TES has been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the latest audited financial statements of TES which have adversely affected the trading or the value of the assets of TES;
- (iii) the current assets of TES appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by TES;
- (v) since the last audited financial statements of TES, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/ or principal sums in relation to any borrowings of TES in which the Board is aware of; and
- (vi) since the last audited financial statements of TES, there have been no material changes in the published reserves or any unusual factors affecting the profits of TES.

Yours faithfully,
 For and on behalf of the Board
TES PRODUCTIONS & PROJECTS PTE. LTD.



LIM SENG GEE
MANAGING DIRECTOR

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

WYNCORP
 CORPORATE FINANCE ADVISOR

**EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE
 CONSIDERATION FOR THE PROPOSED ACQUISITION**

STRICTLY PRIVATE & CONFIDENTIAL
WYNCORP ADVISORY SDN BHD

 Registration No.: 200301029902 (632322-H)
 Suite 50-6-8, Level 6, Wisma UOA Damansara
 50 Jalan Dungun, Damansara Heights
 50490 Kuala Lumpur
 Malaysia
 Tel: +603 - 2096 2286/2289

 The Board of Directors
MIKRO MSC BERHAD
 3, Jalan Anggerik Mokara 31/48
 Sek 31, Kota Kemuning
 40460 Shah Alam, Selangor
 Malaysia

30 September 2024

Dear Sir / Madam,

MIKRO MSC BERHAD ("Mikro" or "Company")
**OPINION ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION BY MIKRO
 OF 100% EQUITY INTEREST IN TES PRODUCTIONS & PROJECTS PTE LTD ("TES") FOR A PURCHASE
 CONSIDERATION OF RM30 MILLION ("FAIRNESS OPINION")**

Unless otherwise stated herein, the terms and abbreviations used in this Expert's Report shall have the same meanings as set out in the "Definition" Section of the circular to shareholders of Mikro in relation to the Proposed Acquisition and Proposed Diversification ("Circular").

1. INTRODUCTION

On 12 August 2024, the Board announced that the Company had on the even date, entered into a heads of agreement ("HOA") with Calida Group Pte Ltd ("Vendor" or "Calida") for the proposed acquisition of 100,000 ordinary shares in TES Productions & Projects Pte. Ltd. ("TES"), representing 100% of the issued share capital of TES, subject to the terms and conditions of a definitive share sale agreement to be entered into between the same parties.

On 11 September 2024, KAF IB, on behalf of the Board, announced that Mikro had undertaken the Proposals. Mikro also entered into the SSA with the Vendor for the proposed acquisition of 100,000 ordinary shares in TES for a purchase consideration of RM30 million ("Purchase Consideration") to be satisfied via the issuance of 134,831,460 new ordinary shares in Mikro ("Consideration Shares") at an issue price of approximately RM0.2225 per Consideration Share ("Proposed Acquisition") on the even date.

Pursuant to the SSA, the Vendor irrevocably and unconditionally guarantee to Mikro that the audited profit after tax ("PAT") of TES for the financial year ended ("FYE") 31 December 2024 shall be not less than SGD0.80 million, and the audited PAT of TES for the FYE 31 December 2025 shall be not less than SGD0.89 million ("Guaranteed Profit Sums"). Further details of the Guaranteed Profit Sums are set out in Section 7.0, Appendix I of the Circular.

In accordance with Appendix 10B, Part F, Item (4) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), where any one of the percentage ratios is 25% or more in relation to foreign securities or assets proposed to be acquired, an Expert's Report on the fairness of the

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)
**EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE
CONSIDERATION FOR THE PROPOSED ACQUISITION**

total Purchase Consideration for the foreign securities or assets proposed to be acquired shall be prepared and included within the Circular.

The Proposed Acquisition falls within the scope as provided under Appendix 10B, Part F, Item (4) of the Listing Requirements. Accordingly, WYNCORP Advisory Sdn Bhd ("**WYNCORP**") has been appointed by Mikro to provide an Expert's Report that opines on the fairness of the Purchase Consideration payable by Mikro for the Proposed Acquisition ("**Expert's Report**").

2. PURPOSE OF REPORT

WYNCORP has been engaged by Mikro on 16 August 2024 pursuant to our letter of engagement to provide a Fairness Opinion on the Purchase Consideration for the Proposed Acquisition.

This letter is prepared for and addressed to the Board and is intended only for the inclusion in Circular particularly to the Fairness Opinion on the Purchase Consideration for the Proposed Acquisition. Accordingly, it cannot be used and relied upon in any other connection or by any other person.

WYNCORP's opinion and this letter may not be quoted, referred to or otherwise disclosed, in whole or in part, nor may any public reference to WYNCORP be made without our prior written consent. This letter is not intended as and does not constitute a recommendation by us on the Proposed Acquisition. It is also not intended to be relied on, to address the business concerns and risks pertaining to Mikro Group.

3. BACKGROUND INFORMATION ON TES

ITEM	DESCRIPTION
Target Company	TES Productions & Project Pte Ltd
Incorporation Date	3 January 2011
Registered Office	51 Ubi Avenue 1, #03-01 Paya Ubi Industrial Park, Singapore 408933
Principal Activity	Primarily involved in the design, manufacture and installation of signs and advertising displays, as well as the provision of interior fit-out services
Subsidiaries	None
Associate Companies	None
Latest Audited FYE	31 December 2023
Auditor	Nexton Assurance PAC
Accounting Standard	Financial Reporting Standards in Singapore (FRSs)
Summary Financial Highlights	FYE 31 December 2023 - Revenue SGD3.16 million (approximately RM10.64 million) - PAT SGD0.73 million (approximately RM2.46 million) - Shareholders' funds of SGD1.56 million (approximately RM5.25 million)

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EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION

4. SCOPE AND LIMITATIONSPrincipal sources of information

WYNCORP was not involved in any formulation of, or any deliberations and negotiations on, the terms and conditions pertaining to the Proposed Acquisition. In arriving at our opinion on the fairness of the Purchase Consideration, we have relied on, inter alia, the following information and/or documents made available to us by the management of Mikro:

- (i) the HOA;
- (ii) Audited financial statements of TES for the FYE 31 December 2021, 31 December 2022 and 31 December 2023;
- (iii) Circular to the shareholders of Mikro in relation to the Proposals;
- (iv) Copy of the projected financials of TES for the period from FYE 31 December 2024 to FYE 31 December 2028 furnished to us by the management of TES;
- (v) Interview sessions conducted with the management of Mikro and TES in relation to the Proposed Acquisition;
- (vi) Order book, tender book and potential customers to be secured;
- (vii) Other relevant information, documents and representations furnished to us by the management of TES; and
- (viii) Other publicly available information which we consider relevant for our evaluation.

Limitations of Our Report

Our Expert's Report on the Fairness Opinion of the Purchase Consideration for the entire equity interest of TES is prepared for the purpose of inclusion in a Circular to the shareholders of Mikro in relation to the Proposals.

In the process of performing our work, we have made relevant inquiries and obtained information that we considered necessary for the performance of our work. We have placed reliance on the Board and management of Mikro and TES, to take due care in ensuring that all information, data, documents and representations provided to us to facilitate our evaluation are accurate, valid, complete, reasonable and free from omission in all material respects. WYNCORP has not conducted any audit or other verification procedures in respect of any financial and non-financial data and information used in our evaluation. Accordingly, WYNCORP shall not assume any responsibility or liability whatsoever to any party for any inaccuracies, misstatements or omissions of facts and information provided or represented by the Board and management of Mikro and TES. It is not within our terms of reference to express any opinion on legal, accounting, auditing and taxation issues relating to the Proposed Acquisition. Based on the reviews and enquiries made by us, we are satisfied that the information as detailed in the Source of Information provided by the management of Mikro and TES to us are sufficient, the bases and assumption used for the future financial projections are reasonable and we have no reason to believe that any such information provided to us is untrue, inaccurate or misleading or the disclosure which might reasonably affect our evaluation and opinion as set out in the Expert's Report.

The Board is responsible to make available to us all relevant financial information pertaining to this exercise to prepare the Expert's Report, including informing us of any material changes which may have an impact on our appraisal of the fair value of the entire equity interest in TES.

WYNCORP has no reason to believe that any information supplied was false or that any material information has been withheld. WYNCORP has evaluated the information provided by TES through inquiry, analysis and review, and nothing has come to our attention to indicate that the information provided to us was materially misstated and there is no material omission which would make any information incomplete, misleading or inaccurate that would not afford reasonable grounds for us to form an opinion in our Expert's Report.

We have also relied on external information which are extracted from Bloomberg, and other information and documents published in the public domain and our own analysis in order for us to prepare this Expert's Report. We have performed reasonable checks to our satisfaction on information that we relied upon in preparation of the Expert's Report.

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



**EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE
CONSIDERATION FOR THE PROPOSED ACQUISITION**

Please note that our opinion is based on the valuation as of 12 August 2024 ("**Evaluation Date**") and the economic, market and other conditions prevailing as at the Evaluation Date, except otherwise specifically mentioned herein. Such conditions may change significantly over a short period of time after the Evaluation Date and the date of this Expert's Report. It should be noted that our evaluation and opinion expressed in this Expert's Report do not consider any subsequent information, events or conditions arising after the Evaluation Date or such other period as specified herein.

5. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

We take note of the following rationale and benefits of the Proposed Acquisition from Section 3.0 of the Circular:

Presently, the Group is involved in the E&E Business and Biomass Fuel Business. The management of Mikro is consistently seeking business opportunities to provide positive and sustainable growth for its shareholders. In this regard, the Proposed Acquisition represents a strategic opportunity for the Company to expand its footprint in Singapore and diversify its revenue streams. By entering into the new market segments where the Signage and Interior Fit-Out Businesses operate, the Company aims to broaden its customer base and capture additional revenue streams to reduce the risk of over-reliance on its existing businesses.

Through the Proposed Acquisition, Mikro is able to access TES's existing customer base, which aligns strategically with Mikro's target clientele. The Proposed Acquisition will introduce Mikro to new customer base and effectively expand its presence in Singapore, thereby facilitating its growth and market penetration initiatives.

Further, the Proposed Diversification is undertaken pursuant to the Listing Requirements as the Board believes that, barring any unforeseen circumstances, the Proposed Diversification is reasonably expected to contribute more than 25% of the net profits of the Group and may result in a diversion of more than 25% of the NA of the Group to Signage and Interior Fit-Out Businesses.

Barring any unforeseen circumstances and based on the above, the Proposals are expected to contribute positively to the Group's financials and enhance the shareholders' value.

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EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



**EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE
CONSIDERATION FOR THE PROPOSED ACQUISITION**

6. INDUSTRY OVERVIEW

The total addressable market (“**TAM**”) for Singapore’s signage sector is projected to reach approximately USD1.03 billion¹ by 2029, with a forecasted compound annual growth rate (“**CAGR**”) of 5.58%¹ from 2024 to 2029. Meanwhile, the TAM for the Interior Design and Maintenance sector in Singapore is anticipated to grow at a CAGR of 7.04%¹ over the same period, resulting in a projected TAM of USD6.10 billion¹ by 2029.

Singapore’s strategic role as a key regional hub for multinational corporations has significantly increased the demand for the renovation and refurbishment of commercial properties. This surge in foreign investment is catalysing robust growth within the signage and interior fit-out sectors, as updated and innovative signage solutions along with renovations are essential components of redevelopment projects. The influx of capital into the region is driving substantial opportunities for growth and expansion in the industry, which TES is well-positioned to leverage.

In addition, the resurgence of business events and trade shows in Singapore has created a renewed demand for printed signage. The Singapore Tourism Board (“**STB**”) has played a significant role in promoting the city as a prime location for Meetings, Incentives, Conventions, and Exhibitions (“**MICE**”). This rebound in business travel has led to an increased need for various printed materials, including banners, backdrops, and directional signs, highlighting the continued importance of printed signage in enhancing event experiences and brand visibility. Printed signage remains relevant by focusing on high customisation and quality improvements. Advances in UV printing, digital printing, and eco-friendly materials have bolstered the printed signage sector’s capabilities. Companies are integrating sustainable practices and exploring new technologies to remain competitive.

Furthermore, recent data from the Accounting and Corporate Regulatory Authority (“**ACRA**”) indicates a remarkable surge in entrepreneurial activity in Singapore, with over 70,000² new companies established in 2023. This represents a 9% increase from the previous year and is the highest number of new company registrations since 2014. During the same period, more than 50,000² companies closed their doors, marking a 5% year-on-year rise and the highest closure rate since 2016. Despite the challenging economic environment, this high level of new business activity, suggests a resilient and dynamic market. This trend bodes well for TES, as it signals strong business growth prospects in the signage manufacturing and interior fit-out sectors, driven by the robust entrepreneurial spirit in Singapore.

Collectively, these factors – increased foreign investment, resurgence of business events and trade shows, active and resilient entrepreneurial landscape – are shaping a favourable environment for growth within the signage and interior fit-out industries. This confluence of trends is expected to facilitate sustained industry expansion in the foreseeable future.

Sources: Mordor Intelligence; Accounting and Corporate Regulatory Authority

Notes:

(1) Mordor Intelligence – Singapore Printed Signage Event Exhibition and Interior Design Market (2024)

(2) Accounting and Corporate Regulatory Authority

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION

7. WYNCORP'S EVALUATION

In our evaluation on the fairness of the Purchase Consideration based on the Evaluation Date:

- (i) We have taken note of the rationale of the Proposed Acquisition as set out in Section 3.0 of the Circular;
- (ii) We have considered the estimated range of 100% equity interest in TES based on the equity valuation approaches as detailed in Section 7.2.4 of this letter ("**Indicative Valuation**"). The Indicative Valuation is only for the purpose of our evaluation of the fairness of the Purchase Consideration;
- (iii) To determine the Indicative Valuation, we adopted two valuation methodologies; as the primary valuation approach, we employed the trading comparables method ("**Trading Comparables**") based on the price-to-earnings multiple ("**P/E Multiple**") to derive a market-based valuation, which involves analysing the trading multiples of comparable publicly listed companies; we also used the Discounted Cash Flow ("**DCF**") as our supporting valuation method to estimate the intrinsic value of the business by calculating the present value of projected free cash flows. The DCF offers a sense-check against the Trading Comparables, aligning intrinsic value and market-based perspectives, improving the reliability of the valuation conclusion.

The financial projections of TES are denominated in SGD. In this letter, in view that the Purchase Consideration is payable in RM, all SGD amounts are translated to RM equivalents based on the middle rate of the closing as at 5.00 p.m. on 12 August 2024 of SGD1.00:RM3.3628, as extracted from Bank Negara Malaysia ("**Exchange Rate**").

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EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



**EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE
CONSIDERATION FOR THE PROPOSED ACQUISITION**

7.1. SUMMARY OF KEY BASES AND ASSUMPTIONS

The key bases and assumptions adopted in our Indicative Valuation and/or evaluation on the fairness of the Purchase Consideration and/or Indicative Valuation are as follows:

- (i) That it is assumed that the Financial Projections as prepared by the management of TES ("**Financial Projections**") will be achieved, TES assumes full responsibility for the accuracy, completeness, reliability and reasonableness of the bases and assumptions of the Financial Projections;
- (ii) The Guaranteed Profit Sums are taken into consideration in the Financial Projections;
- (iii) That the Trading Comparables valuation method relies on analysis of market data from publicly traded companies with similar business models, financial characteristics, and market conditions. This method assumes that the trading multiples derived from these comparables reflect current market perceptions and valuation benchmarks applicable to TES, providing a relative measure of value based on market comparability;
- (iv) That the DCF valuation approach is employed to sense-check against the valuation derived using the Trading Comparables method. The DCF implicitly assumes that the Vendor has sufficient control of TES's cash flow to determine the dividend policy capital structure and major capital developments. Also, the DCF method uses the Gordon growth model ("**Gordon Growth Model**") to approximate the terminal value of TES beyond the projected years 2025 to 2028;
- (v) That the Exchange Rates applicable as at the completion of the Proposed Acquisition shall approximate to the closing Exchange Rate as at 12 August 2024;
- (vi) TES has/will have all the relevant licences, permits, approvals, agreements, contracts of any other contractual agreements, to carry out the business ("**Licences/Agreements**"). Accordingly, it is further assumed that there are no breaches and there will not be any breaches of any provision in the Licences/Agreements and the Licences/Agreements are renewed upon expiry;
- (vii) There is no material movement to the Indicative Valuation from Evaluation Date up to the completion date of the Proposed Acquisition;
- (viii) That the time value implications, if any, from the Evaluation Date up to the actual completion date of the Proposed Acquisition is not material;
- (ix) That TES is in full compliance with all applicable regulations and laws in the markets that TES operates in, principally in Singapore;
- (x) That there will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, bases and rate of taxation, and other lending guidelines which will affect the activities of TES;
- (xi) That there will be no material changes in the present management of TES and principal activities as well as the accounting and operating policies presently adopted by TES. There will be continuity in responsible ownership and competent management with respect to the operation of the business;
- (xii) That there are no material changes in the financial position and performance as well as business operations of TES that will affect the TES after the Evaluation Date;
- (xiii) That there are no undisclosed actual or contingent assets or liabilities, including but not limited to, any contracts and/or off-balance sheet financial instruments, no unusual obligations or commitments other than in the ordinary course of business, nor any pending litigation which would have a material effect on the financial position or operations of TES now and in the future.
- (xiv) That the Indicative Valuation has been carried out on the basis that the TES is and will continue to be a going concern. It is assumed that the current operations and activities of TES will continue;
- (xv) That there will be no material changes to the condition of the assets which will affect the operations in the future; and
- (xvi) That there will be no event of force majeure occurring such as any act of God, act of public enemies, war, act of terrorism, restraint of Government or people of any nation, riots, insurrections, civil commotion, floods, fire, restrictions due to quarantines, epidemics, storms, or any other causes beyond the reasonable control of the management of TES, which could materially affect the financial position and business operations of the TES.

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



**EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE
CONSIDERATION FOR THE PROPOSED ACQUISITION**

7.2. THE INDICATIVE VALUATION OF 100% EQUITY INTEREST IN TES
7.2.1. METHOD OF VALUATION – TRADING COMPARABLES

We have relied on the Trading Comparables valuation as our primary valuation method to estimate a range of indicative values, which will be validated against the DCF valuation of TES to support the Fairness Opinion.

We have applied the P/E Multiple derived from Trading Comparables of Comparable Companies (“Comcos”) operating in the same or similar sectors as TES, either directly or indirectly.

The Trading Comparables method values a company by applying market trading multiples, such as the P/E Multiple, derived from similar publicly listed companies. This approach offers a market-driven perspective by reflecting industry-specific valuation benchmarks and current market conditions (please see Appendix 1).

To determine the weighted average PAT for the valuation range, we employed the base case financial forecast, applying differentiated weightages across the fiscal years 2021 to 2028 (please see Appendix 2). The emphasis is particularly weighted towards the fiscal years 2023 to 2026 for two principal reasons. First, the relatively short-term nature of the contracts means that projections extending beyond the medium term carry reduced reliability, thereby receiving a lower weightage of 1 to 2 times. Second, the decreased weightage for earlier periods addresses and normalises the impact of the pandemic on overall business performance.

The P/E Multiple range of 12.77x to 17.22x has been derived from a set of Comcos selected from companies in the Asia Pacific region, including Singapore, Malaysia, Hong Kong, and South Korea (please refer to Appendix 1). These companies operate in industries that are comparable to TES, specifically within the advertising, signage, event and exhibition and interior fit-out sectors. The chosen entities serve as key benchmarks for deriving the P/E Multiples utilised in our Indicative Valuation.

The P/E Multiple range of 12.77x to 17.22x, represents the 25th and 75th percentiles of the values observed for Comcos (please refer to Appendix 1). Using 25th and 75th percentiles of a valuation range help to capture the interquartile range, providing a more representative view of a company's value by minimising the impact of extreme outliers. This approach narrows the focus to a central 50% range of potential valuations, reducing the influence of unusually high or low estimates and offering a more reliable assessment of a company's worth.

The implied equity value of SGD8.78 million to SGD11.84 million (approximately RM29.53 million to RM39.82 million) was determined by applying the derived weighted average PAT to a P/E Multiple range and discounting the figure by an illiquidity discount of 25% to reflect large discounts observed in restricted stock and other illiquid assets.

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EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



**EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE
CONSIDERATION FOR THE PROPOSED ACQUISITION**

7.2.2. METHOD OF VALUATION – DCF

The DCF approach is an investment appraisal method that takes into consideration both the time value of money and the cash flow over a fixed period of time. Under this method, the cash flow from the investment is discounted at a specified discount rate to arrive at the net present value. A key assumption for the DCF approach is the choice of a discount rate that takes into account the relevant market interest and inflation rates as well as the business and financial risks relating to the business.

In determining the discount rates of the Indicative Valuation, we have selected the Comcos as detailed in Appendix 1. The Comcos operate in an industry broadly analogous to that of TES. We have excluded non-listed companies due to the unavailability of key data such as beta and current financial information. As detailed in Appendix 3, we have applied the prevailing risk-free rate, equity risk premium, and beta of the Comcos as of the Evaluation Date. It is important to note that the selection of Comcos and the associated adjustments involve a significant degree of subjectivity and judgment. The Comcos may not be perfectly aligned with TES due to various factors. Details of the selected Comcos and their principal activities are provided in Appendix 1.

Adjustments were made to account for differences in size and the unlisted status of TES. Based on a study carried out by Amihud, Hameed, Kang and Zhang (2019), the proposed average monthly illiquidity premium in the Asia-Pacific market is 1.05% implying an illiquidity premium of 12.60% per year.

Our DCF valuation is based on management's projections, which underpin our cash flow estimates for the best, base, and weak cases. The operational scenarios for these cases are detailed in Appendix 4. For this valuation approach, we have adopted the base case scenario, which involves adjusting management's projections to reflect a more conservative outlook. In the base case valuation, revenue is projected to grow at 6.5% per annum for the period 2025 to 2028, with the Gross Profit ("GP") margin forecasted to remain constant at 80%. Distribution and marketing costs are expected to align with management's forecasts, while administrative expenses are projected to rise at a constant rate of 3.5% annually for the projected years from 2025 onward. The effective tax rate is estimated at 17%, consistent with the prevailing statutory rate in Singapore.

The terminal value has been determined using the Gordon Growth Model. Adopting a conservative approach, we have applied a long-term growth rate of 2%, reflecting the lower end of Singapore's projected long-term GDP growth of 2%¹ to 3%¹ from 2025 to 2029.

To derive the equity value of TES, net cash is added to the enterprise value computed. The implied equity value derived is SGD8.99 million (approximately RM30.24 million), suggesting that the Purchase Consideration of SGD8.92 million (approximately RM30.00 million) is fair. The range of SGD7.88 million to SGD10.62 million (approximately RM26.51 million to RM35.72 million) is determined by discounting the projected cash flows based on the Financial Projections. This discounting is performed using discount rates ranging from 15.33% to 19.33%, which are set at 2% below and 2% above the determined discount rate of 17.33%.

Note: (1) IMF World Economic Outlook Database April 2024

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION

7.2.4. BASIS OF INDICATIVE VALUATION

The basis of the Indicative Valuation used herein is the market value which is defined as the approximate price of an asset that would change hands between a willing buyer and a willing seller when neither is acting under compulsion and when both have the relevant and required facts.

Please note that the concept of market value means the price of an asset being valued assuming the transaction took place under conditions existing at the date of valuation of the asset. The amount would not be considered market value if it was influenced by special motivations that are not characteristic of a typical buyer and seller.

In addition, the range of indicative values that we have estimated is based on going concern use and not, for example, on the break-up value of the business.

7.2.4. INDICATIVE VALUATION RESULTS

Using the approach to the Indicative Valuation as outlined in Section 7.2.1 and 7.2.2 of this letter and based on the key bases and assumptions as detailed in Section 7.1 of this letter, the indicative values of 100% equity interest in TES discounted at the derived discount rate as at Evaluation Date are as set out in the table below:

Table 1: Trading Comparables

Trading Comparables (PER)				
	SGD million		RM million	
	Low ²	High ³	Low ²	High ³
Equity Value	11.71	15.79	39.37	53.10
Equity Value (25% ⁴)	8.78	11.84	29.53	39.82

Table 2: DCF Valuation

DCF (Base Case)				
	SGD million		RM million	
	Low ⁴	High ⁵	Low ²	High ³
Equity Value ⁵	7.88	10.62	26.51	35.72

Notes:

- (1) 25% illiquidity discount aligns with common valuation practices supported by industry studies, reflecting large discounts observed in restricted stock and other illiquid assets
- (2) 25th percentile of 12.77x P/E Multiple using the weighted average PAT
- (3) 75th percentile of 17.22x P/E Multiple using the weighted average PAT
- (4) WACC of 19.33% and Growth Rate of 1.0%
- (5) WACC of 15.33% and Growth Rate of 3.0%
- (6) Net Cash position basis of SGD1.01 million as at 31 Dec 2023

The Trading Comparables approach indicates a median valuation of SGD10.31 million (approximately RM34.68 million), while the DCF approach computes a valuation of SGD8.99 million (approximately RM30.24 million). Both of which sits above the Purchase Consideration of SGD8.92 million (approximately RM30.00 million).

Beyond the Evaluation Date, WYNCORP has not taken into consideration time value implications, if any, which may arise at any time between the actual completion date of the Proposed Acquisition and the Evaluation Date. Additionally, the Exchange Rate assumed in our evaluation is based on closing mid-rate as at 12 August 2024, which may be different from the exchange rate applicable as at the completion of the SSA.

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION

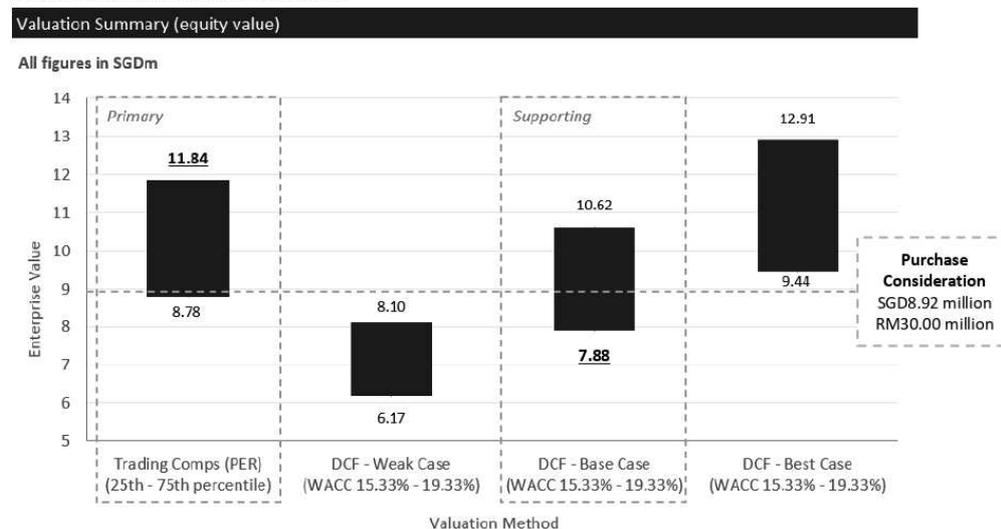
The Indicative Valuation is highly dependent on, amongst others, the achievability of the Financial Projections as well as the materialisation of the bases and assumptions used in the Indicative Valuation as stated in Section 7.1 of this letter. Financial Projections are inherently uncertain and are based on predictions of future events that cannot be assured. We wish to highlight that the Indicative Valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the Indicative Valuation and/or the Financial Projections were based.

7.3. COMPARISON BETWEEN INDICATIVE VALUATION AND PURCHASE CONSIDERATION

We have relied on the Trading Comparables as the primary valuation method and DCF as the supporting valuation approach, using base case projections to estimate the range of indicative values of TES for the purpose of the Fairness Opinion. As shown in Table 3, the Purchase Consideration for the Proposed Acquisition falls within the Indicative Valuation range of 100% equity interest in TES.

The expanded Indicative Valuation range for both the Trading Comparables and DCF base case analyses is between SGD7.88 million and SGD11.84 million (approximately RM26.51 million to RM39.82 million). The median valuation within this range is SGD9.86 million (approximately RM33.17 million), which exceeds the Purchase Consideration of SGD8.92 million (approximately RM30.00 million).

Table 3: Indicative Valuation Results



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EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



**EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE
CONSIDERATION FOR THE PROPOSED ACQUISITION**

9. CONCLUSION

We are of the opinion that the Purchase Consideration is fair from a financial point of view based on the key bases and assumptions as set out in Section 7.1 of this letter and our Indicative Valuation on TES and the implied Trading Comparables and DCF valuation range as set out in Section 7.2 of this letter, as well as our consideration that the Purchase Consideration of RM30.00 million falls within the range of the Indicative Valuation of 100% equity interest in TES of between SGD7.88 million and SGD11.84 million (approximately RM26.51 million to RM39.82 million) as shown in Table 4.

Table 4: Indicative Valuations Range (Trading Comparables and DCF base case)

	SGD million		RM million	
	Low	High	Low	High
	Trading Comparables	8.78	11.84	29.53
DCF (base case)	7.88	10.62	26.51	35.72
Equity Value	7.88	11.84	26.51	39.82

9. RESTRICTION

This letter is prepared solely for the inclusion in the Circular in relation to the Proposals. Other than as specified in this letter, it is not intended for general circulation or publication and is not to be reproduced, quoted or referred to, in whole or in part, in any public document or announcement without the prior written consent of the Board and WYNCORP. We reserve the right to amend this letter in terms of its format and contents before providing our consent.

Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this letter, in whole or in part, contrary to the provision set out in this letter and our engagement letter.

Neither WYNCORP nor any of its members or employees undertakes responsibility arising in any way whatsoever to any person in respect of this letter, including any error or omission therein, however caused. We are under no obligation to update this letter in respect of events or information that came to our attention subsequent to 30 September 2024.

Yours faithfully,

Wong Yoke Nyen
Managing Director

Daniel Tan Chih Chai
Director

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)

WYNCORP EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITIONS

CORPORATE FINANCE ADVISOR

Appendix 1: Comparable Companies – Trading Multiples (P/E Multiple)
Trading Comps

Company Name	Principal Activities	Share price ¹ (SGD)	Market Cap (SGDm)	Financials ² (SGDm)			P/E 2023
				Revenue	EBITDA	PAT	
Signage, Exhibition and Advertising Solution Providers							
Kingsmen Creatives Ltd	Singapore-based service provider specialising in design and production of exhibits for exhibitions, museums, visitor centers, events and promotional functions	0.28	57	361.49	9.03	2.86	19.83 x
Chell Worldwide Inc	Korea-based advertising and marketing company which provides strategic, creative, media, digital, and experimental solutions at different points of contact	16.82	1,935	4,003.28	370.03	181.21	10.68 x
75th Percentile							17.54 x
Median							15.25 x
25th Percentile							12.97 x
Interior Fit-outs							
Pico Far East Holdings Ltd	Hong Kong-based investment holding company principally engaged in the provision of exhibition and event marketing services	0.29	363	905.71	73.23	38.77	9.35 x
Signature International Berhad	Malaysia-based company specialising in the design, production, marketing and distributing of modular kitchen systems	0.38	240	183.66	32.86	14.94	16.04 x
75th Percentile							14.37 x
Median							12.70 x
25th Percentile							11.03 x
Blended Multiples							
Signage, Exhibition and Advertising Solution Providers							Weightage
Interior Fit-outs							0.9
							0.1
Maximum							
75th Percentile							19.45 x
Median							17.22 x
25th Percentile							15.00 x
Minimum							12.77 x
Source: Bloomberg Data; Company Filings							10.55 x

Notes:

- (1) Share price as at closing on 12 August 2024
- (2) As at last financial year 2023
- (3) The allocation of weightage to the segment split reflects the approximate revenue contribution percentages observed historically and projected for future periods

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)

WYNCORP EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITIONS
CORPORATE FINANCE ADVISOR

Appendix 2: Weighted Average PAT

Weighted Average Profit after Tax ("PAT")

	Weightage	SGD million		RM million	
		PAT	Weighted	PAT	Weighted
2021A	1	268,907	268,907	904,280	904,280
2022A	1	306,950	306,950	1,032,211	1,032,211
2023A	2	732,548	1,465,096	2,463,412	4,926,825
2024E	3	937,400	2,812,200	3,152,289	9,456,866
2025E	3	1,032,200	3,096,600	3,471,082	10,413,246
2026E	2	1,135,200	2,270,400	3,817,451	7,634,901
2027E	1	1,247,200	1,247,200	4,194,084	4,194,084
2028E	1	1,366,000	1,366,000	4,593,585	4,593,585
Total	14		12,833,353		43,155,999
Weighted Average			916,668		3,082,571

Source: Company Financials; Management Projections

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)

WYNCORP
 CORPORATE FINANCE ADVISOR

**EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR
 THE PROPOSED ACQUISITIONS**

Appendix 3: WACC – Discount Rate Calculation

WACC	
Industry Unlevered Beta	0.71 ¹
Relevered Beta	0.81
Risk free rate	2.88% ²
Market risk premium	4.60% ³
Illiquidity premium	12.60% ⁴
Cost of equity	19.21%
Interest Expense	SGD 18,222
Total Debt	SGD 256,809
Cost of Debt	7.10%
Tax rate	17.00% ⁵
Cost of Debt after Tax	5.89%
Debt / Equity ratio	0.16
Weight of equity	0.86
Weight of debt	0.14
WACC Discount Rate	17.33%

Source: Bloomberg Data; Company Filings

Notes to WACC – Discount Rate Calculation
1. Industry Unlevered Beta

Industry Unlevered Beta					
	Levered Beta ¹	Debt / Equity ²	Country	Tax Rate	Unlevered Beta
Kingsmen Creatives Ltd	0.831	0.25	Singapore	17.0%	0.69
Cheil Worldwide Inc	0.827	0.13	South Korea	24.0%	0.75
Pico Far East Holdings Ltd	0.687	0.22	Hong Kong	16.5%	0.58
Signature International Berhad	1.331	0.78	Malaysia	24.0%	0.84
Average	0.92	0.35			0.71

Source: Bloomberg Data; Company Filings

Notes:

- (1) Levered Betas extracted from period 1 January 2020 to 31 December 2023
 (2) As at last financial year 2023

- Risk free rate** – The risk-free rate utilised is derived from the yield of the 10-year Singapore government bond as of 12 August 2024. This rate serves as the foundation for calculating the cost of capital, representing the theoretical return expected from an investment considered entirely free of credit risk, thus providing a baseline for discounting future cash flows
- Market risk premium** – The market risk premium is determined based on the NYU Stern Singapore equity risk premium, which accounts for the additional return demanded by investors for holding a diversified portfolio of Singaporean equities over the risk-free rate. This premium compensates investors for bearing the inherent risks associated with equity investments in the Singaporean market
- Illiquidity premium** – Determined based on a study carried out by Amihud, Hameed, Kang and Zhang (2019). The proposed average monthly illiquidity premium in the Asia-Pacific market is 1.05% implying an illiquidity premium of 12.6% per year
- Tax** – The tax rate used is Singapore's statutory corporate tax rate of 17%

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION (CONT'D)



**EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR
THE PROPOSED ACQUISITIONS**

Appendix 4: DCF Operational Scenarios for Best, Base and Weak Cases

Operating Scenarios					
	2024E	2025E	2026E	2027E	2028E
Revenue Growth					
Management Case	5.0%	6.5%	8.0%	8.0%	8.0%
Best Case	5.0%	7.0%	7.0%	7.0%	7.0%
Base Case	5.0%	6.5%	6.5%	6.5%	6.5%
Weak Case	5.0%	5.0%	5.0%	5.0%	5.0%
GP margin					
Management Case	80.0%	80.0%	80.0%	80.0%	80.0%
Best Case	85.0%	85.0%	85.0%	85.0%	85.0%
Base Case	80.0%	80.0%	80.0%	80.0%	80.0%
Weak Case	75.0%	75.0%	75.0%	75.0%	75.0%
Distribution and marketing costs Growth					
Management Case	5.0%	5.0%	5.0%	5.0%	5.0%
Best Case	4.0%	4.0%	4.0%	4.0%	4.0%
Base Case	5.0%	5.0%	5.0%	5.0%	5.0%
Weak Case	6.0%	6.0%	6.0%	6.0%	6.0%
Admin Expenses Growth					
Management Case	0.5%	3.5%	3.5%	3.6%	3.6%
Best Case	3.0%	3.0%	3.0%	3.0%	3.0%
Base Case	0.5%	3.5%	3.5%	3.5%	3.5%
Weak Case	4.0%	4.0%	4.0%	4.0%	4.0%
Tax Rate					
Management Case	10.8%	10.8%	10.8%	10.8%	10.8%
Best Case	10.8%	10.8%	10.8%	10.8%	10.8%
Base Case	17.0%	17.0%	17.0%	17.0%	17.0%
Weak Case	17.0%	17.0%	17.0%	17.0%	17.0%

Source: Company Financials; Management Projections

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF SINGAPORE, AND OTHER RELEVANT LEGAL MATTERS



30 October 2024

The Board of Directors
Mikro MSC Berhad
 No. 3, Jalan Anggerik Mokara 31/48,
 Seksyen 31, Kota Kemuning,
 40460 Shah Alam, Selangor
 (the "**Company**")

Our Ref: 19100.24

Dear Sirs

LEGAL OPINION IN RELATION TO THE PROPOSED ACQUISITION BY MIKRO MSC BERHAD (THE "COMPANY") OF 100% OF THE ISSUED SHARE CAPITAL OF TES PRODUCTIONS & PROJECTS PTE. LTD. (THE "TARGET COMPANY") ("PROPOSED ACQUISITION")

A. INTRODUCTION

1. We are a law firm practising Singapore law.
2. We have been requested by the Company to provide a legal opinion ("**Opinion**") from the perspective of Singapore laws regarding the following:
 - (i) the due incorporation and capacity of the Target Company;
 - (ii) the ownership and title to the shares in the capital of the Target Company;
 - (iii) licences held by the Target Company and compliance with the government regulations, laws or rules applicable to the Target Company;
 - (iv) the validity and enforceability of agreements, representations and undertakings entered into by the Target Company;
 - (v) the material litigation and the solvency status relating to the Target Company; and
 - (vi) a write-up on the applicable policies in Singapore on foreign investments, repatriation of profits and taxation, in connection with the Proposed Acquisition,

in connection with the Company's issuance of a shareholders' circular to seek its shareholders' approval in respect of the Proposed Acquisition.

B. PRELIMINARY MATTERS

3. This Opinion is limited to (i) matters of the laws of Singapore as currently enforced and applied by the Singapore courts and is given on the basis that it will be governed by and construed in accordance with, and any liability which may arise in respect of it is to be governed by, the laws of Singapore, as of the date of this Opinion; and (ii) where applicable, the information published or made publicly available by the Inland Revenue Authority of Singapore ("**IRAS**") on its website at <https://www.iras.gov.sg/>.
4. We express no opinion with respect to the laws of any other jurisdiction. We have made no investigation of the laws of any country or jurisdiction other than Singapore and do not express or imply any opinion thereof.

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF SINGAPORE, AND OTHER RELEVANT LEGAL MATTERS (CONT'D)

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5. This Opinion is also given on the basis that we undertake no responsibility and are under no obligation to advise you on any other matters that may occur after the date of this Opinion which could render the opinions expressed herein no longer applicable (including any changes to information published or made publicly available by IRAS), including where any such changes may be made on a retrospective basis. We also express no opinion as to matters of fact, commercial desirability or viability. This Opinion on the matters set out herein are with reference to the latest practicable date of 23 October 2024 ("**Latest Practicable Date**").
6. As a law firm, we are not qualified to express any opinion or verify any statement or information pertaining to:
 - (i) financial and accounting information;
 - (ii) information on profitability, viability, reputation or other commercial matters;
 - (iii) technical information and investment considerations; and
 - (iv) all other information within the scope of expertise of other professional advisors, including tax advisors, auditors and merchant bankers.
7. This Opinion is addressed to, and for the sole benefit of, the persons named on the first page of this Opinion, and except with our prior written permission, may not be transmitted or disclosed to or used or relied upon by any other person for any purpose or quoted or referred to in any public document or filed with any governmental agency or other person (other than pursuant to an order of a court of Singapore), save that the Company may with prior written notice to us:
 - (i) provide copies of this Opinion to the Bursa Malaysia Securities Berhad and any other relevant regulatory body applicable to the Company, if so requested by the relevant regulatory body; and
 - (ii) annex a copy of this Opinion to the Company's circular to its shareholders in respect of the extraordinary general meeting to be convened to approve, *inter alia*, the Proposed Acquisition.
8. For the avoidance of doubt, this Opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote in respect of any resolution(s) in relation to the Proposed Acquisition.

C. DOCUMENTS EXAMINED

9. For the purposes of this Opinion, we have examined copies of the following documents (collectively, the "**Documents**") which were submitted to us:
 - (i) a copy of the Certificate of Incorporation of the Target Company issued by the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") on 3 September 2024 (the "**COI**");
 - (ii) a copy of the existing Constitution of the Target Company as at the date hereof;
 - (iii) the Register of Directors, Register of Nominee Directors, Register of Secretaries, Register of Auditors, Register of Applications and Allotments of Shares, Register of Members, Register of Nominee Shareholders, Register of Transfers, Register of Directors' Shareholdings, Register of Substantial Shareholders, Register of Charges, and Register of Controllers of the Target Company as at the Latest Practicable Date;

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- (iv) Heads of Agreement dated 12 August 2024 between the Company and Calida Group Pte. Ltd.;
 - (v) Share Sale Agreement dated 11 September 2024 between the Company and Calida Group Pte. Ltd.; and
 - (vi) the confirmation letter dated 24 October 2024 issued by the Target Company to us (the "**Confirmation Letter**").
10. We have undertaken only the following searches on the Target Company (collectively, the "**Searches**") for the purposes of this Opinion:
- (i) the business profile search of the Target Company conducted with ACRA on 24 October 2024 ("**ACRA Bizfile Search**");
 - (ii) the electronic Registers of Members, Directors, Secretaries and Auditors respectively of the Target Company, obtained from ACRA via Bizfile on 24 October 2024; and
 - (iii) the litigation and/or winding up searches conducted on the Target Company made on the public records of the Supreme Court and State Courts (as the case may be) of Singapore, in respect of the litigation and/or winding up proceedings for the period from 1 January 2021 to the Latest Practicable Date (collectively, the "**Court Searches**"); and
 - (iv) the litigation and/or bankruptcy searches conducted on the sole director of the Target Company, Lim Seng Gee, made on the public records of the Supreme Court and State Courts (as the case may be) of Singapore, in respect of the litigation and/or winding up proceedings for the period from 1 January 2021 to the Latest Practicable Date (collectively, the "**LSG Court Searches**").
11. For the purposes of this Opinion, we have not examined any document other than the Documents and the Searches specifically mentioned above. In particular, we have not had sight of, and express no opinion whatsoever with respect to, any other agreements or documents which are mentioned or referred to in any of the Documents and/or the Searches. Our examination of the Documents and the Searches is strictly to the extent relevant to this Opinion.

D. OUR OPINION

12. Based on the Documents and the Searches, we are of the opinion that:

Corporate Matters

- 12.1 The Target Company was duly incorporated in Singapore and is validly subsisting under the laws of Singapore;
- 12.2 The Target Company has legal capacity to sue and be sued in its own name;
- 12.3 Under Section 23 of the Companies Act 1967 of Singapore ("**Companies Act**"), the Target Company has the full capacity, rights, powers and privileges to carry on or undertake any business or activity, do any act or enter into any transaction, to the extent permissible under law and subject to its Constitution;
- 12.4 The Target Company has the requisite power, authority and legal capacity to enter into valid and binding agreements, make representations and commit to undertakings in its name in Singapore;
- 12.5 Based on the Court Searches, as at the Latest Practicable Date, there are no judgements, legal proceedings, or steps being taken in Singapore, and no petition is outstanding, for the

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appointment of a receiver, judicial manager or liquidator to or for the winding-up of the Target Company;

Ownership and title to the Shares

- 12.6 Based on the ACRA Bizfile Search, the Target Company has an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares;
- 12.7 All of the issued shares of the Target Company have been duly authorised and validly allotted and issued, and such allotment and issuance did not and would not result in the violation or contravention of the Constitution of the Target Company and did not and would not require any approval or permit from any government authorities in Singapore;
- 12.8 Based on the electronic Register of Members of the Target Company, Calida Group Pte. Ltd. is the sole shareholder of the Target Company;
- 12.9 Based on the Documents, the Target Company has not entered into any contract or agreement which requires the Target Company to issue options, warrants, instruments convertible into shares or other rights to subscribe for any Shares in the Target Company;
- 12.10 Based solely on a review of the Documents, the ACRA Bizfile Search and the Confirmation Letter, the Company does not have any existing charges as at the date of this Opinion;

Licences and Compliance

- 12.11 Based on the Confirmation Letter and the Documents, save for the following licences, permits, approvals and certifications, the Target Company does not have, and does not require any licences, permits, approvals and certifications which are material to its business operations:
- (i) Registration with the Building and Construction Authority under the following workheads, valid until 1 October 2027 (inclusive):
 - (a) CR06 – Interior Decoration & Finishing Works (Grade: L1); and
 - (b) CR11 – Signcraft Installation (Grade: L1);
 - (ii) Certificate issued by the Workplace Safety and Health Council on 6 March 2024 and valid until 5 March 2027, certifying that the Target Company has fulfilled requirements to attain bizSAFE Level 3; and
 - (iii) Certificate of Registration issued by Transpacific Certifications (Singapore) Pte. Ltd. on 6 October 2023 and expiring on 10 October 2026 (subject to satisfactory annual surveillance audits), certifying that the quality management system of the Target Company complies with the requirements of ISO 9001:2015 concerning all activities related to the manufacture and installation of interior and exterior signage. In respect of the aforementioned certificate, the next audit due date is 10 October 2024;
- 12.12 Based on the Confirmation Letter and the Documents, there was no material non-compliance during the three-year period immediately preceding the Latest Practicable Date by the Target Company of applicable laws, rules or regulations which may have had a material adverse impact on the business and financial condition of the Target Company;
- 12.13 Based on the Confirmation Letter and the Documents, the Target Company does not have any existing or pending disputes with any governmental, judicial or regulatory authority of Singapore, and nothing has come to our attention during the course of our due diligence to suggest otherwise;

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Enforceability of agreements, representations and undertakings entered into by the Target Company in Singapore

- 12.14 Any agreement, representation or undertaking entered into by the Target Company is generally enforceable in the Singapore courts in accordance with their terms, save in certain circumstances, including but not limited to the following:
- (i) where such obligations are illegal or contrary to public policy, such as in connection with money laundering or other unlawful activities;
 - (ii) where the validity, performance and enforcement of an agreement is limited by statutes of limitation, lapse of time, time bars, waiver and laws relating to bankruptcy, insolvency, reorganisation, liquidation, moratorium arrangements or similar laws affecting creditors' rights generally, equitable principles or may become subject to a defence of set-off or counterclaim. For instance, transactions entered into during the period prior to insolvency may be set aside under certain circumstances;
 - (iii) where an obligation is to be performed in, or subject to the laws of, a jurisdiction outside of Singapore, such provision may not be enforceable in Singapore to the extent that the performance of such obligation would be unenforceable, illegal or contrary to public policy under the laws of such jurisdiction;
 - (iv) an agreement providing for the payment of additional amounts upon a default may not be enforceable if such provision is construed by the Singapore courts as a penalty;
 - (v) the Singapore courts may in its discretion stay proceedings in certain circumstances, such as if public policy so requires, if proceedings are concurrently brought elsewhere or if litigation is pending in another forum on the same matter;
 - (vi) an agreement may be varied, amended, discharged or otherwise affected by a collateral agreement whether oral or implied by course of dealing;
 - (vii) enforcement of an agreement may be restricted by principles relating to the frustration of contracts due to the occurrence of events subsequent to the entry into such agreement; and
 - (viii) failure to exercise a right promptly may operate as a waiver of such right.

Material Litigation and Solvency Status relating to the Target Company

- 12.15 The Court Searches were conducted on the Target Company made on the public records of the Supreme Court and State Courts (as the case may be) of Singapore, in respect of the following:
- (i) Whether there are any winding up proceedings instituted against the Target Company; and
 - (ii) Whether there are any legal proceedings instituted against the Company (including litigation, investigations, administration or judicial management, administrative actions, disciplinary proceedings, prosecution, claims etc.).
- 12.16 Based solely on the Court Searches and the Confirmation Letter, there is no record of any judgements against the Target Company, nor any legal or governmental proceedings pending in Singapore to which the Target Company is subject to for the last three years preceding the date of this Opinion.

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- 12.17 Based solely on the Court Searches conducted on Supreme Court records and the Confirmation Letter, there is no record of any steps having been, or are being, taken in Singapore for the appointment of a receiver or liquidator to, or for the winding-up, dissolution, reconstruction or reorganisation of, the Target Company for the last three years preceding the date of this Opinion.
- 12.18 Based solely on the LSG Court Searches and the Confirmation Letter, there is no record of any judgements, nor any litigation or arbitration proceedings in Singapore to which the sole director of the Target Company, Lim Seng Gee, is subject to for the last three years preceding the date of this Opinion.
- 12.19 Based solely on the LSG Court Searches and the Confirmation Letter, no bankruptcy proceedings have been made against the sole director of the Target Company, Lim Seng Gee, for the last three years preceding the date of this Opinion.

E. WRITE-UP ON POLICIES IN SINGAPORE ON FOREIGN INVESTMENTS, REPATRIATION OF PROFITS AND TAXATION, IN CONNECTION WITH THE PROPOSED ACQUISITION

13. Policies in Singapore on foreign investments

- 13.1 As at the date hereof, there is generally no legislative framework in Singapore restricting or prohibiting foreign investment in companies incorporated in Singapore, save as described in paragraph 13.3 below.
- 13.2 From a Singapore corporate law perspective, as at the date hereof, there are no restrictions or prohibitions under Singapore laws against the Company, being an entity incorporated in Malaysia, holding all the Shares in the Target Company pursuant to the completion of the Proposed Acquisition.
- 13.3 However, please note that under the Significant Investments Review Act 2024 of Singapore ("SIRA"), certain entities designated by the relevant authority as critical to the interests of Singapore's national security may be subject to regulatory or approval requirements in relation to, *inter alia*, changes in ownership, control and key personnel, and other related restrictions. Under the SIRA, the relevant authority also has powers to review transactions and take targeted action against any entity which has acted against Singapore's national security interests within a period of two years after such transaction. In addition, certain regulations or restrictions on foreign ownership may apply to entities carrying on business in regulated industries such as banking and telecommunications, or in certain circumstances such as the acquisition of real property. Based on the Documents and information available to us, the Target Company has not been designated as critical to the interests of Singapore's national security under the SIRA.

14. Policies in Singapore on repatriation of profits

- 14.1 There are no foreign exchange control restrictions imposed under Singapore laws and no exchange control formalities or approvals required for all forms of payments or capital transfers into or out of Singapore, subject to payment of the applicable taxes and so long as there is no breach of any rule for international monitoring for countering money-laundering and terrorism.
- 14.2 Under the Companies Act, a company can only declare and pay dividends to its shareholders out of the profits of the company. There are no restrictions on the payment of dividends to a foreign shareholder.
- 14.3 Capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Companies Act and the constitution of the company. There are no restrictions on payment of capital from a capital reduction exercise to a foreign shareholder.

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- 14.4 A company may, subject to the limits and conditions in its constitution and under the Companies Act, buy back or acquire its own shares. There are no specific restrictions on payment of such purchase price to foreign shareholders in respect of a share buy back exercise.
- 14.5 Accordingly, there are no Singapore governmental laws, decrees, regulations and other legislation that may affect the import or export of capital, or the remittance or currency denomination of dividends, interest or other payments to non-resident holders of the Target Company.
15. **Applicable policies in Singapore on taxation**
- Corporate Income Tax*
- 15.1 A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore. Generally, the control and management of a company's business is vested in the board of directors of the company (i.e. the decision-making on policy and strategic matters), hence the location of a company's board of directors meetings usually determines where such control and management is exercised.
- 15.2 A Singapore tax resident corporate taxpayer is subject to Singapore income tax on (i) income accruing in or derived from Singapore; and (ii) income derived from outside Singapore (i.e. foreign-sourced income) which is received or deemed received in Singapore, unless otherwise exempted.
- 15.3 The prevailing corporate tax rate in Singapore is 17% and taxpayers are entitled to claim partial tax exemption on the first S\$200,000 of a company's normal chargeable income as follows:
- (i) 75% on the first S\$10,000 of normal chargeable income; and
 - (ii) 50% on the next S\$190,000 of normal chargeable income.
- 15.4 Tax exemption will be granted to a Singapore tax resident corporate taxpayer on its foreign-sourced income, including foreign-sourced dividends, foreign branch profits and foreign-sourced service income, received or deemed to be received in Singapore, subject to meeting all the qualifying conditions:
- (i) such foreign-sourced income has been subject to tax in the foreign jurisdiction from which it is received;
 - (ii) the highest corporate income tax rate of such foreign jurisdiction from which the foreign-sourced income is received is at least 15% at the time the foreign-sourced income is received in Singapore; and
 - (iii) the Comptroller of Income Tax is satisfied that the tax exemption is beneficial to the Singapore tax resident company.
- 15.5 A non-Singapore tax resident corporate taxpayer, who is carrying on a trade or business in Singapore, is liable to Singapore income tax on income accruing in or derived from Singapore, and foreign-sourced income received or deemed received in Singapore.
- 15.6 The Avoidance of Double Taxation Agreements and other arrangements which Singapore has entered into with various jurisdictions, including Malaysia, has also served to relieve investors of the burden of double taxation of income earned in a jurisdiction by a resident of the other jurisdiction.

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Dividend Distributions

- 15.7 Singapore adopts the One-Tier Corporate Taxation System ("One-Tier System"). Under the One-Tier System, the tax paid by a Singapore tax resident company is a final tax. All dividends paid by a Singapore tax resident company are tax exempt in Singapore in the hands of the shareholders regardless of their tax residency and whether the shareholder is a company or an individual. As at the date hereof, Singapore does not impose withholding tax on dividends.
- 15.8 Notwithstanding the above, the Company is advised to consult its own tax advisers in respect of the tax laws of its country of residence which are applicable on such dividends received by them and the applicability of any double taxation agreement that its country of residence may have with Singapore.

Gains on disposal of Shares

- 15.9 As at the date hereof, Singapore does not impose tax on capital gains. Any gains from the disposal of a company's shares which are considered to be capital in nature will not be taxable in Singapore. However, gains from the disposal of investments may be construed to be of an income nature and hence subject to Singapore income tax if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore.
- 15.10 There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. As the precise facts and circumstances will vary, the Company is advised to consult its own tax advisers on the Singapore tax consequences of the subscription for, purchase, holding and disposal of shares that may be applicable to the relevant circumstances.

Stamp Duty

- 15.11 Where shares evidenced in certificated form are acquired in Singapore and where the company maintains a share registry in Singapore, stamp duty is payable on the instrument (including electronic documents) of transfer of such shares at the rate of 0.2%, computed on the consideration paid or net asset value of such shares, whichever is higher.

Goods and Services Tax ("GST")

- 15.12 The current GST rate in Singapore is 9%. GST-registered businesses are required to charge and account for GST at 9% on all sales of goods and services in Singapore unless the sale can be zero-rated or exempted under the law.
- 15.13 The sale of shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply and hence would not be subject to GST. Where shares are sold by a GST-registered investor to a person belonging outside Singapore, and the supply directly benefits (i) a person who belongs in a country other than Singapore and who is outside Singapore at the time of the sale; or (ii) a GST-registered person who belongs in Singapore, such sale of shares qualifies for zero-rating (i.e. subject to GST at 0%).
- 15.14 Notwithstanding the above, the Company is advised to consult its own tax advisers in respect of the GST incurred in connection with the purchase and disposition of shares.

F. OUR ASSUMPTIONS

16. We have assumed the following in considering the Documents and in rendering this Opinion:
- 16.1 the authenticity of all seals, chops and signatures, duty stamp or marking, and the authenticity and completeness of the Documents submitted to us, that each signature on behalf of each party thereto is that of a person authorised to execute the same, the conformity with the relevant

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originals of the Documents submitted to us as copies thereof and the authenticity and completeness of the Documents from which such copies were taken and the correctness of all facts and information stated or given in the Documents;

- 16.2 the minute book and statutory registers of the Target Company submitted to us for examination are true and complete, and the Target Company's board of directors' resolutions and shareholders resolutions set out in the minute book of the Target Company have not been rescinded, revoked, amended, modified or declared null and void, and they remain in full force and effect and that no other resolution or action has been taken which could affect the validity of the Target Company's board of directors' resolutions or shareholders' resolutions. Where such resolutions are in the form of minutes of meetings of directors and/or shareholders, such meetings have been duly and properly convened and are valid;
- 16.3 all Documents as reviewed by us are true, accurate and complete and have not been rescinded, revoked, amended, modified or supplemented to in any way, or declared null and void in court or otherwise;
- 16.4 all factual statements, including representations and warranties, contained in all documents submitted to us (in particular the Confirmation Letter) remain true and accurate in all respects;
- 16.5 the Target Company has not passed any resolutions purporting to alter its Constitution save as set out in this Opinion;
- 16.6 the information disclosed in the COI has not been altered since the date and time of issue of the documents;
- 16.7 all corporate registers and records which were submitted to us are updated to date as at the date of review by us;
- 16.8 there are no other documents which may affect our Opinion which have not been provided to us;
- 16.9 the information disclosed in the Searches are true and accurate and have not since the date and time of the Searches been altered and the Searches did not fail to disclose any information which had been notified to the relevant governmental agency or regulatory authority (including ACRA, the State Courts and Court of Appeal of Singapore) for filing or registration but was not disclosed, or as the case may be, did not appear on the public file at the time the Searches were made and that further searches would not have revealed additional or different matters that could have affected this Opinion;
- 16.10 in respect of any Document (collectively the "**Agreements**") executed and delivered by the Target Company and to which the Target Company is a party (where applicable):
- (i) the Agreements have been duly executed on behalf of all parties by persons duly authorised and have been duly delivered or executed in accordance with the laws of the jurisdiction applicable;
 - (ii) each of the parties to the Agreements (other than the Target Company) has been duly incorporated and is validly existing under the laws of its jurisdiction of incorporation and has full capacity, power and authority to enter into and perform its obligations under the Agreements, and the Agreements have been duly authorised, executed and delivered in each case by each party to the Agreements under all applicable laws;
 - (iii) the Agreements constitute legal, valid, binding and enforceable obligations of the parties thereto for all purposes under the laws of the jurisdiction applicable thereto (other than Singapore);

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- (iv) the decision to enter into and execute the Agreements was reached by the respective directors of the parties to the Agreements, bona fide, and for the benefit of the respective parties, and without intention to defraud their respective creditors, and was a decision such directors could reasonably take on the basis of the information available to them and that no circumstances will arise which could affect in any way the making of such decisions;
 - (v) there are no provisions of the laws of any jurisdiction which would be contravened by the execution and delivery of the Agreements and, in so far as any obligation falls to be performed in or is otherwise subject to the laws of any jurisdiction, its performance will not be illegal by virtue of the laws of that jurisdiction;
 - (vi) all consents, approvals, authorisations, licences, exemptions or orders required from any governmental or other regulatory authorities outside Singapore and all other requirements outside Singapore for the legality, validity and enforceability of the Agreements have been duly obtained or fulfilled and are and will remain in full force and effect and any conditions to which they are subject have been satisfied;
 - (vii) each of the parties to the Agreements has not entered into any agreement, document, arrangement or transaction which may in any way prohibit or restrict its right of entry into, and the performance of its obligations under, the Agreements;
 - (viii) all relevant parties to the Agreements were solvent at the time of, and immediately after, the execution and delivery of the Agreements, and the parties will not be rendered insolvent as a result of their execution and delivery of the Agreements;
 - (ix) completion (where applicable) has duly taken place or will duly take place (as the case may be) in accordance with the terms of the Agreements;
 - (x) the choice of law in the Agreements has been made in good faith and will be regarded as a valid and binding selection which will be upheld in the courts of the respective jurisdiction as a matter of the laws of such jurisdiction and all other relevant laws;
 - (xi) any provision contained in the Companies Act or the Constitution of the Target Company relating to the declaration of directors' interests or the power of interested directors to vote or which limit the authority of the directors of the Target Company in respect of the Agreements has been and will be duly observed;
 - (xii) none of the parties to the Agreements is or will be seeking to conduct any relevant transaction or any associated activity in a manner or for a purpose not evident on the face of any of the Agreements which might render it or any relevant transaction or associated activity illegal, void or voidable; and
 - (xiii) the contractual obligations effected and the rights and obligations of the Target Company created pursuant to the Agreements are not capable of being avoided by duress, undue influence or mistake and such Agreement has not been entered into by any party in connection with any unlawful activity;
- 16.11 As set out or disclosed in the Searches, no step has been taken for the winding up or receivership of the Target Company or any assets of the Target Company and no equivalent or analogous proceedings are being taken in respect of the Target Company or any assets of the Target Company and no resolution has been passed or is being passed nor any petition presented to or order made by any competent court in connection with the appointment of a judicial manager or any equivalent or analogous appointment in relation to the Target Company; and

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- 16.12 there are no current or pending investigations, actions, suits or proceedings (including but not limited to claims, litigation, arbitration, administrative, tribunal, regulatory, criminal or insolvency proceedings) against or affecting the Target Company, its sole director and shareholder and there is no unsatisfied award, judgement or court order outstanding against the Target Company, its sole director and shareholder or any distress, execution or other process that has been levied against the undertakings, properties or assets (if applicable) of the Target Company, its sole director and shareholder.

The making of the above assumptions does not imply that we have made any enquiry to verify any assumption (other than as expressly stated in this letter). No assumption specified above is limited by reference to any other assumption.

G. OUR QUALIFICATIONS

17. Our Opinion is subject to the following qualifications:

- 17.1 The term "**enforceable**" as used in this letter refers to the obligations assumed by the Target Company under any agreement are of a type which the Singapore courts will generally enforce. It does not mean that the obligations under any agreement will necessarily be enforced in accordance with their terms, in particular:

- (i) the validity, performance and enforcement of the relevant agreement may be limited by statutes of limitation, lapse of time, waiver and by laws relating to bankruptcy, insolvency, reorganisation, liquidation, moratorium arrangements or similar laws affecting creditors' rights generally and claims may be or become subject to set off or counter claim of third parties;
- (ii) an agreement governed by Singapore law and subject to the jurisdiction of the Singapore courts is required to be in the English language in order to be admissible as evidence in legal proceedings. Accordingly, where any agreement is not in the English language, a Singapore court may refuse to admit such agreement as evidence in the event of a dispute;
- (iii) where obligations are required to be performed in a jurisdiction outside Singapore, they may not be enforceable in Singapore to the extent that performance would be illegal or contrary to public policy under the laws of that jurisdiction;
- (iv) enforcement may be limited by general principles of equity, for instance, equitable remedies such as injunction and specific performance, are discretionary and may not be available where damages are considered to be an adequate and appropriate remedy;
- (v) enforcement proceedings are subject to the general jurisdiction of the court in regard to awards of costs, even as against a successful party;
- (vi) any provision in any of the relevant agreements providing for the severance of any provision which is illegal, invalid or unenforceable may not be binding under the laws of Singapore as it depends on the nature of the illegality, invalidity or unenforceability in question which issue would be determined by a Singapore court at its discretion;
- (vii) a Singapore court may refuse to give effect to clauses in any of the relevant agreements in respect of the costs of unsuccessful litigation brought in a Singapore court or where the court itself made an order for costs;
- (viii) in appropriate circumstances and at the court's discretion, the courts of Singapore may render judgments in foreign currencies (such judgments may, however, have to be converted into local currencies for enforcement purposes);

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- (ix) the courts of Singapore may refuse to accept jurisdiction or stay proceedings in certain circumstances (for example, if the matter concerned is *res judicata*, if litigation is pending in another forum on the same matter or if another forum is more convenient);
 - (x) where a party to any of the agreements is vested with a discretion or may determine a matter in its opinion, Singapore law may require such discretion to be exercised reasonably or that such an opinion be based upon reasonable grounds;
 - (xi) an obligation to pay an amount may be unenforceable if the amount is held to constitute a penalty;
 - (xii) we have assumed that the choice of the laws of Singapore in the relevant agreements is bona fide and not in contravention of public policy. The choice of law governing any agreement will only be recognised and upheld by the Singapore courts provided that the same is bona fide and there being no reasons for avoiding it for reason of contravention of public policy. A choice of law clause may also not be upheld if it was made with the express purpose of avoiding the law of a jurisdiction with which the relevant agreement has the most substantial connection and which, if in the absence of the stated choice of law would have invalidated the relevant agreement or been inconsistent with it;
 - (xiii) the failure to exercise a right may be held by a Singapore court to operate as a waiver of that right notwithstanding any provision to the contrary in any of the agreements;
 - (xiv) the effectiveness of any provisions exculpating a party from liability or duty otherwise owed may be limited by law; and
 - (xv) the terms and conditions of the relevant agreements may be amended, revised, varied and/or supplemented orally or by course of conduct notwithstanding any provisions to the contrary.
- 17.2 The statements made in this Opinion regarding taxation are general in nature, and are based on specific aspects of the tax laws of Singapore, guidelines issued and/or information otherwise published or made publicly available by IRAS and/or such other relevant authorities, which are in force as at the date of this Opinion. Such laws, guidelines and/or information are subject to change occurring after such date, and such changes could be made on a retrospective basis. Such laws, guidelines and/or information are also subject to various interpretations and the relevant authorities and/or the courts could determine such interpretation as differing from the explanations or statements set out in this Opinion. This Opinion shall not be regarded or construed as advice on the tax position of any person or on any tax implications arising in connection with the Proposed Acquisition or the Target Company or otherwise. This Opinion also does not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant in connection with the Proposed Acquisition or the Target Company or otherwise and do not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to other rules and regulations. The Company and its shareholders are advised to consult their own respective tax advisers on the tax consequences in connection with the Proposed Acquisition or the Target Company or otherwise that may be applicable to the relevant circumstances.
- 17.3 For the avoidance of doubt, our scope of work in this Opinion merely covers matters considered by us from a legal perspective, and excludes advising on any compliance with applicable tax laws and regulations. We disclaim any skills or expertise in assessing any matter from an accounting, taxation, financial, statistical, taxation or accounting perspective or its adequacy.

**EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, TAXATION AND
REPATRIATION OF PROFITS OF SINGAPORE, AND OTHER RELEVANT LEGAL MATTERS
(CONT'D)**

OPALAWYERS
藍 钰 法 律 事 务 所

- 17.4 Our Opinion is derived from the Documents submitted to us for review and the representations and confirmations of the Target Company being true, complete and accurate.
- 17.5 Save as otherwise expressly stated in this letter, we express no opinion on the accuracy and completeness of any statements or warranties of fact set out in any Document.
- 17.6 Save as otherwise expressly stated in this letter, we also express no opinion as to the ability of the relevant parties to observe and comply with their respective obligations under any Document;
- 17.7 This Opinion is addressed to the Company only for its sole benefit. It is strictly limited to the matters stated herein and is not to be read as extending by implication to any other matter.

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**EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, TAXATION AND
REPATRIATION OF PROFITS OF SINGAPORE, AND OTHER RELEVANT LEGAL MATTERS
(CONT'D)**

OPALAWYERS
蓝 钰 法 律 事 务 所

Yours faithfully,
For and on behalf of
OPAL LAWYERS LLC

Wee Woon Hong

Name: Wee Woon Hong
Designation: Director

FURTHER INFORMATION

1.0 DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the directors of Mikro collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries 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.

2.0 CONSENT

KAF IB, as the adviser to Mikro in relation to the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular and all references thereto, where relevant, in the form and context in which they appear.

WYNCORP has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of the expert's report on the fairness of the Purchase Consideration and its name, and all references thereto, where relevant, in the form and context in which they appear.

Opal Lawyers LLC has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of the expert's report on the policies on foreign investments, taxation and repatriation of profits of Singapore, and other relevant legal matters and its name in respect of the Proposed Acquisition and all references thereto, where relevant, in the form and context in which they appear.

3.0 CONFLICT OF INTEREST

KAF IB has confirmed that there is no conflict of interest that exists or likely to exist that affect or may affect its ability to act independently and objectively as the adviser in connection with the Proposals.

WYNCORP has confirmed that there is no conflict of interest that exists or likely to exist that affect or may affect its ability to act independently and objectively as the independent expert to the Company for the Proposed Acquisition.

Opal Lawyers LLC has confirmed that there is no conflict of interest that exists or likely to exist that affect or may affect its ability to act independently and objectively as the legal adviser for Singapore to the Company for the Proposed Acquisition.

4.0 MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there are no any other material commitments and contingent liabilities incurred or known to be incurred by the Mikro Group which, upon becoming due and enforceable, may have a material and adverse impact on the financial results/position of the Mikro Group.

5.0 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Mikro Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against Mikro Group, or of any fact likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Mikro Group.

6.0 MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, Mikro Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the last two (2) years immediately preceding the date of this Circular:-

FURTHER INFORMATION (CONT'D)

- (i) Share sale agreement dated 30 December 2022 entered into between Mikro and Yeo Hock Cheong for the acquisition of 700,000 shares in BESB, representing 10.0% equity interest in BESB for a cash consideration of RM22,500,000. The acquisition was completed on 23 June 2023;
- (ii) Conditional share sale agreement dated 7 July 2023 entered into between Mikro and Yeo Hock Cheong for the acquisition of 1,050,000 shares in BESB, representing 15.0% equity interest in BESB for a purchase consideration of RM52,500,000 which was satisfied via the issuance of 328,125,000 Mikro Shares at the issue price of RM0.16 per Share. The acquisition was completed on 13 September 2023;
- (iii) Conditional share sale agreement dated 31 January 2024 entered into between EEHB (as the acquirer) and, BESB, Mikro, Koh Xian Kai, Steven Djunaidi, Ang Kian Siong, Almuhaysini Ali Abdullah, Cao Yu and Yeo Hock Cheong (as the vendors) for the acquisition by EEHB of the entire issued share capital of BESB for a total consideration of RM34,979,979 which was satisfied via the issuance of 1,649,999,000 new shares of EEHB at the issue price of RM0.0212 each, pursuant to the listing of EEHB on the ACE Market of Bursa Securities. The acquisition was completed on 10 July 2024 and EEHB shares was listed on 22 August 2024 whereby, Mikro holds a 20.62% of equity interest in EEHB;
- (iv) the HOA; and
- (v) the SSA.

7.0 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of Mikro at No.3, Jalan Anggerik Mokara 31/48, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM:-

- (i) the constitutions of the Company and TES;
- (ii) the audited consolidated financial statements of Mikro for the FYE 30 June 2023 and FYE 30 June 2024;
- (iii) the audited financial statements of TES for the FYE 31 December 2022 and FYE 31 December 2023 as well as the latest unaudited financial statements for eight (8)-month FPE 31 August 2024;
- (iv) the Directors' Report of TES;
- (v) the letters of consent and conflict of interest referred to in Sections 2 and 3 respectively of this Appendix VI;
- (vi) the material contracts referred to in Section 6 of the Appendix III and Appendix VI of this Circular;
- (vii) the expert's report on the fairness of the Purchase Consideration as set out in Appendix IV of this Circular; and
- (viii) the expert's report on the policies on foreign investments, taxation and repatriation of profits of Singapore, and other relevant legal matters in respect of the Proposed Acquisition as set out in Appendix V of this Circular.



MIKRO MSC BERHAD

(Registration No.: 200601018418 (738171-M))

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM” or “Meeting”) of Mikro MSC Berhad (“Mikro” or “Company”) will be held on a fully virtual and entirely through live streaming and online remote voting using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online at <https://tiih.online>, from the Broadcast Venue at Leadership Room, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Wednesday, 27 November 2024 at 10.30 a.m., or immediately upon the conclusion or adjournment of the 18th Annual General Meeting (“18th AGM”) of Mikro which will be held on the same day at 10.00 a.m., whichever is later, or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following ordinary resolutions, with or without any modifications:-

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY MIKRO OF 100,000 ORDINARY SHARES IN TES PRODUCTIONS & PROJECTS PTE. LTD. (“TES”), REPRESENTING 100% OF THE ISSUED SHARE CAPITAL OF TES, FOR A PURCHASE CONSIDERATION OF RM30,000,000 TO BE SATISFIED VIA THE ISSUANCE OF 134,831,460 NEW ORDINARY SHARES IN MIKRO (“CONSIDERATION SHARES”) AT AN ISSUE PRICE OF APPROXIMATELY RM0.2225 PER CONSIDERATION SHARE (“PROPOSED ACQUISITION”)

“**THAT** subject to the passing of the Ordinary Resolution 2 and the approvals of all relevant authorities and/or parties, where relevant/required, being obtained for the Proposed Acquisition, approval be and is hereby given to the board of directors of Mikro (“**Board**”) to acquire 100,000 ordinary shares in TES, representing 100% of the issued share capital of TES, at the purchase consideration of RM30,000,000 to be satisfied via the issuance of 134,831,460 Consideration Shares at an issue price of approximately RM0.2225 per Consideration Share, subject to and upon the terms and conditions as set out in the conditional share sale agreement dated 11 September 2024 entered into between Mikro and Calida Group Pte. Ltd. (“**Calida**”) in relation to the Proposed Acquisition.

THAT the Board be and is hereby authorised to issue the 134,831,460 Consideration Shares to Calida pursuant to the Proposed Acquisition. The Consideration Shares, which will be listed and quoted on ACE Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), shall upon allotment and issuance, rank equally in all respects with the then existing Mikro shares, save and except that they shall not be entitled to any dividends, rights, allotment and/ or other forms of distributions which may be declared, made or paid to the shareholders of Mikro, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares;

AND THAT the Board be and is hereby authorised to act for and on behalf of the Company and to take all such steps and do all such acts, matters and things (including entering into all such deeds, agreements, arrangements, transactions, undertakings, transfers and indemnities) as the Board deems fit or may consider necessary, desirable, appropriate or expedient to implement, finalise and give full effect to the Proposed Acquisition with full power to give all or any notices, directions, consents and authorisations in respect of any matter arising under or in connection with the Proposed Acquisition and to assent to any conditions, modifications, variations and/or amendments relating to the Proposed Acquisition as may be approved/required by the relevant regulatory authorities and/or as the Board deems fit and to do all such things as it may consider necessary, desirable, appropriate or expedient in the best interests of the Company;

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF MIKRO AND ITS SUBSIDIARIES (“GROUP”) INTO THE SIGNAGE AND INTERIOR FIT-OUT BUSINESSES (“PROPOSED DIVERSIFICATION”)

"**THAT**, subject to passing of the Ordinary Resolution 1 and the approvals of the relevant authorities and/or parties, where relevant/required, being obtained for the Proposed Diversification, approval be and is hereby given to the Company to diversify the existing business of the Group into the signage and interior fit-out businesses, as more particularly set out in Section 2.2 of the circular to the shareholders dated 5 November 2024 in relation to the Proposed Acquisition and Proposed Diversification;

AND THAT the Board be and is hereby authorised and empowered to implement, finalise and give effect to the Proposed Diversification with full power to effect or assent to any conditions, modifications, variations and/or amendments to the terms of the Proposed Diversification as the Board deems fit, necessary and/or expedient in the best interests of the Company or as may be required or imposed by any relevant authority or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to do all such acts, deed and things and execute and deliver all such transactions, arrangements, agreements and/or documents as it considers necessary or expedient to implement the Proposed Diversification."

BY ORDER OF THE BOARD

LIM SECK WAH (MAICSA NO. 0799845)
(SSM PC NO. 202008000054)

TANG CHI HOE (KEVIN) (MAICSA NO. 7045754)
(SSM PC NO. 202008002054)

Company Secretaries
Kuala Lumpur
5 November 2024

Notes:-

1. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 if the online meeting platform in Malaysia and all meeting participants including Chairman of the meeting, board members, key management and shareholders are to participate in the meeting online. Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "**participate**") remotely at the EGM via the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>. For further information, kindly refer to the Administrative Guide for the EGM.
2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the EGM, the Company shall be requesting the Record of Depositors as at 20 November 2024. Only a depositor whose name appears on the Record of Depositors as at 20 November 2024 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.
3. A member entitled to attend and vote at this meeting is entitled to appoint up to two (2) proxies to attend in his/her stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
4. (i) Where a member of the Company is an authorised nominee, as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
(ii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
6. The Form of Proxy shall be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via TIIH Online website at <https://tiih.online> not less than 48 hours before the time set for holding the meeting or any adjournment thereof. For further information on the electronic submission of Form of Proxy, kindly refer to the Administrative Guide for the EGM.
7. By submitting the duly executed Form of Proxy, a member and his/her proxy consent to the Company (and/or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for this meeting and any adjournment thereof.
8. A member who has appointed a proxy or attorney or authorised representative to participate at the EGM must request his/her proxy/attorney/authorised representative to register himself/herself via TIIH Online website at <https://tiih.online>.

MIKRO MSC BERHAD
(Registration No.: 200601018418 (738171-M))
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE FOR THE EGM

Date & Time : Wednesday, 27 November 2024 at 10.30 a.m.

Broadcast Venue : Leadership Room, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

Meeting Platform : TIIH Online website at <http://tiih.online>

MODE OF MEETING

Reference is made to the Notice of EGM dated 5 November 2024.

- Mikro MSC Berhad (the “**Company**”) will conduct its EGM on Wednesday, 27 November 2024 at 10.30 a.m. on a virtual basis through remote participation and electronic voting (“**RPV**”) from the Broadcast Venue.
- The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Members/proxies/authorised representatives/attorneys **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of meeting.

RPV

- Members are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “**participate**”) remotely at the EGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“**Tricor**”) via its **TIIH Online** website at <https://tiih.online>. Please refer to Procedure for RPV.
- Only members whose names appear in the Record of Depositors as at **20 November 2024** shall be entitled to participate and vote remotely at the EGM or appoint proxy to participate and vote on his/her behalf.
- As the EGM is conducted in fully virtual basis, members who are unable to participate in this EGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the proxy form.

PROCEDURES FOR RPV

Members/proxies/corporate representatives/attorneys who wish to participate in the EGM remotely using the RPV are to follow the requirements and procedures as summarised below:

BEFORE THE EGM DAY		
	Procedure	Action
(a)	Register as a user with TIIH Online	<ul style="list-style-type: none">• Using your computer, access the website at https://tiih.online. Register as a user under the “e-Services”. Refer to the tutorial guide posted on the homepage for assistance.• Registration as a user will be approved within (1) one working day and you will be notified via email.• If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
(b)	Submit your registration for RPV	<ul style="list-style-type: none">• Registration is open from 5 November 2024 until the day of the EGM on Wednesday, 27 November 2024. Members/proxies/corporate representatives /attorneys are required to pre-register their attendance for the EGM to ascertain their eligibility to participate in the EGM using the RPV.• Login with your user ID (i.e. e-mail address) and password and select the corporate event: “(REGISTRATION) MIKROMB EGM 2024”

		<ul style="list-style-type: none"> • Read and agree to the Terms & Conditions and confirm the Declaration. • Select “Register for Remote Participation and Voting”. • Review your registration and proceed to register. • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors as at 20 November 2024, the system will send you an e-mail on or after 25 November 2024 to approve or reject your registration for remote participation. <i>(Note: Please ensure to allow sufficient time required for the approval as a new user of TIIH Online as well as the registration for RPV in order that you can login to TIIH Online and participate in the EGM remotely).</i>
ON THE DAY OF THE EGM		
(c)	Login to TIIH Online	<ul style="list-style-type: none"> • Login with your user ID and password for remote participation at the EGM at any time from 9.30 a.m. i.e. one (1) hour before the commencement of the EGM on Wednesday, 27 November 2024 at 10.30 a.m.
(d)	Participate through Live Streaming	<ul style="list-style-type: none"> • Select the corporate event: “(LIVE STREAM MEETING) MIKROMB EGM 2024” to engage in the proceedings of the EGM remotely. • If you have any question for the Chairman/ Board, you may use the query box to transmit your question. The Chairman/ Board will try to respond to questions submitted by remote participants during the EGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
(e)	Online Remote Voting	<ul style="list-style-type: none"> • Voting session commences from 10.30 a.m. on Wednesday, 27 November 2024 until a time when the Chairman announces the end of the voting session. • Select the corporate event: “(REMOTE VOTING) MIKROMB EGM 2024” or if you are on the live stream meeting page, you can select “GO TO REMOTE VOTING PAGE” button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(f)	End of remote participation	<ul style="list-style-type: none"> • The live streaming will end upon announcement by the Chairman on the closure of the EGM.

Notes to users of the RPV facilities:

1. Should your registration for RPV be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@vistra.com for assistance.

ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY/CORPORATE REPRESENTATIVE/ATTORNEY

- Only a member whose name appears on the Record of Depositors as at 20 November 2024 shall be entitled to attend and vote or appoint proxy/proxies to attend and vote on his/her behalf in the EGM via RPV.
- In view that the EGM will be conducted on a virtual basis, if you are unable to attend the meeting via RPV on 27 November 2024, you may appoint the Chairman of the EGM as proxy and indicate the voting instructions in the Proxy Form.
- If you wish to personally participate in the EGM yourself, please do not submit any Proxy Form. You will not be allowed to participate in the EGM together with a proxy appointed by you.
- Accordingly, the Proxy Form and/or documents relating to the appointment of proxy or authorised representative or attorney for the EGM whether in hard copy form or electronic means shall be deposited or submitted in the following manner not later than Monday, 25 November 2024 at 10.30 a.m.:

(i) In hard copy form

By hand or post to the office of the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

(ii) By electronic form

All shareholders can have the option to submit proxy forms electronically via <https://tjih.online> and the steps to submit are summarised below:

PROCEDURE FOR ELECTRONIC SUBMISSION OF PROXY FORM

The procedures to submit your proxy form electronically via Tricor's TIH Online website are summarised below:

Procedure	Action
i. <u>Steps for individual members</u>	
Register as a user with TIH Online	<ul style="list-style-type: none"> • Using your computer, access to website at https://tjih.online. • Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIH Online, you are not required to register again.
Proceed with submission of proxy form	<ul style="list-style-type: none"> • After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "MIKROMB EGM 2024 – SUBMISSION OF PROXY FORM". • Read and agree to the Terms and Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy to vote on your behalf. • Appoint your proxy and insert the required details of your proxy(s) or appoint the Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(s) appointment. • Print the proxy form for your record.
ii. <u>Steps for corporate or institutional members</u>	
Register as a user with TIH Online	<ul style="list-style-type: none"> • Access TIH Online at https://tjih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional member selects the "Sign Up" button and followed by "Create

	<p>Account by Representative of Corporate Holder”.</p> <ul style="list-style-type: none"> • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. <p><i>(Note: The representative of a corporate or institutional member must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Tricor if you need clarifications on the user registration.)</i></p>
Proceed with submission of proxy form	<ul style="list-style-type: none"> • Login to TIIH Online at https://tiih.online. • Select the corporate event : “MIKROMB EGM 2024 – SUBMISSION OF PROXY FORM”. • Read and agree to the Terms & Conditions and confirm the Declaration. • Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set out therein. • Prepare the file for the appointment of proxies by inserting the required data. • Proceed to upload the duly completed proxy appointment file. • Select “Submit” to complete your submission. • Print the confirmation report of your submission for your record.

POLL VOTING

- The voting at the EGM will be conducted by poll in accordance with Paragraph 8.29A of the Listing Requirements. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).
- Members/proxies/corporate representatives/attorneys can proceed to vote on the resolutions at any time from **10.30 a.m. on Wednesday, 27 November 2024** but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (e) of the above Procedures for RPV for guidance on how to vote remotely from TIIH Online website at <https://tiih.online>.
- Upon completion of the voting session for the EGM, the Scrutineers will verify the poll results followed by the Chairman’s declaration whether the resolutions are duly passed.

PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

Members may submit questions to the Board in advance of the EGM via Tricor’s TIIH Online website at <https://tiih.online> by selecting “e-Services” to login, pose questions and submit electronically no later than **Monday, 25 November 2024 at 10.30 a.m.** The Board will endeavor to answer the questions received at the EGM.

DOOR GIFT/FOOD VOUCHER

- There will be no distribution of door gifts or food vouchers for attending the EGM.
- The Company would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

ENQUIRY

If you have any enquiries on the above, please contact Tricor during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line : +603-2783 9299
Fax Number : +603-2783 9222
Email : is.enquiry@vistra.com



MIKRO MSC BERHAD
 (Registration No.: 200601018418 (738171-M))
 (Incorporated in Malaysia)

FORM OF PROXY

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

(1)
 I/We.....I/C No./Co. Reg No.....
 (Full name in block letters)

of
 (Full address)

being a member/members of MIKRO MSC BERHAD hereby appoint the following person(s):-

<u>Name of proxy, NRIC No. & Address</u>	<u>No. of shares to be represented by proxy</u>
1.
2.

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held on a fully virtual and entirely through live streaming and online remote voting using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online at <https://tjih.online>, from the Broadcast Venue at Leadership Room, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Wednesday, 27 November 2024 at 10.30 a.m., or immediately following the conclusion of the 18th Annual General Meeting (“18th AGM”) which is scheduled to be held at the same venue on the same day at 10.00 a.m. or at any adjournment thereof. My/our proxy/proxies is/are to vote as indicated below:-

		FIRST PROXY		SECOND PROXY	
		FOR	AGAINST	FOR	AGAINST
Ordinary Resolution 1	Proposed Acquisition				
Ordinary Resolution 2	Proposed Diversification				

(Please indicate with a “√” or “X” in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

Dated this.....day of.....2024
 Signature/Common Seal

Notes:-

- An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 if the online meeting platform in Malaysia and all meeting participants including Chairman of the meeting, board members, key management and shareholders are to participate in the meeting online. Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the EGM via the Remote Participation and Voting facilities (“RPV”) provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tjih.online>. For further information, kindly refer to the Administrative Guide for the EGM.
- For the purpose of determining a member who shall be entitled to attend, speak and vote at the Extraordinary General Meeting, the Company shall be requesting the Record of Depositors as at 20 November 2024. Only a depositor whose name appears on the Record of Depositors as at 20 November 2024 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.
- A member entitled to attend and vote at this meeting is entitled to appoint up to two (2) proxies to attend in his/her stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- (i) Where a member of the Company is an authorised nominee, as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
 (ii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
- The Form of Proxy shall be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via TIIH Online website at <https://tjih.online> not less than 48 hours before the time set for holding the meeting or any adjournment thereof. For further information on the electronic submission of Form of Proxy, kindly refer to the Administrative Guide for the EGM.
- By submitting the duly executed Form of Proxy, a member and his/her proxy consent to the Company (and/or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for this meeting and any adjournment thereof.
- A member who has appointed a proxy or attorney or authorised representative to participate at the EGM must request his/her proxy/attorney/authorised representative to register himself/herself via TIIH Online website at <https://tjih.online>.

FOLD THIS FLAP TO SEAL

2ND FOLD HERE

AFFIX
STAMP
HERE

MIKRO MSC BERHAD
(Registration No. 200601018418 (738171-M))
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suites
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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