THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

This Circular has been reviewed by M&A Securities Sdn Bhd as the Principal Adviser to MAG Holdings Berhad ("**MAG**" or the "**Company**") for the Proposals (as defined herein). The approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the Proposed Acquisition, Proposed Private Placement and Proposed LTIP (as defined herein) shall not be taken to indicate that Bursa Securities recommends the Proposals. Bursa Securities has not perused the contents of this Circular in relation to the Proposed Amendment prior to the issuance of this Circular as it is an exempt document pursuant to Guidance Note 22 of the Listing Requirement (as defined herein). Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

MAG HOLDINGS BERHAD

(formerly known as XingHe Holdings Berhad)

Registration No. 200401004611 (643114-X)

(Incorporated in Malaysia)

PART A

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

(I) PROPOSED ACQUISITION OF 20,599,995 ORDINARY SHARES IN NORTH CUBE SDN BHD ("NCUBE") FROM NG MIN LIN AND MELVIN LIM CHUN WOEI, REPRESENTING 100% OF THE EQUITY INTEREST IN NCUBE, FOR A TOTAL PURCHASE CONSIDERATION OF RM200,000,000, TO BE SATISFIED VIA A COMBINATION OF CASH CONSIDERATION OF RM60,000,000, ISSUANCE OF 300,000,000 NEW ORDINARY SHARES IN MAG ("SHARE(S)" OR "MAG SHARE(S)") AND ISSUANCE OF 400,000,000 NEW REDEEMABLE PREFERENCE SHARES ("PROPOSED ACQUISITION");

(II) PROPOSED PRIVATE PLACEMENT OF UP TO 331,548,600 NEW MAG SHARES, REPRESENTING NOT MORE THAN 45% OF THE ISSUED MAG SHARES;

(III) PROPOSED AMENDMENT TO THE CONSTITUTION OF MAG TO FACILITATE THE ISSUANCE OF REDEEMABLE PREFERENCE SHARES PURSUANT TO THE PROPOSED ACQUISITION; AND

(IV) PROPOSED ESTABLISHMENT OF A LONG TERM INCENTIVE PLAN ("LTIP") OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED ORDINARY SHARES OF MAG (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME DURING THE DURATION OF THE LTIP FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES OF MAG AND ITS SUBSIDIARIES (EXCLUDING DORMANT SUBSIDIARIES)

(COLLECTIVELY, THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MAG IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

M&A SECURITIES SDN BHD

Registration No. 197301001503 (15017-H)

(A Wholly-Owned Subsidiary of Insas Berhad)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

BDO CAPITAL CONSULTANTS SDN BHD

Registration No. 199601032957 (405309-T)

(Incorporated in Malaysia under the Companies Act, 1965)

The Extraordinary General Meeting ("**EGM**") of MAG will be held on a fully virtual basis via online meeting platform of Securities Services e-Portal at https://sshsb.net.my/. The Notice of EGM, Administrative Guide together with the Form of Proxy are enclosed with this Circular.

If you decide to appoint a proxy or proxies for the EGM, you must complete, sign and return the Form of Proxy and deposit it at the Company's Registered Office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or fax to 03-6201 3121 or e-mail to ir.mag@shareworks.com.my on or before the date and time indicated below or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting at the EGM should you subsequently decide to do so.

Date and time of the EGM	:	Friday, 2 July 2021 at 9:00 a.m., or any adjournment thereof
Last date and time for lodging the Form of Proxy for the EGM	:	Thursday, 1 July 2021 at 9:00 a.m.
Meeting platform/ hosted by	:	Securities Services e-Portal at https://sshsb.net.my/

This Circular is dated 10 June 2021

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

ACE Market	:	ACE Market of Bursa Securities
Act	:	Companies Act 2016
Aquaculture Business	:	Business of prawn aquaculture and seafood processing
Balance Placement Share(s)	:	81,548,600 Placement Shares to be placed out to third party investor(s) to be identified, at an issue price to be determined later after receipt of all relevant approvals for the Proposed Private Placement
Board	:	Board of Directors of the Company
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	The rules, terms and conditions of the LTIP as may be modified, varied and/or amended from time to time, the draft of which is as set out in Appendix III of this Circular
Consideration Shares	:	A total of 300,000,000 new MAG Shares to be allotted and issued to the Vendors at an issue price of RM0.20 per MAG Share
Controlling Shareholder(s)	:	Any person who is or a group of persons who together are entitled to exercise or control the exercise of more than 33.0% of the voting shares in a company (or such other percentage as may be prescribed in the Rules on Take-Overs, Mergers and Compulsory Acquisitions as being the level for triggering a mandatory general offer) or who is or are in a position to control the composition of a majority of the board of directors of such company
Circular	:	This circular to the shareholders of MAG dated 10 June 2021 in relation to the Proposals
COVID-19	:	An infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
Debt Capitalisation	:	Capitalisation of the amount owing by NCUBE to Ng Min Lin of RM8,278,829.63 as at 31 December 2020 into 8,278,829 new NCUBE Shares on the completion date of the SAA
Director	:	A natural person who holds a directorship in the Company or any company within MAG Group, whether in an executive or non-executive capacity, and shall have the meaning under Section 2(1) of the Capital Markets and Services Act 2007
EGM	:	Extraordinary general meeting
Eligible Person(s)	:	Director(s) and employee(s) of MAG Group who meet the eligibility criteria for participation in the Proposed LTIP in accordance with the By-Laws
EPS	:	Earnings per Share

ESOS Grant(s)	:	The award of such number of ESOS Option(s) to an Eligible Person to subscribe for MAG Share(s) at the Option Price in the manner and subject to the terms and conditions provided in the By-Laws
ESOS Grantee(s)	:	Eligible Person(s) who has accepted the ESOS Grant(s) in the manner provided in the By-Laws
ESOS Options	:	Employees share options
FPE	:	Financial period ended/ ending
FYE	:	Financial year ended/ending
GP	:	Gross profit
Guarantee Period	:	18-month FPE 30 June 2022
IAL	:	Independent advice letter from BDOCC to the non-interested shareholders of the Company in relation to the Proposed Acquisition as set out in Part B of this Circular
Independent Adviser or BDOCC	:	BDO Capital Consultants Sdn Bhd, the independent adviser to the non-interested shareholders of MAG in relation to the Proposed Acquisition
LAT	:	Loss after taxation
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	21 May 2021, being the latest practicable date prior to the printing of this Circular
LPS	:	Losses per Share
LTD	:	23 March 2021, being the last trading day immediately preceding the announcement of the Proposals
LTIP	:	Long term incentive plan
LTIP Committee	:	The committee comprising such persons as may be appointed and duly authorised by the Board pursuant to the By-Laws to implement, allocate and administer the LTIP
MAG or Company	:	MAG Holdings Berhad (formerly known as XingHe Holdings Berhad)
MAG Aquaculture	:	MAG Aquaculture Sdn Bhd (formerly known as XW Aquaculture Sdn Bhd), a wholly-owned subsidiary of MAG
MAG Group or Group	:	MAG and its subsidiaries, collectively
MAG Shares or Shares	:	Ordinary shares in MAG
M&A Securities	:	M&A Securities Sdn Bhd
MCO	:	Movement Control Order

NA	:	Net assets
NCUBE	:	North Cube Sdn Bhd
NCUBE Food	:	North Cube Food Sdn Bhd, a wholly-owned subsidiary of NCUBE
NCUBE Group	:	NCUBE and NCUBE Food
NCUBE Share(s)	:	Ordinary shares in NCUBE
Offer	:	Collectively, an offer made in respect of the SGP Grant(s) and ESOS Grant(s) pursuant to the By-Laws
Option Price	:	The price at which ESOS Grantee(s) shall be entitled to subscribe for MAG Share(s) upon the exercise of the ESOS Option(s), as initially determined and as may be adjusted, pursuant to the provisions of the By-Laws
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Placement Share(s)	:	Up to 331,548,600 new MAG Share(s) to be issued pursuant to the Proposed Private Placement
Profit Guarantee	:	Guarantee of a minimum consolidated PAT of RM18,000,000 for NCUBE during the Guarantee Period by the Vendor to the Company, subject to not more than 10.0% deviation or a PAT of not less than RM16,200,000 to be achieved. Kindly refer to Section 2 of Appendix I for further details
Proposals	:	Collectively, the Proposed Acquisition, Proposed Private Placement, Proposed Amendment and Proposed LTIP
Proposed Acquisition	:	Proposed acquisition of the entire equity interest in NCUBE by MAG from Ng Min Lin and Melvin Lim Chun Woei at the Purchase Consideration
Proposed Amendment	:	Proposed amendment to the constitution of MAG to facilitate the issuance of RPS under the Proposed Acquisition
Proposed ESOS	:	Proposed employees' share option scheme
Proposed LTIP	:	Proposed establishment and implementation of a LTIP of up to 15.0% of the Company's total issued share capital (excluding treasury shares) at any point in time over the duration of the LTIP for Eligible Persons, which comprises the Proposed SGP and Proposed ESOS
Proposed Private Placement	:	Proposed private placement of up to 331,548,600 new MAG Shares, representing not more than 45.0% of the issued share capital of MAG
Proposed Placement to Subscribers	:	Proposed placement of 250,000,000 Subscription Shares at the Subscription Price to the Subscribers
Proposed SGP	:	Proposed share grant plan

Protégé or IMR	:	Protégé Associates Sdn Bhd, the independent market researcher in relation to the Proposals
Purchase Consideration	:	RM200,000,000, being the purchase consideration for the Proposed Acquisition, to be satisfied via a combination of cash consideration of RM60.0 million, 300,000,000 Consideration Shares and 400,000,000 RPS
P/E	:	Price-to-earnings multiple
RM and sen	:	Ringgit Malaysia and sen, respectively
RCN	:	Redeemable Convertible Notes of MAG
RCN Program	:	Issuance of RCN with an aggregate principal amount of up to RM120.0 million which are convertible into a maximum of 600,000,000 MAG Shares at a minimum conversion price of RM0.20 each
RPS	:	400,000,000 redeemable preference shares in MAG to be issued pursuant to the Proposed Acquisition at RM0.20 per RPS
SAA	:	Conditional share acquisition agreement dated 24 March 2021 entered into between MAG and Vendors in relation to the Proposed Acquisition
SGP Grant(s)	:	The award of such number of MAG Share(s) to an Eligible Person in the manner and subject to the terms and conditions provided in the By-Laws
SGP Participant(s)	:	Eligible Person(s) who has accepted the SGP Grant(s) in the manner provided in the By-Laws
Shortfall	:	The shortfall between the actual PAT and the guaranteed PAT of RM16.2 million under the Profit Guarantee
Subscriber(s)	:	Collectively, Chan Yok Peng, Chow Dai Ying, Lee Choon Hooi, Megan Mezanin Sdn Bhd and Pelican Prospect Sdn Bhd
Subscription Agreement(s)	:	5 subscription agreements all dated 24 March 2021 entered between MAG and the Subscribers respectively in respect of the subscription of 50,000,000 Subscription Shares each by the Subscribers respectively at the Subscription Price, amounting to a total of 250,000,000 Subscription Shares
Subscription Price	:	RM0.20 per Subscription Share
Subscription Share(s)	:	Up to 250,000,000 Placement Shares to be subscribed by the Subscribers pursuant to the Subscription Agreements
Vendors	:	Ng Min Lin and Melvin Lim Chun Woei
Wakuba Farm	:	Prawn aquaculture farm located at Kg Wakuba, Tawau, Sabah with a total land area of 97.9 hectares and 102 prawn cultivation ponds, which was acquired by MAG Aquaculture on 12 December 2019 at a purchase consideration of RM100.0 million

Warrant(s)	:	Warrant 2020/2023 of MAG at an exercise price of RM0.23
5D-VWAMP	:	5-market day volume weighted average market price

All references to the "Company" or "MAG" in this Circular are to MAG, references to the "Group" or "MAG Group" are to the Company and its consolidated subsidiary and references to "we", "us", "our" and "ourselves" are to the Company, and save where the context otherwise requires, the consolidated subsidiary.

All references to "you" in this Circular are to the shareholders of the Company.

All references to "shrimp", "prawn" and "marine shrimp" are used interchangeably.

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

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE SALIENT INFORMATION OF THE PROPOSALS. THE SHAREHOLDERS ARE ADVISED TO READ THE 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 FORTHCOMING EGM.

<table>
<tr><th>Key information</th><th>Description</th><th>Reference to Circular</th></tr>
<tr><td>Summary of the Proposals</td><td>
<u>Proposed Acquisition</u>

Acquistion of the entire equity interest of NCUBE, comprising 20,599,995 NCUBE Shares from Ng Min Lin (the Executive Chairman and substantial shareholder of MAG) and Melvin Lim Chun Woei for the Purchase Consideration (i.e. RM200,000,000).
The Purchase Consideration will be satisfied in the following manner:

<table>
<tr><th>Mode of settlement</th><th>Value (RM'000)</th></tr>
<tr><td>Cash consideration</td><td>60,000</td></tr>
<tr><td>Issuance of 300,000,000 Consideration Shares at an issue price of RM0.20 per Consideration Share</td><td>60,000</td></tr>
<tr><td>Issuance of 400,000,000 RPS at an issue price of RM0.20 per RPS</td><td>80,000</td></tr>
<tr><td></td><td>200,000</td></tr>
</table>

The Proposed Acquisition is deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements due to the interest of Ng Min Lin (Executive Chairman and substantial shareholder of MAG) in NCUBE.

<u>Proposed Private Placement</u>

To be undertaken in conjunction with the Proposed Acquisition, mainly to raise the cash consideration pursuant to the Proposed Acquisition (i.e. RM60,000,000).
Entails the issuance of up to 331,548,600 Placement Shares to be issued and alloted in the following manner:
(i) 250,000,000 Subsription Shares to the Subscribers at the subcription price of RM0.20 per Subscription Share pursuant to the Subscription Agreements; and
(ii) 81,548,600 Placement Shares to third party investors to be identified, at an issue price to be determined and fixed by the Board after receipt of all relevant approvals for the Proposed Private Placement.

<u>Proposed Amendment</u>
The Proposed Amendment is to be undertaken to facilitate the issuance of RPS pursuant to the Proposed Acquisition.
<u>Proposed LTIP</u>

Establishment and implementation of LTIP that involves up to 15% of the total number of issued MAG Shares (excluding treasury shares, if any) at any point in time during the duration of the LTIP.

</td><td>Section 2</td></tr>
</table>

<table>
<tr><th>Key information</th><th>Description</th><th>Reference to Circular</th></tr>
<tr><td></td><td>

- Valid for a period of 5 years from its commencement date and may be extended for a further period of 5 years.
- Involves the Offers to all Eligible Persons at the absolute discretion of the LTIP Committee and governed by the terms and conditions as set out in the By-Laws

</td><td></td></tr>
<tr><td>Utilisation of proceeds</td><td>

Based on the Subscription Price and the indicative issue price (for the Balance Placement Shares) of RM0.20, the Proposed Private Placement is expected to raise gross proceeds of RM66,309,720.

The proceeds raised are expected to be utilised by the Group in the following manner:

<table>
<tr><th>Utilisation</th><th>RM'000</th><th>Expected timeframe for utilisation (from listing date)</th></tr>
<tr><td>Funding for Proposed Acquisition</td><td>60,000</td><td>Within 6 months</td></tr>
<tr><td>Working capital</td><td>4,810</td><td>Within 12 months</td></tr>
<tr><td>Estimated expenses for the Proposals</td><td>1,500</td><td>Within 1 month</td></tr>
<tr><td></td><td>66,310</td><td></td></tr>
</table>

</td><td>Section 2.2.5</td></tr>
<tr><td>Rationale of the Proposals</td><td>

Proposed Acquisition

- Accelerate MAG Group's growth and expansion plan in the Aquaculture Business and stimulate continous growth for MAG to emerge as key player in the aquaculture industry in Malaysia.
- Mitigate future potential conflict of interest situation between Ng Min Lin (Executive Chairman and substantial shareholder of MAG) and MAG, to safeguard the interest of minority shareholders.

Proposed Private Placement

- To raise the necessary funding to finance the Proposed Acquisition (i.e. cash portion of the Purchase Consideration).

Proposed Amendment

- To facilitate the issuance of RPS pursuant to the Proposed Acquisition.

Proposed LTIP

- To recognise contribution of Eligible Persons whose services are valued and considered vital to the operations and continued growth of the Group;
- To reward the Eligible Persons by allowing them to participate in the Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of MAG Shares;
- To motivate the Eligible Persons towards achieving improved performance through greater productivity and loyalty;
- To encourage employees to remain with the Group, thus ensuring that the loss of key personnel is kept to a minimum; and

</td><td>Section 3</td></tr>
</table>

Key information	Description	Reference to Circular
	• To inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company. The Proposed LTIP is also extended to Non-Executive Directors of MAG to recognise their respective contribution and enable MAG to attract capable individuals to act as Non-Executive Directors of MAG.	
Risk factors	• Non completion risk – There can be no assurance that the Proposed Acqusition will be completed if any of the condition precedent cannot be fulfilled and/or waived, as the case may be, within the stipulated timeframe. • Acquisition risk – There can be no assurance that the expected benefits from the Proposed Acquisition can be materialised and NCUBE is able to generate sufficient returns to offset associated cost of the acquisition. • Profit Guarantee risk – There can be no assurance that NCUBE can achieve the Profit Guarantee during the Guarantee Period. • Business risk – The Proposed Acquisition is subject to the risks inherent in the Aquaculture Business which the Group is already involved in. Such risks include, amongst others, threat of diseases which might affect yields, sea water pollution which can contaminate the water supply to the ponds, and changes in political, economic and regulatory conditions in Malaysia. • Impairment risk – MAG will recognise goodwill as a result of the Proposed Acquisition and there can be no assurance that there will not be any subsequent impairment on such goodwill recognised, which may materially affect the financial results of enlarged MAG Group.	Section 5
Interested parties and any conflicts of interests from the Proposals	Save for Ng Min Lin, by virtue of his interest in both MAG and NCUBE, none of the other Directors, chief executives, major shareholders and/or persons connected with them has any interests, whether directly or indirectly in the Proposed Acquisition, Proposed Private Placement and Proposed Amendment. Additionally, Melvin Lim Chun Woei is a shareholder of MAG, is deemed a person connected to Ng Min Lin by virtue of being the Vendors together with Ng Min Lin. All Directors are entitled to participate in the Proposed LTIP and are therefore deemed interested in the Proposed LTIP to the exent of their respective allocations, as well as the allocations to person connected with them.	Section 9
Approval required	The Proposals are subject to the following approvals being obtained: (i) approval of the non-interested shareholders of MAG at the forthcoming EGM; (ii) approval from Bursa Securities for the following (which was obtained on 1 June 2021): (a) listing and quotation of the Placement Shares and Consideration Shares, on the ACE Market of Bursa Securities;	Section 8

Key information	Description	Reference to Circular
	(b) listing and quotation of such number of new MAG Shares, representing up to 15% of the total number of issued Shares in MAG on the ACE Market of Bursa Securities pursuant to the Proposed LTIP; and (iii) any other relevant authorities and/or parties, if required.	
Board's recommendation	The Board (save for Ng Min Lin, who is deemed interested in view of his interest in the Proposed Acquisition), recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals to be tabled at the EGM to be convened. However, in view that all the Directors of the Company are eligible to participate in the Proposed LTIP, they have abstained from voting, deliberating and making any recommendations at all relevant Board meetings in relation to their respective allocations as well as allocations to persons connected to them, if any, under the Proposed LTIP. They will also abstain and ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/ or indirect interests in the Company, on the resolutions pertaining to their respective allocations as well as allocations to persons connected to them, if any, under the Proposed LTIP at the forthcoming EGM to be convened.	Section 11

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PART A

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS

MAG HOLDINGS BERHAD
(formerly known as XingHe Holdings Berhad)
Registration No. 200401004611 (643114-X)
(Incorporated in Malaysia)

Registered Office:

No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Malaysia

10 June 2021

Board of Directors:

Ng Min Lin *(Executive Chairman)*
Yeoh Wooi Kia *(Independent Non-Executive Director)*
Wang ZhiMin *(Independent Non-Executive Director)*
Collin Goonting a/l O.S Goonting *(Independent Non-Executive Director)*

Dear shareholders,

(I) PROPOSED ACQUISITION;
(II) PROPOSED PRIVATE PLACEMENT;
(III) PROPOSED AMENDMENT; AND
(IV) PROPOSED LTIP

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1. INTRODUCTION

On 24 March 2021, on behalf of the Board, M&A Securities announced that MAG had on even date entered into the SAA with the Vendors for the Proposed Acquisition at the Purchase Consideration.

In conjunction with the Proposed Acquisition, M&A Securities had also on the same date announced that MAG wishes to undertake the Proposed Private Placement and Proposed Amendment. The Proposed Private Placement is intended to raise the necessary funds to finance the cash portion of the Purchase Consideration whilst the Proposed Amendment is undertaken to facilitate the issuance of RPS under the Proposed Acquisition.

Further, on even date, MAG also wishes to undertake the Proposed LTIP. The Proposed LTIP comprises of the Proposed SGP and Proposed ESOS.

On 8 June 2021, on behalf of the Board, M&A Securities announced that MAG and the Vendors have mutually agreed to extend the period for the satisfaction of the conditions precedent of the SAA (see Section 3 of Appendix I of this Circular) by a further 2 months commencing from 23 June 2021 up to 23 August 2021.

The Proposed Acquisition is deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements in view of the interest of Ng Min Lin, the Executive Chairman of MAG, as further described in Section 9, Part A of this Circular. In this respect, the Board has appointed BDOCC to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MAG as to whether the Proposed Acquisition is fair and reasonable so far as the non-interested directors and non-interested shareholders of MAG are concerned, whether the Proposed Acquisition are detrimental to the interest of the non-interested shareholders of MAG and whether they should vote in favour of the Proposed Acquisition.

On 1 June 2021, M&A Securities, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 1 June 2021, resolved to approve the listing of and quotation for the Placement Shares, Consideration Shares and such number of new MAG Shares pursuant to the Proposed LTIP to be issued subject to the following conditions:

No.	Conditions	Status of compliance
Proposed Acquisition and Proposed Private Placement		
(i)	MAG and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition and Proposed Private Placement;	To be complied
(ii)	MAG and M&A Securities to inform Bursa Securities upon the completion of the Proposed Acquisition and Proposed Private Placement;	To be complied
(iii)	MAG to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition and Proposed Private Placement are completed;	To be complied
(iv)	Compliance by MAG with the public shareholding spread upon completion of the Proposed Acquisition. In this connection, M&A Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities, prior to the allotment and issuance of the Consideration Shares; and	To be complied
(v)	MAG to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in general meeting approving the Proposed Acquisition and Proposed Private Placement.	To be complied
Proposed LTIP		
(i)	M&A Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed LTIP pursuant to Rule 6.44(1) of the Listing Requirements and stating the effective date of implementation;	To be complied
(ii)	M&A Securities is required to submit a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed LTIP; and	To be complied
(iii)	MAG is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the Proposed LTIP, as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS IN PART A OF THIS CIRCULAR INCLUDING THE INDEPENDENT ADVICE LETTER AS SET OUT IN PART B OF THIS CIRCULAR AND THE APPENDICES CONTAINED IN THIS CIRCULAR, BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Acquisition

2.1.1 Background information on the Proposed Acquisition

The Proposed Acquisition entails the acquisition by MAG of 20,599,995 NCUBE Shares, representing 100.0% equity interest in NCUBE from the Vendors at the Purchase Consideration. Under the terms of the SAA, the Debt Capitalisation shall be undertaken by NCUBE and 8,278,829 new NCUBE Shares to be issued therein shall be renounced by Ng Min Lin and issued directly to MAG.

The Purchase Consideration will be satisfied via:

(i) Cash consideration of RM60.0 million;

(ii) Issuance of 300,000,000 Consideration Shares at the issue price of RM0.20 per Consideration Share; and

(iii) 400,000,000 RPS at an issue price of RM0.20 per RPS,

in the following manner:

			Consideration Shares		RPS	
Vendors	**No. NCUBE Shares held**	**Cash (RM)**	**No. of Consideration Shares (‘000)**	**Value (RM’000)**	**No. of RPS (‘000)**	**Value (RM’000)**
Ng Min Lin	18,589,995	54,145,630	270,728	54,146	360,971	72,194
Melvin Lim Chun Woei	2,010,000	5,854,370	29,272	5,854	39,029	7,806
	20,599,995	**60,000,000**	**300,000**	**60,000**	**400,000**	**80,000**

Pursuant to the SAA, subject to the satisfaction of the conditions precedent (more particularly detailed in Section 3 of Appendix I of this Circular) by the relevant parties to the SAA, the Purchase Consideration shall be settled by MAG no later than 3 months after the Unconditional Date of the SAA (being the date that all the conditions precedent have been fulfilled and the SAA becoming unconditional), or on such later date as the parties to the SAA shall mutually agree in writing or as necessitated by the timing of the completion of the Proposed Private Placement ("**Completion Date**").

The Purchase Consideration shall be settled by MAG in the following manner:

(a) the cash consideration of RM60.0 million shall be settled by MAG to the Vendors on the Completion Date. There is no arrangement for payment on a deferred basis for the cash consideration.;

(b) the balance of the Purchase Consideration shall be satisfied by MAG by way of issuance of the Consideration Shares and the RPS to the Vendors on the Completion Date in proportion to their shareholding in NCUBE. Any fractional Consideration Shares and/or RPS shall be rounded down.

Subject to the relevant approvals being obtained and the fulfilment of the conditions of the SAA, MAG will, upon completion of the SAA, hold 100.0% equity interest in NCUBE, thereby making NCUBE a wholly owned subsidiary of MAG.

The NCUBE Shares will be acquired free from all encumbrances, liens, charges and with all rights accruing and attaching to those NCUBE Shares.

The Proposed Acquisition is deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements. Details on the interests of directors, major shareholders, chief executive and/or persons connected with them are set out in Section 9 of this Circular.

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the Listing Requirements is 121.6%, based on the Purchase Consideration compared to the market value of MAG[1]. Thus, the Proposed Acquisition is considered as a very substantial transaction pursuant to the Listing Requirements. However, the Proposed Acquisition will not trigger a reverse takeover and will not result in a significant change in the business direction or policy of MAG, in view of the following:

(i) Both MAG and NCUBE are involved in the Aquaculture Business. MAG obtained the mandate from its shareholders to diversify its businesses to include the Aquaculture Business in July 2019. After the said diversification, the Aquaculture Business emerged as the core business of MAG based on the financial results of the Group for the 12-month FPE 31 December 2020;

(ii) There are no Controlling Shareholders in MAG as at the LTD and LPD;

(iii) There will not be any emergence of Controlling Shareholders as a result of the Proposed Acquisition; and

(iv) The Proposed Acquisition will not result in a change in the composition of the Board.

In consideration of MAG agreeing to purchase NCUBE in accordance with the terms of the SAA from the Vendors, the Vendors have provided the Profit Guarantee during the Guarantee Period. Any shortfall in the Profit Guarantee shall be set-off against the redemption amount of the equivalent number of RPS.

Kindly refer to **Appendix I** of this Circular for salient terms of the SAA.

2.1.2 Information on NCUBE

NCUBE was incorporated on 8 September 2016 in Malaysia under the Act and is principally involved in the Aquaculture Business.

As at the LPD, the share capital of NCUBE is RM20,599,995 comprising of 20,599,995 NCUBE Shares. The sole Director of NCUBE is Ng Min Lin, and the shareholders of NCUBE are Ng Min Lin and Melvin Lim Chun Woei.

Further information on NCUBE is set out in **Appendix IV** of this Circular.

2.1.3 Information on the Vendors

Ng Min Lin, Malaysian aged 42, a shareholder and the sole Director of NCUBE. He is also the Executive Chairman and substantial shareholder of MAG. As at the LPD, he holds a total of 63,596,449 MAG Shares, representing 8.5% of the entire share capital of MAG.

Melvin Lim Chun Woei, Malaysian aged 30, a shareholder of NCUBE. As at the LPD, he is not a Director of MAG and holds a total of 14,046,300 MAG Shares, representing 1.9% of the entire share capital of MAG.

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[1] *Computed based on the total number of MAG Shares issued as at the LTD and the 5D-VWAMP of MAG Share up to and including the LTD of RM0.2218.*

The details of the Vendors and their respective shareholdings in NCUBE as at the LPD are as follows:

Vendors	Nationality	Shareholding in NCUBE as at the LPD	
		No. of NCUBE Shares held	%
Ng Min Lin	Malaysian	18,589,995	90.2
Melvin Lim Chun Woei	Malaysian	2,010,000	9.8
		20,599,995	**100.0**

Pursuant to the terms of the SAA, the Vendors undertake to cause NCUBE to undertake the Debt Capitalisation on the completion date of the SAA and Ng Min Lin shall renounce the new NCUBE Shares to be issued pursuant to the Debt Capitalisation to MAG and cause NCUBE to issue the said new NCUBE Shares to MAG directly on the completion date of the SAA. As at LPD, the amount owing by NCUBE Group to Ng Min Lin and his related company, Apex Arena Sdn Bhd is RM20.28 million (which is interest free). The details of the amount owing are as follows:

Year of advances given	Purpose	Amount (RM)
2016	Working capital – for incorporation and statutory filings	3,703
2017	Working capital – business development and office expenses	130,335
2018	To partially fund the acquisition of a prawn farm	9,502,108
2019	To partially fund the acquisition of a prawn farm	3,889,786
2019	Working capital – purchase of raw materials and loan repayment	2,875,000
2020	Working capital – purchase of raw materials and loan repayment	3,510,000
2020	To fund the redemption of preference shares	367,898
	Total	**20,278,830**

Original cost and date of investment

The original cost and date of investment by the Vendors in NCUBE are as follows:

Date of investment	Ng Min Lin		Melvin Lim Chun Woei	
	No. of NCUBE Shares	Investment amount (RM)	No. of NCUBE Shares	Investment amount (RM)
8 Sep 2016	50	50	-	-
13 Oct 2016	49	49	-	-
11 May 2017	99,900	99,900	-	-
7 Jan 2019	9,000,000	9,000,000	-	-
28 March 2019	11,000,000	11,000,000	-	-
10 Apr 2019	1	1	-	-
4 July 2019	(2,010,000)	(2,010,000)	2,010,000	2,010,000
6 July 2020	26,666	26,666	-	-
7 Aug 2020	26,667	26,667	-	-
7 Sep 2020	13,333	13,333	-	-
16 Nov 2020	433,329	433,329	-	-
	18,589,995	**18,589,995**	**2,010,000**	**2,010,000**

2.1.4 Terms of the Consideration Shares and RPS

(i) Consideration Shares

The Consideration Shares shall, upon allotment and issuance, carry the same rights with each other and with the then existing MAG Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the Consideration Shares are allotted on or prior to the entitlement date of such dividends, rights, allotments and/or other distribution.

(ii) RPS

The RPS shall rank equally amongst themselves and will rank ahead in point of priority to the MAG Shares, in respect of dividends and payment out of the assets of MAG upon any liquidation, dissolution or winding-up of MAG.

The indicative terms of the RPS are as follows:

Subject	**Salient terms of the RPS**
Issuer	MAG Holdings Berhad *(formerly known as XingHe Holdings Berhad)*
Issue Price	RM0.20 per RPS
Size	400,000,000 RPS
Tenure	5 years commencing from and inclusive of the date of issue of the RPS
Maturity Date	The day immediately preceding the 5th anniversary from the date of issue of the RPS. If such a day fall on a non-market day, then the maturity date will be the preceding market day
Voting rights	Restricted to any resolution on winding-up and/or any resolution directly affecting the rights of the RPS holders
Notices	The RPS holders shall be entitled to receive notices of general meetings, reports and audited accounts of MAG and other information which may be reasonably sought
Dividend	3.0% per annum on the Issue Price of RPS, payable semi-annually, subject to the provisions of the Act
Form and Denomination	The RPS are to be issued in registered form and constituted by the Constitution of MAG
Conversion Right	The RPS are not convertible into new MAG Shares
Ranking of the RPS	The RPS shall, upon allotment and issuance, rank equally without any preference or priority among themselves and in priority to MAG Shares, but shall rank behind all secured and unsecured obligations of MAG. In the event of liquidation, dissolution, winding-up or other repayment of capital (other than on redemption): (i) the RPS shall confer on the RPS holders the right to receive in priority to the holders of all other class of securities in the share capital of MAG, cash repayment in full of the amount (and the amount of any coupon that has fallen due and remaining in arrears) of up to 100% of the Issue Price of the RPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of MAG;

Subject	Salient terms of the RPS
	(ii) the RPS shall not confer on the RPS holders thereof the right to participate in the distribution of surplus assets or profits; and (iii) in the event that MAG has insufficient assets to permit payment of the full Issue Price to the RPS holders, the assets of MAG shall be distributed proportionally to the RPS holders in proportion to the amount that each RPS holders would otherwise be entitled to receive.
Redemption	The RPS is redeemable at the Issue Price of the RPS at any time after the Guarantee Period and the auditors of NCUBE having issued a certificate confirming the actual PAT of NCUBE for the Guarantee Period, and during the tenure of the RPS, at the option of MAG, subject to not less than 7 business days' notice in writing being given prior to the Redemption. In the event of any Shortfall, the amount of the Shortfall shall be set-off against the redemption of the equivalent value of RPS. Any RPS not redeemed by MAG or surrendered by the RPS holders at the Maturity Date shall be redeemed by MAG at the Issue Price of the RPS.
Redemption Price	The redemption price is at the Issue Price of the RPS together with arrears of dividend payments (if any) up to the date of redemption.
Transferability	Non-transferable
Listing	The RPS will not be listed on any stock exchange
Governing Law	Law of Malaysia

2.1.5 Basis and justification on arriving at the Purchase Consideration

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

(i) the Profit Guarantee provided by the Vendors, which translate into a price-to-earnings multiple of 16.7 times to 18.5 times. The P/E was calculated based on the pro-rated Profit Guarantee (i.e. 12-month period) of RM12,000,000 per annum on a consolidated basis (or RM10,800,000 per annum on a consolidated basis, as the Profit Guarantee is subject to not more than 10.0% deviation);

(ii) the audited consolidated NA of NCUBE of approximately RM24.79 million and RM31.42 million for the FYE 31 December 2019 and 12-month FPE 31 December 2020, respectively;

(iii) the audited consolidated PAT of NCUBE of approximately RM4.71 million and RM6.12 million for the FYE 31 December 2019 and 12-month FPE 31 December 2020, respectively;

(iv) the rationale of the Proposed Acquisition as set out in Section 3.1 of this Circular; and

(v) the potential earnings and growth of NCUBE Group after taking into consideration the economic outlook and its future prospects.

For the purpose of assessing the reasonableness of the Purchase Consideration, the Board has benchmarked against the earnings multiples of several public listed companies with principal business activities that are considered broadly comparable to the business of NCUBE ("**Comparable Companies**"), details of which are as follows:

Comparable Companies	Principal activities	(i)Market Capitalisation	PAT	(ii)P/E (times)
Apex Frozen Foods Ltd *(India)*	Production and exportation of whiteleg and black tiger shrimps	Indian Rupee 6.89 billion [RM389.81 million*]	Indian Rupee 0.61 billion [RM34.51 million*]	11.3
Bentre Aqua Product Import JSC *(Vietnam)*	Production and exportation of seafood products such as black tiger shrimp, clam and fishes	Vietnamese Dong 354.12 billion [RM63.57 million**]	Vietnamese Dong 13.9 billion [RM2.49 million**]	25.3
Camimex Group JSC *(Vietnam)*	Production and exportation of organic shrimp products	Vietnamese Dong 486.54 billion [RM87.33 million**]	Vietnamese Dong 54.1 billion [RM9.71 million**]	9.0
Zeal Aqua Ltd *(India)*	Specialises in shrimp farming and satellite farming activities in India	Indian Rupee 866.07 million [RM48.99 million*]	Indian Rupee 63.2 million [RM3.58 million*]	13.7
	Overall range (P/E)	*9.0 to 25.3*		
	Simple average (P/E)	*14.8*		
	(iii)NCUBE (P/E)	*16.7 to 18.5*		

Notes:

* *Converted based on RM 1 = Indian Rupee 17.68*

** *Converted based on RM1 = Vietnamese dong 5,571.12*

(i) *Calculated by multiplying the closing market prices and total number of issued ordinary shares of the respective companies as at the LTD.*

(ii) *P/E multiple is calculated by the respective companies' market capitalisation over its PAT. PAT is based on the audited financial statements of the respective companies for the latest FYE available, i.e.*

$$P/E = \frac{\text{Market capitalisation}}{\text{PAT}}$$

(iii) *Based on the value accorded to NCUBE as implied by the Purchase Consideration over the pro-rated Profit Guarantee (i.e. 12-month period) of RM12,000,000 per annum on a consolidated basis and RM10,800,000 per annum on a consolidated basis, taking into account a 10.0% deviation as allowed under the SAA.*

The Board wishes to highlight that there are no companies listed on Bursa Securities that are involved in similar business activities carried out by NCUBE, and as such, the Board has referred to public listed companies listed on foreign stock exchanges. Further, it should be recognised that none of the Comparable Companies are identical to NCUBE in terms of composition of business activities, market capitalisation, scale of business operations, clientele base, asset base, risk profile and competitive environment. The selection of the Comparable Companies was undertaken by the Board based on a best effort basis based on publicly available information. The Board would also like to highlight that the comparison made with respect to the Comparable Companies is merely to provide an indicative current market expectation with regards to the implied value of NCUBE.

Based on the above benchmarking and after taking into consideration, amongst others, the following factors, the Board is of the view the Purchase Consideration is justifiable and is of the opinion that the Profit Guarantee is reasonable and realistic:

(i) the historical financial track record of NCUBE Group as set out Appendix IV of this Circular;

(ii) the rationale and potential benefits to be accrued to MAG through the Proposed Acquisition as set out in Section 3.1 of this Circular. With the Proposed Acquisition, MAG Group will be able to further expand and strengthen its market position and presence in the aquaculture industry in Malaysia; and

(iii) the prospects and outlook of the aquaculture industry in Malaysia and NCUBE as set out in Section 4 of this Circular.

In addition, as the Proposed Acquisition is deemed as a related party transaction, the Board has appointed BDOCC to act as the independent adviser to advise the non-interested Directors and non-interested shareholders of MAG on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders of MAG. Kindly refer to Section 12 of this Circular for further details.

2.1.6 Basis of determining the issue price of the Consideration Shares and RPS

The issue price of the Consideration Shares and RPS was determined on a willing-buyer willing-seller and at arm’s length basis, after taking into consideration the 5D-VWAMP of MAG Shares up to and including the LTD. The issue price of the Consideration Shares and RPS of RM0.20 represents:

(a) a discount of RM0.0218 or 9.8% to the 5D-VWAMP of MAG Shares up to and including the LTD of RM0.2218; and

(b) a premium of RM0.0171 or 9.3% to the 5D-VWAMP of MAG Shares up to and including the LPD of RM0.1829.

The issue price of the Consideration Shares was fixed upfront at a discount after taking into consideration the market risk of MAG Shares assumed by the Vendors, which is influenced by, amongst others, the market sentiments, the liquidity of MAG Shares as well as the volatility of the general equity markets.

The issue price of the RPS was fixed to coincide with the issue price of the Consideration Shares. The issue price of the RPS is not comparable to the market prices of MAG Shares as the RPS are redeemable at its issue price of RM0.20 without any discount and are not convertible into MAG Shares.

2.1.7 Source and breakdown of funding

The Purchase Consideration will be satisfied via a combination of cash payment as well as the allotment and issuance of the Consideration Shares and RPS to the Vendors in the manner as set out in Section 2.1.1 of this Circular.

The issuance of the Consideration Shares and RPS pursuant to the Proposed Acquisition is subject to all approvals stated in Section 8 of this Circular being obtained.

The cash consideration for the Proposed Acquisition shall mainly be funded via the proceeds to be raised from the Proposed Private Placement and/or internally generated funds and/or bank borrowings. The breakdown of the source of funding could not be determined at this juncture, subject to suitable investors being identified to take up the Balance Placement Shares pursuant to the Proposed Private Placement.

2.1.8 Liabilities to be assumed by MAG arising from the Proposed Acquisition

Save for the Purchase Consideration and any liabilities arising as a consequence of consolidating NCUBE as a subsidiary of MAG, MAG will not be assuming any additional liabilities (including contingent liabilities and guarantees (if any)) pursuant to the Proposed Acquisition.

Pursuant to the terms of the SAA, the remaining amount of RM12.0 million owing by NCUBE to Ng Min Lin and his related company, Apex Arena Sdn Bhd after the Dept Capitalisation, Ng Min Lin (on behalf of himself as well as Apex Arena Sdn Bhd) undertakes and agrees with MAG that the said amount owing shall be interest-free, and NCUBE shall be allowed to repay the same by way of three (3) equal installments of RM4,000,000.00 each on 31 December 2022, 31 December 2023 and 31 December 2024 respectively.

The existing liabilities of NCUBE such as bank borrowings will be settled in the ordinary course of business.

2.1.9 Additional financial commitment

The Company does not expect to incur any additional financial commitment to put the business of NCUBE on-stream as the business of NCUBE is already in operation and generating profits. Notwithstanding that, MAG Group may need to provide financial assistance for working capital requirements of NCUBE as the business of NCUBE grows in the future.

2.2 Proposed Private Placement

As at the LPD, MAG has the following:

(i) issued share capital of RM374,396,682 comprising 751,774,865 MAG Shares; and

(ii) 333,387,142 outstanding Warrants.

In addition, MAG also has an existing RM2.00 million outstanding RCN under the RCN Program that are convertible into new MAG Shares. Kindly refer to Section 3.2 of this Circular for the status of the RCN Program.

The Proposed Private Placement shall entail the issuance of up to 331,548,600 Placement Shares representing not more than 45.0% of the issued share capital of MAG as at the LPD. For avoidance of doubt, any increase in the number of MAG Shares issued arising from the exercise/ conversion of Warrants and RCN will not affect the number of Placement Shares to be issued under the Proposed Private Placement.

A total of 250,000,000 Placement Shares to be issued pursuant to the Proposed Private Placement will be subscribed by the Subscribers via the Subscription Agreements entered into between the Subscribers and MAG on 24 March 2021, at the Subscription Price.

The remaining 81,548,600 Balance Placement Shares will be placed out to third party investor(s) to be identified, at an issue price to be determined and fixed by our Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

Subject to prevailing market conditions and depending on investors' interest at the point of implementation of the subscription for the Balance Placement Shares, the subscription of the Balance Placement Shares may be implemented in multiple tranches, if required, within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement, or any extended period as may be approved by Bursa Securities. As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation of the subscription for the Balance Placement Shares.

Kindly refer to **Appendix II** of this Circular for the salient terms of the Subscription Agreements.

2.2.1 Basis of arriving at the issue price of the Placement Shares

The issue prices of the Placement Shares are determined based on the following price fixing mechanism:

(i) The Subscription Price was determined by the parties upon execution of the Subscription Agreements based on 5D-VWAMP of the MAG Shares immediately preceding the date of the Subscription Agreements of RM0.2218, with a discount rate of approximately 9.8%, as mutually agreed upon by the parties. In accordance with Rule 6.14 of the Listing Requirements, payments for the 250,000,000 Subscription Shares at the Subscription Price must be received within 5 market days from the date of shareholders' approval for the Proposed Private Placement, which will be tabled at the forthcoming EGM of the Company.

(ii) For Balance Placement Shares, the issue price shall be fixed by the Board at a later date after obtaining the relevant approvals and with a discount of not more than 10.0% to the 5D-VWAMP of the MAG Shares immediately preceding the price fixing date(s). As the subscription for the Balance Placement Shares may be implemented in tranches within 6 months after the receipt of all relevant approvals for the Proposed Private Placement, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation of the subscription for the Balance Placement Shares.

The above price fixing mechanism to determine the issue price of the Subscription Shares and the Balance Placement Shares is in accordance with market based principles.

For illustrative purpose in this Circular, the issue price of the Balance Placement Shares ("**Indicative Issue Price**") is assumed at RM0.20 on the same basis as the Subscription Price.

2.2.2 Placement arrangement

The Subscription Shares are to be placed out to the Subscribers in the following manner:

Subscribers	No. of Subscription Shares
Chan Yok Peng	50,000,000
Chow Dai Ying	50,000,000
Lee Choon Hooi	50,000,000
Megan Mezanin Sdn Bhd (i)	50,000,000
Pelican Prospect Sdn Bhd (ii)	50,000,000
	250,000,000

Notes:

(i) The sole director and shareholder of Megan Mezanin Sdn Bhd is Hoo Wei Sern. Details of his shareholding in Megan Mezanin Sdn Bhd are as follows:

Name	*Designation*	*Direct*		*Indirect*	
		No. of ordinary share	*%*	*No. of ordinary share*	*%*
Hoo Wei Sern	*Director and shareholder*	*250,000*	*100.0*	*-*	*-*

(ii) *The sole director and shareholder of Pelican Prospect Sdn Bhd is Chen Chee Wai. Details of his shareholding in Pelican Prospect Sdn Bhd are as follows:*

Name	***Designation***	***Direct***		***Indirect***	
		No. of ordinary share	***%***	***No. of ordinary share***	***%***
Chen Chee Wai	*Director and shareholder*	*100,000*	*100.0*	*-*	*-*

The pro forma effect on shareholdings of the Subscribers are as follows:

Subscribers	**As at the LPD**				**After the Proposed Private Placement and Proposed Acquisition**			
	Direct		**Indirect**		**Direct**		**Indirect**	
	No. of MAG Shares ('000)	**(i) %**	**No. of MAG Shares ('000)**	**(i) %**	**No. of MAG Shares ('000)**	**(ii) %**	**No. of MAG Shares ('000)**	**(ii) %**
Chan Yok Peng	-	-	-	-	50,000	3.6	-	-
Chow Dai Ying	-	-	-	-	50,000	3.6	-	-
Lee Choon Hooi	2,900	0.4	-	-	52,900	3.8	-	-
Megan Mezanin Sdn Bhd	9,536	1.3	-	-	59,536	4.3	-	-
Pelican Prospect Sdn Bhd	12,611	1.7	-	-	62,611	4.5	-	-
Hoo Wei Sern	-	-	(iii) 9,536	1.3	-	-	(iii) 59,536	4.3
Chen Chee Wai	400	^	(iv) 12,611	1.7	400	^	(iv) 62,611	4.5

Notes:

^ *Less than 0.1%*

(i) *Computed based on 751,774,865 MAG Shares in issue as at the LPD.*

(ii) *Computed based on 1,383,323,465 MAG Shares in issue after the Proposed Private Placement and Proposed Acquisition.*

(iii) *Deemed interested by virtue of his sole shareholding in Megan Mezanin Sdn Bhd pursuant to Section 8 of the Act.*

(iv) *Deemed interested by virtue of his sole shareholding in Pelican Prospect Sdn Bhd pursuant to Section 8 of the Act.*

The Balance Placement Shares are proposed to be placed out to independent third party investor(s) to be identified at a later date. In accordance with Rule 6.07 of the Listing Requirements, the Balance Placement Shares will not be placed to the following parties:

(i) directors, major shareholders or chief executive of the Company or its holding company; and

(ii) a person connected with an interested directors, interested major shareholders or interested chief executive.

Additionally, the investors shall also be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

Notwithstanding the above placement arrangement, in the event that the Subscription Agreements are terminated, and the Subscribers do not subscribe for the Subscription Shares, the Company shall endeavour to place out the Subscription Shares to independent third party investor(s) at an issue price to be determined. In the occurrence of such, the new issue price of the Subscription Shares shall be fixed based on the same basis of the issue price of the Balance Placement Shares.

For avoidance of doubt, in the event that any of the Subscription Agreement is terminated due to default by the Subscriber, there will be no effect on the rest of the Subscription Agreements. However, if any Subscription Agreement is terminated due to default by MAG, all Subscribers have equal rights to terminate their respective Subscription Agreement.

2.2.3 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing issued MAG Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, for which the relevant entitlement date precedes the date of allotment of the Placement Shares.

2.2.4 Listing of and quotation for the Placement Shares

Approval for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities has been obtained vide Bursa Securities' approval letter dated 1 June 2021.

2.2.5 Utilisation of proceeds

For illustrative purposes, based on the proposed placement size of 331,548,600 Placement Shares, the Subscription Price and Indicative Issue Price of RM0.20, the Proposed Private Placement is expected to raise gross proceeds of RM66,309,720. The proceeds raised are expected to be utilised by the Group in the following manner:

Details	RM'000	Note	Expected timeframe for utilisation (from listing date)
Funding for the Proposed Acquisition	60,000	(i)	Within 6 months
Working capital	4,810	(ii)	Within 12 months
Estimated expenses for the Proposals	1,500	(iii)	Within 1 month
Total estimated proceeds	**66,310**		

Notes:

(i) RM60.00 million of the proceeds to be raised from the Proposed Private Placement will be utilised to fund the cash portion of the Purchase Consideration for the Proposed Acquisition. Kindly refer to Section 2.1 above for further details on the Proposed Acquisition.

(ii) The Group intends to utilise up to RM4.81 million of the proceeds to be raised from the Proposed Private Placement for the working capital requirements of its day-to-day operations. Although the Group's cash and bank balances as at LPD is RM106.38 million, the Group intends to conserve its cash balance for the Group's future expansion and that the injection of additional equity is necessary to ensure the smooth delivery of its products and services to its clients. As the actual utilisation of these proceeds will depend on the prevailing operating needs of the Group at the time when the proceeds are received, a further breakdown of the proposed utilisation of proceeds for working capital cannot be determined at this juncture. Nevertheless, these proceeds shall mainly be utilised for the operating expenses for the Group's prawn aquaculture farms, such as purchase of prawn fries and feeds and staff costs.

(iii) The estimated expenses for the Proposals include advisory fees, fees payable to the relevant authorities, placement fees and other miscellaneous cost such as secretarial and administrative costs. Any surplus or shortfall for the payment of expenses for the Proposals will be adjusted accordingly from or to the amount allocated for working capital.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the actual issue price of the Balance Placement Shares and the actual number of Balance Placement Shares issued. Any variation between the illustrated proceeds above and the actual gross proceeds raised from the Proposed Private Placement shall be adjusted to the allocation for the working capital. Any variation in the actual expenses incurred for the Proposed Private Placement shall be adjusted towards the allocation for working capital of the Group.

Pending full utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institution(s) or in short-term money market instruments as the Board deems fit. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as working capital of the Group's prawn aquaculture farms, such as purchase of prawn fries and feeds and staff costs.

2.3 Proposed Amendment

The Proposed Amendment entails the consequential amendment to the Constitution of MAG to facilitate the creation and issuance of the RPS pursuant to Proposed Acquisition.

2.4 Proposed LTIP

The Proposed LTIP entails the establishment of a scheme which comprises the Proposed SGP and Proposed ESOS to attract, retain, motivate and reward the Eligible Person(s), in accordance with the By-Laws.

The Proposed LTIP will be administered by the LTIP Committee and governed by the By-Laws. The LTIP Committee will have absolute discretion in administering the LTIP including prescribing financial and performance criteria and such other conditions as it may deem fit.

The salient features of the Proposed LTIP, details of which will be governed by the By-Laws, are set out in the ensuing sections.

2.4.1 Proposed SGP

The Proposed SGP is intended to allow MAG to reward the Eligible Persons through the SGP Grant(s), subject to the terms and conditions of the By-Laws.

Upon acceptance by the SGP Participant(s), the SGP Grants will be vested to the SGP Participants at no consideration over the duration of the Proposed LTIP, subject to the SGP Participants fulfilling the vesting conditions as may be determined by the LTIP Committee in accordance with the By-Laws. The reference price of the SGP Grants to be awarded will be determined based on the fair value of the SGP Grants, which will take into account, amongst others, the market price of the Shares as at or prior to the award date of the SGP Grants.

2.4.2 Proposed ESOS

The Proposed ESOS is intended to allow MAG to reward the Eligible Persons through the ESOS Grant(s), subject to the terms and conditions of the By-Laws.

Upon acceptance of the ESOS Grant(s) by the ESOS Grantee(s), the ESOS Options will be vested to the ESOS Grantee at the Option Price over the duration of the Proposed LTIP, subject to the ESOS Grantee fulfilling the vesting conditions as may be determined by the LTIP Committee in accordance with the By-Laws.

Subject to any adjustments to be made under the By-Laws and pursuant to the Listing Requirements, the Option Price shall be based on a price to be determined by the Board upon recommendation of the LTIP Committee based on the 5D-VWAMP of MAG Share immediately preceding the date of the ESOS Grant(s) with a discount of not more than 10.0% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Proposed LTIP.

2.4.3 Salient terms of the Proposed LTIP

(a) Maximum number of MAG Shares available under the Proposed LTIP

The maximum number of MAG Shares, which may be made available pursuant to the Proposed LTIP shall not exceed in aggregate 15% of the total number of issued MAG Shares (excluding treasury shares, if any) at any point in time over the duration of the LTIP.

(b) Basis of allotment and maximum allowable allotment

Subject to Section 2.4.3(a) of this Circular and any adjustments which may be made under By-Laws, the aggregate number of MAG Shares that may be allocated to any of the Eligible Persons of the MAG Group who are entitled to participate in the LTIP are subject to the following parameters:

(i) the Directors and senior management do not participate in the deliberation or discussion of their own allocation and/or allocations to persons connected with them;

(ii) the aggregate number of new MAG Shares to be issued pursuant to the exercise of the Offer granted under the LTIP shall not exceed amount in Section 2.4.3 (a) above, being the maximum allowable allocation limit and the LTIP Committee shall not be obliged in any way to offer an Eligible Person the ESOS Options and/or SGP Grants for all the specified maximum number of MAG Shares the Eligible Person is entitled under the LTIP;

(iii) the number of MAG Shares allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the total number of issued shares (excluding treasury shares) of MAG, does not exceed 10% of the total number of new MAG Shares to be allocated under the LTIP; and

(iv) not more than 80% of the new MAG Shares available under the LTIP shall be allocated in aggregate to the Directors and senior management of the MAG Group,

provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as may be amended from time to time.

The basis for determining the aggregate number of MAG Shares that may be offered and/or allocated under the LTIP to an Eligible Person shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration, amongst others, the seniority, job grading, performance, length of service and/or contribution to the Group by the Eligible Person and/or such other matters which the LTIP Committee may in its sole and absolute discretion deem fit and the maximum allowable allocation as decided by the LTIP Committee.

The LTIP Committee has the sole and absolute discretion in determining whether the total number of MAG Shares which may be made available under the LTIP shall be staggered over the duration of the LTIP or in 1 single grant.

(c) Eligibility

Subject to the discretion of the LTIP Committee, only Eligible Persons who meet the following conditions as at the date of which the Offer are awarded to the Eligible Persons shall be eligible to participate in the Proposed LTIP:

(i) he/ she has attained the age of at least 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(ii) where he/ she is in employment within the MAG Group, must have been confirmed in service and have served at least 6 months in the employment of MAG Group;

(iii) where he/ she is in employment within the MAG Group, the employment contract is for a duration of at least 1 year and the contract shall have not expired within 3 months from the Offer Date. Similarly, the Eligible Person has not served a notice to resign nor received a notice of termination; and/or

(iv) such Director or Employee is under such categories and criteria that the LTIP Committee may from time to time decide at its absolute discretion.

Notwithstanding the above, the selection of any Director or Employee for participation in the LTIP shall be at the sole and absolute discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding. In determining the eligibility of an Eligible Person to participate in the Proposed LTIP, the LTIP Committee may take into account amongst other factors, job grading, length of service and/or contribution to the relevant company within the Group, and/or such other factors that the LTIP Committee may in its sole and absolute discretion deem fit.

The LTIP Committee shall have the discretion to prescribe any vesting period and to determine whether any vesting condition has been satisfied (whether fully or partially) or exceeded, and further to amend any vesting conditions if the LTIP Committee decides that a changed performance target would be a fairer measure of performance.

Eligibility under the LTIP does not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the LTIP and an Eligible Person does not acquire or have any rights over or in connection with the Offer unless the Offer have been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the provisions of the By-Laws, vesting conditions have been fulfilled by the Eligible Person in accordance with the terms of the Offer and the LTIP Committee has vested the Offer on the Eligible Person.

(d) Duration and termination of the LTIP

The Proposed LTIP, when implemented, shall be in force for a period of 5 years from the effective date of the LTIP subject however to any extension as provided under the By-Laws.

On or before the expiry of the above initial 5-year period, the Proposed LTIP may be extended by the Board at its absolute discretion, without having to obtain approval from shareholders, for a further period of up to 5 years, but will not in aggregate exceed 10 years from the Effective Date or such longer period as may be allowed by the relevant authorities. In the event the LTIP is extended in accordance with this provision, the LTIP Committee shall furnish a written notification to all ESOS Grantee and SGP Participants, and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the LTIP.

Subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities, the Company may at any time during the duration of the LTIP terminate the LTIP provided that an announcement is released to Bursa Securities on the following:

(i) effective date of termination of the LTIP;

(ii) number of ESOS Options exercised and MAG Shares vested; and

(iii) reasons for termination of the LTIP.

In the event of termination of the Proposed LTIP, the following provisions shall apply:

(i) no further Offers shall be made by the LTIP Committee;

(ii) all outstanding Offers unexercised shall be automatically terminated; and

(iii) all unvested and/or unexercised ESOS Options and/or SGP Grants by the Eligible Persons shall automatically lapse.

Subject to the requirements under the Listing Requirements, approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of ESOS Grantee and SGP Participants who have yet to exercise their ESOS Options and/or accept their SGP Grants are not required to effect a termination of the LTIP.

(e) Rights of a Grantee

The ESOS Options and/or SGP Grants (as the case may be) shall not carry any right to vote at any general meeting of the Company until and unless such MAG Shares have been issued, allotted and credited to the Grantee.

A Participant shall not be entitled to any dividends, right or other entitlements on his/her unvested or unexercised ESOS Options and/or unvested SGP Grants.

(f) Ranking of new MAG Shares

The new MAG Shares to be allotted upon the vesting and exercise of the ESOS Options and/or vesting of the SGP Grants shall upon allotment, issuance, and full payment (if any), rank equally in all respects with the existing MAG Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which is prior to the date of allotment of the said new MAG Shares and are subject to the provisions of the Constitution of the Company.

(g) Trust arrangement

For the Proposed SGP, the Company and/or the LTIP Committee will, if required, establish a trust to be administered by the trustee for the purposes of the implementation of the LTIP and the acquisition or subscription of the MAG Shares to satisfy the SGP Grants. For this purpose, the trustee will to the extent permitted by law, receive funds from the MAG Group or any other person in such bank account(s) to be established by the trustee for the purpose of the trust.

The trustee shall administer the trust in accordance with the trust deed. The Company shall have the power from time to time to appoint or rescind the appointment of any trustee as it deems fit in accordance with the provisions of the trust deed.

(h) Retention period

The MAG Shares to be allotted and issued or transferred to the ESOS Grantee and SGP Participants pursuant to the LTIP will not be subject to any retention period. However, it is encouraged for them to hold the MAG Shares as an investment rather than to realise immediate gains from disposal.

Notwithstanding the above, a non-executive director must not sell, transfer or assign MAG Shares obtained through the exercise of ESOS Options or the vesting of the MAG Shares pursuant to the SGP Grant within 1 year from the Offer Date or such period as may be prescribed by Bursa Securities.

(i) Alteration in share capital and adjustment

In the event of any alteration in the capital structure of the Company during the duration of the LTIP, whether by way of capitalisation of profit or reserves, rights issues, bonus issues, capital reduction, capital repayment, sub-division or consolidation of capital or declaration of any special dividend or distribution or otherwise howsoever taking place, such corresponding alterations may be made in:

(i) the Option Price; and/or

(ii) the number of new MAG Shares which shall be exercisable or vested under an ESOS Option(s) or SGP Grant(s),

in compliance with the provisions for adjustment as provided in the By-Laws.

Any adjustments must be confirmed in writing by the Company's auditors or adviser identified by the LTIP Committee (acting as experts and not as arbitrators), to be in their opinion, fair and reasonable.

(j) Listing and quotation for the new MAG Shares

Bursa Securities had, vide its letter dated 1 June 2021, approved the listing of and quotation for such number of new MAG Shares, representing up to 15.0% of the total number of issued shares of MAG to be issued on the ACE Market of Bursa Securities pursuant to the Proposed LTIP.

(k) Utilisation of proceeds

The proceeds arising from the exercise of the ESOS Options will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point in time as well as the Option Price. As such, the actual amount of proceeds arising from the exercise of the ESOS Options as well as the timeframe for the utilisation of proceeds cannot be determined at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the ESOS Options, if any, as working capital for the Group which commensurate with the business operations of the Group. The working capital raised from the exercise of the ESOS Options will be utilised to finance the Group's general working capital requirements which shall include administrative expenses such as staff salaries, group overhead expenses (i.e. utilities, upkeep of office premise), Directors' remuneration, employer's statutory contribution and other miscellaneous operating expenses.

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3. RATIONALE OF THE PROPOSALS

3.1 Proposed Acquisition

On 12 December 2019, MAG Aquaculture completed the acquisition of Wakuba Farm. The acquisition was undertaken in line with the Group's decision to diversify into the aquaculture based on its belief in the long-term sustainability of the food industry.

The Proposed Acquisition form parts of the Group's long term business expansion and growth strategy. As both the Group and NCUBE is currently involved in the Aquaculture Business, the Proposed Acquisition will enable both companies to leverage on their combined strengths in relation to, but not limited to, its research and development expertise in the aquaculture industry and respective business relationship with industry stakeholders. The combined strengths are expected to accelerate the Group expansion plan and accrue the enlarged Group with a continuous growth to emerge as a key player in the aquaculture industry in Malaysia.

Given the established business and positive historical financial performance of NCUBE, the Board expects the Proposed Acquisition to be earning accretive and to continuously deliver sustainable value to shareholders of MAG in the medium and long term.

On top of the above, due to the interest of the Company's Executive Chairman, Ng Min Lin in both MAG and NCUBE, the Proposed Acquisition would also be able to mitigate potential conflict of interest situation between Ng Min Lin and MAG, which would in turn safeguard the interests of minority shareholders.

Further, our Board is of the view that the issuance of the Consideration Shares and RPS as part settlement of Purchase Consideration is the most appropriate means given the prevailing market conditions, after taking into consideration, among others, the following factors:

(i) conserve our cash balance for our Group's operations and expansion whilst minimising the potential impact on the cash flow and gearing of our Group as opposed to full settlement in cash and/or via bank borrowings;

(ii) provides greater certainty in raising the funds required as compared to other forms of equity fund raising such as a rights issue which is dependent upon the prevailing market sentiment and economic conditions. Underwriting and undertaking arrangements for such other forms of equity fund raising would be difficult to procure; and

(iii) the RPS would provide its holder with an annual dividend of 3% per annum and the issuance of RPS would minimise the immediate dilution of the EPS and existing shareholders' equity

3.2 Proposed Private Placement

The Proposed Private Placement will enable the Company to finance the Proposed Acquisition as set out in Section 2.1 of this Circular. In addition, the proceeds to be raised from the Proposed Private Placement will also provide the Company with additional funds to finance its working capital requirements.
After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is currently the most appropriate avenue of fund raising as it will:

(i) enable the Company to raise funds expeditiously for purposes as set out in Section 2.2.5 of this Circular as opposed to a pro-rata issuance of securities such as rights issue, which would typically entail a longer implementation process. Further, the implementation of a rights issue is also significantly dependent on the market sentiment and require an underwriting agreement or undertaking commitment from shareholders in view of the prevailing uncertain economic condition;

(ii) provide an avenue to raise funds without incurring interest cost as compared to bank borrowings; and

(iii) increase the size and strength of the Company's capital base and shareholders' funds and potentially improve the liquidity and marketability of the issue MAG Shares.

<u>Details of previous fund raising exercises undertaken</u>

MAG has not undertaken any other fund raising activities for the past 12 months prior to the LPD, save for below:

On 8 September 2020, MAG completed the issuance of 333,387,142 free Warrants on the ACE Market of Bursa Securities to its shareholders. As at the LPD, none of the 333,387,142 Warrants was exercised.

Further, on 17 July 2019, the shareholders of MAG approved the issuance of RCN with an aggregate principal amount of up to RM120.0 million which are convertible into a maximum of 600,000,000 MAG Shares at a minimum conversion price of RM0.20 each ("**RCN Program**").

As at the LPD, a total of 88 sub-tranches (of RM1.0 million each) has been issued with a total amount raised of RM88.0 million. Out of the RM88.0 million of RCN issued, RM86.0 million worth of RCN has been converted into a total of 430,000,000 new MAG Shares at an issue price of RM0.20 per MAG Share.

As at the LPD, the status of the utilisation of gross proceeds received from the RCN Program is as follows:

Details	[(ii)]Estimated timeframe for utilisation	Approved amount RM'000	Drawdown and utilised RM'000	Drawdown but not utilised RM'000	Amount remaining RM'000
Financing the acquisition of Wakuba Farm [(i)]	Within 3 years	101,000	51,786	17,824	[(iii)]49,214
Working capital for the operation of Wakuba Farm	Within 6 months	9,000	8,421	-	579
Estimated expenses in relation to the issuance of RCN:					
- Setting up cost	Within 1 month	1,600	1,600	-	-
- Implementation cost	Within 3 years	8,400	8,369	-	31
Total estimated proceeds		**120,000**	**70,176**	**17,824**	**49,824**

<u>Notes:</u>

(i) Out of the RM101.0 million approved amount, RM50.0 million has been used as cash consideration for the acquisition of the Wakuba Farm (at a total purchase consideration of RM100.0 million) whilst the remaining RM51.0 million is earmarked for the scheduled repayment of term financing (including the financing cost) undertaken by MAG Aquaculture to part-finance the Wakuba Farm (As at the LPD, RM1.8 million out of the RM51.0 million earmarked has been utilised for repayment of the said term financing). The acquisition of the Wakuba Farm was completed on 12 December 2019.

(ii) From the date of issuance of the respective sub-tranches.

(iii) To be utilised based on the repayment schedule of the term financing undertaken by MAG Aquaculture to part-finance the Wakuba Farm.

3.3 Proposed Amendment

The Proposed Amendment is necessary to facilitate the issuance of RPS pursuant to the Proposed Acquisition.

3.4 Proposed LTIP

The implementation of the Proposed LTIP primarily serves to align the interests of Eligible Persons to the corporate goals of MAG Group. The Proposed LTIP will provide Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:

(i) to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of MAG Group;

(ii) to reward the Eligible Persons by allowing them to participate in the Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of MAG Shares;

(iii) to motivate the Eligible Persons towards achieving improved performance through greater productivity and loyalty;

(iv) to encourage employees to remain with the Group, thus ensuring that the loss of key personnel is kept to a minimum; and

(v) to inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company.

The Proposed LTIP is also extended to the Non-Executive Directors of MAG to recognise their contribution to the Company and enable them to participate in the Company’s future growth. In addition, it will also enable MAG to attract capable individuals to act as Non-Executive Directors of MAG.

3.5 Other information

3.5.1 Financial information of the Group

A summary of the consolidated financial information of MAG Group for the FYE 31 December 2016 to FPE 31 December 2020 are set out below:

	Audited				Unaudited
	FYE 31 December 2016 RM’000	FYE 31 December 2017 RM’000	FYE 31 December 2018 RM’000	FYE 31 December 2019 RM’000	(i)12-month FPE 31 December 2020 RM’000
Revenue	768,057	357,460	315,001	1,624	50,610
GP/ (gross loss)	81,266	21,804	(588)	308	9,761
Profit before tax / (Loss before tax)	38,722	8,853	(26,396)	(28,544)	8,351
PAT/ (LAT) from continuing operation	26,881	(6,780)	(25,537)	(28,562)	8,351
PAT/ (LAT) from discontinued operation	-	-	-	(79,693)	-
Share capital	234,850	285,259	296,693	346,680	366,074
Total equity attributable to owners of the Company	507,996	473,759	452,690	478,246	517,155
Borrowings (interest-bearing)	27,090	-	196,858	50,295	55,135
Gearing ratio (times) (ii)	0.05	-	0.43	0.11	0.11

Notes:

(i) The Company had on 6 October 2020 announced that the Board has resolved to approve the change of its FYE from 31 December to 30 June. Hence, the next set of audited financial statements shall be for a period of 18 months from 1 January 2020 to 30 June 2021.

(ii) Computed by taking the total borrowings of the Group over the total equity attributable to owners of the Company.

FYE 31 December 2017 vs FYE 31 December 2016

In FYE 31 December 2017, the Group recorded lower revenue of RM357.46 million as compared with RM768.06 million recorded in FYE 31 December 2016, representing a decrease of 53.5%. The decrease in revenue was mainly due to the drop in the overall sales volume of its production, blending and marketing of peanut and other edible vegetable oil, and peanut trading business ("**Cooking Oil Business**") due to production curbs faced by the Group. The production curbs was mainly a result of the directives issued by the local authorities in China to industrial plants including the Group's plant to restrict production activities so as to reduce smog and improve air quality. Further, the Group also faced with a shortage of natural gas (which is essential in the Group's production activities) for a period from November 2017 to December 2017 due to the priority given by natural gas supplier to residential users in view of the winter season in northern China.

The Group recorded a LAT of RM6.78 million in FYE 31 December 2017 as compared with the PAT of RM26.88 million recorded in FYE 31 December 2016. The LAT recorded in FYE 31 December 2017 was mainly due to the significant drop in overall sales of the Group during the year as well as the tax expenses of RM15.63 million recorded during the year (as compared to RM11.84 million recorded in FYE 31 December 2016). The tax expense of RM15.63 million recorded for FYE 31 December 2017 was due to the recognition of temporary differences of RM13.82 million associated with the Group's share of the distributable reserves of the China subsidiaries and the tax base of the cost of investment in the said subsidiaries based on the prevailing applicable withholding tax rate of 5%.

FYE 31 December 2018 vs FYE 31 December 2017

In FYE 31 December 2018, the Group recorded lower revenue of RM315.0 million as compared with RM357.5 million recorded in FYE 31 December 2017, representing a decrease of 11.9%. The decrease in revenue was mainly due to the continued production curbs faced by the Group's Cooking Oil Business as a result of the progressive anti-pollution measures and campaign undertaken by the Chinese government since 2016. The production curbs have resulted in a tremendous loss in productivity of the Group (i.e. inability to maximise the production capacity to attain economies of scale) and hinder the Group's ability to secured orders from its customers. Consequently, the Group also recorded a gross loss of RM0.59 million as compared with RM21.80 million gross profits in FYE 31 December 2017.

The Group recorded a higher LAT of RM25.54 million in FYE 31 December 2018 as compared to LAT of RM6.78 million in FYE 31 December 2017. The increase in LAT of 276.7% was mainly due to the gross loss recorded by the Group during FYE 31 December 2018 as compared with the GP of RM21.80 million recorded in FYE 31 December 2017, impairment loss on property, plant and equipment of RM13.72 million (as compared with none recorded in FYE 31 December 2017) and unrealised foreign exchange loss of RM6.50 million (as compared to the unrealised foreign exchange gain of RM10.83 million recorded in FYE 31 December 2017).

The Group's total borrowings increased from nil in FYE 31 December 2017 to RM196.86 million in FYE 31 December 2018 due to the drawdown of short-term borrowings by the Group to finance the operation of the Cooking Oil Business.

<u>FYE 31 December 2019 vs FYE 31 December 2018</u>

In FYE 31 December 2019, the Group recorded lower revenue of RM1.62 million as compared with RM315.00 million recorded in FYE 31 December 2018, representing a decrease of 99.5%. The decrease in revenue was mainly due to the deconsolidation of the financial results of Henan Xinghe Oil and Fat Company Limited ("**Henan Xinghe**") following the disposal of the Group's equity interest in Henan Xinghe. The revenue of RM1.62 million recorded in FYE 31 December 2019 solely relates to the operating results of the Wakuba Farm, which was acquired by the Group on 12 December 2019.

The Group recorded a LAT from discontinued operation of RM79.69 million in FYE 31 December 2019, which was mainly caused by the loss on disposal of RM80.50 million pursuant to the disposal of a controlling equity of 41.15% in Henan Xinghe. Following the disposal of 41.15% equity interest, Henan Xinghe ceased to be a subsidiary and became an associate of the Group.

The Group recorded a LAT from continuing operation of RM28.56 million in FYE 31 December 2019. The increase in LAT of 11.85% is due mainly to the recognition of an one off loss on dilution of equity interest in Henan Xinghe of approximately 9.22% as a result of the subsequent dilution (after the initial disposal of 41.15% equity interest) of its equity interest in Henan Xinghe due to the capital injection by Henan Agri-Industrial Investment Co. Ltd. ("**Henan-Agri**") after the completion of the disposal of 41.15% equity interest by the Group. Kindly refer to Section 3.5.4(ii) of this Circular for further details on the disposal and subsequent dilution of equity interest in Henan Xinghe.

<u>12-month FPE 31 December 2020 vs FYE 31 December 2019</u>

In the 12-month FPE 31 December 2020, the Group recorded higher revenue of RM50.61 million as compared with the revenue of RM1.62 million recorded in FYE 31 December 2019, representing an increase of 3,016.4%. As MAG Aquaculture had on 12 December 2019 completed the acquisition of the Wakuba Farm, the Group is only able to recognise the operating results of the Wakuba Farm for the month of December 2019 as compared with the 12 months operating results as recorded in the 12-month FPE 31 December 2020.

Further, the Group recorded a PAT of RM8.35 million in the 12-month FPE 31 December 2020 as a result of the operating profit derived largely from its Aquaculture Business as compared with the LAT from continuing operation of RM28.56 million as recorded in FYE 31 December 2019 which was due mainly to the recognition of an one off loss on dilution of equity interest in its previous subsidiary (now an associate), Henan Xinghe. Kindly refer to Section 3.5.4(ii) of this Circular for further details on the dilution of equity interest in Henan Xinghe.

3.5.2 Value creation and adequacy of the Proposals in addressing the Group's financial concerns

The Proposals predominantly entails the Proposed Acquisition which form parts of the Group's long term business and growth strategy as it transition its business focus from the peanut oil and other edible vegetable oil business to the Aquaculture Business following its venture into the Aquaculture Business back in 2019 through the acquisition of the Wakuba Farm. The Proposed Private Placement and Proposed Amendment are undertaken to facilitate the Proposed Acquisition.

The Proposals are expected to create value to MAG and its shareholders in the medium and long term as MAG will be able to further strengthen its position as a leading prawn aquaculture player in the industry following the completion of the Proposed Acquisition. The Group will be able to enjoy the combined strength of a total of 235 prawn cultivation ponds and its own processing plants to process the harvest from both NCUBE and its existing farm into finished products. Further, the combination of the Aquaculture Business of NCUBE and MAG upon the completion of the Proposed Acquisition would also create economies of scale and synergy for the enlarged MAG Group which would be beneficial to the long term prospects of the enlarged MAG Group. Kindly refer to Section 4.5 of this Circular for the prospect of the enlarged MAG Group.

Premised on the above and barring any unforeseen circumstances, the Board is of the view that the Proposals are adequate to address financial concerns of the Group due to the favourable prospects of the enlarged MAG Group upon completion of the Proposals.

3.5.3 Impact of the Proposals to shareholders of MAG

As disclosed in Section 2.2.5 of this Circular, the Proposed Private Placement is expected to raise gross proceeds of up to RM66.31 million (based on the Subscription Price and Indicative Issue Price), which are intended to raise the cash portion of the Purchase Consideration for the Proposed Acquisition. Further, the Proposed Acquisition also entails the issuance of 300,000,000 Consideration Shares and 400,000,000 RPS as the Company minimises its immediate cash outflow pursuant to the Proposed Acquisition to preserve its cash flow for operation needs.

Accordingly, there will be a dilutive effect on the overall shareholders' shareholding in the Company due to the issuance of new MAG Shares pursuant to the Proposed Private Placement and Proposed Acquisition. Nevertheless, shareholders should consider the potential earnings accretive effects of the Proposals (i.e. the synergies from the combination of MAG and NCUBE in the Aquaculture Business) as well as the sustainable value to be arisen from the Proposed Acquisition.

3.5.4 Steps or actions taken/ to be taken to improve the financial condition of the Group

Prior to diversification of the principal activities to include the Aquaculture Business, the Group's business then was solely generated from the Cooking Oil Business, all of which are based in China.

The Chinese government's campaign against environmental pollution in the smog-prone region of northern China which started since 2016 had affected the Group negatively as the Group's production plant is located in the region concerned (that is Neihuang County, Henan Province). The directive from local authorities restrict the production schedule of the Group's production plant and resulted in a severe production cut by the Group which had consequently impacted the Group's financial performance negatively.

Premised on the above, the Group has undertaken the following to improve its financial condition moving forward:

(i) Diversification into Aquaculture Business

On 31 December 2018, MAG Aquaculture entered into a sale and purchase agreement to acquire the Wakuba Farm as the first step taken by MAG in diversifying into the Aquaculture Business. Subsequently on 17 July 2019, MAG obtained its shareholders' approval to diversify its principal activities to include the Aquaculture Business.

Thereafter, MAG officially commenced its Aquaculture Business on 12 December 2019 following the completion of the acquisition of Wakuba Farm.

This diversification plan serves as the Group's initiative to mitigate the operational risk of the Cooking Oil Business as resulted from the Chinese government's anti-pollution campaign and to ensure a sustainable value creation to its shareholders.

(ii) Disposal of Henan Xinghe

On 28 December 2019, the Group disposed approximately 41.15% equity interest in Henan Xinghe to Huang YunLin for a cash consideration of Renminbi ("**RMB**") 155.0 million (equivalent to approximately RM91.5 million) as the Group seeks to limit its exposure to the Cooking Oil Business while maintaining a meaningful equity stake of approximately 49.99%. Thereafter, Henan Xinghe became an associate of the Group. Subsequent to the disposal, the Group's equity interest reduced further to approximately 40.77% following the capital injection of approximately RMB15.90 million by Henan-Agri. Henan-Agri is a wholly-owned subsidiary of Henan Finance Bureau (a state-owned strategic investment arm of the Henan Province People's Government) and minority shareholder of Henan Xinghe with an equity interest of approximately 8.86% prior to the said capital injection.

The highest percentage ratio applicable to the disposal (pursuant to Paragraph 10.02(g) of the Listing Requirements) is 24.8%. As such, the disposal does not require the approvals of shareholders of MAG. The disposal considerations of approximately RM91.5 million arising from the above disposal which have yet to be utilised as at the LPD have been earmarked for the Group's future funding requirements. The Board has decided to not utilise the disposal proceeds for the purpose of the Proposed Acquisition as the Group intends to use it for the future working capital and operating expenses of Wakuba Farm (RM9.50 million) and the investments in prawn aquaculture upstream and downstream projects (RM82.0 million) within or outside China (subject always to China's laws, rules, regulations, guidelines, directives (whether written or non-written) and foreign exchange controls).

The Company is giving preference towards investing in prawn aquaculture projects within China, in view of the large market demand. The Company is still in the midst of identifying and evaluating potential investment opportunities within China. The initiative was temporarily halted by the outbreak of the COVID-19 pandemic with the closing of borders and imposition of travel restrictions. Upon reopening of borders and lifting of travel restrictions, the Company intend to resume the identification and finalization of such investment opportunities. The Company will make a detailed announcement upon the execution of such agreements in relation to the above mentioned investment opportunities in compliance with the requirements of the Listing Requirements. However, if the Company is not able to identify any suitable investment opportunities in China within 3 years from the recommencement of its initiative, the Company intends to explore prawn aquaculture opportunities in other countries outside China.

The definitive timeframe for the utilisation of disposal consideration has yet to be determined at this juncture and would depends on, amongst others, the future funding requirement of Wakuba Farm and the future investments to be undertaken by the Group for its Aquaculture Business.

Moving forward, the Group intends to focus on its expansion in the Aquaculture Business and to emerge as a key industry player in the aquaculture industry in Malaysia. With the Proposed Acquisition, the Group intends to leverage on the combined strength of MAG and NCUBE in delivering such business expansion strategy.

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4. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for E&E products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order (MCO 2.0) and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

In terms of sectoral performance, all economic sectors registered an improvement. The manufacturing sector expanded at a higher pace of 6.6% (4Q 2020: 3.0%), driven by the robust E&E production and continued recovery in the consumer-, primary- and construction related clusters. The strong performance of the E&E subsectors reflected the higher global demand for semiconductors components, as reflected by the improvement in the World Semiconductor Trade Statistics. Despite the imposition of MCO 2.0, the consumer- and primary-related manufacturing also recorded higher growth, as most manufacturing sectors were allowed to operate while adhering to stringent standard operating procedures (SOPs). Global concerns surrounding electronic-chip shortages on the automotive sector had only a limited impact on the strong domestic passenger car production due to the lower chip intensity of most mass market vehicles. In addition, the extension of Sales and Services Tax (SST) exemption for the purchase of motor vehicles until June 2021 also helped Malaysia's motor vehicle production.

The services sector recorded a smaller decline of 2.3% in the first quarter of 2021 (4Q 2020: -4.8%). This was due to the improvement in the consumer-related activities, supported by the relaxation of containment measures such as dine-ins and inter-district travel beginning from middle of February 2021. Nevertheless, the weakness in tourism activity continues to affect key subsectors such as accommodation as well as air travel under the transport and storage subsector. Meanwhile, growth in the finance and insurance subsector improved, attributed to higher fee income, stable loan and deposit growth, and higher net insurance premiums. The information and communication subsector continued to benefit from demand for data communication services following the adoption of remote working and learning arrangements.

The agriculture sector registered a positive growth of 0.4% (4Q 2020: -1.0%), driven mainly by expansion in livestock, other agriculture, forestry and logging subsectors. Growth in the oil palm subsector declined further as production was affected by floods in the earlier part of the quarter, while labour shortages continued to affect harvesting activities.

The mining sector contracted at a much slower pace of 5.0% (4Q 2020: -10.4%). Despite some facility closures for maintenance purposes during the quarter, both crude oil and natural gas production improved amid the gradual recovery in external demand and commencement of the PETRONAS Floating Liquefied Natural Gas Dua (PFLNG2) facility operations located in offshore East Malaysia.

The construction sector contracted by a smaller rate of 10.4% (4Q 2020: -13.9%). Activity was supported by the ramp up of construction works in commercial projects that are nearing completion and the continued implementation of small-scale projects. This resulted in a strong positive growth in the special trade subsector. However, activity in the residential, non-residential and civil engineering subsectors remained weak, affected by labour shortages and site shutdowns due to COVID-19 outbreaks. The implementation of MCO 2.0 also weighed on growth, as activity in construction sites that did not meet the conditions to operate were halted.

Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity.

Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related subsectors, as well as oil and gas facilities will provide further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors. The Malaysian economy is projected to register a growth of between 6.0% to 7.5% in 2021.

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

4.2 Overview and prospects of marine shrimp aquaculture market in Malaysia

The growth of marine shrimps farming in Asia and Latin America countries has been on the rise with the tapering of capture fishery yield. It is estimated that three quarters of global shrimp farming yield originates from Asia with China and India as the major producing countries and the balance one quarter originating from Latin America with Ecuador, Peru and Mexico as major producing countries. Global increase in marine shrimp demand for consumption, and its status as choice seafood among consumers have contributed to the profitability of marine shrimp aquaculture and trade activities.

In Malaysia, marine shrimp aquaculture is important for local food self-sufficiency and also a source for trade income. The high demand and value for marine shrimp as a seafood globally is creating growing demand for imported marine shrimp stocks. With a resource-rich coastline and conducive geological and climatic conditions, Malaysia is at an advantageous position to help fill the global demand-supply gap. Marine shrimp aquaculture accounted for 24.8% of Malaysia's aquaculture production volume, and 41.3% of its production value in 2019.

In Malaysia, the pacific white shrimp and tiger shrimp are the most commonly cultivated species. Both shrimp species are considered high-value food fish species, in line with global trends in shrimp prices. Protégé estimates that the marine shrimp aquaculture market was valued at RM1.13 billion in 2020, a decline of 23.3% from RM1.48 billion in 2019. The decline was due to lower production of farmed marine shrimps at 45,390 tonnes (2019: 53,400 tonnes) and producers were pinned by low prices amid the COVID-19 pandemic. Farming of the tiger shrimp has been badly affected by low prices because of the reduced sales of live shrimp to restaurants and loss of export markets in China and Singapore amidst the COVID-19 pandemic. Farmers resorted to e-commerce to push sales of live shrimp to local consumers. Some tiger shrimp farmers have shifted either to farm pacific white shrimp or culture of the Asian sea bass.

Going forward, the local marine shrimp aquaculture market is projected expand at a compound annual growth rate ("CAGR") of 11.9% from RM1.13 billion in 2020 to RM1.99 billion in 2025. Factors influencing the demand of the local marine shrimp mainly derive from a resilient demand from global and local market, declining levels of capture fisheries as well as underlying both local and global population growth which is increasing demand for food commodities, including shrimp.

Growth in the short term (2021-2022) is likely to be affected by the trend of reversal of tiger shrimp farming to pacific white that fetches higher value in the market. The local marine shrimp aquaculture market is projected to grow by 5.0% in 2021. Furthermore, diseases are a common and widespread problem for marine shrimp aquaculture activities and can affect yield and cause substantial losses to local shrimp farmers. Marine shrimp farmers in Malaysia have been prudent in mitigating this risk through careful cultivating practices and the use of pathogen-free brood stocks. However, given the higher prices for brood stock, brood stock feeds and live feeds coupled with the difficulty in getting new batches of brood stock during COVID-19 pandemic, this resulted in the reuse of existing ones and sale of poor quality post larvae which are more susceptible to disease and slower growth.

In the medium to long term (2023-2025), the marine shrimp aquaculture market in Malaysia is likely to experience cyclical growth and the market continues to be exposed to the threat of diseases. Nonetheless, government-driven initiatives such as allowing companies to import shrimp brood stock from approved sources in Thailand, Singapore, Brunei and the United States of America as well as support given to anchor companies to adopt the Malaysia Good Agricultural Practice will likely support market growth. Overall, the marine shrimp aquaculture market in Malaysia is projected to remain resilient in the long term.

(Source: Independent Market Research Report prepared by Protégé)

4.3 Overview and prospects of frozen seafood market in Malaysia

Seafood traditionally constitutes an important part of the Malaysian diet, and demand for the frozen seafood will likely continue to be supported by these traditional diet preferences. Capture fisheries in Malaysia are well-utilised and limited, and to cater to a growing demand for frozen seafood, the growth in supply of seafood is expected to be driven by produce from the aquaculture segment. Frozen seafood products are frozen with cryogenic freezing technology which helps in inhibiting the growth of bacteria of the frozen seafood products and enable the seafood to be stored for a long period of time. Malaysia's export of frozen seafood totalled RM1.38 billion in 2018, out of which frozen shrimp contributed 57.4% of the export.

Protégé estimates that the Malaysian frozen seafood market was valued at RM2.16 billion in 2020, a decline of 15.0% from RM2.54 billion in 2019, due to lower consumption of seafood amid the COVID-19 pandemic. Many producers have also turned to online platforms to sell fresh and frozen seafood. While the COVID-19 facilitated an uptick in demand for frozen seafood due to its long shelf life, the movement and travel restrictions imposed during the year has also caused the loss of economy activity, which negatively affected the overall consumer sentiments and spending during the year.

Moving forward, the local frozen seafood market is projected to expand at a CAGR of 4.1% from RM2.16 billion in 2020 to RM2.64 billion in 2025. Growth in the short term (2021-2022) is likely to be affected by increased consumption in frozen seafood as the public adjust to the new norm lifestyle as economy activity recovers as well as the initiation of online seafood trading which facilitates sales and consumption of frozen seafood. The local frozen seafood market is projected to grow by 8.0% in 2021.

In the medium to long term (2023-2025), the frozen seafood market in Malaysia is anticipated restore to its pre-COVID level as economy activity continues to recover. The global and local population growth indicates growing pool of potential frozen seafood consumers. In addition, awareness regarding protein and other essential nutrients for a healthy body is propelling significant demand for fish and other seafood, moving away from canned food. It is important to note that frozen foods including frozen seafood are gaining prominence owing to demand for better shelf life by millennial consumers, who are living on hectic schedules and preventing them from purchasing fresh cooking ingredients regularly.

On the supply side, the frozen seafood market continues to receive support from the Malaysian Government as well as foreign direct investments for its research and development. Continuous development and innovation in cold chain transport as well as improvement in refrigeration techniques can help to spur consumer confidence against the backdrop of rising demand for nutritional and quality frozen seafood.

(Source: Independent Market Research Report prepared by Protégé)

4.4 Prospects of NCUBE Group

The prawn aquaculture farming of NCUBE Group is situated in Tawau, Sabah which is within the resource-rich coastline and conducive-geological and climatic condition for prawn aquaculture farming.

NCUBE Group's strength lies with its sizable 133 prawn cultivation ponds which is well supported by its own processing plant which turns all its harvests into finished products. This is an essential vertical integration in the supply chain of prawn aquaculture business that provides NCUBE Group with operational and cost advantages.

Further, NCUBE Group has been reporting profits since the FYE 31 December 2019 and barring any unforeseen circumstances such as COVID-19 pandemic, NCUBE Group is expected to continue to be profitable, supported by the expected growth in the marine shrimp aquaculture market. This is premised on the facts that there will be a resilient demand from global and local market amid declining levels of capture fisheries, growing population and growing consumer health consciousness which see shrimp as a healthier alternative to other meats.

(Source: Management of NCUBE)

4.5 Prospects of the enlarged MAG Group

The shareholders of the Company had on 17 July 2019 approved the diversification of the principal activities of the Group to include the Aquaculture Business.

As part of the diversification, MAG Aquaculture, had on 12 December 2019 completed the acquisition of a prawn aquaculture farm known as Wakuba Farm which is a matured revenue-generating asset with 102 prawn cultivation ponds.

As NCUBE Group's farm is also a matured revenue-generating asset, the Proposed Acquisition will further strengthen MAG Group's position as a leading prawn aquaculture player in the industry with a combined strengths of 235 prawn cultivation ponds upon the completion of the Proposed Acquisition and its own processing plants to process the harvests from both NCUBE and Wakuba Farm into finished products.

The following is the Group's future plan for NCUBE:

Description of future plans	Estimated financial resources required	Expected timeframe
The Group intends to further improve the productivity of NCUBE farm by continuing the pond improvement program and upgrading of machinery in the factory production. Estimated cost: RM4.0 million comprising (a) RM1.0 million for the intelligent monitoring system for water parameters; (b) RM 1.0 million for the upgrading of machinery to include cooked shrimp processing line; and (c) RM2.0 million for the purchase of quick frozen machine to manufacture frozen shrimp Sources of funding: From internally generated funds and/or bank borrowings	RM 4.0 million	Within 15 months

Description of future plans		Estimated financial resources required	Expected timeframe
Commencement and completion dates	To commence development by Q4 2021, and fully commissioned by Q1 2023		
Target markets/ clientele	Additional range of products to customers for Australia and Europe markets		
	Total financial resources required	**RM4.0 million**	

The combined strengths would create economies of scale and synergy for the enlarged MAG Group from cultivation to producing the finished products. The expanded scale of operation would facilitate and accelerate MAG Group's investments in automation, technology, and research and development to improve production yield and operational efficiency in the Aquaculture Business. The enlarged MAG Group therefore expects to gain cost efficiency and higher production volumes from the combined strengths.

As the local marine shrimp aquaculture market is projected to expand, the Proposed Acquisition would enable MAG Group to gain a larger market share of the Aquaculture Business in Malaysia. This paves the way towards achieving a more sustainable growth in the Aquaculture Business which is the main driver of MAG Group's financial performance going forward.

(Source: The Management of MAG)

5. RISK FACTORS

The non-exhaustive risk factors in relation to the Proposed Acquisition are set out below. There can be no assurance that any changes in relation to the risk factors as described below will not have a material adverse effect on the business, operations and financial performance of the MAG Group.

5.1 Non-completion risk

The completion of the Proposed Acquisition is subject to, among others, the fulfilment of the conditions precedent of the SAA. The Proposed Acquisition may not be completed if any of the conditions precedents cannot be fulfilled and/or waived, as the case may be, within the stipulated timeframe. Any delay in the fulfilment of the conditions precedent of the SAA may lead to a delay in the completion and/or termination of the Proposed Acquisition.
To mitigate such risk, the Company will take reasonable steps to ensure and/or procure that the conditions precedent of the SAA are fulfilled within the stipulated timeframe and that every reasonable effort is made to fulfil the conditions precedent in order to complete the Proposed Acquisition in timely manner.

5.2 Acquisition risk

Although the Board believes that MAG may derive benefits from the Proposed Acquisition, there can be no guarantee that the expected benefits from the Proposed Acquisition will materialise or that the MAG Group would be able to generate sufficient returns from NCUBE to offset the associated cost of acquisition.

The Board will exercise due care in considering the potential risks and benefits associated with the Proposed Acquisition, including conducting due diligence review on NCUBE. The Board believes that the Proposed Acquisition will be value accretive and synergistic to the enlarged MAG Group, after taking into consideration among others, the prospects of NCUBE. As such, the Board will constantly monitor the progress and performance of NCUBE and to leverage their expertise to manage the operations of NCUBE.

5.3 NCUBE may not achieve the Profit Guarantee

The Profit Guarantee given by the Vendors to MAG is based on various bases and assumptions, which are subject to uncertainties and contingencies, which are often beyond the expectation and control of NCUBE.

Nonetheless, as per the term of the SAA, in the event the audited PAT for the Guarantee Period is less than the Profit Guarantee by more than 10.0% or a shortfall in the Profit Guarantee that amounts to more than RM1.80 million, MAG shall be entitled to offset the shortfall amount in excess of the RM1.80 million via the cancellation of the RPS of equivalent value. In the event that NCUBE recorded audited LAT for the Guarantee Period, MAG shall also be entitled to cancel the RPS with a total aggregate value of the Profit Guarantee amount and the actual LAT incurred. However, in the unlikely event that the deficiency as resulted from the LAT recorded by NCUBE is more than the aggregate value of the RPS issued as part of the Purchase Consideration (i.e. RM80.00 million), all 400,000,000 RPS issued to the Vendors as part of the Purchase Consideration (with a value of RM80.00 million based on the issue price of RM0.20 per RPS) will be cancelled and there will not be any cash compensation by the Vendors for the shortfall between the aggregate value of the RPS issued and the aggregate audited LAT incurred for the Guarantee Period. For avoidance of doubt, the maximum compensation amount by the Vendors under the Profit Guarantee is capped at RM80.00 million (i.e. the aggregate value of the RPS to be issued pursuant to the Proposed Acquisition).

5.4 Business risk

Upon completion of the Proposed Acquisition, the Group will continue to be subject to the business risks inherent in its existing Aquaculture Business. These include threat of diseases which might affect yields, sea water pollution which can contaminate the water supply to the ponds, and changes in political, economic and regulatory conditions in Malaysia, all of which may affect the sales performance as well as the operating results and financial condition of the MAG Group.

Nevertheless, these risks will be addressed as part of MAG’s ordinary course of business through, amongst others, effective farm and water supply management system, market research and feasibility studies, implementing effective cost-control policies as well as continuously reviewing the Group’s operations and marketing strategies. Notwithstanding this, no assurance can be given that any changes to these risk factors will not have a material adverse effect on the Group’s business and earnings in the future.

5.5 Impairment risk from goodwill recognition

MAG will recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of the assets and liabilities acquired as at the completion of the Proposed Acquisition and the goodwill will be assessed periodically for impairment. In the event of any fair value adjustments to the asset and liabilities of NCUBE subsequent to the initial recognition of the goodwill, there will be a need for MAG to undertake impairment on the goodwill recognised. Depending on the quantum of such impairment, there might potentially be a material and adverse effect on the enlarged MAG Group’s financial position and earnings.

Notwithstanding, MAG will mitigate the abovementioned risks by closely monitoring the financial performance of NCUBE and implement appropriate strategies towards the achievement of financial target of NCUBE.

5.6 Impact of COVID-19

The COVID-19 pandemic had significantly affected the global economy. The imposition of the various stages of movement control order by the Government of Malaysia (i.e. movement control order, conditional movement control order and recovery movement control order) since 2020 have affected our Group and NCUBE Group's business operations. The Group and NCUBE Group's prawn farming operations were affected during the movement control order period due to delay in supply-chain (hatchery suppliers were unable to deliver prawn fries to the Group and NCUBE's farms) and only minimal routine pond maintenance and feeding works can be carried out, while the NCUBE Group's processing plant business was also affected by the constraints in storage, transportation, shipping and port-clearance. However, with the arrival of the vaccines and the steady rollout of the national vaccination plan could potentially lead to the relaxation of restrictions in the near future. Our Directors are of the opinion that the financial performance for the forthcoming financial year will remain challenging due to the uncertainties in the market.

Moving forward, our Group will continue to undertake a stringent profit and cost control measures to manage the overall profitability of the enlarged MAG. The steps undertaken by our Group include, but not limited to, continuously undertaking conservative cost control measures and to closely monitor the market conditions.

6. FINANCIAL EFFECTS OF THE PROPOSALS

The Proposed Amendment will not have any effect on the share capital, NA and gearing, earnings and EPS as well as the substantial shareholdings of MAG.

The pro forma effects of the remaining Proposals are set out as follows:

6.1 Share capital

The pro forma effects of the Proposed Private Placement and Proposed Acquisition on the issued share capital of MAG are as follows:

	No. of MAG Share	RM
Issued share capital as at the LPD	751,774,865	374,396,682
To be issued pursuant to the Proposed Private Placement	*331,548,600*	*(i)66,309,720*
After the Proposed Private Placement	**1,083,323,465**	**440,706,402**
To be issued pursuant to the Proposed Acquisition	*300,000,000*	*(ii)60,000,000*
After the Proposed Acquisition	**1,383,323,465**	**500,706,402**
To be issued pursuant to full conversion of RCN and the full exercise of Warrant	*343,387,142*	*(iii)78,679,043*
Total enlarged issue share capital	**1,726,710,607**	**579,385,445**

Notes:

(i) Based on the Subscription Price and Indicative Issue Price.

(ii) Based on the issue price of RM0.20 per Consideration Shares.

(iii) Assuming the full conversion of RM2.0 million outstanding RCN at the minimum conversion price of RM0.20 and assuming the full exercise of Warrant.

For the avoidance of doubt, the Proposed LTIP is not expected to have an immediate effect on the Company's share capital. The issued share capital of the Company will increase progressively depending on the number of new MAG Shares to be issued arising from the exercise of the ESOS Options that may be granted under the Proposed ESOS and/ or pursuant to the vesting of the new MAG Shares under the SGP Grant.

6.2 NA and gearing

Based on the latest audited consolidated financial statements of MAG as at 31 December 2019, the pro forma effects of the Proposed Private Placement and Proposed Acquisition on the consolidated NA and gearing of MAG are shown below:

		(I)	(II)	(III)	(IV)
	Audited as at 31 December 2019 RM'000	**After subsequent event[(i)] RM'000**	**After (I) and Proposed Private Placement RM'000**	**After (II) and Proposed Acquisition RM'000**	**After (III) and assuming full redemption of RPS, full conversion of outstanding RCN and exercise of Warrant RM'000**
Share capital	346,680	374,397	440,706	500,706	579,385
RCN	-	[(ii)]360	360	360	-
Foreign exchange reserve	5,514	5,514	5,514	5,514	5,514
Retained earnings	126,052	126,052	[(v)]124,552	124,552	112,552
Total equity attributable to owners of the Company	**478,246**	**506,322**	**571,132**	**631,132**	**697,451**
Non-controlling interests	1,689	1,689	1,689	1,689	1,689
Total equity	**479,935**	**508,011**	**572,821**	**632,821**	**699,140**
Number of Shares in issue ('000)	596,775	751,775	1,083,323	1,383,323	1,726,711
NA per Share (RM) [(iii)]	0.80	0.67	0.53	0.46	0.40
Borrowings (interest-bearing) (RM '000)	50,295	51,935	51,935	[(vi)]194,337	112,697
Gearing ratio (times) [(iv)]	0.11	0.10	0.09	0.31	0.16

Notes:

(i) After incorporating the effects of issuance of MAG Shares arising from conversion of RCN with a nominal value of RM31.00 million into 155,000,000 new MAG Shares from 30 January 2020 to 26 March 2021.

(ii) Being the equity portion of the RCN issued subsequent to 31 December 2019 but remained unconverted into MAG Shares as at the LPD.

(iii) Computed by dividing the total equity attributable to owners of the Company by the total number of Shares in issue.

(iv) Computed by taking the total borrowings of the Group over the total equity attributable to owners of the Company.

(v) After deducting estimated expenses of RM1.50 million in relation to the Proposals.

(vi) Including the issuance of RPS with an aggregate value of RM80.00 million, with a 3.0% dividend per annum.

Save for the potential impact of the Malaysian Financial Reporting Standards 2, on "Share Based Payment" ("**MFRS 2**") issued by the Malaysian Accounting Standards Board as elaborated in Section 6.3 of this Circular, the Proposed LTIP is not expected to have an immediate effect on the NA, NA per Share and gearing of MAG Group until such time when the Shares are issued and/or transferred arising from the vesting of the SGP Grants and/or exercise of the ESOS Options pursuant to the Proposed LTIP.

Any potential effect on the NA, NA per Share and gearing of the MAG Group in the future would depend on factors such as the method of satisfaction of the Offer, actual number of Shares to be issued and/or transferred which can only be determined at the point of the vesting of the SGP Grants and/or the exercise of the ESOS Options and Option Price.

Upon the vesting of the SGP Grants pursuant to the Proposed LTIP, the NA per Share of the Group will decrease when the Shares are vested in satisfaction of the SGP Grants.

Upon exercise of the ESOS Options, the NA per Share is expected to:

(i) increase if the Option Price is higher than the NA per Share; or

(ii) decrease if the Option Price is lower than the NA per Share,

at such point of exercise.

6.3 Earnings/ losses and EPS/ LPS

The EPS or LPS shall be correspondingly diluted as a result of the increase in number of MAG Shares pursuant to the Proposed Private Placement. Nonetheless, the Proposed Private Placement is intended to raise fund for the Proposed Acquisition.

Barring any unforeseen circumstance, the Proposed Acquisition is expected to be completed by the third quarter of 2021, depending on the timing of the completion, may contribute positively to the consolidated earnings of the Group for the 18-month FYE 30 June 2021 as MAG will be able to consolidate the earnings of NCUBE.

Additionally, the Proposed Acquisition is also expected to contribute positively to the earning of the Group for the FYE 30 June 2022, as a result of the Profit Guarantee as well as the long-term future earnings of the Group.

For illustrative purpose only, assuming that the Proposed Acquisition, had been effected on 1 January 2019 (being the beginning of FYE 31 December 2019), the pro forma effects on the earnings and the LPS of MAG Group are as follows:-

		(I)	(II)
	Audited as at 31 December 2019	**After adjusting for Subsequent Events**	**After Proposed Private Placement and Proposed Acquisition**
Loss after taxation (RM'000)	(108,255)	(108,255)	[(i)](96,255)
No. of Shares ('000)	596,775	751,775	1,383,323
LPS (RM)	(0.18)	(0.14)	(0.07)

Note:

(i) After incorporating the Profit Guarantee of RM12.0 million.

The Proposed LTIP is not expected to have a material effect on the earnings of the Group for the 18-month FYE 30 June 2021. However, the EPS or LPS of the Group may be diluted, depending on the number of Shares issued and/or transferred to the LTIP participants pursuant to the vesting of the Offer. The Proposed LTIP is expected to be implemented by the 3rd quarter of 2021.

In accordance with MFRS 2, the potential cost arising from the awarding of the Offer pursuant to the Proposed LTIP is required to be measured at fair value as at the date of award of the Offer to the Eligible Persons and recognised as an expense in the consolidated statements of comprehensive income of the Company over the vesting period of such Offer, and may therefore reduce the future earnings of MAG Group, the quantum of which can only be determined at the date of award of the Offer.

The potential effects of the Proposed LTIP on the earnings and EPS or LPS of MAG Group in the future, as a consequence of the recognition of the expense cannot be determined at this juncture as it would depend on various factors, which may include, amongst others, the actual number of SGP Grants vested and/or ESOS Options exercised, the Option Price, the prevailing market price of MAG Shares and the volatility of MAG Share price, which will affect the fair value of the Offer (which will be determined based on option valuation models such as the Black Scholes Model) awarded under the Proposed LTIP as at the date of award of Offer.

The Board has taken note of the potential impact of MFRS 2 on the Group's future earnings and will take into consideration such impact in the awarding and vesting of the Offer under the Proposed LTIP. However, it is important to note that the potential cost of the award pursuant to the Proposed LTIP do not represent a cash outflow and is only an accounting treatment.

6.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement and Proposed Acquisition on the substantial shareholders' shareholding in MAG are as follows:

					(I)			
	As at LPD				(iv)After Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of Shares ('000)	(i)%	No. of Shares ('000)	(i)%	No. of Shares ('000)	(ii)%	No. of Shares ('000)	(ii)%
Ng Min Lin	63,596	8.5	-	-	63,596	5.9	-	-

	(II)				(III)			
	After (I) and Proposed Acquisition				After (II) and assume full conversion of outstanding RCN and Warrant			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of Shares ('000)	(iii)%	No. of Shares ('000)	(iii)%	No. of Shares ('000)	(iv)%	No. of Shares ('000)	(iv)%
Ng Min Lin	334,325	24.2	-	-	351,499	20.4	-	-

Notes:

(i) Computed based on 751,774,865 MAG Shares in issue as at the LPD.

(ii) Computed based on 1,083,323,465 MAG Shares in issue after the Proposed Private Placement.

(iii) Computed based on 1,383,323,465 MAG Shares in issue after the Proposed Acquisition.

Assuming there is no emergence of substantial shareholders pursuant to the Proposed Private Placement.

(iv) Computed based on 1,726,710,607 MAG Shares in issue assuming the full conversion of RM2.0 million outstanding RCN at the minimum conversion price of RM0.20 and assuming the full exercise of Warrant.

The Proposed LTIP will not have an immediate effect on the shareholdings of the substantial shareholders of the Company until such time when the Shares are issued and/or transferred arising from the vesting of the SGP Grant and/or exercise of the ESOS Options pursuant to the Proposed LTIP. Any potential effect on the percentage of substantial shareholders' shareholdings in MAG would depend on the actual number of MAG Shares to be issued and/or transferred pursuant to the Proposed LTIP.

6.5 Convertible securities

Save for the Warrants and RCN as disclosed in Section 2.2 above, the Company does not have any other convertible securities in issue.

The Proposals will not give rise to an adjustment to the Warrants and RCN.

7. HISTORICAL SHARE PRICES

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

	High RM	Low RM
2020		
May	0.245	0.195
June	0.265	0.230
July	0.270	0.235
August	0.325	0.245
September	0.290	0.200
October	0.210	0.175
November	0.235	0.175
December	0.210	0.185
2021		
January	0.220	0.185
February	0.215	0.185
March	0.235	0.190
April	0.210	0.185
May	0.200	0.180
Last transacted market price on LTD	0.215	
Last transacted market price on the LPD	0.185	

(Source: M&A Securities Sdn Bhd)

8. APPROVALS REQUIRED/OBTAINED

The Proposals are subject to the following approvals being obtained:

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

(ii) approval from Bursa Securities for the following (which was obtained on 1 June 2021):

(a) listing and quotation of the Placement Shares under the Proposed Private Placement, on the ACE Market of Bursa Securities;

(b) listing and quotation of the Consideration Shares under the Proposed Acquisition, on the ACE Market of Bursa Securities;

(c) listing and quotation of such number of new MAG Shares, representing up to 15% of the total number of issued Shares in MAG on the ACE Market of Bursa Securities pursuant to the Proposed LTIP;

(iii) waiver of pre-emption rights by the subscriber of RCN (i.e. Advance Opportunities Fund) pursuant to the Proposed Private Placement; and

(iv) any other relevant authorities and/or parties, if required.

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the Listing Requirements is 121.6%, based on the Purchase Consideration compared to the market value of MAG based on 5-DVWAP up to and including the LTD of RM0.2218.

The Proposed Private Placement, Proposed Acquisition and Proposed Amendment are inter-conditional upon each other and are not conditional upon any other corporate proposals undertaken by MAG.

On the other hand, the Proposed LTIP is not conditional upon any other corporate proposals undertaken by MAG.

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

Save as disclosed below, none of the other directors, substantial shareholders, chief executive of MAG and/or persons connected to them have any interest, direct or indirect, in the Proposals.

Proposed Private Placement, Proposed Acquisition and Proposed Amendment

Ng Min Lin is the Executive Chairman and substantial shareholder of MAG and is also the majority shareholder of NCUBE. As such, Ng Min Lin is deemed interested in the Proposals.

Additionally, Melvin Lim Chun Woei is a shareholder of MAG, is deemed a person connected to Ng Min Lin by virtue of being the Vendors together with Ng Min Lin.

Accordingly, Ng Min Lin and Melvin Lim Chun Woei ("**Interested Parties**") will abstain from voting in respect of their respective direct and/or indirect shareholdings in MAG on the resolutions to be tabled at the EGM to be convened. In addition, the Interested Parties shall undertake to ensure that persons connected to them shall abstain from voting in respect of their direct/indirect shareholdings in MAG, on the resolutions pertaining the Proposed Private Placement, Proposed Acquisition and Proposed Amendment to be tabled at the EGM to be convened.

Ng Min Lin have abstained and will continue to abstain from all deliberations and voting in relation to the Proposed Private Placement, Proposed Acquisition and Proposed Amendment at the Board meetings.

Proposed LTIP

All directors of MAG are entitled to participate in the Proposed LTIP and are therefore deemed interested in the Proposed LTIP to the extent of their respective allocations, if any, as well as allocations to persons connected with them, if any, under the Proposed LTIP ("**Interested Directors**").

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to their respective allocations, if any, as well as the allocations to persons connected with them, if any, under the Proposed LTIP at the relevant board meetings. Further, the Interested Directors will also abstain and have undertaken to ensure that persons connected with him (if any) shall abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolutions pertaining to the director's specific allocations, as well as the specific allocations to any persons connected with him (if any) under the Proposed LTIP at the EGM to be convened.

As at the LPD, the direct and indirect shareholdings of the Interested Parties and Interested Directors in MAG are as set out below:

	Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Interested Parties				
Ng Min Lin	63,596,449	8.5	-	-
Melvin Lim Chun Woei	14,046,300	1.9	-	-
Interested Directors				
Wang ZhiMin	-	-	-	-
Yeoh Wooi Kia	-	-	-	-
Collin Goonting a/l O.S Goonting	-	-	-	-

10. TOTAL AMOUNT TRANSACTED WITH THE RELATED PARTY IN THE PRECEDING 12 MONTHS

Save for the transactions between MAG Aquaculture and NCUBE Food as disclosed below, there has been no related party transaction between MAG and Ng Min Lin and/or persons connected with him pursuant to Rule 10.12(1) of the Listing Requirements within the last 12 months preceding the LPD.

Period	Nature of transaction	Amount (RM'000)
22 May 2020 up to LPD	Purchases of white vannamei (also known as Pacific white shrimp) by NCUBE Food from MAG Aquaculture	8,651

There was no other direct transaction with Melvin Lim Chun Woei other than through NCUBE Food in which he is deemed interested via his shareholding in NCUBE.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for Ng Min Lin, who has abstained from forming an opinion on the Proposed Acquisition), having considered all aspects of the Proposals, are of the opinion that the Proposals are in the best interest of the MAG Group and its shareholders.

However, in view that the Directors are deemed interested in the Proposed LTIP to the extent of their respective allocations, if any, as well as allocations to person connected with them, if any, under the Proposed LTIP, they have abstained and will continue to abstain from expressing an opinion and making any recommendation on their respective allocations, if any, as well as allocations to persons connected with them, if any, under the Proposed LTIP.

Accordingly, the Board (save for the abovementioned abstinence by the respective Directors) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

12. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of MAG, after having considered all aspects of the Proposed Acquisition including, but not limited to the terms of the SAA and rationale for the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:

(i) in the best interests of MAG;

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

(iii) at arm's length and on terms not more favourable to the related party than those generally available to the public; and

(iv) not detrimental to the interest of the minority shareholders of MAG.

In arriving at the above view, the Audit and Risk Management Committee has taken into consideration, among others, the following:

(i) the IAL as set out in Part B of this Circular;

(ii) the basis of arriving at the Purchase Consideration;

(iii) the rationale for the Proposals; and

(iv) the future prospects of NCUBE Group.

13. ESTIMATED TIMEFRAME FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the third quarter of 2021 and the Proposed LTIP is expected to be implemented by the third quarter of 2021.

The tentative timetable is as follows:

Tentative timeline	Events
2 July 2021	EGM to obtain approvals of shareholders for the Proposals
Mid-August 2021	• Listing of Consideration Shares • Listing of Placement Shares • Completion of the Proposed Acquisition, Proposed Private Placement and Proposed Amendment • Implementation of the Proposed LTIP

14. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

As at the LPD, there is no other corporate proposal which has been announced but is pending implementation by the Company.

15. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Friday on 2 July 2021 at 9.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, vote and speak on his/her behalf. In such event, the completed and signed Form of Proxy must be deposited at the Company's Registered Office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, or fax to 03-6201 3121 or email to ir.mag@shareworks.com.my not less than 24 hours before the time appointed for holding this EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

16. FURTHER INFORMATION

Please refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of,
MAG HOLDINGS BERHAD
(formerly known as XingHe Holdings Berhad)

COLLIN GOONTING A/L O.S GOONTING
Independent Non-Executive Director

PART B

IAL TO THE TO THE NON-INTERESTED SHAREHOLDERS OF MAG IN RELATION TO THE PROPOSED ACQUISITION

BDO

EXECUTIVE SUMMARY

Definitions or defined terms used in this Executive Summary shall have the same meanings as defined in the "Definitions" section of the Circular except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this executive summary are ascribed to BDOCC, being the Independent Adviser for the Proposed Acquisition.

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED ACQUISITION, THE PROPOSED PRIVATE PLACEMENT AND THE PROPOSED AMENDMENT. THE SHAREHOLDERS OF MAG HOLDINGS BERHAD ARE ADVISED TO READ AND UNDERSTAND THIS IAL IN ITS ENTIRETY, TOGETHER WITH PART A OF THE CIRCULAR AND THE APPENDICES THERETO FOR ANY OTHER RELEVANT INFORMATION, AND ARE NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED ACQUISITION, THE PROPOSED PRIVATE PLACEMENT AND THE PROPOSED AMENDMENT. YOU ARE ALSO ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS RELATING TO THE PROPOSED ACQUISITION, THE PROPOSED PRIVATE PLACEMENT AND THE PROPOSED AMENDMENT TO BE TABLED AT THE FORTHCOMING EGM.

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

1. INTRODUCTION

On 24 March 2021, M&A Securities, on behalf of the Board, announced that MAG had on even date entered into the SAA with the Vendors for the Proposed Acquisition at the Purchase Consideration.

In conjunction with the Proposed Acquisition, M&A Securities had also on the same date announced that MAG wishes to undertake the Proposed Private Placement and Proposed Amendment. The Proposed Private Placement is intended to raise the necessary funds to finance the cash portion of the Purchase Consideration whilst the Proposed Amendment is undertaken to facilitate the issuance of RPS under the Proposed Acquisition.

The Proposed Acquisition is deemed to be a related party transaction pursuant to Rule 10.08 of the Listing Requirements in view of the interests of Ng Min Lin, the Executive Chairman and substantial shareholder of MAG, as set out in Section 9 of Part A of the Circular.

Pursuant to the above, BDOCC was appointed by the Board on 18 December 2020 as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MAG in relation to the fairness and reasonableness of the Proposed Acquisition, whether the Proposed Acquisition are detrimental to the non-interested shareholders of MAG and whether they should vote in favour of the Proposed Acquisition.

We noted from Section 8 of Part A of the Circular that the Proposed Private Placement, Proposed Acquisition and Proposed Amendment are inter-conditional upon each other and are not conditional upon any other corporate proposals undertaken by MAG. As the Proposed Acquisition is inter-conditional with the Proposed Private Placement and the Proposed Amendment, our evaluation also encompasses the evaluation of the Proposed Private Placement and the Proposed Amendment as set out in this IAL.

The purpose of this IAL is to provide the non-interested shareholders of MAG with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in this IAL.

2. EVALUATION OF THE PROPOSED ACQUISITION, THE PROPOSED PRIVATE PLACEMENT AND THE PROPOSED AMENDMENT

In evaluating the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment, we have taken into consideration the following:

Section in IAL	Area of evaluation	Our Evaluation
Section 7	Rationale of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment	We noted that NCUBE Group is principally involved in the Aquaculture Business and the Proposed Acquisition of NCUBE forms part of the Group's long term business expansion and growth strategy. We also noted that the Proposed Acquisition is expected to contribute positively to the future earnings and have a positive impact on MAG Group in view that: (i) As both the Group and NCUBE Group are currently involved in the Aquaculture Business, we noted that the Group expects the Proposed Acquisition will enable both companies to leverage on their combined strengths in relation to, but not limited to, its research and development expertise in the aquaculture industry and respective business relationship with industry stakeholders. The Group expects the combined strengths can accelerate the Group's expansion plan and accrue the enlarged Group with a continuous growth to emerge as a key player in the aquaculture industry in Malaysia; and (ii) Upon completion of the Proposed Acquisition, NCUBE will be a wholly-owned subsidiary company of MAG. Hence, the Proposed Acquisition is expected to eliminate any existing and potential conflict of interests or related party transaction involving the NCUBE Group and MAG Group and would in turn safeguard the interests of minority shareholders. We noted that the Proposed Private Placement is incidental to facilitate and fund the cash consideration for the Proposed Acquisition. We noted that the Proposed Amendment is necessary to facilitate the issuance of RPS pursuant to the Proposed Acquisition. Based on the above, we are of the view the rationale of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment are reasonable. Nevertheless, shareholders of MAG should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in Section 13 of this IAL.
Section 8	Basis and justifications for the Purchase Consideration	The Purchase Consideration of RM200 million is within the estimated range of indicative values of 100% equity interest in NCUBE Group of RM187.0 million to RM206.2 million. Based on this, we are of the view that the Proposed Acquisition is fair.

Section in IAL	Area of evaluation	Our Evaluation
Section 9	Mode of settlement of the Purchase Consideration	MAG is proposing that the Purchase Consideration for the Proposed Acquisition to be satisfied via a combination of cash, Consideration Shares and RPS. We noted that the proposed issue price of Consideration Shares of RM0.20 represents the following: (i) **discounts** ranging from RM0.0081 (3.9%) to RM0.0218 (9.8%) over the last closing price as at the LTD, five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMPs up to LTD; and (ii) **premiums** of RM0.0150 (8.1%) over the last closing market price as at the LPD and RM0.0171 (9.3%) over the five (5)-day VWAMP up to LPD. We noted that the proposed issue price of Consideration Shares of RM0.20 represents premiums over the last closing market price as at the LPD and five (5)-day VWAMP up to the LPD. We also noted the discounts ranging from 3.9% to 9.8% during the period as at the LTD and over the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMPs up to LTD. The issuance of the Consideration Shares pursuant to the Proposed Acquisition is expected to result in dilution to the shareholdings of the non-interested shareholders of MAG, as well as to the EPS and NA per Share of the MAG Group, to the extent of the additional new Consideration Shares to be issued to the Vendors. Nevertheless, going forward, such dilution impact may be mitigated through potential contribution of NCUBE Group to the future consolidated earnings and NA of the Group. We also noted that the proposed issue price of the Consideration Shares of RM0.20 is the same as the Subscription Price in relation to the Subscription Shares which form part of the Proposed Private Placement which is further elaborated in Section 9.2 of this IAL. We noted that based on the proposed issue price of RM0.20, this yields a P/E multiple of 15.4 times for MAG, which is higher than the simple average of P/E multiple of Comparable Companies identified by the Board in Section 2.1.5 of Part A of the Circular of 14.8 times and higher than the simple average of P/E multiple of Comcos of 10.0 times. Issuing price at a high P/E multiple is an advantage to MAG as this means a lesser number of MAG Shares will be issued for the purposes of Proposed Acquisition and accordingly, there will be less dilution impact to existing shareholders of MAG. **Based on the above, we are of the opinion that the proposed issue price of Consideration Shares of RM0.20 is fair.** We also noted from Section 2.2.1 of Part A of the Circular that the price fixing mechanism to determine the proposed issue price of Placement Shares is in accordance with market based principles. It is to be noted that the proposed Subscription Price in relation to the Subscription Shares which form part of the Proposed Private Placement was determined between the Subscribers and MAG. We also noted that MAG intends to undertake the Proposed Private Placement (comprising both the Subscription Shares and Balance Placement Shares) primarily to raise funding for the Proposed Acquisition and approval of the shareholders is required for the Proposed Private Placement. **Based on the above and Section 9.1 of this IAL, we are of the opinion that the proposed issue price of Placement Shares of RM0.20 is fair.**

Section in IAL	Area of evaluation	Our Evaluation
Section 9	Mode of settlement of the Purchase Consideration (cont'd)	We noted that the RPS are not convertible into new MAG Shares. In addition, we noted that as part of the Proposed Acquisition, the Vendors will also provide MAG with Profit Guarantee whereby NCUBE shall achieve the PAT for the Guarantee Period of not less than RM18,000,000, subject to not more than 10% deviation or a PAT of not less than RM16,200,000. We also noted that the terms of the RPS provides MAG Group with the option to redeem the RPS at the issue price of the RPS at any time after the Guarantee Period and the auditors of the Company having issued a certificate confirming the actual PAT of the Company for the Guarantee Period, and during the tenure of the RPS, should MAG Group has sufficient and/or excess funds to do so. In the event of any Shortfall in the Profit Guarantee, the amount of the Shortfall shall be set-off against the redemption of the equivalent value of RPS. We are of the opinion that the salient terms of the RPS and the mode of settlement of the Purchase Consideration are reasonable as it will conserve the cash flow of MAG on an immediate basis by the issuance of Consideration Shares and RPS and redemption of the RPS can only commence to take place after the Profit Guarantee is met.
Section 10	Evaluation of salient terms of the SAA	The salient terms of the SAA for the Proposed Acquisition are mutually agreed upon by the parties and are considered reasonable.
Section 11	Financial effects of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment	We noted that the Proposed Amendment will not have any effect on the share capital, NA and gearing, earnings and EPS as well as the substantial shareholdings of MAG. Based on the pro forma financial effects, we noted that the Proposed Acquisition will reduce the pro forma NA per MAG Share from RM0.67 after Subsequent Event to RM0.40 upon completion of the Proposed Private Placement, Proposed Acquisition and assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants. We also noted that the pro forma gearing of MAG will increase from 0.10 times after Subsequent Event to 0.31 times after the Proposed Acquisition due to the projected increase in MAG's borrowings arising from the issuance of RPS pursuant to the Proposed Acquisition. Upon completion of the Proposed Acquisition and assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants, the pro forma gearing of MAG will decrease from 0.31 to 0.16 times. We noted that pursuant to the Proposed Private Placement and the issuance of the Consideration Shares, the EPS of MAG shall be correspondingly diluted as a result of the increase in number of Shares in issue. Nonetheless, we noted that the Proposed Private Placement is to raise fund for the Proposed Acquisition and the Consideration Shares is to fund the Purchase Consideration. We noted that upon the completion of the Proposed Acquisition, NCUBE will be a wholly-owned subsidiary of MAG and MAG will be able to consolidate the earnings of NCUBE. We also noted that barring unforeseen circumstances, the Board is of the view that the Proposed Acquisition is expected to be completed by the third quarter of 2021, depending on the timing of the completion, may contribute positively to the consolidated earnings of the Group as MAG will be able to consolidate the earnings of NCUBE. Further details on the prospects of the NCUBE Group and the enlarged MAG Group are set out in Section 4 of Part A of the Circular.

Section in IAL	Area of evaluation	Our Evaluation
Section 11	Financial effects of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment (cont'd)	Arising from the Proposed Acquisition, the shareholding of substantial shareholder, being Ng Min Lin, is expected to increase from 8.5% as at LPD to 24.2% after the Proposed Private Placement and Proposed Acquisition and reduce to 20.4% assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants. Premised on the above, together with the rationale of the Proposed Acquisition and the Proposed Private Placement in Sections 3.1 and 3.2 of Part A of the Circular and comments in Section 7 of this IAL, the overall financial effects of the Proposed Acquisition are not detrimental to the interests of the non-interested shareholders of MAG.
Section 12	Industry outlook and prospects	It is noted that the management of MAG is expecting to achieve operational synergies from the Proposed Acquisition via economies of scale as well as the utilisation of the newly acquired processing plant. Premised on the statement, we are of the view that the rationale behind the Proposed Acquisition is reasonable.
Section 13	Risk factors associated with the Proposed Acquisition	In considering the Proposed Acquisition, the non-interested shareholders of MAG are advised to give careful consideration to the following risk factors: (i) Non-completion of the Proposed Acquisition; (ii) Acquisition risk; (iii) NCUBE may not achieve the Profit Guarantee; (iv) Business risk; (v) Impairment risk from goodwill; and (vi) Impact of COVID-19. We wish to highlight that although measures will be taken by the Board of the enlarged MAG Group to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operation and its financial performance, position or prospects of the enlarged MAG Group.

3. CONCLUSION AND RECOMMENDATION

As the Proposed Acquisition is inter-conditional with the Proposed Private Placement and the Proposed Amendment, the non-interested shareholders should consider the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment carefully based on all relevant and pertinent factors as set out in this IAL, the Circular and other publicly available information prior to making a decision to vote on the Ordinary Resolution 1 pertaining to the Proposed Private Placement, Ordinary Resolution 2 pertaining to the Proposed Acquisition, and the Special Resolution pertaining to the Proposed Amendment.

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors as set out in this IAL. Based on this, BDOCC views that the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment are **fair** and **reasonable** and are **not detrimental** to the non-interested shareholders of MAG.

Accordingly, we advise and recommend that the non-interested shareholders **vote in favour** of the Ordinary Resolution 1 pertaining to the Proposed Private Placement, Ordinary Resolution 2 pertaining to the Proposed Acquisition, and the Special Resolution pertaining to the Proposed Amendment to be tabled at the forthcoming EGM.

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50100 Kuala Lumpur
Malaysia

10 June 2021

To: The non-interested shareholders of MAG Holdings Berhad

Dear Sir / Madam,

MAG HOLDINGS BERHAD ("MAG" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF MAG IN RELATION TO THE PROPOSED ACQUISITION BY MAG OF 100% EQUITY INTEREST IN NORTH CUBE SDN BHD FROM THE VENDORS FOR A PURCHASE CONSIDERATION OF RM200,000,000, TO BE SATISFIED VIA A COMBINATION OF CASH, CONSIDERATION SHARES AND RPS

1. INTRODUCTION

On 24 March 2021, M&A Securities, on behalf of the Board, announced that MAG had on even date entered into the SAA with the Vendors for the Proposed Acquisition at the Purchase Consideration.

In conjunction with the Proposed Acquisition, M&A Securities had also on the same date announced that MAG wishes to undertake the Proposed Private Placement and Proposed Amendment. The Proposed Private Placement is intended to raise the necessary funds to finance the cash portion of the Purchase Consideration whilst the Proposed Amendment is undertaken to facilitate the issuance of RPS under the Proposed Acquisition.

Further, MAG also wishes to undertake the Proposed LTIP. The Proposed LTIP comprises of the Proposed SGP and Proposed ESOS.

On 8 June 2021, on behalf of the Board, M&A Securities announced that MAG and the Vendors have mutually agreed to extend the period for the satisfaction of the conditions precedent of the SAA (see Section 3 of Appendix I of the Circular) by a further 2 months commencing from 23 June 2021 up to 23 August 2021.

The Proposed Acquisition is deemed to be a related party transaction pursuant to Rule 10.08 of the Listing Requirements in view of the interests of Ng Min Lin, the Executive Chairman and substantial shareholder of MAG, as set out in Section 9 of Part A of the Circular.

Pursuant to the above, BDOCC was appointed by the Board on 18 December 2020 as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MAG in relation to the fairness and reasonableness of the Proposed Acquisition, whether the Proposed Acquisition are detrimental to the non-interested shareholders of MAG and whether they should vote in favour of the Proposed Acquisition.

We noted from Section 8 of Part A of the Circular that the Proposed Private Placement, Proposed Acquisition and Proposed Amendment are inter-conditional upon each other and are not conditional upon any other corporate proposals undertaken by MAG. As the Proposed Acquisition is inter-conditional with the Proposed Private Placement and the Proposed Amendment, our evaluation also encompasses the evaluation of the Proposed Private Placement and the Proposed Amendment as set out in this IAL.

The purpose of this IAL is to provide the non-interested shareholders of MAG with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in this IAL.

NON-INTERESTED SHAREHOLDERS OF MAG ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR, TOGETHER WITH THE ACCOMPANYING APPENDICES, AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION 1 PERTAINING TO THE PROPOSED PRIVATE PLACEMENT, ORDINARY RESOLUTION 2 PERTAINING TO THE PROPOSED ACQUISITION, AND THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED AMENDMENT TO BE TABLED AT THE FORTHCOMING EGM OF MAG.

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

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

The Proposed Acquisition is deemed to be a related party transaction pursuant to Rule 10.08 of the Listing Requirements in view of the interests of Ng Min Lin, the Executive Chairman and substantial shareholder of MAG, as set out in Section 9 of Part A of the Circular.

In addition, Melvin Lim Chun Woei is a shareholder of MAG and is deemed a person connected to Ng Min Lin by virtue of being the Vendors together with Ng Min Lin.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION, THE PROPOSED PRIVATE PLACEMENT AND PROPOSED AMENDMENT

BDOCC was not involved in the formulation of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment. BDOCC's terms of reference as an Independent Adviser is limited to expressing an independent evaluation of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment which are based on the information provided to us or which are available to us, including but not limited to the following:

(i) The information contained in Part A of the Circular and the appendices attached thereto;

(ii) SAA dated 24 March 2021 entered into by MAG and the Vendors in relation to the Proposed Acquisition;

(iii) Subscription Agreements dated 24 March 2021 entered between MAG and the Subscribers respectively;

(iv) Accountants' Report on the financial statements of NCUBE Group for FYE 31 December 2018, FYE 31 December 2019 and 12-month financial period ended ("**FPE**") 31 December 2020;

(v) Income statements and cash flow projections of NCUBE Group for the 10-year period from 1 January 2021 to 31 December 2030 together with the key underlying bases and assumptions as provided by MAG (hereinafter referred to as the "**Financial Projections**");

(vi) Unaudited consolidated results for the financial period ended 31 December 2020 of MAG as announced by MAG on Bursa Securities;

(vii) IMR Report prepared by Protégé;

(viii) Discussions with and representations by the Board and management of MAG and NCUBE;

(ix) Other relevant information, documents, confirmations and representations furnished to us by the Board and management of MAG and NCUBE; and

(x) Other publicly available information which we deemed to be relevant.

We have made such reasonable enquiries to the Board and management of MAG and NCUBE. We have relied upon the information and/or documents as mentioned above and also that relevant facts and information and/or representations necessary for our evaluation of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment have been disclosed to us and that such information is accurate, valid and there is no omission of material facts which would make any information provided to us to be incomplete, misleading or inaccurate. We have not undertaken any independent investigation into the business and affairs of MAG Group and all relevant parties involved in the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment. Based on the above, we are satisfied with the information and documents provided by MAG Group and NCUBE Group and are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the non-disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL.

In rendering our advice, BDOCC had taken note of pertinent issues, which we believe are necessary and important to an assessment of the implications of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment and therefore of general concern to the non-interested shareholders of MAG. As such:

(i) The scope of BDOCC's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment as well as other implications of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment only. Comments or points of consideration which may be commercially oriented such as the rationale of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment are included in our overall evaluation as we deem it necessary for disclosure purposes to enable the shareholders of MAG to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment;

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

(iii) We recommend that any individual shareholder or group of shareholders of MAG who are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account the information, events and conditions arising after the LPD.

The Board has seen and approved the contents of this IAL. They collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this IAL and confirm that, after making all enquiries as were reasonable in the circumstances and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any information in this IAL false or misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by BDOCC in relation to the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment as set out in Appendix IX of the Circular, is to ensure that all statements, facts and/or information in relation to the MAG Group that is relevant to BDOCC's evaluation of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment have been reasonably, accurately and completely disclosed and provided to BDOCC and is free from material omission. Based on the above and after making reasonable enquiries and to the best of our knowledge and belief, we are not aware that the information used is not reasonable, inaccurate and incomplete, and is free from material omission.

4. DECLARATION OF CONFLICT OF INTEREST

BDOCC confirms that it is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of BDOCC's appointment as the Independent Adviser in respect of the Proposed Acquisition.

Save for the current appointment as the Independent Adviser, we did not have any other professional relationship with MAG at any time during the past two (2) years prior to the date of this IAL.

5. CREDENTIALS, EXPERIENCE AND EXPERTISE OF BDOCC

BDOCC is a corporate advisory firm in Malaysia with a corporate finance advisory team which provides an extensive range of services to both the corporate and financial sectors as well as the investment community. The areas of expertise include valuation services, capital market transactions, due diligence works and mergers and acquisition.

The credentials and experience of BDOCC as an Independent Adviser, where we have been appointed in the past two (2) years prior to the date of this IAL, include the following proposals:

(i) Appointment by ECM Libra Financial Group as Independent Adviser for the proposed acquisition of hospitality assets together with the hospitality businesses for a total cash consideration of RM62.04 million;

(ii) Appointment by Degem Berhad as Independent Adviser in relation to the proposed selective capital reduction and repayment exercise of Degem Berhad pursuant to Section 116 of the Companies Act 2016;

(iii) Appointment by Tanco Holdings Berhad as Independent Adviser in relation to the proposed settlement of debt owing to a director amounting to RM17,079,920 to be fully satisfied via issuance of 341,598,402 new ordinary shares in Tanco at issue price of RM0.05 per settlement share;

(iv) Appointment by Eversendai Corporation Berhad as Independent Adviser in relation to the proposed acquisition of 100% equity interest of Vahana Offshore (M) Sdn Bhd for a purchase consideration RM235,000,000;

(v) Appointment by TAFI Industries Berhad as Independent Adviser for the unconditional mandatory take-over offer by Armani Synergy Sdn Bhd to acquire all the remaining ordinary shares in TAFI Industries Berhad not already held by Armani Synergy Sdn Bhd, joint ultimate offerors (namely Dato' Sri Wong Sze Chien, Dato' Sri Andrew Lim Eng Guan and Dato' Sri Azlan bin Azmi) and any persons acting in concert with them at a cash offer price of RM0.50 per offer share;

(vi) Appointment by TA Global Berhad as Independent Adviser for the conditional voluntary take-over offer by TA Enterprise Berhad to acquire all the remaining ordinary shares in TA Global Berhad not already held by TA Enterprise Berhad for a consideration of RM0.28 per offer share;

(vii) Appointment by Versatile Creative Berhad as Independent Adviser for the conditional mandatory take-over offer by NSK Trading Sdn Bhd to acquire all the remaining ordinary shares in Versatile Creative Berhad not already held by NSK Trading Sdn Bhd for a cash consideration of RM0.70 per offer share; and

(viii) Appointment by Eastern & Oriental Berhad as Independent Adviser for the conditional mandatory take-over offer by Amazing Parade Sdn Bhd to acquire all the remaining ordinary shares in Eastern & Oriental Berhad not already owned by Amazing Parade Sdn Bhd, Datuk Tee Eng Ho, Datin Toh Siew Chuon and Tee Eng Seng and persons acting in concert with them for a cash consideration of RM0.60 per offer share.

Premised on the foregoing, BDOCC is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested shareholders of MAG in relation to the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment.

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6. EVALUATION OF THE PROPOSED ACQUISITION, THE PROPOSED PRIVATE PLACEMENT AND THE PROPOSED AMENDMENT

In evaluating the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment, we have taken into consideration the following factors in forming our opinion:

		Section in this IAL
(i)	Rationale of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment	7
(ii)	Basis and justifications for the Purchase Consideration	8
(iii)	Mode of settlement of the Purchase Consideration	9
(iv)	Evaluation of salient terms of the SAA	10
(v)	Financial effects of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment	11
(vi)	Industry outlook and prospects	12
(vii)	Risk factors associated with the Proposed Acquisition	13

7. RATIONALE FOR THE PROPOSED ACQUISITION, THE PROPOSED PRIVATE PLACEMENT AND THE PROPOSED AMENDMENT

7.1 Rationale for the Proposed Acquisition

We take cognisance of the following rationale to be derived from the Proposed Acquisition as outlined in Section 3.1 of Part A of the Circular:

We noted that on 12 December 2019, MAG Aquaculture, completed the acquisition of Wakuba Farm. The acquisition was undertaken in line with the Group's decision to diversify into the aquaculture based on its belief in the long-term sustainability of the food industry.

The Proposed Acquisition forms part of the Group's long term business expansion and growth strategy. As both the Group and NCUBE are currently involved in the Aquaculture Business, the Proposed Acquisition will enable both companies to leverage on their combined strengths in relation to, but not limited to, its research and development expertise in the aquaculture industry and respective business relationship with industry stakeholders. The combined strengths are expected to accelerate the Group expansion plan and accrue the enlarged Group with a continuous growth to emerge as a key player in the aquaculture industry in Malaysia.

We further noted that given the established business and positive historical financial performance of NCUBE, the Board expects the Proposed Acquisition to be earning accretive and to continuously deliver sustainable value to shareholders of MAG in the medium and long term.

On top of the above, due to the interest of the Company's Executive Chairman, Ng Min Lin, in both MAG and NCUBE, the Proposed Acquisition would also be able to mitigate potential conflict of interest situation between Ng Min Lin and MAG, which would in turn safeguard the interests of minority shareholders.

We further noted that the Board is of the view that the issuance of the Consideration Shares and RPS as part settlement of Purchase Consideration is the most appropriate means given the prevailing market conditions, after taking into consideration, among others, the following factors:

(i) conserve cash balance for the Group's operations and expansion whilst minimising the potential impact on the cash flow and gearing of the Group as opposed to full settlement in cash and/or via bank borrowings;

(ii) provides greater certainty in raising the funds required as compared to other forms of equity fund raising such as a rights issue which is dependent upon the prevailing market sentiment and economic conditions. Underwriting and undertaking arrangements for such other forms of equity fund raising would be difficult to procure; and

(iii) the RPS would provide its holder with an annual dividend of 3% per annum and the issuance of RPS would minimise the immediate dilution of the EPS and existing shareholders' equity.

Comments:

We noted that NCUBE Group is principally involved in the Aquaculture Business and the Proposed Acquisition of NCUBE forms part of the Group's long term business expansion and growth strategy.

We also noted that the Proposed Acquisition is expected to contribute positively to the future earnings and have a positive impact on MAG Group in view that:

(i) As both the Group and NCUBE Group are currently involved in the Aquaculture Business, we noted that the Group expects the Proposed Acquisition will enable both companies to leverage on their combined strengths in relation to, but not limited to, its research and development expertise in the aquaculture industry and respective business relationship with industry stakeholders. The Group expects the combined strengths can accelerate the Group's expansion plan and accrue the enlarged Group with a continuous growth to emerge as a key player in the aquaculture industry in Malaysia; and

(ii) Upon completion of the Proposed Acquisition, NCUBE will be a wholly-owned subsidiary company of MAG. Hence, the Proposed Acquisition is expected to eliminate any existing and potential conflict of interests or related party transaction involving the NCUBE Group and MAG Group and would in turn safeguard the interests of minority shareholders.

We noted the Board is of the view that the issuance of the Consideration Shares and RPS as part of the settlement of Purchase Consideration are the most appropriate means given the prevailing market conditions, conserving cash balance for the Group's operations and expansion, providing greater certainty in the fundraising and minimising the immediate dilution of the EPS and existing shareholders' equity via the issuance of RPS.

7.2 Rationale for the Proposed Private Placement

We take cognisance of the following rationale to be derived from the Proposed Private Placement as outlined in Section 3.2 of Part A of the Circular:

We noted that the Proposed Private Placement will enable the Company to partly finance the Proposed Acquisition as set out in Section 2.1 of Part A of the Circular. In addition, the proceeds to be raised from the Proposed Private Placement will also provide the Company with additional funds to finance its working capital requirements.

We further noted that, after due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is currently the most appropriate avenue of fund raising as it will:

(i) enable the Company to raise funds expeditiously for purposes as set out in Section 2.2.5 of Part A of the Circular as opposed to a pro-rata issuance of securities such as rights issue, which would typically entail a longer implementation process. Further, the implementation of a rights issue also significantly dependent on the market sentiment and require an underwriting agreement or undertaking commitment from shareholders in spite of the prevailing uncertain economic condition;

(ii) provide an avenue to raise funds without incurring interest cost as compared to bank borrowings; and

(iii) increase the size and strength of the Company's capital base and shareholders' funds and potentially improve the liquidity and marketability of the issue MAG Shares.

Comments:

As disclosed in Section 2.1.1 of Part A of the Circular, we noted that the Purchase Consideration for the Proposed Acquisition will be satisfied via

(i) Cash consideration of RM60.0 million;

(ii) Issuance of 300,000,000 Consideration Shares at an issue price of RM0.20 per Consideration Share; and

(iii) 400,000,000 RPS at an issue price of RM0.20 per RPS,

in the following manners:

Vendors	No. of NCUBE Shares held ('000)	Cash (RM'000)	Consideration Shares		RPS	
			No. of Consideration Shares ('000)	Value (RM'000)	No. of RPS ('000)	Value (RM'000)
Ng Min Lin	18,590	54,146	270,728	54,146	360,971	72,194
Melvin Lim Chun Woei	2,010	5,854	29,272	5,854	39,029	7,806
	20,600	**60,000**	**300,000**	**60,000**	**400,000**	**80,000**

We noted that the Proposed Private Placement is incidental to facilitate and fund the cash consideration for the Proposed Acquisition.

We also noted that pursuant to the SAA, subject to the satisfaction of the conditions precedent contained therein by the relevant parties to the SAA, the Purchase Consideration shall be settled by MAG no later than 3 months after the Unconditional Date of the SAA (being the date that all the conditions precedent have been fulfilled and the SAA becoming unconditional), or on such later date as the parties to the SAA shall mutually agree in writing or as necessitated by the timing of the completion of the Proposed Private Placement ("**Completion Date**").

The Purchase Consideration shall be settled by MAG in the following manners:

(a) the cash consideration of RM60.0 million shall be settled by MAG to the Vendors on the Completion Date. There is no arrangement for payment on a deferred basis for the cash consideration; and

(b) the balance of the Purchase Consideration shall be satisfied by MAG by way of issuance of the Consideration Shares and the RPS to the Vendors on the Completion Date in proportion to their shareholding in NCUBE. Any fractional Consideration Shares and/or RPS shall be rounded down.

7.3 Rationale for the Proposed Amendment

We take cognisance of the following rationale to be derived from the Proposed Amendment as outlined in Section 3.3 of Part A of the Circular:

We noted that the Proposed Amendment is necessary to facilitate the issuance of RPS pursuant to the Proposed Acquisition.

The Proposed Amendment entails the consequential amendment to the Constitution of MAG to facilitate the creation and issuance of the RPS as the Purchase Consideration for the Proposed Acquisition.

Based on the above, we are of the view the rationale of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment are reasonable. Nevertheless, shareholders of MAG should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in Section 13 of this IAL.

8. BASIS AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

As set out in Section 2.1.5 of Part A of the Circular, the Purchase Consideration of RM200,000,000 was arrived at based on a willing-buyer willing-seller basis, after taking into consideration the following:

(i) the Profit Guarantee provided by the Vendors, which translate into a P/E multiple of 16.7 times to 18.5 times. The P/E multiple was calculated based on the pro-rated Profit Guarantee (i.e. 12-month period) of RM12,000,000 per annum on a consolidated basis (or RM10,800,000 per annum on a consolidated basis, as the Profit Guarantee is subject to not more than 10.0% deviation);

(ii) the audited consolidated NA of NCUBE Group of approximately RM24.79 million and RM31.42 million for the FYE 31 December 2019 and FPE 31 December 2020, respectively;

(iii) the audited consolidated PAT of NCUBE Group of approximately RM4.71 million and RM6.12 million for the FYE 31 December 2019 and FPE 31 December 2020, respectively;

(iv) the rationale of the Proposed Acquisition as set out in Section 3.1 of Part A of the Circular; and

(v) the potential earnings and growth of NCUBE Group after taking into consideration the economic outlook and its future prospects.

We also noted that the Board has benchmarked against the earnings multiples of several public listed companies with principal business activities that are considered broadly comparable to the business of NCUBE for the purpose of assessing the Purchase Consideration as disclosed in Section 2.1.5 of Part A of the Circular.

We noted that based on the benchmarking with the Comparable Companies and after taking into consideration, amongst others, the following factors, the Board is of the view the Purchase Consideration is justifiable and is of the opinion that the Profit Guarantee is reasonable and realistic:

(i) the historical financial track record of NCUBE Group as set out in Appendix IV of the Circular;

(ii) the rationale and potential benefits to be accrued to MAG through the Proposed Acquisition as set out in Section 3.1 of Part A of the Circular. With the Proposed Acquisition, MAG Group will be able to further expand and strengthen its market position and presence in the aquaculture industry in Malaysia; and

(iii) the prospects and outlook of the aquaculture industry in Malaysia and NCUBE Group as set out in Section 4 of Part A of the Circular.

8.1 Valuation of NCUBE Group

NCUBE Group is principally involved in the business of prawn aquaculture and seafood processing. Premised on our understanding of the group structure and the principal activities of the respective companies within the NCUBE Group, in arriving at the indicative values of NCUBE Group ("**Indicative Valuation**"), we have performed a valuation of the entire equity interest in the NCUBE Group based on the discounted cash flow ("**DCF**") approach.

There are various valuation approaches in carrying out a valuation, the common ones being the DCF approach, the earnings multiple approach and the adjusted net assets approach. For the purpose of this Indicative Valuation, we have not adopted the other valuation approaches in view of the availability of Financial Projections of NCUBE Group for the 10-year period from 1 January 2021 to 31 December 2030.

The DCF approach is an appropriate method as the estimated future cash flows to be derived from NCUBE Group can be projected by the management of MAG. The DCF approach is an investment appraisal technique which 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 undertaking the DCF approach of estimating the indicative values of NCUBE Group, we held discussions with the management of MAG and NCUBE Group to obtain a general understanding of the business and operations of MAG and NCUBE Group. The management of MAG has represented to us that they have adopted a 10-year projections for the period of FPE 31 December 2021 to FPE 31 December 2030 in the Financial Projections to better reflect the business outlook of prawn aquaculture and seafood processing business over this period. We had also obtained an understanding of the bases and assumptions of the Financial Projections of which the management of MAG is responsible and that the specific assumptions are reflected in the Financial Projections. We had also reviewed the arithmetic accuracy of the Financial Projections. Based on the above, we are satisfied that the Financial Projections were prepared on a reasonable basis. However, BDOCC, in no way, guarantees or otherwise warrants the achievability of the Financial Projections. As far as the Financial Projections are concerned, MAG remains ultimately responsible for the accuracy, completeness and reliability of the Financial Projections including the underlying bases and assumptions.

As NCUBE Group is principally involved in the business of prawn aquaculture and seafood processing, in arriving at the discount rates of the indicative values of NCUBE Group, we have selected the publicly listed comparable companies involved in the aquaculture business with the range of services including prawn aquaculture and seafood processing as the comparable companies ("**Comcos**") which we view as broadly comparable to NCUBE Group. We have applied the prevailing risk-free rate, equity risk premium and beta of the Comcos at 31 December 2020 ("**Valuation Date**"). We have also relied on the data of the Comcos in estimating the discount rates with adjustments taking into consideration the size, country risk, unlisted status as well as the profile of NCUBE Group. Please note that the selection of Comcos and adjustments made are highly subjective and judgmental and the selected Comcos may not be entirely comparable due to various factors.

The key bases and assumptions adopted in the preparation of the Financial Projections by the management of MAG are as follows:

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

(ii) The first year of the Financial Projections for FPE 31 December 2021 is projected after taking into consideration the financial performance of FPE 31 December 2020;

(iii) Revenue of NCUBE Group in the Financial Projections are mainly dependent on the selling price and quantity of the prawns sold, of which the price of the prawns is projected to increase at 3% per annum from FPE 31 December 2022 onwards;

(iv) The operating costs of NCUBE Group in the Financial Projections are projected to increase at 3% per annum from FPE 31 December 2022 onwards;

(v) There will not be any major capital expenditure to be incurred for the operations in NCUBE Group;

(vi) The corporate tax rate is based on the Malaysian statutory tax rate of 24% of profit before tax. NCUBE Group is not subject to corporate tax from FPE 31 December 2021 to FPE 31 December 2024 as the management of MAG represented that NCUBE Group has sufficient capital allowances to be utilised against the chargeable income from FPE 31 December 2021 to FPE 31 December 2024;

(vii) There will not be any significant or material changes in the principal activities and existing structure of NCUBE Group, environmental condition, threat of diseases affecting the prawn farming business, political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the aquaculture business industry; and

(viii) There is no significant or material change in the accounting policies of NCUBE Group.

Based on the above and the representations from the Management of MAG and NCUBE Group, nothing has come to our attention that the bases and assumptions adopted in the preparation of the Financial Projections are not reasonable.

Please note that the Financial Projections inherently has its limitation as it is projected over an extended period of time and is subject to meeting the bases and assumption which might be affected by the then prevailing market conditions and business risks which may not be within the control or foresee by the management of MAG during the period of the Financial Projections.

The key bases and assumptions adopted in our Indicative Valuation of NCUBE Group are as follows:

(a) That the audited consolidated financial statements of NCUBE Group as at 31 December 2020 provide a true and fair view of the financial position of NCUBE Group as at Valuation Date;

(b) That the Financial Projections as provided by MAG will be achieved. MAG assumes full responsibilities for the accuracy, completeness and reliability of the Financial Projections;

(c) NCUBE Group has/will have all the relevant licences, permits, approvals, agreements, contracts or 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 Licenses/Agreements are renewed upon expiry;

(d) There is no material change to the Indicative Valuation from the Valuation Date up to the completion date of the Proposed Acquisition;

(e) That the time value implications, if any, from the Valuation Date up to the actual completion date of the Proposed Acquisition is not material;

(f) That NCUBE Group is in full compliance with all applicable regulations and laws;

(g) That the business interest and assets of NCUBE Group are free and clear of any liens or encumbrances;

(h) That there will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, bases and rates of taxation, and other lending guidelines in the countries where NCUBE Group is operating which will affect the activities of NCUBE Group;

(i) That there will be no material changes in the present management of NCUBE Group and principal activities as well as the accounting and operating policies presently adopted by NCUBE Group. There will be continuity in responsible ownership and competent management with respect to the operation of the business;

(j) That there are no material changes in the financial position and performance as well as business operations of NCUBE Group that will affect NCUBE Group after the Valuation Date;

(k) 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 NCUBE Group now and in the future;

(l) That the debt to equity ratio used to derive the unlevered beta in the discount rate computation is based on the projected debt to equity ratio of NCUBE Group. NCUBE Group has projected to fully repay its bank borrowings by FPE 31 December 2028;

(m) That there will be no material changes to the condition of the assets which will affect the operations in the future; and

(n) 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 NCUBE Group, which could materially affect the financial position and business operations of NCUBE Group.

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In arriving at the DCF valuations of NCUBE Group, we have discounted the free cash flow to the firm (“**FCFF**”) projected at the weighted average cost of capital (“**WACC**”) using the approach described below:

No.		Key bases and assumption	Description
1.	Valuation date	31 December 2020	This is the reference date for risk-free rate of return, beta and expected market rate of return which are used in the DCF valuation.
2.	FCFF	Based on NCUBE Group Projections	FCFF is the free cash flows from operations available to the providers of capital of a business after taking into consideration all operating expenses, movement in working capital and net investing cash flows.
3.	Cost of equity (“**K_e**”)	7.6% to 12.0%	Cost of equity represents the rate of return on the entity required by an investor on the cash flow streams generated by the entity, given, amongst others, the risks associated with the cash flow. We have derived the estimated cost of equity using the Capital Asset Pricing Model with the following inputs: $K_e = R_f + \beta (R_m - R_f)$ Capital Asset Pricing Model is one of the common model used to determine a required rate of return of an asset. It is used to estimate the cost of equity based on risk-free rate of return (refer item 4 below), expected market rate of return (refer item 5 below) and beta (refer item 6 below).
4.	Risk-free rate of return (“**R_f**”)	3.842%	Risk free rate of return represents the expected rate of return from a risk-free investment. The best available approximation of the risk-free rate of return is the gross yield of thirty (30)-year Malaysian Government Securities. We are of the view that the longest tenure Malaysian Government Securities, rather than the shorter tenure Malaysian Government Securities, is appropriate to approximate the R_f, of the business which is being valued at perpetuity. As extracted from the Bank Negara Malaysia website, the said yield is 3.842% as at the valuation date.
5.	Expected market rate of return (“**R_m**”)	11.189%	Expected market rate of return is the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. In our opinion, the expected market rate of return for the FTSE Bursa Malaysia Index is an indicator of the equity market return in Malaysia. As extracted from Bloomberg, the expected market rate of return for the FTSE Bursa Malaysia Index as at the valuation date, which is based on the dividend discount model, is 11.189%.

<table>
<tr>
<td>6.</td>
<td>Beta (“β”)</td>
<td>0.516</td>
<td>Beta is the sensitivity of an asset’s returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than one (1) signifies that the asset is riskier than the market and vice versa.

For information purposes, the term “unlevered β” refers to the β of a company without any debt. Unlevering a β removes the financial effects from leverage. The formula to calculate a company’s unlevered β is as follows:
Unlevered β = levered β / [1 + (1-T) x D/E]

The term “levered β” refers to the β of a company with debt. Levering a β includes the financial effects from leverage. The unlevered β should be adjusted to levered β of as per formula below:
Levered β = Unlevered β x [1 + (1-T) x D/E]

In deriving the estimated beta to derive the estimated indicative values of NCUBE Group, we have relied on the raw three (3)-year weekly betas up to the valuation date of companies whose core business include prawn aquaculture and seafood processing. As the raw beta extracted from Bloomberg is based on the capital structure of the respective comparable companies, we have un-levered the raw beta and re-levered the average un-levered beta of the comparable companies based on the expected capital structure of NCUBE Group according to NCUBE Group’s projected debt-to-equity ratio during the Financial Projections.

As NCUBE Group is principally involved in the business of prawn aquaculture and seafood processing, in arriving at the discount rates of the indicative values of NCUBE Group, we have selected the publicly listed comparable companies involved in the aquaculture business with the range of services including prawn aquaculture and seafood processing as the comparable companies which we view as broadly comparable to NCUBE Group. The comparable companies identified and used in determining the estimated beta to derive the estimated indicative values of NCUBE Group are as follows:

<table>
<tr><th>Company</th><th>Stock exchange listing</th></tr>
<tr><td>Zeal Aqua Ltd</td><td>BSE, Bombay Stock Exchange</td></tr>
<tr><td>Apex Frozen Foods Ltd</td><td>NSE, National Stock Exchange of India Ltd</td></tr>
<tr><td>Camimex Group Jsc</td><td>Ho Chi Minh Stock Exchange</td></tr>
<tr><td>Sao Ta Foods Jsc</td><td>Ho Chi Minh Stock Exchange</td></tr>
<tr><td>Suryo Foods & Industries Ltd</td><td>BSE, Bombay Stock Exchange</td></tr>
</table>

Please note that the selection of Comcos and adjustments made are highly subjective and judgmental and the selected Comcos may not be entirely comparable due to various factors, which include amongst others, size, geographical location of the operating assets, business model and management expertise.</td>
</tr>
</table>

7.	Pre-tax / Post-tax cost of debt ("**K_d**")	4.22% to 5.55%	K_d is the effective rate that a corporation pays on its total borrowings. It is assumed that the prevailing interest rates for the bank borrowings of NCUBE in FPE 31 December 2020 as extracted from Accountants' Report on NCUBE in Appendix VII of the Circular would be the future estimated pre-tax / post-tax cost of debt. For information purposes, NCUBE Group is not subject to corporate tax from FPE 31 December 2021 to FPE 31 December 2024 as the management of MAG has represented that NCUBE Group has sufficient capital allowances to be utilised against the chargeable income from FPE 31 December 2021 to FPE 31 December 2024, hence the cost of debt during the period will be based on pre-tax cost of debt of 5.55%.
8.	WACC	9.6% to 11.5%	The WACC is the weighted average of the rates of return required by each of the equity and debt providers: WACC = E (K_e) + D(K_d) (1-T) where: E = Proportion of equity to the capital structure D = Proportion of debt to the capital structure K_e = Cost of equity K_d = Pre-tax cost of debt T = Corporate income tax rate of nil (FPE 31 December 2021 to FPE 31 December 2024 as the management of MAG represented and projected that NCUBE Group has sufficient capital allowances to be utilised against chargeable income) and 24% (FPE 31 December 2025 to FPE 31 December 2030) The WACC has been adjusted to take into consideration the size and marketability discount as well as additional risk to reflect the inherent risks and uncertainties involved in the projections. The impact to the WACC based on these adjustments is an increase of 2.1% - 2.9%. Please note the adjustment made is highly subjective and judgmental.
9.	Debt to Equity ratio	Nil to 1.16	Debt to Equity Ratio is a ratio used to measure a company's financial leverage. This is calculated by dividing a company's total liabilities by its stockholders' equity based on the capital structure for the respective financial years. For this Financial Projection, the expected capital structure for the respective period in the Financial Projection is used to estimate the debt to equity ratio of NCUBE Group and it is projected to fully repay its bank borrowings by FPE 31 December 2028.
10.	Terminal value of NCUBE Group	Ranges from RM119.1 million to RM135.2 million	The net present value of the estimated terminal value ranges from RM119.1 million to RM135.2 million and are derived based on the assumed FCFF in FPE 31 December 2030 and terminal year growth rate of 2.0%. The terminal growth rate is an estimate of the company's growth in expected future cash flows beyond a projection period after taking into consideration the historical annual inflation rate in Malaysia from year 2016 to year 2019 as well as the expected inflation based on the Macroeconomic Outlook 2021 published by the Ministry of Finance Malaysia.

11.	Enterprise Value of NCUBE Group	Ranges from RM245.9 million to RM265.1 million	The formula used to derive Enterprise Value i.e. the net present value of FCFF is as follows: Enterprise Value = Present value of projected FCFF[(1)] *Note:-* *(1) The present value of projected FCFF is computed based on the following formula:-* *Present value of FCFF* $= \frac{FCFF}{(1 + WACC)^n}$ *whereby, n represents time, in years into the future.*

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8.2 Indicative values of NCUBE Group

Based on the above, the estimated indicative values of NCUBE Group is as follows:

	RM million	
	Low	**High**
Range of enterprise values of 100% equity interest in NCUBE Group(1)	245.9	265.1
Minus: Borrowings(2)	(62.4)	(62.4)
Add: Cash and bank balances(2)	3.5	3.5
Range of indicative values of 100% equity interest in NCUBE Group	**187.0**	**206.2**

Note:

(1) In arriving at the estimated indicative values, the Financial Projections as provided by MAG is discounted at derived discount rates of between 9.6% and 11.5%. In deriving the discount rates to arrive at its enterprise value, we have applied the prevailing risk-free rate and equity risk premium and betas of Comcos as at 31 December 2020. We have also relied on the data of the Comcos in estimating the discount rates with adjustments taking into consideration the size and marketability of NCUBE and its subsidiary relative to the Comcos and the inherent risks and uncertainties of the Financial Projections.

Please note that the selection of the Comcos and the adjustments made are highly subjective and judgmental and the selected Comcos may not be entirely comparable due to various factors.

(2) Audited as at 31 December 2020, based on the Accountants' Report on NCUBE in Appendix VII of the Circular.

Please note that the estimated range of indicative value of 100% equity interest in NCUBE Group of RM187.0 million to RM206.2 million as at 31 December 2020 as derived above should be read in conjunction with the approach used in the indicative valuation together with the bases and assumptions as disclosed in Section 8.1 of this IAL. The range of indicative values as estimated by us involves a high degree of subjectivity and element of judgement.

8.3 Comparison between Indicative Valuation and Purchase Consideration

The Purchase Consideration for the Proposed Acquisition is within the range of the estimated range of indicative values of 100% equity interest in NCUBE Group as shown below:

Equity interest involved	100%	
Purchase Consideration	RM200.0 million	
	Low	**High**
Range of indicative values of 100% equity interest in NCUBE Group	RM187.0 million	RM206.2 million

Based on the table above, the Purchase Consideration of RM200.0 million is within the estimated range of indicative values of 100% equity interest in NCUBE Group of RM187.0 million to RM206.2 million.

Based on this, we are of the view that the Proposed Acquisition is fair.

9. **MODE OF SETTLEMENT OF THE PURCHASE CONSIDERATION**

As disclosed in Section 2.1.1 of Part A of the Circular, we noted that the Purchase Consideration for the Proposed Acquisition will be satisfied via

(i) Cash consideration of RM60.0 million;

(ii) Issuance of 300,000,000 Consideration Shares at an issue price of RM0.20 per Consideration Share; and

(iii) 400,000,000 RPS at an issue price of RM0.20 per RPS,

in the following manners:

Vendors	No. of NCUBE Shares held ('000)	Cash (RM'000)	Consideration Shares		RPS	
			No. of Consideration Shares ('000)	Value (RM'000)	No. of RPS ('000)	Value (RM'000)
Ng Min Lin	18,590	54,146	270,728	54,146	360,971	72,194
Melvin Lim Chun Woei	2,010	5,854	29,272	5,854	39,029	7,806
	20,600	**60,000**	**300,000**	**60,000**	**400,000**	**80,000**

We also noted that pursuant to the SAA, subject to the satisfaction of the conditions precedent contained therein by the relevant parties to the SAA, the Purchase Consideration shall be settled by MAG no later than 3 months after the Unconditional Date of the SAA (being the date that all the conditions precedent have been fulfilled and the SAA becoming unconditional), or on such later date as the parties to the SAA shall mutually agree in writing or as necessitated by the timing of the completion of the Proposed Private Placement ("**Completion Date**").

The Purchase Consideration shall be settled by MAG in the following manners:

(a) the cash consideration of RM60.0 million shall be settled by MAG to the Vendors on the Completion Date in proportion to their shareholding in NCUBE;

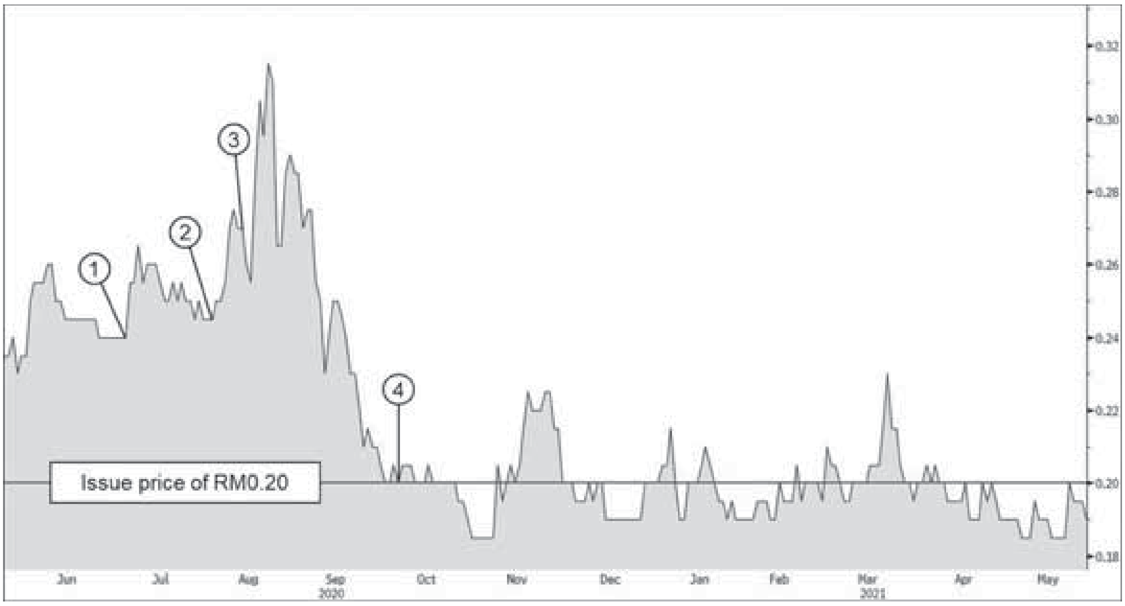
(b) the balance of the Purchase Consideration shall be satisfied by MAG by way of issuance of the Consideration Shares and the RPS to the Vendors on the Completion Date in proportion to their shareholding in NCUBE. Any fractional Consideration Shares and/or RPS shall be rounded down.

9.1 **Evaluation of issue price of Consideration Shares**

We noted that in Section 2.1.6 of Part A of the Circular that the proposed issue price of the Consideration Shares of RM0.20 was determined on a willing-buyer willing-seller and arm's length basis, after taking into consideration the 5D-VWAMP of MAG Shares up to and including the LTD.

The proposed issue price of the Consideration Shares of RM0.20 represents a discount of RM0.0218 or 9.8% to the 5D-VWAMP of MAG Shares up to and including the LTD of RM0.2218.

As such, in evaluating the fairness of the proposed issue price of Consideration Shares, we have taken into consideration the movement of the market price of MAG Shares over the past 1 year up to LPD as illustrated in the price chart below:



(Source: Bloomberg)

The above information extracted from Bloomberg has been adjusted for the effects of any dividends and corporate exercise throughout the relevant period.

Throughout the past 1 year up to the LPD, the principal activities of MAG have remained the same.

We are not aware of any particular reasons which might have led to the upward or downward movements of the market price of MAG Shares for the past 1 year up to LPD, but we noted the following material announcements made by MAG on Bursa Securities:

	Date	Significant events
(1)	3 July 2020	The Board announced that Bursa Securities had, vide its letter dated 3 July 2020, approved the following:- (i) admission of the warrants to the Official List of Bursa Securities and the listing and quotation of up to 460,887,432 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and (ii) listing and quotation of up to 460,887,432 new shares to be issued arising from the exercise of the warrants.
(2)	30 July 2020	Announcement of financial results for FYE 31 December 2019.
(3)	11 August 2020	The Board announced the entitlement date for the Proposed Free Warrants Issue of up to 460,887,432 free warrants on the basis of one (1) warrant for every two (2) existing ordinary shares on 26 August 2020.
(4)	6 October 2020	Announcement of change in financial year end from 31 December 2020 to 30 June 2021.

In addition, we have also compared the proposed issue price of the Consideration Shares of RM0.20 to the historical VWAMPs of MAG Shares over various timeframes up to the LTD and LPD, this yields the following premiums/(discounts) to the closing market prices and VWAMPs of the MAG Shares:

	Closing market price or VWAMP of MAG Shares	**Premium/(Discount) of the proposed issue price of Consideration Shares of RM0.20 over the closing market price or VWAMP of MAG Shares**	
	RM	**RM**	**%**
Up to the LTD:			
Last closing market price	0.2150	(0.0150)	(7.0)
Five (5)-day VWAMP	0.2218	(0.0218)	(9.8)
One (1)-month VWAMP	0.2148	(0.0148)	(6.9)
Three (3)-month VWAMP	0.2089	(0.0089)	(4.3)
Six (6)-month VWAMP	0.2081	(0.0081)	(3.9)
One (1)-year VWAMP	0.2178	(0.0178)	(8.2)
Up to the LPD:			
Last closing market price	0.1850	0.0150	8.1
Five (5)-day VWAMP	0.1829	0.0171	9.3

(Source: Bloomberg)

Comments:

We take note of the historical share prices of MAG as disclosed in Section 7 of Part A of the Circular.

Based on the table above, we noted that the proposed issue price of Consideration Shares of RM0.20 represents the following:

(i) **discounts** ranging from RM0.0081 (3.9%) to RM0.0218 (9.8%) over the last closing price as at the LTD, five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMPs up to LTD; and

(ii) **premiums** of RM0.0150 (8.1%) over the last closing market price as at the LPD and RM0.0171 (9.3%) over the five (5)-day VWAMP up to LPD.

We noted that the proposed issue price of Consideration Shares of RM0.20 represents premiums over the last closing market price as at the LPD and five (5)-day VWAMP up to the LPD.

We also noted the discounts ranging from 3.9% to 9.8% during the period as at the LTD and over the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMPs up to LTD. The issuance of the Consideration Shares pursuant to the Proposed Acquisition is expected to result in dilution to the shareholdings of the non-interested shareholders of MAG, as well as to the EPS and NA per Share of the MAG Group, to the extent of the additional new Consideration Shares to be issued to the Vendors. Nevertheless, going forward, such dilution impact may be mitigated through potential contribution of NCUBE Group to the future consolidated earnings and NA of the Group.

We also noted that the proposed issue price of the Consideration Shares of RM0.20 is the same as the Subscription Price in relation to the Subscription Shares which form part of the Proposed Private Placement which is further elaborated in Section 9.2 of this IAL.

We also noted that based on the proposed issue price of RM0.20 and unaudited EPS of MAG for FPE 31 December 2020 of RM0.013, this yields a P/E multiple of 15.4 times for MAG as shown below:

Proposed issue price of Consideration Shares	RM0.20	(A)
Unaudited EPS of MAG for FPE 31 December 2020	RM0.013(1)	(B)
P/E multiple of MAG	15.4 times	(A) ÷ (B)

Note 1: As extracted from the announced unaudited consolidated results for the financial period ended 31 December 2020 of MAG as announced by MAG on Bursa Securities.

We noted that both MAG and NCUBE are involved in the Aquaculture Business, where since MAG obtained the mandate from its shareholders to diversify its businesses to include the Aquaculture Business in July 2019, the Aquaculture Business emerged as the core business of MAG based on the financial results of the Group for the FPE 31 December 2020.

We further noted that in Section 2.1.5 of Part A of the Circular that the Board has identified the following public listed Comparable Companies in the Aquaculture Business. Please find the table below as per Section 2.1.5 of Part A of the Circular:

Comparable Companies	Market Capitalisation as at the LTD	PAT	P/E multiple (times)
Apex Frozen Foods Ltd *(India)*	Indian Rupee 6.89 billion (RM389.81 million)	Indian Rupee 0.61 billion (RM34.51 million)	11.3
Bentre Aqua Product Import JSC *(Vietnam)*	Vietnamese Dong 354.12 billion (RM63.57 million)	Vietnamese Dong 13.9 billion (RM2.49 million)	25.3
Camimex Group JSC *(Vietnam)*	Vietnamese Dong 486.54 billion (RM87.33 million)	Vietnamese Dong 54.1 billion (RM9.71 million)	9.0
Zeal Aqua Ltd *(India)*	Indian Rupee 866.07 million (RM48.99 million)	Indian Rupee 63.2 million (RM3.58 million)	13.7
		Median	*12.5*
		Average	*14.8*
		Minimum	*9.0*
		Maximum	*25.3*

Based on the table above, we noted that MAG's P/E multiple of 15.4 times is higher than the simple average of P/E multiple of Comparable Companies identified by the Board in Section 2.1.5 of Part A of the Circular of 14.8 times.

In addition, we have identified the following comparable companies involved in the Aquaculture Business in determining the estimated beta of NCUBE in Section 8.3 of this IAL ("**Comcos**") which can be used in analysing the P/E multiple as follows:

		(A)		(B)	(A) ÷ (B)	
Comparable Companies	**Currency**	**Market price as at the LTD**	**FYE latest available**	**Latest publish full year's EPS/(LPS)**	**P/E multiple (times)**	**P/E multiple after country risk adjustments(1) (times)**
Apex Frozen Foods Ltd *(India)*	Indian Rupee	220.30	FYE 31 March 2020	19.41	11.3	10.8
Camimex Group JSC *(Vietnam)*	Vietnamese Dong	16,000.00	FYE 31 December 2020	1,798.91	9.0	8.4
Zeal Aqua Ltd *(India)*	Indian Rupee	68.70	FYE 31 March 2020	5.02	13.7	13.0
Sao Ta Foods Jsc *(Vietnam)*	Vietnamese Dong	36,200.00	FYE 31 December 2020	4,351.05	8.3	7.9
Suryo Foods & Industries Ltd *(India)*	Indian Rupee	5.00	FYE 31 March 2020	(1.61)	(2)-	(2)-
				Median	*10.2*	*9.6*
				Average	*10.6*	*10.0*
				Minimum	*8.3*	*7.9*
				Maximum	*13.7*	*13.0*

Source: Bloomberg.

Notes:

(1) *For the purpose of consistency with the country risk adjustment in determining the estimated beta to derive the estimated indicative values of NCUBE, we have applied the same country risk adjustment of 5% on the P/E multiple of the Comcos to also compare against the P/E multiple of MAG. Please note that the selection of the above Comcos and adjustments made are highly subjective and judgmental and the selected Comcos may not be entirely comparable due to various factors, which include amongst others, size, geographical location of the operating assets, business model and management expertise.*

(2) *Excluded from analysis as the company recorded a loss after tax in its latest financial year.*

Out of the 5 Comcos selected above, it is to be noted that 3 Comcos (i.e. Apex Frozen Foods Ltd, Camimex Group JSC and Zeal Aqua Ltd) are similar to the public listed Comparable Companies in the Aquaculture Business as identified by the Board in Section 2.1.5 of Part A of the Circular and the remaining 2 Comcos (i.e. Sao Ta Foods Jsc and Suryo Foods & Industries Ltd) are Comcos selected by us in determining the estimated beta to derive the estimated indicative values of NCUBE.

P/E multiple of MAG	Average P/E multiple after country risk adjustments based on Comcos	Average P/E multiple based on Comparable Companies identified by the Board
15.4 times	10.0 times	14.8 times

Notwithstanding the difference in the selection of Comcos, as illustrated in the table above, we noted that MAG's P/E multiple of 15.4 times is higher than both the simple average of P/E multiple of Comcos of 10.0 times after country risk adjustments as well as the simple average of P/E multiple of Comparable Companies identified by the Board in Section 2.1.5 of Part A of the Circular of 14.8 times.

Issuing price at a high P/E multiple is an advantage to MAG as this means a lesser number of MAG Shares will be issued for the purposes of Proposed Acquisition and accordingly, there will be less dilution impact to the existing shareholders of MAG.

We noted that the proposed issue price of Consideration Shares of RM0.20 represents discounts ranging from 3.9% to 9.8% during the period as at the LTD and over the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMPs up to LTD. We are of the view that the discount ranges is fair and reasonable based on the following:

(i) Based on the proposed issue price of Consideration Shares of RM0.20, this yields a P/E multiple of 15.4 times for MAG, which is higher than both the simple average of P/E multiple of Comcos of 10.0 times after country risk adjustments as well as the simple average of P/E multiple of Comparable Companies identified by the Board in Section 2.1.5 of Part A of the Circular of 14.8 times; and

(ii) the proposed issue price of the Consideration Shares of RM0.20 is the same as the Subscription Price in relation to the Subscription Shares which form part of the Proposed Private Placement which is further elaborated in Section 9.2 of this IAL.

Based on the above, we are of the opinion that the proposed issue price of Consideration Shares of RM0.20 is fair.

9.2 Evaluation of issue price of Placement Shares

We noted that in Section 2.2.1 of Part A of the Circular that the issue prices of the Placement Shares are determined based on the following price fixing mechanism:

(i) The Subscription Price was determined by the parties upon execution of the Subscription Agreements based on 5D-VWAMP of the MAG Shares immediately preceding the date of the Subscription Agreements of RM0.2218, with a discount rate of approximately 9.8%, as mutually agreed upon by the parties.

(ii) For Balance Placement Shares, the issue price shall be fixed by the Board at a later date after obtaining the relevant approvals and with a discount of not more than 10.0% to the 5D-VWAMP of the MAG Shares immediately preceding the price fixing date(s). As the subscription for the Balance Placement Shares may be implemented in tranches within 6 months after the receipt of all relevant approvals for the Proposed Private Placement, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation of the subscription for the Balance Placement Shares.

We also noted from Section 2.2.1 of Part A of the Circular that the above price fixing mechanism to determine the proposed issue price of the Subscription Shares and the Balance Placement Shares is in accordance with market based principles.

It is to be noted that the proposed Subscription Price in relation to the Subscription Shares which form part of the Proposed Private Placement was determined between the Subscribers and MAG. We also noted that MAG intends to undertake the Proposed Private Placement (comprising both the Subscription Shares and Balance Placement Shares) primarily to raise funding for the Proposed Acquisition and approval of the shareholders is required for the Proposed Private Placement.

Based on the above and Section 9.1 of this IAL, we are of the opinion that the proposed issue price of Placement Shares of RM0.20 is fair.

9.3 Evaluation of the terms of the Consideration Shares and RPS

We noted that in Section 2.1.4 of Part A of the Circular that the terms of the Consideration Shares and RPS are as follows:

(i) Consideration Shares

The Consideration Shares shall, upon allotment and issuance, carry the same rights with each other and with the then existing MAG Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the Consideration Shares are allotted on or prior to the entitlement date of such dividends, rights, allotments and/or other distribution.

(ii) RPS

The RPS shall rank equally amongst themselves and will rank ahead in point of priority to the MAG Shares, in respect of dividends and payment out of the assets of MAG upon any liquidation, dissolution or winding-up of MAG.

Tenure	:	5 years commencing from and inclusive of the date of issue of the RPS.
Maturity Date	:	The day immediately preceding the 5th anniversary from the date of issue of the RPS. If such a day fall on a non-market day, then the maturity date will be the preceding market day.
Voting rights	:	Restricted to any resolution on winding-up and/or any resolution directly affecting the rights of the RPS holders.
Notices	:	The RPS holders shall be entitled to receive notices of general meetings, reports and audited accounts of MAG and other information which may be reasonably sought.
Dividend	:	3.0% per annum on the Issue Price of RPS, payable semi-annually, subject to the provisions of the Act.
Form and Denomination	:	The RPS are to be issued in registered form and constituted by the Constitution of MAG.
Conversion Right	:	The RPS are not convertible into new MAG Shares.
Ranking of the RPS	:	The RPS shall, upon allotment and issuance, rank equally without any preference or priority among themselves and in priority to MAG Shares, but shall rank behind all secured and unsecured obligations of MAG. In the event of liquidation, dissolution, winding-up or other repayment of capital (other than on redemption): (i) the RPS shall confer on the RPS holders the right to receive in priority to the holders of all other class of securities in the share

		capital of MAG, cash repayment in full of the amount (and the amount of any coupon that has fallen due and remaining in arrears) of up to 100% of the Issue Price of the RPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of MAG; (ii) the RPS shall not confer on the RPS holders thereof the right to participate in the distribution of surplus assets or profits; and (iii) in the event that MAG has insufficient assets to permit payment of the full Issue Price to the RPS holders, the assets of MAG shall be distributed proportionally to the RPS holders in proportion to the amount that each RPS holders would otherwise be entitled to receive.
Redemption	:	The RPS is redeemable at the Issue Price of the RPS at any time after the Guarantee Period and the auditors of NCUBE having issued a certificate confirming the actual PAT of NCUBE for the Guarantee Period, and during the tenure of the RPS, at the option of MAG, subject to not less than 7 business days' notice in writing being given prior to the Redemption. In the event of any Shortfall, the amount of the Shortfall shall be set-off against the redemption of the equivalent value of RPS. Any RPS not redeemed by MAG or surrendered by the RPS holders at the Maturity Date shall be redeemed by MAG at the Issue Price of the RPS.
Redemption Price	:	The redemption price is at the Issue Price of the RPS together with arrears of dividend payments (if any) up to the date of redemption.
Transferable	:	Non-transferable
Listing	:	The RPS will not be listed on any stock exchange.

Based on the table above, we noted that the RPS holders are entitled to receive a dividend at a fixed rate of 3.0% per annum on the Issue Price of RPS and is payable semi-annually. The dividend rate of 3.0% per annum is reasonable as compared to MAG Group's cost of borrowings of 6.75% per annum as extracted from the audited financial statements of MAG for FYE 31 December 2019. For information purposes, if MAG Group were to obtain additional bank borrowings to finance the Proposed Acquisition it will expose MAG Group to additional interest expense and thus impacting the Group's profitability and cash flows.

We noted that the RPS are not convertible into new MAG Shares. In addition, we noted that as part of the Proposed Acquisition, the Vendors will also provide MAG with Profit Guarantee whereby NCUBE shall achieve the PAT for the Guarantee Period of not less than RM18,000,000, subject to not more than 10% deviation or a PAT of not less than RM16,200,000. We also noted that the terms of the RPS provides MAG Group with the option to redeem the RPS at the issue price of the RPS at any time after the Guarantee Period and the auditors of the Company having issued a certificate confirming the actual PAT of the Company for the Guarantee Period, and during the tenure of the RPS, should MAG Group has sufficient and/or excess funds to do so. In the event of any Shortfall in the Profit Guarantee, the amount of the Shortfall shall be set-off against the redemption of the equivalent value of RPS.

We are of the opinion that the salient terms of the RPS and the mode of settlement of the Purchase Consideration are reasonable as it will conserve the cash flow of MAG on an immediate basis by the issuance of 300,000,000 new Consideration Shares of RM0.20 per Consideration Shares and 400,000,000 RPS at an issue price of RM0.20 per RPS and redemption of the RPS can only commence to take place after the Profit Guarantee is met.

10. EVALUATION OF SALIENT TERMS OF THE SAA

In evaluating the salient terms of the SAA, we have considered the following salient terms of the SAA:

(i) Purchase price and terms;

(ii) Profit guarantee;

(iii) Conditions precedent;

(iv) Completion;

(v) Other covenants by Vendors; and

(vi) Termination.

Based on our evaluation, we are of the view that the salient terms of the SAA are considered reasonable.

Please refer to our comments below on the salient terms of the SAA:

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	Salient terms of the SAA	BDOCC's comments
1.	**Purchase price and terms** Subject to the terms and conditions contained in the SAA, the Vendors agree to sell, and the Purchaser agrees to purchase, the NCUBE Shares, free from all pledges or liens or any other encumbrances and with all rights now or hereinafter attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the date of the SAA, for the Purchase Consideration. The Purchase Consideration is arrived at based on a willing buyer-willing seller basis, and subject further to the Vendors' undertaking to cause NCUBE to capitalise an amount of RM8,278,829.63 from the amount owing to director through issuance of 8,278,829 new ordinary shares (**"Agreed Capitalisation"**) on the Completion Date (as defined below), and that Ng Min Lin shall renounce the said new shares from the Agreed Capitalisation to MAG, and cause NCUBE to issue the said new shares to the Purchaser directly on the Completion Date. We further noted that the Purchase Price shall be satisfied as follows:- (i) a cash sum of Ringgit Malaysia Sixty Million (RM60,000,000.00) only shall be settled by the Purchaser to the Vendors in the proportions as stated in Schedule 1 on the Completion Date; (ii) the balance of the Purchase Price amounting to Ringgit Malaysia One Hundred and Forty Million (RM140,000,000.00) only shall be satisfied by the Purchaser by way of issuance by the Purchaser of the Purchase Consideration Shares and the RPS to the Vendors in the proportions as stated in Schedule 1 on the Completion Date. Any fractional Purchase Consideration Shares and/or RPS shall be rounded down.	This clause is reasonable as it serves to protect the interest of MAG as the shares purchased are free from all pledges or liens or any other encumbrances. We noted that it is reasonable as the purchase consideration of RM200 million is based on a 'willing-buyer willing-seller' basis and is within the estimated range of indicative values of 100% equity interest in NCUBE Group of RM187.0 million to RM206.2 million. The mode of settlement is reasonable as it will conserve the cash flow of MAG on an immediate basis by the issuance of 300,000,000 new Consideration Shares of RM0.20 per Consideration Shares and 400,000,000 RPS at an issue price of RM0.20 per RPS. The RPS are to be redeemed by MAG later after the Guarantee Period and after the auditors of NCUBE issued a certificate confirming the actual PAT of NCUBE for the Guarantee Period.
2.	**Profit Guarantee** The Vendors jointly and severally guarantees to the Purchaser the following: (a) NCUBE shall achieve the PAT for the Guarantee Period of not less than the Guarantee Amount of Ringgit Malaysia Eighteen Million (RM18,000,000.00) in aggregate on a consolidated basis, subject to not more than 10% deviation or a PAT of not less than RM16,200,000 to be achieved. (b) In the event that at the end of the Guarantee Period, the actual PAT for the entire Guarantee	We noted that the Vendors provide Profit Guarantee to MAG that during the Guarantee Period, i.e. during the 18 months period commencing on 1 January 2021 and ending on 30 June 2022, NCUBE shall achieve PAT of not less than RM18,000,000 in aggregate on a consolidated basis, subject to not more than 10% deviation, i.e. a sum of not less than RM16,200,000. We are of the view that the 10% deviation is reasonable

	Salient terms of the SAA	BDOCC's comments
	Period as certified in the relevant audited financial statements of NCUBE (on a consolidated basis) ("**Actual PAT**") is less than the Guarantee Amount of Ringgit Malaysia Eighteen Million (RM18,000,000.00) in aggregate by less than ten per cent (10%), i.e. the Actual PAT is a sum of not less than RM16,200,000, the Vendors shall be deemed to have achieved the Profit Guarantee. (c) In the event that at the end of the Guarantee Period, the Actual PAT is less than the Guarantee Amount of Ringgit Malaysia Eighteen Million (RM18,000,000.00) in aggregate by more than ten per cent (10%), i.e. the Actual PAT is a sum of less than RM16,200,000, then the liability of the Vendors in respect of the shortfall amount between the actual PAT and the Guarantee Amount ("**Shortfall**") shall be as follows: (i) the first ten per cent (10%) of the Shortfall amounting to Ringgit Malaysia One Million Eight Hundred Thousand (RM1,800,000.00) shall not be claimable by MAG against the Vendors; and (ii) the remaining amount of Shortfall in excess of Ringgit Malaysia One Million Eight Hundred Thousand (RM1,800,000.00) shall be set-off against the redemption amount of the equivalent number of RPS held by the Vendors (in proportion to the current shareholdings ratio of the Vendors in NCUBE), and shall result in the cancellation of the RPS of equivalent value. (d) MAG shall procure that the auditors of NCUBE shall issue a certificate confirming the Actual PAT for the Guarantee Period to the parties within three (3) months following the end of the Guarantee Period. For the avoidance of doubt, this Clause shall survive completion of the SAA. In addition, the Vendors acknowledge and agree that in the event NCUBE shall incur a loss for the Guarantee Period, the Shortfall shall include the losses incurred. Please refer to Appendix I (Salient Terms of the SAA) of the Circular for the illustration of various scenarios on the mechanism of the Profit Guarantee.	as it provides for potential uncertainties in the business. We are of the view that the Profit Guarantee provided is reasonable as it mitigate uncertainties on the profitability of NCUBE Group during the Guarantee Period and it allows any shortfall in the Profit Guarantee in excess of the 10% allowable margin shall result in the cancellation of RPS of the equivalent value by setting-off against the redemption amount of the equivalent number of the RPS held by the Vendors. MAG shall procure the certificate to be issued by the auditors of NCUBE confirming the Actual PAT for the Guarantee Period within 3 months following the end of the Guarantee Period. We also noted the illustrative scenarios on the mechanism of the Profit Guarantee. We are of the view that it is reasonable that in the event NCUBE incur a loss during the Guarantee Period, the Shortfall shall include the losses incurred. It is to be noted that in the event if the Shortfall is more than RM80,000,000 (being the issuance of 400,000,000 of RPS at an issue price of RM0.20 per RPS), all of the 400,000,000 RPS will be cancelled and there will not be any cash compensation by the Vendors for any remaining Shortfall, if any, the maximum compensation amount by the Vendors under the Profit Guarantee is capped at RM80,000,000 (being the aggregate value of the RPS to be issued pursuant to the Proposed Acquisition).

	Salient terms of the SAA	BDOCC's comments
3.	**Conditions precedent** Notwithstanding anything to the contrary contained on the SAA, completion of the sale and purchase of the NCUBE Shares is conditional upon the following conditions being satisfied within a period of three (3) months from the date of this Agreement or within such further period as may be mutually agreed upon by the parties hereto in writing, namely: (i) the approval of the shareholders of MAG (obtained in an extraordinary general meeting to be convened) for the acquisition of the NCUBE Shares, and the issuance and allotment of the Consideration Shares and the RPS to the Vendors in accordance with the terms of the SAA; (ii) the approval of the shareholders of MAG (obtained in an extraordinary general meeting to be convened) for the Proposed Private Placement exercise to be undertaken by MAG and its proceeds to be utilised towards the satisfaction of the cash portion of the Purchase Consideration; (iii) the approval of the shareholders of MAG (obtained in an extraordinary general meeting to be convened) for the Proposed Amendment to facilitate the issuance of RPS; (iv) the approval of Bursa Securities for the listing of and quotation for the Consideration Shares and the shares to be issued pursuant to the Proposed Private Placement; (v) the approval or consent of any third party to the sale and purchase of the NCUBE Shares (if required) in accordance with the terms of any contract or agreement of a material nature entered into between NCUBE and such third party; (vi) the approval or consent of any financier (if required) in accordance with the terms of any banking or financing facilities granted to NCUBE; (vii) the approval or waiver of any regulatory requirement by any other relevant authorities, if required, (collectively "**Approvals**"); and (viii) MAG having conducted a legal and financial due diligence review on the affairs of NCUBE and being reasonably satisfied with the due diligence findings thereof;	The conditions precedent of the SAA are reasonable terms as they require MAG and the Vendors to procure the relevant requisite approvals and to be in compliance with the applicable laws and regulatory requirements. We noted that the SAA is dated on 24 March 2021 and is conditional upon the conditions precedent being satisfied within a period of 3 months or within such further period as may be mutually agreed upon. We also noted from Section 6.3 of Part A of the Circular that barring any unforeseen circumstance, the Proposed Acquisition is expected to be completed by the third quarter of 2021. We noted that this clause in the SAA also provides the flexibility to allow for extension of time to such further period as may be mutually agreed upon by the parties. Based on this, we noted the 3 months period from the date of SAA or within such further period as may be mutually agreed upon by the parties, to achieve various conditions precedent, are reasonable. We noted that the period to satisfy the conditions precedent in the SAA has been extended for a period of 2 months until 23 August 2021 by mutual agreement.

	Salient terms of the SAA	BDOCC's comments
	(ix) resolution of any issues arising from the said due diligence findings to the reasonable satisfaction of the Purchaser.	↓
4.	**Completion** Unless otherwise agreed by the parties in writing, and subject to the availability and receipt of the proceeds of funding by MAG through the Proposed Private Placement, completion of the SAA shall take place on a Business Day not later than three (3) months after the unconditional date of the SAA, or on such later date as the parties hereto shall mutually agree in writing or as necessitated by the timing of the completion of the Proposed Private Placement as aforesaid (**"Completion Date"**). On Completion Date, the Vendors shall *inter alia* deliver or cause to be delivered to MAG, the original share certificates, duly executed, valid and registrable share transfer forms in respect of the NCUBE Shares in favour of MAG, as well as the notice of allotment and the original share certificate in respect of the 8,278,829 new ordinary shares arising from the Agreed Capitalisation and issued by NCUBE on the Completion Date in favour of MAG. On the Completion Date, the Purchaser shall effect settlement of the Purchase Consideration to the Vendors, and shall immediately or as soon as practicable proceed diligently and expeditiously to comply with the procedures of Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities and upon listing of the said shares, the Vendors shall be at liberty to deal with the Consideration Shares in the manner they deem fit.	We noted that the Completion Date shall take place not later than 3 months after the unconditional date of the SAA or on such later date as mutually agree in writing or as necessitated by the timing of the completion of the Proposed Private Placement. On Completion Date, we noted that in addition to the original share certificates, valid and registrable share transfer forms, Ng Min Lin shall also renounce the new shares from the Agreed Capitalisation and deliver the notice of allotment and the original share certificate in respect of the 8,278,829 new ordinary shares arising from the Agreed Capitalisation and issued by NCUBE on the Completion Date in favour of MAG. We noted that there is no payment required from MAG and this will not affect the Purchase Consideration. This clause is noted and is reasonable.
5.	**Other covenants by Vendors** In respect of the remaining amount of RM12.0 million owing by NCUBE to Ng Min Lin and his related company, Apex Arena Sdn Bhd, after the Agreed Capitalisation, Ng Min Lin (on behalf of himself as well as Apex Arena Sdn Bhd) undertakes and agrees with MAG that the said amount owing shall be interest-free, and NCUBE shall be allowed to repay the same by way of three (3) equal instalments of RM4,000,000.00 each on 31 December 2022, 31 December 2023 and 31 December 2024 respectively. Ng Min Lin further agrees and covenants with MAG to indemnify, defend and save harmless NCUBE, MAG and its successors and assigns from and against any and all claims, damages, losses, expenses, costs and whatsoever liabilities which NCUBE may at any time and from time to time sustain, incur or suffer by reason	We noted that the repayment of amount owing by NCUBE to Ng Min Lin and his related company is interest-free and in 3 equal instalments of RM4,000,000 each on 31 December 2022, 31 December 2023 and 31 December 2024 respectively. We also noted that the Vendors undertake to cause NCUBE to undertake the Debt Capitalisation of RM8,278,829.63 on the completion date of the SAA and Ng Min Lin shall renounce the new NCUBE Shares to be issued pursuant to the Debt Capitalisation to MAG and cause NCUBE to issue the said new NCUBE Shares to MAG directly on the

	Salient terms of the SAA	BDOCC's comments
	of the litigation cases as disclosed in Paragraph 8.1(i) of Schedule 2 of the SAA and Section 7 of Appendix IV of the Circular, provided always that if such losses and/or liabilities shall crystallise or materialise during the Guarantee Period, but NCUBE shall still achieve the Profit Guarantee notwithstanding such losses and/or liabilities being recorded, then Ng Min Lin shall be deemed to have satisfied his indemnity hereunder. The Vendors undertake with the Purchaser that they will hold the Purchaser fully indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands which the Purchaser may incur or which may be made against the Purchaser as a result of or arising out of or in relation to any suits, actions or proceedings which may be taken against the Company in respect of any breach the undertakings which occurred prior to the Completion Date.	completion date of the SAA. We are of the view that this is reasonable as it can conserve the cash flow of MAG on an immediate basis until the staggered repayment on 31 December 2022 onwards. The Debt Capitalisation also provides for saving of cash based on the amount of the Debt Capitalisation. We further noted that Ng Min Lin agrees and covenants with MAG to indemnify, defend and save harmless NCUBE, MAG and its successors against any and all claims, damages, losses, expenses, costs and whatsoever liabilities which NCUBE may sustain, incur or suffer by reason of the litigation cases as disclosed in Paragraph 8.1(i) of Schedule 2 of the SAA, provided always that if such losses and/or liabilities shall crystallise or materialise during the Guarantee Period, but NCUBE shall still achieve the Profit Guarantee notwithstanding such losses and/or liabilities being recorded, then Ng Min Lin shall be deemed to have satisfied his indemnity hereunder. We also noted that the Vendors undertake that they will hold MAG fully indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands which MAG may incur or which may be made against MAG as a result of or arising out of or in relation to any suits, actions or proceedings which may be taken against NCUBE in respect of any breach the undertakings which occurred prior to the Completion Date. This clause is noted and is reasonable as the Vendors will indemnify, defend and save harmless NCUBE, MAG and its successors against situations described above.
6.	**Termination** In addition but not in derogation to other provisions of the SAA, on the occurrence of any of the events of default with respect to a party (**"Defaulting Party"**), the other party (**"Non-Defaulting Party"**) may give notice in writing to the Defaulting Party specifying the relevant event or events and requiring the Defaulting	This term is reasonable and serves to protect the interest of MAG as it allows MAG to terminate the SAA if MAG finds the terms and conditions to be unacceptable, i.e. if the Defaulting

	Salient terms of the SAA	BDOCC's comments
	Party to remedy the same (if capable of remedy) within fourteen (14) days of the receipt of such notice. In the event that the breach is not remedied within fourteen (14) days of the Non-Defaulting Party having given notice under this clause, the SAA shall be terminated forthwith without any requirement or need for the Non-Defaulting Party to give any further notice or reasons therefor. *For clarity, events of default above means any one of the following events:* *(a) Breach* *In the opinion of the Non-Defaulting Party, the Defaulting Party has committed a material breach of any term or condition of the SAA or if he/it fails to perform or observe any material undertaking, obligation or agreement expressed or implied in the SAA;* *(b) Receiver / Special Administrator* *A receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party or NCUBE (and/or NCUBE Food);* *(c) Insolvency/Bankruptcy* *The Defaulting Party, where the Defaulting Party is a company, or NCUBE (and/or NCUBE Food), is or becomes unable to pay its debts when they are due or becomes unable to pay its debts within the meaning of the Companies Act 2016, or in the case where the Defaulting Party is an individual, the Defaulting Party is declared a bankrupt within the meaning of the Insolvency Act 1967;* *(d) Arrangements* *The Defaulting Party or NCUBE (and/or NCUBE Food) enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;* *(e) Winding Up* *An application or order is made for the winding up or dissolution of the Defaulting Party or NCUBE (and/or NCUBE Food) or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Defaulting Party or NCUBE (and/or NCUBE Food) otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Non-Defaulting Party;*	Party could not remedy the following event or events: (a) material breach of any term or condition of the SAA or fails to perform or observe any material undertaking, obligation or agreement expressed or implied in the SAA, (b) appointment of receiver/special administrator of the Defaulting Party or NCUBE (and/or NCUBE Food), (c) insolvency/bankruptcy of the Defaulting Party or NCUBE (and/or NCUBE Food), (d) arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them by the Defaulting Party or NCUBE (and/or NCUBE Food), (e) winding up of the Defaulting Party or NCUBE (and/or NCUBE Food), (f) cessation of business by Defaulting Party or NCUBE (and/or NCUBE Food) as provided for in clause 10 of the SAA. We noted that the Vendors and MAG shall, within seven (7) days after notice has been given in relation to the event or events above, to meet to discuss the event or events giving rise to the notice with a view to the Defaulting Party or NCUBE (where appropriate) remedying the event. In the event that the breach is not remedied within fourteen (14) days of the Non-Defaulting Party having given notice, the SAA shall be terminated forthwith without any requirement or need for the Non-Defaulting Party to give any further notice or reasons therefor. Upon termination of the SAA, the SAA shall be null and void and none of the parties shall have any claim against each other save for any antecedent breach and any documents (including the Stakeholder Documents) if have been delivered shall be returned to the Vendors with the Vendors' interest

	Salient terms of the SAA	BDOCC's comments
	(f) Cessation of Business *The Defaulting Party or NCUBE (and/or NCUBE Food) ceases or threatens to cease carrying on all or a substantial portion of its business.* Upon the termination of the SAA, the SAA shall be null and void and neither parties shall have any claim against each other save for any antecedent breach and any documents, including the stakeholder documents if the same have been delivered shall be returned to the Vendors with the Vendors' interest remaining intact. In the alternative, any party to the SAA shall be entitled to the rights of specific performance against the other under the provisions of the SAA and in the event any party exercises its right to specific performance, an alternative remedy of monetary compensation shall not be regarded as sufficient compensation for the other party's default in the performance of the terms and conditions of the SAA.	remaining intact. Based on the above, we are of the view that this clause is reasonable

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11. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION, THE PROPOSED PRIVATE PLACEMENT AND THE PROPOSED AMENDMENT

In evaluating the Proposed Acquisition, we have taken note of the financial effects of the Proposed Acquisition as set out in Section 6 of Part A of the Circular.

We noted that the Proposed Amendment will not have any effect on the share capital, NA and gearing, earnings and EPS as well as the substantial shareholdings of MAG. We further noted from Section 3.3 of Part A of the Circular that the Proposed Amendment is necessary to facilitate the issuance of RPS pursuant to the Proposed Acquisition.

11.1 Issued share capital

The pro forma effects of the Proposed Private Placement and Proposed Acquisition on the issued share capital of MAG are as follows:

	No. of MAG Shares	RM
Issued share capital as at the LPD	751,774,865	374,396,682
To be issued pursuant to the Proposed Private Placement	*331,548,600*	*(i)66,309,720*
After the Proposed Private Placement	**1,083,323,465**	**440,706,402**
To be issued pursuant to the Proposed Acquisition	*300,000,000*	*(ii)60,000,000*
After the Proposed Acquisition	**1,383,323,465**	**500,706,402**
To be issued pursuant to full conversion of RCN and full exercise of Warrants	*343,387,142*	*(iii)78,679,043*
Total enlarged issue share capital	**1,726,710,607**	**579,385,445**

Notes:

(i) Based on the Subscription Price and Indicative Issue Price.

(ii) Based on the proposed issue price of RM0.20 per Consideration Shares.

(iii) Assuming the full conversion of RM2.0 million outstanding RCN at the minimum conversion price of RM0.20 and assuming the full exercise of Warrants.

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11.2 NA and gearing

The pro forma effects of the Proposed Acquisition and Proposed Private Placement on the NA and gearing of MAG based on the latest audited consolidated financial statements of MAG as at 31 December 2019 are as follows:

	Audited as at 31 December 2019	(I) After Subsequent Event(i)	(II) After (I) and Proposed Private Placement	(III) After (II) and Proposed Acquisition	(IV) After (III) and assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	346,680	374,397	440,706	500,706	579,385
RCN	-	(ii)360	360	360	-
Foreign exchange reserve	5,514	5,514	5,514	5,514	5,514
Retained earnings	126,052	126,052	(v)124,552	124,552	112,552
Total equity attributable to owners of the Company	**478,246**	**506,322**	**571,132**	**631,132**	**697,451**
Non-controlling interests	1,689	1,689	1,689	1,689	1,689
Total equity	**479,935**	**508,011**	**572,821**	**632,821**	**699,140**
Number of Shares in issue ('000)	596,775	751,775	1,083,323	1,383,323	1,726,711
NA per Share (RM) (iii)	0.80	0.67	0.53	0.46	0.40
Borrowings (interest-bearing) (RM '000)	50,295	51,935	51,935	(vi)194,337	112,697
Gearing ratio (times) (iv)	0.11	0.10	0.09	0.31	0.16

Notes:

*(i) After incorporating the effects of issuance of MAG Shares arising from conversion of RCN with a nominal value of RM31.00 million into 155,000,000 new MAG Shares from 30 January 2020 to 26 March 2021 ("**Subsequent Event**");*

(ii) Being the equity portion of the RCN issued subsequent to 31 December 2019 but remained unconverted into MAG Shares as at the LPD.

(iii) Computed by dividing the total equity attributable to owners of the Company by the total number of Shares in issue.

(iv) Computed by taking the total borrowings of the Group over the total equity attributable to owners of the Company.

(v) After deducting estimated expenses of RM1.50 million in relation to the Proposals.

(vi) Including the issuance of RPS with an aggregate value of RM80.00 million, with a 3.0% dividend per annum.

11.3 Earnings and Earnings per Share

We noted that barring any unforeseen circumstance, the Proposed Acquisition is expected to be completed by the third quarter of 2021, depending on the timing of the completion, may contribute positively to the consolidated earnings of the Group as MAG will be able to consolidate the earnings of NCUBE Group.

We also noted that the earnings per share of MAG shall be correspondingly diluted as a result of the increase in number of MAG Shares pursuant to the Proposed Private Placement. Nonetheless, we noted that the Proposed Private Placement is to raise fund for the Proposed Acquisition.

For illustrative purpose only, assuming that the Proposed Acquisition, had been effected on 1 January 2019 (being the beginning of FYE 31 December 2019), we noted that the pro forma effects on the earnings and the LPS of MAG Group are as follows:-

		(I)	(II)
	Audited as at 31 December 2019	**After adjusting for Subsequent Events**	**After Proposed Private Placement and Proposed Acquisition**
Loss after taxation (RM'000)	(108,255)	(108,255)	[(i)](96,255)
No. of Shares ('000)	596,775	751,775	1,383,323
LPS (RM)	(0.18)	(0.14)	(0.07)

Note:
(i) After incorporating the Profit Guarantee of RM18.0 million.

11.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement and Proposed Acquisition on the substantial shareholders' shareholding in MAG are as follows:

Shareholders	As at the LPD[1]				(I) After Proposed Private Placement				(II) After (I) and Proposed Acquisition			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	[i]%	No. of Shares ('000)	[i]%	No. of Shares ('000)	[ii]%	No. of Shares ('000)	[ii]%	No. of Shares ('000)	[iii]%	No. of Shares ('000)	[iii]%
Ng Min Lin	63,596	8.5	-	-	63,596	5.9	-	-	334,325	24.2	-	-

Shareholders	(III) After (II) and assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants			
	Direct		Indirect	
	No. of Shares ('000)	[iv]%	No. of Shares ('000)	[iv]%
Ng Min Lin	351,499	20.4	-	-

Notes:

(i) Computed based on 751,774,865 MAG Shares in issue as at the LPD.

(ii) Computed based on 1,083,323,465 MAG Shares in issue after the Proposed Private Placement.

(iii) Computed based on 1,383,323,465 MAG Shares in issue after the Proposed Acquisition. Assuming there is no emergence of substantial shareholders pursuant to the Proposed Private Placement.

(iv) Computed based on 1,726,710,607 MAG Shares in issue assuming the full conversion of RM2.0 million outstanding RCN at the minimum conversion price of RM0.20 and assuming the full exercise of Warrant.

11.5 Convertible Securities

We noted that save for the Warrants and RCN as disclosed in Section 2.2 of Part A of the Circular, the Company does not have any other convertible securities in issue.

We also noted that Proposed Acquisition and Proposed Private Placement will not give rise to an adjustment to the Warrants and RCN.

Comments:

We noted that the Proposed Amendment will not have any effect on the share capital, NA and gearing, earnings and EPS as well as the substantial shareholdings of MAG.

Based on the pro forma financial effects, we noted that the Proposed Acquisition will reduce the pro forma NA per MAG Share from RM0.67 after Subsequent Event to RM0.46 upon completion of the Proposed Private Placement and Proposed Acquisition, mainly due to the increase in number of Shares in issue pursuant to the Proposed Private Placement and Proposed Acquisition. Upon completion of the Proposed Acquisition and assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants, the pro forma NA per MAG Share will decrease from RM0.46 to RM0.40 arising from the decrease in retained earnings.

We also noted that the pro forma gearing of MAG will reduce from 0.10 times after Subsequent Event to 0.09 times after Proposed Private Placement due to the increase in number of Shares in issue. Subsequently, the pro forma gearing of MAG will increase from 0.09 times to 0.31 times after the Proposed Acquisition. This is due to the projected increase in MAG's borrowings arising from the issuance of RPS pursuant to the Proposed Acquisition. Upon completion of the Proposed Acquisition and assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants, the pro forma gearing of MAG will decrease from 0.31 to 0.16 times.

We noted that pursuant to the Proposed Private Placement and the issuance of the Consideration Shares, the EPS of MAG shall be correspondingly diluted as a result of the increase in number of Shares in issue. Nonetheless, we noted that the Proposed Private Placement is to raise fund for the Proposed Acquisition and the Consideration Shares is to fund the Purchase Consideration.

We noted that upon the completion of the Proposed Acquisition, NCUBE will be a wholly-owned subsidiary of MAG and MAG will be able to consolidate the earnings of NCUBE. We also noted that barring unforeseen circumstances, the Board is of the view that the Proposed Acquisition is expected to be completed by the third quarter of 2021, depending on the timing of the completion, may contribute positively to the consolidated earnings of the Group as MAG will be able to consolidate the earnings of NCUBE. Further details on the prospects of the NCUBE Group and the enlarged MAG Group are set out in Section 4 of Part A of the Circular.

Arising from the Proposed Acquisition, the shareholding of substantial shareholder, being Ng Min Lin, is expected to increase from 8.5% as at LPD to 24.2% after the Proposed Private Placement and Proposed Acquisition and reduce to 20.4% assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants. We noted that the shareholdings of the existing shareholders (other than Ng Min Lin) shall be diluted as a result of the increase in number of Shares in issue as a consequence of the Proposed Private Placement and Proposed Acquisition. Nonetheless, we noted that the Proposed Private Placement is to raise fund for the Proposed Acquisition and the Consideration Shares is to fund the Purchase Consideration.

Premised on the above, together with the rationale of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment in Sections 3.1, 3.2 and 3.3 of Part A of the Circular and comments in Section 7 of this IAL, the overall financial effects of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment are not detrimental to the interests of the non-interested shareholders of MAG.

12. INDUSTRY OUTLOOK AND PROSPECTS

The Group's prawn aquaculture and processing of marine seafood businesses are located in Malaysia. As such, the overview and outlook of Malaysia as well as the marine shrimp aquaculture market and frozen seafood market are set out in the sections below. As defined in the Circular, all references to "shrimp", "prawn" and "marine shrimp" are used interchangeably.

12.1 Overview and outlook of the Malaysian economy

We noted the overview and outlook of the Malaysian economy as detailed in Section 4.1 of Part A of the Circular.

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for E&E products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order (MCO 2.0) and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

In terms of sectoral performance, all economic sectors registered an improvement. The manufacturing sector expanded at a higher pace of 6.6% (4Q 2020: 3.0%), driven by the robust E&E production and continued recovery in the consumer-, primary- and construction related clusters. The strong performance of the E&E subsectors reflected the higher global demand for semiconductors components, as reflected by the improvement in the World Semiconductor Trade Statistics. Despite the imposition of MCO 2.0, the consumer- and primary-related manufacturing also recorded higher growth, as most manufacturing sectors were allowed to operate while adhering to stringent standard operating procedures (SOPs). Global concerns surrounding electronic-chip shortages on the automotive sector had only a limited impact on the strong domestic passenger car production due to the lower chip intensity of most mass market vehicles. In addition, the extension of Sales and Services Tax (SST) exemption for the purchase of motor vehicles until June 2021 also helped Malaysia's motor vehicle production.

The services sector recorded a smaller decline of 2.3% in the first quarter of 2021 (4Q 2020: -4.8%). This was due to the improvement in the consumer-related activities, supported by the relaxation of containment measures such as dine-ins and inter-district travel beginning from middle of February 2021. Nevertheless, the weakness in tourism activity continues to affect key subsectors such as accommodation as well as air travel under the transport and storage subsector. Meanwhile, growth in the finance and insurance subsector improved, attributed to higher fee income, stable loan and deposit growth, and higher net insurance premiums. The information and communication subsector continued to benefit from demand for data communication services following the adoption of remote working and learning arrangements.

The agriculture sector registered a positive growth of 0.4% (4Q 2020: -1.0%), driven mainly by expansion in livestock, other agriculture, forestry and logging subsectors. Growth in the oil palm subsector declined further as production was affected by floods in the earlier part of the quarter, while labour shortages continued to affect harvesting activities.

The mining sector contracted at a much slower pace of 5.0% (4Q 2020: -10.4%). Despite some facility closures for maintenance purposes during the quarter, both crude oil and natural gas production improved amid the gradual recovery in external demand and commencement of the PETRONAS Floating Liquefied Natural Gas Dua (PFLNG2) facility operations located in offshore East Malaysia.

The construction sector contracted by a smaller rate of 10.4% (4Q 2020: -13.9%). Activity was supported by the ramp up of construction works in commercial projects that are nearing completion and the continued implementation of small-scale projects. This resulted in a strong positive growth in the special trade subsector. However, activity in the residential, non-residential and civil engineering subsectors remained weak, affected by labour shortages and site shutdowns due to COVID-19 outbreaks. The implementation of MCO 2.0 also weighed on growth, as activity in construction sites that did not meet the conditions to operate were halted.

Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related subsectors, as well as oil and gas facilities will provide further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors. The Malaysian economy is projected to register a growth of between 6.0% and 7.5% in 2021.

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

Comments:

It is noted that the Malaysian economy have recorded smaller decline of 0.5% in the first quarter as compared with the negative growth in 4Q 2020. We also noted that based on Bank Negara Malaysia's Annual Report 2020, the Malaysian economy is expected to recover in 2021 with growth ranging from 6.0% to 7.5%. Improvements are expected to be driven by the recovery in global demand, higher production from new and existing facilities in the mining and manufacturing sectors, the turnaround in public and private sector expenditure amid support from policy measures as well as the vaccine rollout in February 2021.

12.2 Overview and prospects of marine shrimp aquaculture market in Malaysia

We noted the overview and outlook of the marine shrimp aquaculture market in Malaysia as detailed in Section 4.2 of Part A of the Circular.

The growth of marine shrimps farming in Asia and Latin America countries has been on the rise with the tapering of capture fishery yield. It is estimated that three quarters of global shrimp farming yield originates from Asia with China and India as the major producing countries and the balance one quarter originating from Latin America with Ecuador, Peru and Mexico as major producing countries. Global increase in marine shrimp demand for consumption, and its status as choice seafood among consumers have contributed to the profitability of marine shrimp aquaculture and trade activities.

In Malaysia, marine shrimp aquaculture is important for local food self-sufficiency and also a source for trade income. The high demand and value for marine shrimp as a seafood globally is creating growing demand for imported marine shrimp stocks. With a resource-rich coastline and conducive geological and climatic conditions, Malaysia is at an advantageous position to help fill the global demand-supply gap. Marine shrimp aquaculture accounted for 24.8% of Malaysia’s aquaculture production volume, and 41.3% of its production value in 2019.

In Malaysia, the pacific white shrimp and tiger shrimp are the most commonly cultivated species. Both shrimp species are considered high-value food fish species, in line with global trends in shrimp prices. Protégé estimates that the marine shrimp aquaculture market was valued at RM1.13 billion in 2020, a decline of 23.3% from RM1.48 billion in 2019. The decline was due to lower production of farmed marine shrimps at 45,390 tonnes (2019: 53,400 tonnes) and producers were pinned by low prices amid the COVID-19 pandemic. Farming of the tiger shrimp has been badly affected by low prices because of the reduced sales of live shrimp to restaurants and loss of export markets in China and Singapore amidst the COVID-19 pandemic. Farmers resorted to e-commerce to push sales of live shrimp to local consumers. Some tiger shrimp farmers have shifted either to farm pacific white shrimp or culture of the Asian sea bass.

Going forward, the local marine shrimp aquaculture market is projected to expand at a compound annual growth rate ("CAGR") of 11.9% from RM1.13 billion in 2020 to RM1.99 billion in 2025. Factors influencing the demand of the local marine shrimp mainly derive from a resilient demand from global and local market, declining levels of capture fisheries as well as underlying both local and global population growth which is increasing demand for food commodities, including shrimp.

Growth in the short term (2021-2022) is likely to be affected by the trend of reversal of tiger shrimp farming to pacific white that fetches higher value in the market. The local marine shrimp aquaculture market is projected to grow by 5.0% in 2021. Furthermore, diseases are a common and widespread problem for marine shrimp aquaculture activities and can affect yield and cause substantial losses to local shrimp farmers. Marine shrimp farmers in Malaysia have been prudent in mitigating this risk through careful cultivating practices and the use of pathogen-free brood stocks. However, given the higher prices for brood stock, brood stock feeds and live feeds coupled with the difficulty in getting new batches of brood stock during COVID-19 pandemic, this resulted in the reuse of existing ones and sale of poor quality post larvae which are more susceptible to disease and slower growth.

In the medium to long term (2023-2025), the marine shrimp aquaculture market in Malaysia is likely to experience cyclical growth and the market continues to be exposed to the threat of diseases. Nonetheless, government-driven initiatives such as allowing companies to import shrimp brood stock from approved sources in Thailand, Singapore, Brunei and the United States of America as well as support given to anchor companies to adopt the Malaysia Good Agricultural Practice will likely support market growth. Overall, the marine shrimp aquaculture market in Malaysia is projected to remain resilient in the long term.

It is noted that the fishery sector which includes the marine shrimp aquaculture market and the seafood processing industry in Malaysia, has been receiving encouraging support from the Malaysian Government. Policies and incentives such as the development of Q'Fish Programme and Aquaculture Industrial Zone ("AIZ") are expected to benefit the marine shrimp aquaculture market in Malaysia.

(Source: Independent Market Research Report prepared by Protégé)

Comments:

Reference to IMR report prepared by Protégé, it is noted that the marine shrimp aquaculture market is projected to grow at a CAGR of 11.9% in the period of 2020 to 2025. We note that the medium to long term growth of the market is expected to be driven by government-driven initiatives in issues surrounding the import of marine shrimp brood stock from overseas sources.

12.3 Overview and prospects of frozen seafood market in Malaysia

We noted the overview and outlook of the frozen seafood market in Malaysia as detailed in Section 4.3 of Part A of the Circular.

Seafood traditionally constitutes an important part of the Malaysian diet, and demand for the frozen seafood will likely continue to be supported by these traditional diet preferences. Capture fisheries in Malaysia are well-utilised and limited, and to cater to a growing demand for frozen seafood, the growth in supply of seafood is expected to be driven by produce from the aquaculture segment. Frozen seafood products are frozen with cryogenic freezing technology which helps in inhibiting the growth of bacteria of the frozen seafood products and enable the seafood to be stored for a long period of time. Malaysia's export of frozen seafood totalled RM1.38 billion in 2018, out of which frozen shrimp contributed 57.4% of the export.

Protégé estimates that the Malaysian frozen seafood market was valued at RM2.16 billion in 2020, a decline of 15.0% from RM2.54 billion in 2019, due to lower consumption of seafood amid the COVID-19 pandemic. Many producers have also turned to online platforms to sell fresh and frozen seafood. While the COVID-19 facilitated an uptick in demand for frozen seafood due to its long shelf life, the movement and travel restrictions imposed during the year has also caused the loss of economy activity, which negatively affected the overall consumer sentiments and spending during the year.

Moving forward, the local frozen seafood market is projected to expand at a CAGR of 4.1% from RM2.16 billion in 2020 to RM2.64 billion in 2025. Growth in the short term (2021-2022) is likely to be affected by increased consumption in frozen seafood as the public adjust to the new norm lifestyle as economy activity recovers as well as the initiation of online seafood trading which facilitates sales and consumption of frozen seafood. The local frozen seafood market is projected to grow by 8.0% in 2021.

In the medium to long term (2023-2025), the frozen seafood market in Malaysia is anticipated restore to its pre-COVID level as economic activity continues to recover. The global and local population growth indicates growing pool of potential frozen seafood consumers. In addition, awareness regarding protein and other essential nutrients for a healthy body is propelling significant demand for fish and other seafood, moving away from canned food. It is important to note that frozen foods including frozen seafood are gaining prominence owing to demand for better shelf life by millennial consumers, who are living on hectic schedules and preventing them from purchasing fresh cooking ingredients regularly.

On the supply side, the frozen seafood market continues to receive support from the Malaysian Government as well as foreign direct investments for its research and development. Continuous development and innovation in cold chain transport as well as improvement in refrigeration techniques can help to spur consumer confidence against the backdrop of rising demand for nutritional and quality frozen seafood.

It is also noted that various developments have taken place to improve upon existing refrigeration techniques over the years. The continuous development and innovation in cold chain transport as well as improvements in refrigeration techniques stand to benefit the frozen seafood processors through cost savings and improvements in operational efficiency.

(Source: Independent Market Research Report prepared by Protégé)

Comments:

Reference to IMR report prepared by Protégé, it is noted that the frozen seafood market in Malaysia is projected to grow at a CAGR of 4.1% in the period of 2020 to 2025. We note that the sales and consumption of frozen seafood is expected to increase in the short to medium term as economic activity recovers and as the public adjusts to the new norm lifestyle.

12.4 Prospects of NCUBE Group

We noted the prospects of NCUBE Group as detailed in Section 4.4 of Part A of the Circular.

The prawn aquaculture farming of NCUBE Group is situated in Tawau, Sabah which is within the resource-rich coastline and conducive-geological and climatic condition for prawn aquaculture farming.

NCUBE Group's strength lies with its sizable 133 prawn cultivation ponds which is well supported by its own prawn processing plant which turns all its harvests into finished products. This is an essential vertical integration in the supply chain of the Aquaculture Business that provides NCUBE Group with operational and cost advantages.

Further, NCUBE Group has been reporting profits since the financial year ended 31 December 2019 and barring any unforeseen circumstances such as COVID-19 pandemic, NCUBE Group is expected to continue to be profitable, supported by the expected growth in the marine shrimp aquaculture market. This is premised on the facts that there will be a resilient demand from global and local market amid declining levels of capture fisheries, growing population and growing consumer health consciousness which see shrimp as a healthier alternative to other meats.

(Source: Management of NCUBE)

For the FPE 31 December 2020, NCUBE Group achieved revenue of RM38.6 million with a growth of 48.1% when compared to the revenue in FYE 31 December 2019 of RM26.1 million. In FPE 31 December 2020 GP Margin of NCUBE is 38.6%, PBT margin is at 19.5% and PAT margin is at 15.6%.

(Source: Accountants' Report, as detailed in Appendix VII of the Circular)

Comments:

Reference to the statement made by the management of NCUBE, it is noted that NCUBE's competitive strength lies with its vertically integrated supply chain. Through the integration of the processing plant, NCUBE is able to realise certain operational and cost advantages.

12.5 Prospects of the enlarged MAG Group

We noted the future Prospects of the enlarged MAG Group as detailed in Section 4.5 of Part A of the Circular.

The shareholders of the Company had on 17 July 2019 approved the diversification of the principal activities of the Group to include the Aquaculture Business.

As part of the diversification, MAG Aquaculture, had on 12 December 2019 completed the acquisition of a prawn aquaculture farm known as Wakuba Farm which is a matured revenue-generating asset with 102 prawn cultivation ponds.

As NCUBE Group's farm is also a matured revenue-generating asset, the Proposed Acquisition will further strengthen MAG Group's position as a leading prawn aquaculture player in the industry with a combined strength of 235 prawn cultivation ponds upon the completion of the Proposed Acquisition and its own processing plant to process the harvests from both NCUBE Group and Wakuba farms into finished products.

We noted the Group's future plan for NCUBE Group is as follows:

Description of future plans	Estimated financial resources required	Expected timeframe
The Group intends to further improve the productivity of NCUBE farm by continuing the pond improvement program and upgrading of machinery in the factory production. Estimated cost: RM4.0 million comprising (a) RM1.0 million for the intelligent monitoring system for water parameters; (b) RM 1.0 million for the upgrading of machinery to include cooked shrimp processing line; and (c) RM2.0 million for the purchase of quick frozen machine to manufacture frozen shrimp. Sources of funding: From internally generated funds and/or bank borrowings Commencement and completion dates: To commence development by Q4 2021 and fully commissioned by Q1 2023 Target markets/ clientele: Additional range of products to customers for Australia and Europe markets	RM4.0 million	Within 15 months
Total financial resources required	**RM4.0 million**	

The combined strengths would create economies of scale and synergy for the enlarged MAG Group from cultivation to producing the finished products. The expanded scale of operation would facilitate and accelerate MAG Group's investments in automation, technology, and research and development to improve production yield and operational efficiency in the Aquaculture Business. The enlarged MAG Group therefore expects to gain cost efficiency and higher production volumes from the combined strengths.

As the local marine shrimp aquaculture market is projected to expand, the Proposed Acquisition would enable MAG Group to gain a larger market share of the Aquaculture Business in Malaysia. This paves the way towards achieving a more sustainable growth in the Aquaculture Business which is the main driver of MAG Group's financial performance going forward.

(Source: Management of MAG)

Premised on the above, the management of MAG expects the Proposed Acquisition to contribute positively to the enlarged Group via the future profits to be derived from NCUBE and the positive growth of the marine shrimp aquaculture market as well as the frozen seafood market. The Proposed Acquisition is expected to enable MAG Group to leverage on NCUBE's expertise in the aquaculture industry, and vice versa.

Comments:

Reference to the statement made by the management of MAG, it is noted that the management of MAG is expecting to achieve operational synergies from the Proposed Acquisition via economies of scale as well as the utilisation of the newly acquired

processing plant. Premised on the above, we are of the view that the rationale behind the Proposed Acquisition is reasonable.

Based on the above, management of MAG expects that the future prospects of NCUBE Group to be favourable and the Proposed Acquisition to contribute positively to the enlarged Group.

Given that MAG Group and NCUBE Group are in the prawn aquaculture and processing of marine seafood businesses, after taking into consideration the above prospects of the marine shrimp aquaculture market and frozen seafood market and based on the IMR Report prepared by Protégé, we are of the view that the prospect of the enlarged MAG Group and the industry of marine shrimp aquaculture and processing of marine seafood businesses, subject to the risk factors highlighted in Section 5 of Part A of the Circular, are expected to contribute positively to the enlarged Group.

13. RISK FACTORS ASSOCIATED WITH THE PROPOSED ACQUISITION

In considering the Proposed Acquisition, the non-interested shareholders of MAG are advised to give careful consideration to the risk factors as set out in Section 5 of Part A of the Circular.

The following are the key risk factors relating to the Proposed Acquisition:

13.1 Non-completion of the Proposed Acquisition

We noted that the completion of the Proposed Acquisition is subject to, among others, the fulfilment of the conditions precedent of the SAA as set out in Appendix I of the Circular. The Proposed Acquisition may not be completed if any of the conditions precedent cannot be fulfilled and/or waived, as the case may be, within the stipulated timeframe. Any delay in the fulfilment of the conditions precedent of the SAA may lead to a delay in the completion and/or termination of the Proposed Acquisition.

We further noted that, to mitigate such risk, the Company will take reasonable steps to ensure and/or procure that the conditions precedent of the SAA are fulfilled within the stipulated timeframe and that every reasonable effort is made to fulfil the conditions precedent in order to complete the Proposed Acquisition in timely manner.

We are of the view that the non-completion risk of the Proposed Acquisition is common aspect of similar acquisition proposals or arrangements. We noted that in the event any of the conditions precedent of the SAA are not able to be fulfilled, some of which are beyond the control of the Company, the Company will not be able to complete the Proposed Acquisition, thus resulting non-materialisation of the potential benefits expected from the Proposed Acquisition.

13.2 Acquisition risk

We noted that although the Board believes that MAG may derive benefits from the Proposed Acquisition, there can be no guarantee that the expected benefits from the Proposed Acquisition will materialise or that the MAG Group would be able to generate sufficient returns from NCUBE to offset the associated cost of acquisition.

We also noted that the Board will exercise due care in considering the potential risks and benefits associated with the Proposed Acquisition, including conducting due diligence review on NCUBE. The Board believes that the Proposed Acquisition will be value accretive and synergistic to the enlarged MAG Group, after taking into consideration among others, the prospects of NCUBE. We also noted that the Board will constantly monitor the progress and performance of NCUBE and to leverage their expertise to manage the operations of NCUBE.

We are of the view that the acquisition risk of the Proposed Acquisition is common aspect of similar acquisition proposals or arrangements. We are of the view that this risk is reasonably mitigated as the Board will conduct due diligence review on NCUBE in considering the potential risks and benefits associated with the Proposed Acquisition.

13.3 NCUBE may not achieve the Profit Guarantee

We noted that the Profit Guarantee given by the Vendors to MAG is based on various bases and assumptions, which are subject to uncertainties and contingencies, which are often beyond the expectation and control of NCUBE.

We also noted that as per the term of the SAA, in the event the audited PAT for the Guarantee Period is less than the Profit Guarantee by more than 10.0% or a shortfall in the Profit Guarantee that amounts to more than RM1.80 million, MAG shall be entitled to offset the shortfall amount in excess of the RM1.80 million via the cancellation of the RPS of equivalent value. In the event that NCUBE recorded audited LAT for the Guarantee Period, MAG shall also be entitled to cancel the RPS with a total aggregate value of the Profit Guarantee amount and the actual LAT incurred. However, in the unlikely event that the deficiency as resulted from the LAT recorded by NCUBE is more than the aggregate value of the RPS issued as part of the Purchase Consideration (i.e. RM80.00 million), all 400,000,000 RPS issued to the Vendors as part of the Purchase Consideration (with a value of RM80.00 million based on the issue price of RM0.20 per PRS) will be cancelled and there will not be any cash compensation by the Vendors for the shortfall between the aggregate value of the RPS issued and the aggregate audited LAT incurred for the Guarantee Period.

In the event of any Shortfall in the Profit Guarantee, we noted that this can be mitigated as the amount of the Shortfall shall be set-off against the redemption of the equivalent value of RPS. We noted that the terms of the RPS provides MAG Group with the option to redeem the RPS at the issue price of the RPS at any time after the Guarantee Period and the auditors of the Company having issued a certificate confirming the actual PAT of the Company for the Guarantee Period, and during the tenure of the RPS, should MAG Group has sufficient and/or excess funds to do so.

We further noted that in the event that the deficiency as resulted from the LAT recorded by NCUBE is more than the aggregate value of the RPS issued as part of the Purchase Consideration (i.e. RM80.00 million), all 400,000,000 RPS issued to the Vendors as part of the Purchase Consideration (with a value of RM80.00 million based on the issue price of RM0.20 per RPS) will be cancelled and there will not be any cash compensation by the Vendors for the shortfall between the aggregate value of the RPS issued and the aggregate audited LAT incurred for the Guarantee Period. For avoidance of doubt, the maximum compensation amount by the Vendors under the Profit Guarantee is capped at RM80.00 million (i.e. the aggregate value of the RPS to be issued pursuant to the Proposed Acquisition).

13.4 Business risk

We noted that upon completion of the Proposed Acquisition, the Group will continue to be subject to the business risks inherent in its existing Aquaculture Business. These include threat of diseases which might affect yields, sea water pollution which can contaminate the water supply to the ponds, and changes in political, economic and regulatory conditions in Malaysia, all of which may affect the sales performance as well as the operating results and financial condition of the MAG Group.

We further noted that these risks will be addressed as part of MAG's ordinary course of business through, amongst others, effective farm and water supply management system, market research and feasibility studies, implementing effective cost-control policies as well as continuously reviewing the Group's operations and marketing strategies. Notwithstanding this, no assurance can be given that any changes to these risk factors will not have a material adverse effect on the Group's business and earnings in the future.

We take note of the above that no assurance that any changes to these risk factors will not have a material adverse effect on the Group's business and earnings in the future.

13.5 Impairment risk from goodwill

Subject to purchase price allocation, MAG may recognise goodwill and other identified intangible assets arising from the Proposed Acquisition, the amount of which will depend on the fair value of the assets and liabilities acquired as at the completion of the Proposed Acquisition. The goodwill and other identified intangible assets will be assessed periodically for impairment. In the event of any fair value adjustments to the asset and liabilities of NCUBE subsequent to the initial recognition of the goodwill and other identified intangible assets, there will be a need for MAG to undertake impairment on the goodwill and other identified intangible assets recognised. Depending on the quantum of such impairment, there might potentially be a material and adverse effect on the enlarged MAG Group's financial position and earnings.

We noted that MAG will mitigate the abovementioned risks by closely monitoring the financial performance of NCUBE and implement appropriate strategies towards the achievement of financial target of NCUBE.

We take note of the above that no assurance that any changes to these risk factors will not have a material adverse effect on the Group's business and earnings in the future.

13.6 Impact of COVID-19

We noted that the Directors of MAG are of the opinion that the financial performance of the Group and NCUBE Group for the forthcoming financial year will remain challenging due to the uncertainties in the market operations affected by the COVID-19 pandemic and imposition of the various stages of movement control order by the Government of Malaysia.

We also noted that moving forward, the Group and NCUBE Group will continue to undertake a stringent profit and cost control measures to manage their overall profitability, including but not limited to, continuously undertaking conservative cost control measures and to closely monitor the market conditions.

We take note of the impact of COVID-19 on the enlarged MAG Group and the mitigating factor. We also noted that the prospects of enlarged MAG Group as disclosed in Section 4.5 of Part A of the Circular. There is no assurance can be given that the development of COVID-19 pandemic will not have material adverse effect on the business and operations of the enlarged MAG Group.

Comments:

We wish to highlight that although measures will be taken by the Board of the enlarged MAG Group to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operation and its financial performance, position or prospects of the enlarged MAG Group.

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14. CONCLUSION AND RECOMMENDATION

You should carefully consider the terms of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment based on all relevant and pertinent factors including those which are set out above, and other considerations as set out in this IAL, the Circular and any other publicly available information.

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors which are summarised as follows:

Section in this IAL	Area of evaluation	Our Evaluation
Section 7	Rationale of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment	We noted that NCUBE Group is principally involved in the Aquaculture Business and the Proposed Acquisition of NCUBE forms part of the Group's long term business expansion and growth strategy. We also noted that the Proposed Acquisition is expected to contribute positively to the future earnings and have a positive impact on MAG Group in view that: (i) As both the Group and NCUBE Group are currently involved in the Aquaculture Business, we noted that the Group expects the Proposed Acquisition will enable both companies to leverage on their combined strengths in relation to, but not limited to, its research and development expertise in the aquaculture industry and respective business relationship with industry stakeholders. The Group expects the combined strengths can accelerate the Group's expansion plan and accrue the enlarged Group with a continuous growth to emerge as a key player in the aquaculture industry in Malaysia; and (ii) Upon completion of the Proposed Acquisition, NCUBE will be a wholly-owned subsidiary company of MAG. Hence, the Proposed Acquisition is expected to eliminate any existing and potential conflict of interests or related party transaction involving the NCUBE Group and MAG Group and would in turn safeguard the interests of minority shareholders. We noted that the Proposed Private Placement is incidental to facilitate and fund the cash consideration for the Proposed Acquisition. We noted that the Proposed Amendment is necessary to facilitate the issuance of RPS pursuant to the Proposed Acquisition. Based on the above, we are of the view the rationale of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment are reasonable. Nevertheless, shareholders of MAG should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in Section 13 of this IAL.

Section in this IAL	Area of evaluation	Our Evaluation
Section 8	Basis and justifications for the Purchase Consideration	The Purchase Consideration of RM200 million is within the estimated range of indicative values of 100% equity interest in NCUBE Group of RM187.0 million to RM206.2 million. Based on this, we are of the view that the Proposed Acquisition is fair.
Section 9	Mode of settlement of the Purchase Consideration	MAG is proposing that the Purchase Consideration for the Proposed Acquisition to be satisfied via a combination of cash, Consideration Shares and RPS. We noted that the proposed issue price of Consideration Shares of RM0.20 represents the following: (i) **<u>discounts</u>** ranging from RM0.0081 (3.9%) to RM0.0218 (9.8%) over the last closing price as at the LTD, five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMPs up to LTD; and (ii) **<u>premiums</u>** of RM0.0150 (8.1%) over the last closing market price as at the LPD and RM0.0171 (9.3%) over the five (5)-day VWAMP up to LPD. We noted that the proposed issue price of Consideration Shares of RM0.20 represents premiums over the last closing market price as at the LPD and five (5)-day VWAMP up to the LPD. We also noted the discounts ranging from 3.9% to 9.8% during the period as at the LTD and over the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMPs up to LTD. The issuance of the Consideration Shares pursuant to the Proposed Acquisition is expected to result in dilution to the shareholdings of the non-interested shareholders of MAG, as well as to the EPS and NA per Share of the MAG Group, to the extent of the additional new Consideration Shares to be issued to the Vendors. Nevertheless, going forward, such dilution impact may be mitigated through potential contribution of NCUBE Group to the future consolidated earnings and NA of the Group. We also noted that the proposed issue price of the Consideration Shares of RM0.20 is the same as the Subscription Price in relation to the Subscription Shares which form part of the Proposed Private Placement which is further elaborated in Section 9.2 of this IAL. We noted that based on the proposed issue price of RM0.20, this yields a P/E multiple of 15.4 times for MAG, which is higher than the simple average of P/E multiple of Comparable Companies identified by the Board in Section 2.1.5 of Part A of the Circular of 14.8 times and higher than the simple average of P/E multiple of Comcos of 10.0 times. Issuing price at a high P/E multiple is an advantage to MAG as this means a lesser number of MAG Shares will be issued for the purposes of Proposed Acquisition and accordingly, there will be less dilution impact to existing shareholders of MAG.

Section in this IAL	Area of evaluation	Our Evaluation
		Based on the above, we are of the opinion that the proposed issue price of Consideration Shares of RM0.20 is fair. We also noted from Section 2.2.1 of Part A of the Circular that the price fixing mechanism to determine the proposed issue price of Placement Shares is in accordance with market based principles. It is to be noted that the proposed Subscription Price in relation to the Subscription Shares which form part of the Proposed Private Placement was determined between the Subscribers and MAG. We also noted that MAG intends to undertake the Proposed Private Placement (comprising both the Subscription Shares and Balance Placement Shares) primarily to raise funding for the Proposed Acquisition and approval of the shareholders is required for the Proposed Private Placement. **Based on the above and Section 9.1 of this IAL, we are of the opinion that the proposed issue price of Placement Shares of RM0.20 is fair.** We further noted that the RPS are not convertible into new MAG Shares. In addition, we noted that the terms of the RPS provides MAG Group with the option to redeem the RPS at the issue price of the RPS at any time after the Guarantee Period and the auditors of the Company having issued a certificate confirming the actual PAT of the Company for the Guarantee Period, and during the tenure of the RPS, should MAG Group has sufficient and/or excess funds to do so. In the event of any Shortfall in the Profit Guarantee, the amount of the Shortfall shall be set-off against the redemption of the equivalent value of RPS. We are of the opinion that the salient terms of the RPS and the mode of settlement of the Purchase Consideration are reasonable as it will conserve the cash flow of MAG on an immediate basis by the issuance of Consideration Shares and RPS and redemption of the RPS can only commence to take place after the Profit Guarantee is met.
Section 10	Evaluation of salient terms of the SAA	The salient terms of the SAA for the Proposed Acquisition are mutually agreed upon by the parties and are considered reasonable.
Section 11	Financial effects of the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment	We noted that the Proposed Amendment will not have any effect on the share capital, NA and gearing, earnings and EPS as well as the substantial shareholdings of MAG. Based on the pro forma financial effects, we noted that the Proposed Acquisition will reduce the pro forma NA per MAG Share from RM0.67 after Subsequent Event to RM0.40 upon completion of the Proposed Private Placement, Proposed Acquisition and assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants. We also noted that the pro forma gearing of MAG will increase from 0.10 times after Subsequent Event to 0.31 times after the Proposed Acquisition due to the projected increase in MAG's

Section in this IAL	Area of evaluation	Our Evaluation
		borrowings arising from the issuance of RPS pursuant to the Proposed Acquisition. Upon completion of the Proposed Acquisition and assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants, the pro forma gearing of MAG will decrease from 0.31 to 0.16 times. We noted that pursuant to the Proposed Private Placement and the issuance of the Consideration Shares, the EPS of MAG shall be correspondingly diluted as a result of the increase in number of Shares in issue. Nonetheless, we noted that the Proposed Private Placement is to raise fund for the Proposed Acquisition and the Consideration Shares is to fund the Purchase Consideration. We noted that upon the completion of the Proposed Acquisition, NCUBE will be a wholly-owned subsidiary of MAG and MAG will be able to consolidate the earnings of NCUBE. We also noted that barring unforeseen circumstances, the Board is of the view that the Proposed Acquisition is expected to be completed by the third quarter of 2021, depending on the timing of the completion, may contribute positively to the consolidated earnings of the Group as MAG will be able to consolidate the earnings of NCUBE. Further details on the prospects of the NCUBE Group and the enlarged MAG Group are set out in Section 4 of Part A of the Circular. Arising from the Proposed Acquisition, the shareholding of substantial shareholder, being Ng Min Lin, is expected to increase from 8.5% as at LPD to 24.2% after the Proposed Private Placement and Proposed Acquisition and reduce to 20.4% assuming full redemption of RPS, full conversion of outstanding RCN and full exercise of Warrants. Premised on the above, together with the rationale of the Proposed Acquisition and the Proposed Private Placement in Sections 3.1 and 3.2 of Part A of the Circular and comments in Section 7 of this IAL, the overall financial effects of the Proposed Acquisition are not detrimental to the interests of the non-interested shareholders of MAG.
Section 12	Industry outlook and prospects	It is noted that the management of MAG is expecting to achieve operational synergies from the Proposed Acquisition via economies of scale as well as the utilisation of the newly acquired processing plant. Premised on the statement, we are of the view that the rationale behind the Proposed Acquisition is reasonable.
Section 13	Risk factors associated with the Proposed Acquisition	In considering the Proposed Acquisition, the non-interested shareholders of MAG are advised to give careful consideration to the following risk factors: (i) Non-completion of the Proposed Acquisition; (ii) Acquisition risk; (iii) NCUBE may not achieve the Profit Guarantee; (iv) Business risk; (v) Impairment risk from goodwill; and (vi) Impact of COVID-19.

Section in this IAL	Area of evaluation	Our Evaluation
		We wish to highlight that although measures will be taken by the Board of the enlarged MAG Group to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operation and its financial performance, position or prospects of the enlarged MAG Group.

As the Proposed Acquisition is inter-conditional with the Proposed Private Placement and the Proposed Amendment, the non-interested shareholders should consider the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment carefully based on all relevant and pertinent factors as set out in this IAL, the Circular and other publicly available information prior to making a decision to vote on the Ordinary Resolution 1 pertaining to the Proposed Private Placement, Ordinary Resolution 2 pertaining to the Proposed Acquisition, and the Special Resolution pertaining to the Proposed Amendment.

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors as set out in this IAL. Based on this, BDOCC views that the Proposed Acquisition, the Proposed Private Placement and the Proposed Amendment are **fair** and **reasonable** and are **not detrimental** to the non-interested shareholders of MAG.

Accordingly, we advise and recommend that the non-interested shareholders **vote in favour** of the Ordinary Resolution 1 pertaining to the Proposed Private Placement, Ordinary Resolution 2 pertaining to the Proposed Acquisition, and the Special Resolution pertaining to the Proposed Amendment to be tabled at the forthcoming EGM.

Yours faithfully
for and on behalf of
BDO CAPITAL CONSULTANTS SDN BHD

WONG WING SEONG
Executive Director – Advisory

ENG CHA LUN
Director – Advisory

APPENDIX I – SALIENT TERMS OF THE SAA

The following is a summary of the salient terms of the SAA:

1. PURCHASE PRICE AND TERMS

(a) Subject to the terms and conditions contained in the SAA, the Vendors agree to sell, and the Purchaser agrees to purchase, the NCUBE Shares, free from all pledges or liens or any other encumbrances and with all rights now or hereinafter attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the date of this Agreement, for the Purchase Consideration.

(b) The Purchase Consideration is arrived at based on a willing buyer-willing seller basis, and SUBJECT FURTHER to the Vendors' undertaking to cause NCUBE to capitalise an amount of RM8,278,829.63 from the amount owing to director through issuance of 8,278,829 new ordinary shares (**"Agreed Capitalisation"**) on the Completion Date (as defined below), and that NG MIN LIN shall renounce the said new shares from the Agreed Capitalisation to MAG, and cause NCUBE to issue the said new shares to the Purchaser directly on the Completion Date.

2. PROFIT GUARANTEE

2.1 The Vendors jointly and severally guarantees to the Purchaser the following:

(a) NCUBE shall achieve the PAT for the Guarantee Period of not less than the Guarantee Amount of **Ringgit Malaysia Eighteen Million (RM18,000,000.00)** in aggregate on a consolidated basis, subject to not more than 10% deviation or a PAT of not less than RM16,200,000 to be achieved.

(b) In the event that at the end of the Guarantee Period, the actual PAT for the entire Guarantee Period as certified in the relevant audited financial statements of NCUBE (on a consolidated basis) (**"Actual PAT"**) is less than the Guarantee Amount of **Ringgit Malaysia Eighteen Million (RM18,000,000.00)** in aggregate by less than ten per cent (10%), i.e. the Actual PAT is a sum of not less than RM16,200,000, the Vendors shall be deemed to have achieved the Profit Guarantee.

(c) In the event that at the end of the Guarantee Period, the Actual PAT is less than the Guarantee Amount of **Ringgit Malaysia Eighteen Million (RM18,000,000.00)** in aggregate by more than ten per cent (10%), i.e. the Actual PAT is a sum of less than RM16,200,000, then the liability of the Vendors in respect of the shortfall amount between the actual PAT and the Guarantee Amount ("**Shortfall**") shall be as follows:

(i) the first ten per cent (10%) of the Shortfall amounting to **Ringgit Malaysia One Million Eight Hundred Thousand (RM1,800,000.00)** shall not be claimable by MAG against the Vendors; and

(ii) the remaining amount of Shortfall in excess of **Ringgit Malaysia One Million Eight Hundred Thousand (RM1,800,000.00)** shall be set-off against the redemption amount of the equivalent number of RPS held by the Vendors (in proportion to the current shareholdings ratio of the Vendors in NCUBE), and shall result in the cancellation of the RPS of equivalent value.

(d) MAG shall procure that the auditors of NCUBE shall issue a certificate confirming the Actual PAT for the Guarantee Period to the parties within three (3) months following the end of the Guarantee Period.

2.2 For the avoidance of doubt, this Clause shall survive completion of the SAA. In addition, the Vendors acknowledge and agree that in the event NCUBE shall incur a loss for the Guarantee Period, the Shortfall shall include the losses incurred.

Note:

The illustrative scenarios on the mechanism of the Profit Guarantee are as follows:

Scenario 1 – Actual PAT is more than RM16,200,000

Under this scenario, the Vendors shall be deemed to have achieved the Profit Guarantee. Thus, there will not be any cancellation of RPS in this respect.

Scenario 2 – Actual PAT is less than RM16,200,000

Actual PAT (Assumed purely for illustration purpose only)	*:*	*RM10,000,000*
Profit Guarantee	*:*	*RM16,200,000*
Shortfall	***:***	***RM6,200,000***

Under this scenario, a total of 31,000,000 RPS issued to the Vendors as part of the Purchase Consideration (equivalent to a value of RM6,200,000, based on the issue price of RM0.20 per RPS) will be cancelled.

Scenario 3 – Shortfall of less than RM80,000,000

Consolidated LAT of NCUBE during the Guarantee Period (Assumed purely for illustration purpose only)	*:*	*RM10,000,000*
Profit Guarantee	*:*	*RM16,200,000*
Shortfall	***:***	***RM26,200,000***

Under this scenario, a total of 131,000,000 RPS issued to the Vendors as part of the Purchase Consideration (equivalent to a value of RM26,200,000, based on the issue price of RM0.20 per RPS) will be cancelled.

Scenario 4 – Shortfall of more than RM80,000,000

Consolidated LAT of NCUBE during the Guarantee Period (Assumed purely for illustration purpose only)	*:*	*RM70,000,000*
Profit Guarantee	*:*	*RM16,200,000*
Shortfall	***:***	***RM86,200,000***

Under this scenario, all 400,000,000 RPS issued to the Vendors as part of the Purchase Consideration (equivalent to a value of RM80,000,000, based on the issue price of RM0.20 per RPS) will be cancelled. For avoidance of doubt, there will not be any cash compensation by the Vendors for the remaining Shortfall of RM6,200,000 and the maximum compensation amount by the Vendors under the Profit Guarantee is capped at RM80,000,000 (i.e. the aggregate value of the RPS to be issued pursuant to the Proposed Acquisition).

3. CONDITIONS PRECEDENT

3.1 Notwithstanding anything to the contrary contained on the SAA, completion of the sale and purchase of the NCUBE Shares is conditional upon the following conditions being satisfied within a period of three (3) months from the date of this Agreement or within such further period as may be mutually agreed upon by the parties hereto in writing, namely:

(a) the approval of the shareholders of MAG (obtained in an extraordinary general meeting to be convened) for the acquisition of the NCUBE Shares, and the issuance and allotment of the Consideration Shares and the RPS to the Vendors in accordance with the terms of the SAA;

(b) the approval of the shareholders of MAG (obtained in an extraordinary general meeting to be convened) for the Proposed Private Placement exercise to be undertaken by MAG and its proceeds to be utilised towards the satisfaction of the cash portion of the Purchase Consideration;

(c) the approval of the shareholders of MAG (obtained in an extraordinary general meeting to be convened) for the Proposed Amendment to facilitate the issuance of RPS;

(d) the approval of Bursa Securities for the listing of and quotation for the Consideration Shares and the shares to be issued pursuant to the Proposed Private Placement;

(e) the approval or consent of any third party to the sale and purchase of the NCUBE Shares (if required) in accordance with the terms of any contract or agreement of a material nature entered into between NCUBE and such third party;

(f) the approval or consent of any financier (if required) in accordance with the terms of any banking or financing facilities granted to NCUBE;

(g) the approval or waiver of any regulatory requirement by any other relevant authorities, if required,

(collectively **"Approvals"**); and

(h) MAG having conducted a legal and financial due diligence review on the affairs of NCUBE and being reasonably satisfied with the due diligence findings thereof;

(i) resolution of any issues arising from the said due diligence findings to the reasonable satisfaction of the Purchaser.

4. COMPLETION

4.1 Unless otherwise agreed by the parties in writing, and subject to the availability and receipt of the proceeds of funding by MAG through the Proposed Private Placement, completion of the SAA shall take place on a Business Day not later than three (3) months after the unconditional date of the SAA, or on such later date as the parties hereto shall mutually agree in writing or as necessitated by the timing of the completion of the Proposed Private Placement as aforesaid (**"Completion Date"**).

4.2 On Completion Date, the Vendors shall *inter alia* deliver or cause to be delivered to MAG, the original share certificates, duly executed, valid and registrable share transfer forms in respect of the NCUBE Shares in favour of MAG, as well as the notice of allotment and the original share certificate in respect of the 8,278,829 new ordinary shares arising from the Agreed Capitalisation and issued by NCUBE on the Completion Date in favour of MAG.

4.3 On the Completion Date, the Purchaser shall effect settlement of the Purchase Consideration to the Vendors in the manner as set out in Section 2.1.1, Part A of this Circular, and shall immediately or as soon as practicable proceed diligently and expeditiously to comply with the procedures of Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities and upon listing of the said shares, the Vendors shall be at liberty to deal with the Consideration Shares in the manner they deem fit.

5. OTHER COVENANTS BY VENDORS

5.1 In respect of the remaining amount of RM12.0 million owing by NCUBE to Ng Min Lin and his related company, Apex Arena Sdn Bhd after the Agreed Capitalisation, Ng Min Lin (on behalf of himself as well as Apex Arena Sdn Bhd) undertakes and agrees with MAG that the said amount owing shall be interest-free, and NCUBE shall be allowed to repay the same by way of three (3) equal installments of RM4,000,000.00 each on 31 December 2022, 31 December 2023 and 31 December 2024 respectively.

5.2 Ng Min Lin further agrees and covenants with MAG to indemnify, defend and save harmless NCUBE, MAG and its successors and assigns from and against any and all claims, damages, losses, expenses, costs and whatsoever liabilities which NCUBE may at any time and from time to time sustain, incur or suffer by reason of the litigation cases as disclosed in Paragraph 8.1(i) of Schedule 2 of the SAA (and Section 7 of Appendix IV below), PROVIDED ALWAYS THAT if such losses and/or liabilities shall crystallise or materialise during the Guarantee Period, but NCUBE shall still achieve the Profit Guarantee notwithstanding such losses and/or liabilities being recorded, then Ng Min Lin shall be deemed to have satisfied his indemnity hereunder.

6. TERMINATION

6.1 In addition but not in derogation to other provisions of the SAA, on the occurrence of any of the events of default with respect to a party **("Defaulting Party")**, the other party (**"Non-Defaulting Party"**) may give notice in writing to the Defaulting Party specifying the relevant event or events and requiring the Defaulting Party to remedy the same (if capable of remedy) within fourteen (14) days of the receipt of such notice. In the event that the breach is not remedied within fourteen (14) days of the Non-Defaulting Party having given notice under this clause, the SAA shall be terminated forthwith without any requirement or need for the Non-Defaulting Party to give any further notice or reasons therefor.

For clarity, events of default above means any one of the following events:

(a) Breach

In the opinion of the Non-Defaulting Party, the Defaulting Party has committed a material breach of any term or condition of the SAA or if he/it fails to perform or observe any material undertaking, obligation or agreement expressed or implied in the SAA;

(b) Receiver / Special Administrator

A receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party or NCUBE (and/or NCUBE Food);

(c) Insolvency/Bankruptcy

The Defaulting Party, where the Defaulting Party is a company, or NCUBE (and/or NCUBE Food), is or becomes unable to pay its debts when they are due or becomes unable to pay its debts within the meaning of the Companies Act 2016, or in the case where the Defaulting Party is an individual, the Defaulting Party is declared a bankrupt within the meaning of the Insolvency Act 1967;

(d) Arrangements

The Defaulting Party or NCUBE (and/or NCUBE Food) enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;

(e) Winding Up

An application or order is made for the winding up or dissolution of the Defaulting Party or NCUBE (and/or NCUBE Food) or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Defaulting Party or NCUBE (and/or NCUBE Food) otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Non-Defaulting Party;

(f) Cessation of Business

The Defaulting Party or NCUBE (and/or NCUBE Food) ceases or threatens to cease carrying on all or a substantial portion of its business.

6.2 Upon the termination of the SAA, the SAA shall be null and void and neither parties shall have any claim against each other save for any antecedent breach and any documents, including the stakeholder documents if the same have been delivered shall be returned to the Vendors with the Vendors' interest remaining intact.

6.3 In the alternative, any party to the SAA shall be entitled to the rights of specific performance against the other under the provisions of the SAA and in the event any party exercises its right to specific performance, an alternative remedy of monetary compensation shall not be regarded as sufficient compensation for the other party's default in the performance of the terms and conditions of the SAA.

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APPENDIX II – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

The following is a summary of the salient terms of the Subscription Agreements:

1. AGREEMENT TO SUBSCRIBE TO THE NEWLY ISSUED ORDINARY SHARES

The Subscriber has agreed to subscribe for the Subscription Shares at the Aggregate Subscription Price *(i.e. an amount equivalent to the Subscription Price multiplied by the total number of Subscription Shares to be subscribed)* within 5 Market Days from the date the Conditions Precedent of the Subscription Agreements are met ("**Unconditional Date**") or the date that approval of the shareholders of MAG for the issuance of the Subscription Shares is obtained and passed at a duly convened general meeting of MAG, whichever is earlier ("**Subscription Completion Date**"), and MAG has agreed to issue, allot and apply for the quotation for the Subscription Shares within 8 Market Days upon receipt of payment of the Aggregate Subscription Price upon the terms and conditions of the Subscription Agreement.

2. SUBSCRIPTION PRICE

2.1 Subject to para 2.2 below, the Subscription Price for each Subscription Share shall be RM0.20, which is determined by the parties upon execution of the Subscription Agreement based on the 5-day VWAP of the Ordinary Shares of MAG immediately preceding the date of the Subscription Agreement, with a discount rate of 9.8% as mutually agreed upon by the Parties.

2.2 If at any time during the 5 Trading Day period used to determine the Subscription Price, the Ordinary Shares of MAG shall have been quoted ex-dividend and during some other part of that period, the Ordinary Shares of MAG shall have been quoted cum-dividend, then the quotations of the dates on which the Ordinary Shares of MAG shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share of MAG.

2.3 The Subscribers shall subscribe for the Subscription Shares in accordance with this para 2 and pay the Aggregate Subscription Price (being the amount equivalent to the Subscription Price multiplied by the total number of Subscription Shares to be subscribed by the Subscribers in accordance with this para 1) to MAG in accordance with the manner as prescribed in the Subscription Agreement, within 5 Trading Days from the Unconditional Date or the date that approval of the shareholders of the Company for the issuance of the Subscription Shares is obtained and passed at a duly convened general meeting of the Company, whichever is earlier.

3. ADJUSTMENTS TO THE SUBSCRIPTION SHARES DUE TO CORPORATE ACTIONS

If MAG varies its share capital (whether by way of a capitalisation of profits or reserves, a consolidation, reduction, sub-division or conversion of Ordinary Shares of MAG or a rights issue, share placements or any other form of capital distribution), at any time prior to the Subscription Completion Date, then the number and/or price relating to Subscription Shares shall be adjusted accordingly in such manner as the Calculation Agent (*i.e. M&A Securities as appointed by the parties to the respective Subscription Agreements as the calculation agent in respect of the transactions contemplated under the respective Subscription Agreements)* may determine to be appropriate, provided always that the basis of any adjustment shall only be to ensure that the economic value of those Subscription Shares shall be the same after such variation of share capital as it was immediately prior to such variation of share capital.

4. CONDITIONS PRECEDENT

4.1 The obligation of the parties to effect completion of the issue and subscription of the Subscription Shares is subject to the fulfilment of the conditions precedent, *inter alia*, as follows ("**Conditions**") within 3 months from the date of the Subscription Agreement ("**Cut-off Date**"):

<u>Approvals and Authorisations</u>

(i) Shareholder's approval(s) pursuant to the Companies Act for the issue of the Ordinary Shares in accordance with the Subscription Agreement and in accordance with the Listing Requirements;

(ii) Director's approval for the execution and performance by MAG of the Subscription Agreement; and

(iii) Bursa Securities' approval for the listing of the Subscription Shares (including any relevant waivers obtained) and any other regulatory approvals deemed reasonably necessary for this transaction,

provided that where any authorisation is subject to any conditions, such conditions are acceptable to the parties, acting reasonably.

4.2 If any of the Conditions are not satisfied or expressly waived by the Cut-Off Date by the parties then unless otherwise provided therein, the Subscription Agreement shall lapse without any of the parties being liable to any other party in any way whatsoever.

5. LISTING OF SUBSCRIPTION SHARES

For the Subscription, MAG shall do all things:

(i) required by Bursa Securities or any law; or

(ii) which is otherwise necessary or desirable (including to execute any document or to give any directions or instructions),

(iii) to procure the delivery and listing of the Subscription Shares; and

(iv) allot and issue the Subscription Shares to the Subscribers or its nominee(s) on the Subscription Completion Date on the terms set out in the Subscription Agreement.

6. TERMINATION

6.1 Termination by Subscribers

The Subscribers may terminate the Subscription Agreement by written notice to MAG:

(i) following the occurrence of any of the following events of default

(aa) <u>Obligations under the Subscription Agreements</u>

MAG does not comply with any provision of the Subscription Agreements to which it is a party, save that if the failure to comply is in the opinion of the Subscribers capable of remedy and is remedied within 10 business days of the Subscribers giving notice to MAG or MAG becoming aware of the failure to comply;

(bb) MAG Shares

MAG Shares cease to be listed on ACE Market of Bursa Securities; or are suspended from the Official List of Bursa Securities or are otherwise not tradeable for a consecutive period of 5 trading days at any time during the term of the Subscription Agreement;

(cc) Misrepresentation

A representation, warranty or statement by or on behalf of a member of MAG Group in a Subscription Agreement, or in a document provided by or on behalf of a member of MAG Group under or in connection with a Subscription Agreement, is or proves to have been incorrect or misleading in any material respect when made or repeated;

(dd) Administration, winding up, arrangements, insolvency etc.

- An application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting, an application to a court or other steps are taken for:
  - the appointment of a liquidator, receiver, administrator, administrative receiver, judicial manager, compulsory manager or other similar officer in respect of any member of MAG Group or any of its assets;
  - the winding up, judicial management, dissolution, administration or reorganisation of a member of MAG Group;
  - the amalgamation, reconstruction, merger or consolidation of a member of MAG Group; or
  - a member of MAG Group entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them,

  or any analogous procedure or step is taken in any jurisdiction
- A member of MAG Group ceases, suspends or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of a substantial part of its assets;
- A member of MAG Group:
  - admits its inability or is (or is deemed by law or a court to be) unable to pay its debts as they fall due, suspends making payments on any of its debts or commences negotiations with one or more of its creditors with a view to rescheduling all or a material part of (or a particular type of) its indebtedness; or
  - stops or suspends or threatens to stop or suspend payment of all or a class of its debts;

(ee) Enforcement against assets

- A security interest is enforced in respect of all or a material part of the assets of a member of MAG Group;

- Any expropriation, attachment, sequestration, distress or execution affects any asset or any asset of a member of MAG Group and is not discharged within 10 Business Days;

(ff) Compulsory acquisition

- All or any substantial part of the assets of a member of MAG Group is compulsorily acquired by or by order of a Government Agency or under law;

- A Government Agency orders the sale, vesting or divesting of all or any substantial part of the assets of a member of MAG Group;

(gg) Cessation of business

MAG ceases or threatens to change the nature or scope of its business or cease to carry on all or a substantial part of its business;

(hh) Authorisation and shareholder approval

An authorisation or shareholder approval which is required for:

- the performance by MAG of a Subscription Agreement and the transactions contemplated by them; or

- the validity and enforceability of a Subscription Agreement

is repealed, revoked, terminated or expires (without it having being renewed) or is modified or amended or conditions are attached to it, in a manner unacceptable to the Subscribers;

(ii) Illegality

It is or becomes unlawful for a Party to perform any obligation or to comply with any material term of a Subscription Agreement;

(jj) Repudiation

- Any Subscription Agreement ceases for any reason (or is claimed by a party to the Subscription Agreement not) to be the legal and valid obligation of that party, binding upon it in accordance with its terms;

- Any person repudiates a Subscription Agreement to which it is a party or evidences an intention to repudiate a Subscription Agreement to which it is a party;

(kk) Other Subscription Agreements

The occurrence of an event specified as an event of default in any other Subscription Agreement;

(ll) Material Adverse Effect

An event occurs which is, or a series of events occur which together are, likely to have a Material Adverse Effect;

(mm) Disruption Event

Any change, or any development involving a prospective change or any crisis in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, law, legal or monetary conditions, taxation or exchange controls or a combination of any such changes or development or crisis or deterioration thereof, or there subsists any status or any event has happened, which, as determined by the Calculation Agent, in any way affects the Subscriber's ability to subscribe for, settle or trade in the Ordinary Shares, hedge its risks or any other financial or business risks in connection with the transactions contemplated in this Agreement or substantially increases the cost for such hedging, or makes it impossible or impracticable to transfer or remit USD out of Malaysia or convert RM into USD or obtain a firm quote for such conversion;

(nn) Credit Facilities

Any credit facility granted to any member of MAG Group is withdrawn, terminated or suspended on account of a default by that member of MAG Group;

or;

(ii) if it is not reasonably satisfied with the results of its current investigations into the MAG Group's affairs.

6.2 Termination by Company

MAG may terminate the Subscription Agreement by issuing a written notice to the Subscribers not less than 10 Market Days prior to the termination taking effect (the "Notice Period").

6.3 Consequence of termination

Upon the termination of the Subscription Agreement due to the matters stated in Section 6.1 or 6.2 above, the Subscription Agreement would be at an end and the parties thereto may pursue any remedies available at law including for breach of contract.

MAG HOLDINGS BERHAD
(formerly known as XingHe Holdings Berhad)
(Registration No.: 200401004611 (643114-X))
(Incorporated in Malaysia)

BY-LAWS OF THE MAG LONG TERM INCENTIVE PLAN (LTIP)

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these By-laws, except where the context otherwise requires, the following expression in these By-laws shall have the following meanings:

Act	:	The Companies Act, 2016, as amended from time to time and all regulations made thereunder and any re-enactment thereof;
Adviser	:	A corporate finance adviser licensed to make submissions to the SC for corporate proposals;
Auditor	:	An approved company auditor as defined in Section 263 of the Act, of the Company for the time being or such other external auditors as may be nominated by the Board;
Authorised Nominee	:	A person who is authorised to act as a nominee as specified in accordance with the schedule prescribed under Part VIII of the Rules of the Bursa Depository;
Board	:	Board of Directors of MAG, as may be constituted from time to time;
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W));
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W));
By-laws	:	The rules, terms and conditions of the LTIP as set out herein, and shall include any amendments or variations made thereto from time to time;
CDS	:	Central Depository System governed under the Central Depositories Act;
CDS Account	:	A Central Depository System account established by Bursa Depository for a Depositor for the recording of deposits of securities and dealings in such securities by the Depositors;
Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991, as amended from time to time;
Constitution	:	The constitution of the Company or by such other names so called, as amended from time to time;
Date of Expiry	:	The last day of the duration of this LTIP pursuant to By-law 6.1 hereof;
Date of Offer	:	In relation to an Offer, the date of the Offer Letter;
Depositor	:	A holder of a CDS Account;
Director(s)	:	A director within the meaning stipulated in the Act;

Effective Date	:	The date the last of the approvals and/or conditions referred to in By-law 6.1 hereof have been obtained and/or complied with;
Eligible Person(s)	:	Employee(s) and/or Director(s) of the MAG Group who meets the criteria of eligibility for participation in the LTIP as set out in By-law 7 hereof;
Employee	:	A natural person who is employed by and on the payroll of any company in the MAG Group, including Director(s) and person(s) recruited under contracts of employment within the MAG Group;
Entitlement Date	:	The date as at the close of business on which the names of the shareholders of MAG must appear on MAG's record of depositors in order to participate in any dividends, rights, allotments or other distributions;
ESOS	:	The employees' share option scheme, a component of the LTIP as more particularly set out in Part B of these By-laws;
ESOS Grantee(s)	:	Eligible Person(s) who has accepted an offer of ESOS Options in accordance with the terms of the LTIP;
ESOS Option or Option	:	The right of a Participant to subscribe for new MAG Share(s) at the Option Price under the ESOS pursuant to the contract constituted by the selected Eligible Person's acceptance of an Offer under the Offer Letter in the manner indicated in By-law 35 hereof;
Exercise Period	:	The specific period or periods within the LTIP Period during which ESOS Options may be exercised by Participants, as determined by the LTIP Committee subject to By-law 6 hereof;
Government	:	The Government of Malaysia;
Listing Requirements	:	The ACE Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time;
LTIP	:	MAG Long Term Incentive Plan comprising the ESOS and SGP on the terms as set out in these By-laws;
LTIP Committee	:	The committee duly appointed from time to time and authorised by the Board pursuant to By-law 16 to administer the LTIP in accordance with these By-laws;
LTIP Period	:	A period commencing from the date the Offer for the ESOS Options or a SGP Grant, as the case may be, is accepted in accordance with these By-laws and expiring on the last day of the period referred to in By-law 6 hereof or such other date which the LTIP Committee may in its discretion decide, subject always to early termination in accordance with the provisions of By-law 6 hereof, provided that no LTIP Period shall extend beyond the period referred to in By-law 6 hereof;
MAG Group or Group	:	MAG and its Subsidiaries or any one or more of them as the context permits;
MAG or Company	:	MAG Holdings Berhad (formerly known as XingHe Holdings Berhad) (Registration No. 200401004611 (643114-X));

MAG Share(s) or Share(s)		Ordinary share(s) in MAG.
Market Day(s)	:	Any day between Monday and Friday, both days inclusive, which is a trading day on Bursa Securities;
Maximum Allowable Allocation	:	The maximum number of MAG Shares that can be offered to an Eligible Person as stipulated in By-law 8 hereof;
Offer	:	The offer of the ESOS Option(s) and/or the SGP Grant(s), as the case may be;
Offer Letter	:	A letter of offer to Eligible Person(s) issued pursuant to an offer made by the LTIP Committee under Part B or Part C, as the case may be, of these By-laws;
Option Price	:	The price at which the Participant shall be entitled to subscribe for every new MAG Share by exercising his/her ESOS Option(s) as determined in accordance with By-law 36 hereof;
Participant	:	ESOS Grantee(s) and/or SGP Grantee(s), as the case may be;
Person connected	:	Has the meaning given to "person connected" adopted in Rule 1.01 of the Listing Requirements;
Registered Office	:	The registered address of MAG being No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur.
RM and sen	:	Ringgit Malaysia and sen, respectively;
Rules of Bursa Depository	:	The Rules of Bursa Depository as issued pursuant to the SICDA;
Senior Management	:	An Employee of the MAG Group as may be determined by the LTIP Committee at its sole and absolute discretion from time to time to be senior management;
SGP	:	The share grant plan, a component of the LTIP as more particularly set out in Part C of these By-laws;
SGP Grant	:	An offer made under the SGP;
SGP Grantee(s)	:	Eligible Person(s) who has accepted an offer under the SGP Grant in accordance with the terms of the LTIP;
SICDA	:	The Securities Industry (Central Depositories) Act 1991 including any amendments made thereto from time to time;
Subsidiaries	:	Subsidiary companies within the meaning of Section 4 of the Act of MAG which are not dormant and shall include subsidiary companies which are existing as at the Effective Date and those which are incorporated or acquired at any time during the duration of the LTIP but exclude subsidiary companies which have been divested in the manner provided for in By-law 24.2 and which is determined by the LTIP Committee at its absolute discretion from time to time to be a corporation participating under the LTIP in accordance with By-law 7;
Trust	:	The trust that has been or will be established to facilitate the implementation of the LTIP;

Trust Deed	:	The trust deed(s) constituting the Trust to be executed between the Trustee and the Company;
Trustee	:	The trustee(s) to be appointed by the Company for the LTIP from time to time;
Vesting Conditions	:	The conditions which are required to be fulfilled by a Participant before the ESOS Option(s) and/or SGP Grant(s) is capable of being vested onto the Participant pursuant to the terms of these By-Laws.

1.2 In these By-laws:

(a) Any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements, policies and/or guidelines of Bursa Securities and/or any other relevant regulatory authority (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or any other relevant regulatory authority);

(b) Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-laws so far as such modification or re-enactment applies or is capable of applying to any Offer offered and accepted prior to the expiry of the LTIP and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly been replaced;

(c) Words denoting the singular shall include the plural and references to gender shall include both genders and the neuter;

(d) Any liberty or power which may be exercised or any determination which may be made hereunder by the LTIP Committee or the Board may be exercised at the LTIP Committee's or the Board's absolute and unfettered discretion and the LTIP Committee and/or the Board shall not be required to give any reason therefore except as may be required by the relevant authorities;

(e) The heading in these By-laws are for convenience only and shall not be taken into account in the interpretation of these By-laws; and

(f) If an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day provided always if such date shall fall beyond the duration of the LTIP, then the stipulated day shall be taken to be the preceding Market Day.

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PART A : GENERAL PROVISIONS OF THE LTIP

2. NAME OF THE LTIP

This LTIP will be called the "MAG Holdings Berhad's Long Term Incentive Plan 2021" and shall comprise the ESOS and the SGP.

3. THE OBJECTIVES OF THE LTIP

The implementation of this LTIP primarily serves to align the interests of the Eligible Persons to the corporate goals of MAG Group. The LTIP will provide Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:

(a) to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of the MAG Group;

(b) to reward the Eligible Persons by allowing them to participate in the Group's profitability and eventually realise any potential capital gains arising from possible appreciation on the value of MAG Shares;

(c) to motivate the Eligible Persons towards achieving improved performance through greater productivity and loyalty; and

(d) to inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity stake of the Company.

This LTIP is extended to the non-executive directors of the Company to recognise their contribution to the Company and enable them to participate in the Company's future growth.

4. APPLICATION OF PART A

Unless otherwise expressly provided, the provisions of this Part A shall apply generally to the ESOS and the SGP.

5. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE LTIP

5.1 The total number of MAG Shares which may be made issued under the LTIP shall not be more than fifteen per centum (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any one time during the duration of the LTIP. The LTIP Committee has the sole and absolute discretion in determining whether the total number of MAG Shares which may be made available under the LTIP shall be staggered over the duration of the LTIP or in one (1) single grant.

5.2 Notwithstanding the provision of By-law 5.1 above or any other provisions contained herein, in the event the maximum number of MAG Shares comprised in the ESOS Option and SGP Grants collectively issued under the LTIP exceeds the aggregate of fifteen per centum (15%) of the total number of issued shares of MAG (excluding treasury shares) as a result of MAG purchasing its own shares or MAG undertaking any corporate proposal and thereby diminishing its total number of issued shares, no further Offers shall be offered and/or granted until the total number of MAG Shares to be issued under the LTIP falls below fifteen per centum (15%) of the Company's total number of issued shares (excluding treasury shares, if any). Any Offer granted and/or made prior to the adjustment of the issued and paid-up share capital and/or shares of MAG shall remain valid and exercisable in accordance with the provisions of this LTIP.

5.3 MAG Shares which are the subject of Offer(s), ESOS Option(s) and/or SGP Grant(s) which have lapsed for any reason whatsoever may be the subject of further Offer(s), whether re-offered to the same Eligible Person or to other Eligible Persons, granted by the LTIP Committee under the

LTIP.

5.4 Notwithstanding the above, the Company may implement more than one (1) LTIP during the duration of this Scheme provided that the aggregate MAG Shares available for issuance under all the share issuance schemes implemented by MAG are not more than fifteen per centum (15%) of its total number of issued shares (excluding treasury shares) at any one time or such lower or higher limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.

6. DURATION AND TERMINATION OF THE LTIP

6.1 The launch or implementation of the LTIP shall be the date the last of the following approvals and/or conditions have been obtained and/or complied with:

(a) the submission to Bursa Securities of the final copy of the By-laws together with a letter of compliance pursuant to Paragraph 2.12 and 6.43 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;

(b) the approval or approval-in-principle, as the case may be, from Bursa Securities for the listing and quotation of the new MAG Shares to be issued pursuant to the exercise ESOS Options and MAG Shares Vested arising from the SGP under the LTIP;

(c) the shareholders' approval for the LTIP at an extraordinary general meeting;

(d) the approval of any other relevant authorities for the LTIP (if applicable); and

(e) the fulfilment of all conditions attached to the above approvals, if any.

Unless otherwise terminated in accordance with By-law 6.4 herein and subject to the compliance of the terms herein contained, the LTIP shall come in force on the Effective Date for a period of five (5) years commencing from the Effective Date subject however to any extension of the LTIP as provided under By-Law 6.3. The date of expiry of the LTIP shall be at the end of the five (5) years from the Effective Date or, if the LTIP shall be extended, shall be the date of expiry as so extended.

6.2 Offers can only be made during the duration of the LTIP before the Date of Expiry.

6.3 On or before the Date of Expiry, the Board shall have the discretion, without having to obtain approval of the Company's shareholders, to extend the duration of the LTIP provided that the initial period of the LTIP and such extension of the LTIP made pursuant to this By-Law shall not in aggregate exceed the duration of ten (10) years from the Effective Date or such longer period as may be permitted by Bursa Securities or any other relevant authorities from time to time. In the event the LTIP is extended in accordance with this provision, the LTIP Committee shall furnish a written notification to all Grantees and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the LTIP. For the avoidance of doubt, no further sanction, approval, consent or authorisation of the shareholders of the Company in a general meeting is required for any such extension.

6.4 Subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities, the Company may at any time during the duration of the LTIP terminate the LTIP at its sole and absolute discretion without obtaining the approvals or consents from the Participant and/or the shareholders, by way of a board resolution upon the recommendation of the LTIP Committee whereupon such termination:

(a) no further Offers shall be made by the LTIP Committee;

(b) all outstanding Offers unexercised shall be automatically terminated; and

(c) all unvested and/or unexercised ESOS Options and/or SGP Grants by the Eligible Persons shall automatically lapse.

6.5 The Company shall immediately upon the termination of the LTIP announce to Bursa Securities the:

(a) effective date of termination of the LTIP;

(b) number of ESOS Options exercised and MAG Shares vested; and

(c) reasons for termination of the LTIP.

Approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of Grantees who have yet to exercise their Options and/or accept their SGP Grants are not required to effect a termination of the LTIP.

6.6 Notwithstanding anything to the contrary, all unvested and/or unexercised ESOS Options and/or SGP Grants shall lapse after 5.00 p.m. on the Date of Expiry or earlier termination of the LTIP pursuant to By-law 6.4.

6.7 The Company shall through its Adviser submit no later than five (5) Market Days after the Effective Date of the implementation of these By-laws, a confirmation to Bursa Securities of the full compliance of By-law 6.1 above stating the effective date of implementation of the LTIP, together with a certified true copy of the relevant resolutions passed by the shareholders of the Company in the general meeting approving the LTIP.

6.8 The Company may implement more than one (1) employee share scheme provided that the aggregate number of Shares available under all the employee share schemes implemented by the Company is not more than 15 percent (15%) of its total number of issued shares (excluding treasury shares, if any) at any one time or any other limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.

7. ELIGIBILITY

7.1 Subject to By-laws 7.2, 7.4 and 7.5 below, any Director or Employee of the MAG Group shall be eligible to be considered for participation in the LTIP.

7.2 In the case of an Eligible Person, he/ she will be eligible if at the Date of Offer, the following eligibility criteria is fulfilled:

(a) he/ she has attained the age of at least eighteen (18) years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) where he/ she is in employment within the MAG Group, he/ she must have been confirmed in service and have served at least six (6) months in the employment of MAG Group;

(c) where he/ she is in employment within the MAG Group, the employment contract is for a duration of at least one (1) year and the contract shall have not expired within three (3) months from the Date of Offer. Similarly, the Eligible Person has not served a notice to resign nor received a notice of termination; and/or

(d) is under such categories and criteria that the LTIP Committee may from time to time decide at its absolute discretion,

PROVIDED ALWAYS THAT the selection of any Director or Employee for participation in the LTIP shall be at the sole and absolute discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding. In determining the eligibility of an Eligible Person to participate in the LTIP, the LTIP Committee may take into account amongst other factors, job grading, length of service and/or contribution to the relevant company within the Group, and/or such other factors that the LTIP Committee may in its sole and absolute discretion deem fit.

7.3 No Offer, allocation under the LTIP and the related allotment and/or vesting of MAG Shares shall be made to the following persons unless the shareholders of MAG in a general meeting shall have approved the specific allocation and allotment and/or grant to such persons:

(a) any Eligible Person who is a director or chief executive officer of MAG or holding company of MAG (if any) ("**interested director**" and "**interested chief executive**"); or

(b) an Eligible Person who is connected with an interested director or interested chief executive ("**interested person connected with a director or chief executive**").

In a meeting to obtain shareholder approval in respect of the above allocation, allotment and/or grant:

(i) to an Eligible Person who is the interested director, interested chief executive or interested person connected with a director or chief executive; and

(ii) where the allocation and allotment is in favour of an Eligible Person who is an interested person connected with a director or chief executive, such director or chief executive,

must not vote on the resolution approving the said allocation and allotment and/or grant. An interested director or interested chief executive must ensure that such persons connected with him/her abstain from voting on the resolution approving the said allocation and allotment and/or grant.

7.4 For the avoidance of doubt, the following persons are not Eligible Persons and do not qualify for participation in the LTIP:

(a) subject to By-law 24 below, employees of a company which has ceased to be a subsidiary of MAG; and

(b) a Director or employee of a company within the Group which is dormant.

7.5 Subject to the provisions of By-Law 23 hereof and unless otherwise determined by the LTIP Committee, a Participant under the LTIP shall not be entitled to participate in any other share issuance scheme, share grant scheme or share scheme which may be implemented by any other company in the MAG Group during the duration of the LTIP.

7.6 An Eligible Person may be eligible to participate in either or both the ESOS and the SGP, as may be determined by the LTIP Committee.

7.7 Eligibility under the LTIP does not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the LTIP and an Eligible Person does not acquire or have any rights over or in connection with the ESOS Options or MAG Shares comprised herein unless an Offer pursuant to an Offer Letter has been made by the LTIP Committee to the Eligible Person, the Eligible Person has accepted the Offer in accordance with these By-Laws, Vesting Conditions have been fulfilled by the Participant in accordance with the terms of the Offer Letter and the LTIP Committee has vested the ESOS Options or the MAG Shares on the Participant.

7.8 Notwithstanding anything to the contrary in these By-laws subject always to By-laws 17 and 18, the LTIP Committee may, in its sole and absolute discretion, waive any of the eligibility criteria set out in By-law 7.2.

7.9 The LTIP Committee has the discretion not to make further Offers.

7.10 The LTIP Committee may in its discretion revoke or suspend the nomination of any Eligible Person at any time and from time to time, whereupon such Eligible Person shall henceforth cease to be eligible for any Offers under the LTIP.

7.11 Where an offer to an Eligible Person who is a member of the LTIP Committee, such Offer shall be decided and carried out by the LTIP Committee PROVIDED ALWAYS that such Eligible Person and persons connected to him/her who are also members of the LTIP Committee shall abstain from all deliberations and voting in respect of the Offer proposed to be offered or granted to him/her or the vesting of ESOS Options and/or MAG Shares to him/her at the relevant LTIP

Committee meetings.

8. MAXIMUM ALLOWABLE ALLOCATION AND BASIS OF ALLOCATION

8.1 Subject to any adjustments which may be made under By-laws and the maximum allowable allocation limit on the total number of MAG Shares (including MAG Shares already issued and vested under the LTIP) under ESOS Options and SGP Grants collectively pursuant to By-law 5, the aggregate number of MAG Shares that may be allocated to any of the Eligible Persons of the MAG Group who are entitled to participate in the LTIP shall be on the basis set out in By-law 8.2 subject always to the following main parameters:

(a) the Directors and Senior Management do not participate in the deliberation or discussion of their own allocation and/or allocations to persons connected with them;

(b) the aggregate number of new MAG Shares to be issued pursuant to the exercise of the Offer granted under the LTIP shall not exceed the maximum allowable allocation limit and the LTIP Committee shall not be obliged in any way to offer an Eligible Person the ESOS Options and/or SGP Grants for all the specified maximum number of Shares the Eligible Person is entitled under the LTIP;

(c) the number of MAG Shares allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty per centum (20%) or more of the total number of issued shares (excluding treasury shares) of the Company, does not exceed ten per centum (10%) of the total number of new MAG Shares to be allocated under the LTIP; and

(d) not more than 80% of the new MAG Shares available under the LTIP shall be allocated in aggregate to the Directors and Senior Management of the MAG Group,

provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as may be amended from time to time.

8.2 The basis for determining the aggregate number of MAG Shares that may be offered and/or allocated under the LTIP to an Eligible Person shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration, inter alia, the seniority, job grading, performance, length of service and/or contribution to the Group by the Eligible Person and/or such other matters which the LTIP Committee may in its sole and absolute discretion deem fit and the Maximum Allowable Allocation as decided by the LTIP Committee.

8.3 Subject to By-law 17, the LTIP Committee may at its sole and absolute discretion and pursuant to By-law 16, amend or vary and/or include or preclude any basis or criteria which is applied in considering Offers to Eligible Persons including the Maximum Allowable Allocation for which it shall deem necessary to introduce during the duration of the LTIP provided that these bases are in compliance with the relevant Listing Requirements and applicable laws.

8.4 In the event that an Eligible Person is promoted, he/she shall be entitled to continue to hold all unvested ESOS Options and to exercise all vested but unexercised ESOS Options and/or be entitled to hold all unvested SGP Grants held by him/her.

8.5 In the event that an Eligible Person is demoted, he shall be entitled to exercise all vested but unexercised ESOS Options and/or to all vested SGP Grants unless otherwise determined by the LTIP Committee and the number of unvested ESOS Options and/or SGP Grants held by him/her at that time may be reduced by the LTIP Committee in its sole and absolute discretion.

8.6 The LTIP Committee shall not be obliged in any way to offer, grant or vest to any Eligible Person any ESOS Options and/or SGP Grants. The decision of the LTIP Committee shall be final and binding.

8.7 The allocation of ESOS Options and/or SGP Grants pursuant to the LTIP shall be verified by the Company's Audit Committee, as being in compliance with the criteria set out in these By- laws (where relevant) at the end of each financial year of the Company.

8.8 Any Eligible Person who holds more than one position within the Group and by holding such positions such Eligible Person is in more than one category, such Eligible Person shall only be entitled to the Maximum Allowable Allocation of any one category. The LTIP Committee shall be entitled at its discretion to determine the applicable category.

8.9 In the event that a person is upgraded or promoted, the Maximum Allowable Allocation corresponding to the category of Employee which such person falls within as at the date of allocation, subject always to the maximum number of Shares available under the Scheme as stipulated under By-law 5.1.

9. RIGHTS ATTACHING TO OFFERS AND THE NEW MAG SHARES

9.1 The ESOS Options and/or SGP Grants (as the case may be) shall not carry any right to vote at any general meeting of the Company until and unless such MAG Shares have been issued, allotted and credited into the CDS Account of the Participant.

9.2 A Participant shall not be entitled to any dividends, right or other entitlements on his/her unvested or unexercised ESOS Options and/or unvested SGP Grants (as the case may be).

9.3 The new MAG Shares to be allotted upon the vesting and exercise of the ESOS Options and/or vesting of the SGP Grants (as the case may be) (if any) shall upon allotment, issuance and full payment (if any), rank *pari passu* in all respects with the existing MAG Shares save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions declared, the Entitlement Date of which is prior to the date of allotment of the said new MAG Shares and are subject to the provisions of the Constitution of the Company. In the event that any existing MAG Shares are to be transferred upon the vesting of any MAG Shares under the SGP Grants, the existing MAG Shares shall be transferred together with all dividends, rights, allotments and/or other distributions declared, the Entitlement Date of which is on or after to the date the MAG Shares are credited into the CDS Account of the relevant Participants.

9.4 All dividends, rights, allotments and/or any other distribution declared, made, paid or attached to the MAG Shares held in trust by the Trustee (if any) shall form part of the Trust assets until such MAG Shares are credited into the CDS Accounts of the respective Participants in which event By-laws 9.1, 9.2 and 9.3 shall apply.

9.5 All MAG Shares will be subject to all provisions of the Constitution of the Company.

10. TRUSTEE

10.1 The Company and/or the LTIP Committee will if so required establish a Trust to be administered by the Trustee for the purposes of implementing the LTIP. To enable the implementation of the LTIP and the acquisition or subscription of the MAG Shares to satisfy the SGP Grants, the Trustee may, to the extent permitted by law, receive funds from the MAG Group or any other person in such bank account(s) to be established by the Trustee for the purpose of the Trust.

10.2 The Trustee shall administer the Trust in accordance with the Trust Deed. For the purpose of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administering of the trust as the LTIP Committee may in its discretion direct for the purpose of implementation or administration of the Trust.

10.3 The Company shall have the power from time to time to appoint or rescind the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed.

11. NON-TRANSFERABILITY

11.1 An ESOS Option and/or SGP Grant (as the case may be) is personal to the Participant and subject to the provisions of By-laws 12.1, 12.2, 12.3 and 12.5, it is exercisable only by the Participant personally during his/her lifetime whilst he/she is in the employment in any company in the MAG Group.

11.2 An ESOS Option or SGP Grant (as the case may be) so granted and/or vested shall not be transferred, assigned, disposed of or subject to any encumbrances by the Participant. Any such transfer, assignment, disposal or encumbrance shall result in the automatic cancellation of the ESOS Option and/or SGP Grant (as the case may be).

12. TERMINATION OF THE ESOS OPTIONS AND/OR SGP GRANTS

12.1 In the event a Participant ceases to be in the employment of the MAG Group for whatever reason (as in the case of a non-executive Director, resigning from the Board) prior to the full vesting and allotment/transfer of any SGP Grant and/or full vesting and exercise of any ESOS Option (as the case may be), such ESOS Option and/or SGP Grant or the balance thereof that remained unvested, not allotted/transferred or unexercised, as the case may be, shall forthwith cease to be valid without any claim against the Company PROVIDED ALWAYS THAT the LTIP Committee may, at its absolute discretion, by notice in writing, stipulate the times or period at or within which such SGP Grants and/or ESOS Options shall vest all or in part (provided that no MAG Shares and/or ESOS Options shall vest after the expiry of the LTIP Period) or permit such vested but unexercised ESOS Option to remain exercisable during the LTIP Period all or in part if such cessation occurs by reason of:

(a) retirement on attaining the retirement age under MAG Group's retirement policy; or

(b) retirement before attaining the retirement age under MAG Group's retirement policy but with the consent of the relevant employer company within the MAG Group; or

(c) transfer to any company outside the MAG Group at the direction of the Company; or

(d) death, ill-health, injury, physical or mental disability;

(e) any separation scheme implemented by the Company, provided that the affected Eligible Person shall exercise the ESOS Options prior to expiry of three (3) months from the date of the separation scheme;

(f) any Director not being re-appointed during a general meeting of the Company that Director shall exercise the Options prior to expiry of three (3) months from the date he/she ceased to be a director; or

(g) any other circumstances which are acceptable to the LTIP Committee subject to the approval and/or ratification by the Board.

Upon the termination of the ESOS Options and/or SGP Grants (as the case may be) pursuant to the above, the Participant shall have no right to compensation or damages or any claim against the Company for any loss of any right or benefit under the LTIP which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his/her ceasing to hold office or employment or from the suspension of his/her right to exercise or be vested his/her ESOS Options and/or SGP Grants (as the case may be) or his/her ESOS Options and/or SGP Grants (as the case may be) ceasing to be valid.

12.2 Unless otherwise agreed in writing by the LTIP Committee at its sole and absolute discretion, upon the resignation of the Participant from his/her employment with the MAG Group, an ESOS Option and/or SGP Grant (as the case may be) shall lapse forthwith on the date the Participant tenders his/her resignation. Any ESOS Option and/or SGP grants (as the case may be) which lapses upon the resignation of the Participant from his/her employment with the MAG Group, shall become available to be offered to other Eligible Persons, at the discretion of the LTIP Committee.

12.3 An ESOS Option or SGP Grant (as the case may be) shall immediately become void and of no further force and effect upon the Participant being adjudicated a bankrupt.

12.4 In the event of the liquidation of the Company or termination of the LTIP, all unexercised or unvested or partially unexercised or partially unvested ESOS Options and SGP Grants shall lapse.

13. ALTERATION OF SHARE CAPITAL

13.1 Notwithstanding anything contained in these By-laws and subject to any applicable laws and the Listing Requirements, in the event of any alteration in the capital structure of the Company prior to the Date of Expiry, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of MAG Shares or reduction of capital or any other variation of capital, the Board may in its discretion in good faith determine to be equitable cause such adjustment to be made to the number of MAG Shares which shall be exercisable or vested under an ESOS Option(s) or SGP Grant(s) and/or the Option Price.

13.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-law 13.1:

(a) any adjustment to the Option Price shall be rounded up to the nearest one (1) sen; and

(b) in determining a Participant's entitlement to subscribe for MAG Shares and/or number of MAG Shares to be vested, any fractional entitlements will be disregarded.

13.3 By-law 13.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

(a) an issue of new MAG Shares or other securities convertible into MAG Shares or rights to acquire or subscribe for MAG Shares in consideration or part consideration for an acquisition of any other securities, assets or business;

(b) a special issue of new MAG Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or other government authority to comply with the Government policy on Bumiputera capital participation;

(c) a private placement/restricted issue of new MAG Shares by the Company;

(d) an issue of new MAG Shares arising from the exercise of any conversion rights attached to securities convertible to MAG Shares or upon exercise of any other rights including warrants and/or convertible loan stocks (if any) issued by the Company;

(e) an issue of new MAG Shares upon the exercise of ESOS Option(s) or SGP Grant(s) (if any) pursuant to the LTIP;

(f) a share buy-back arrangement by the Company, pursuant to Section 127 of the Act;

(g) an issue of further ESOS Option(s) or SGP Grant(s) to Eligible Persons under these By-laws;

(h) any issue of Shares by the Company (other than bonus and rights issue) pursuant to a dividend reinvestment scheme undertaken in accordance with the Listing Requirements or for any purpose whatsoever; and

(i) any issue of Shares as share dividend as long as it is not a material capital distribution.

13.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Act, By-law 13.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company, save that By-law 13.3 shall be applicable in respect of such part(s) of the LTIP which involve(s) any alteration(s) in the capital structure of the Company which falls within By-law 13.3.

13.5 Upon any adjustment being made, the LTIP Committee shall within ten (10) Market Days from the adjustment date give notice in writing to the Participant, to inform him/her of the adjustment and the event giving rise thereto.

13.6 Save for any alteration in the capital structure of the Company during the duration of the LTIP arising from bonus issues, all adjustments must be confirmed in writing by an approved company Auditor or MAG's Adviser, acting as an expert and not as an arbitrator, to be in his/her opinion fair and reasonable. Such confirmation shall be final and binding on all parties. For the purposes of this By-law, an approved company Auditor shall have the meaning given in Section 2 of the Act and shall be the external auditors for the time being of the Company or such other external auditors as may be nominated by the Board.

13.7 The Board shall be guided by the adjustment as provided in the Schedule in determining the adjustments to be made pursuant to this By-law 13.

13.8 Notwithstanding the other provisions referred to in the Schedule, in any circumstances where the LTIP Committee considers that adjustments to the Option Price and/or any MAG Shares relating to ESOS Options and/or SGP Grants to be issued or vested as provided for under the provisions hereof should not be made, or should be or should not be calculated on a different basis or different date or that an adjustment to the Option Price and/or the adjustments to the number of MAG Shares to be issued or vested relating to ESOS Options and/or SGP Grants should be made notwithstanding that no adjustment is required under the provisions hereof, the Company may appoint an Adviser and/or an Auditor to consider whether for any reasons whatever the adjustment calculation or determination to be made (or the absence of an adjustment calculation or determination) is appropriate or inappropriate as the case may be. If such Adviser and/or Auditor shall consider the adjustment calculation or determination to be inappropriate, the adjustments shall be modified or nullified (or an adjustment calculation or determination made even though not required to be made) in such manner as may be considered by such Adviser and/or Auditor to be in their opinion appropriate.

14. LISTING AND QUOTATION OF NEW SHARES

If at the time of allotment of the new MAG Shares pursuant to the exercise of an ESOS Option or allotment of MAG Shares pursuant to a SGP Grant (if any), the existing issued ordinary shares of the Company are quoted on Bursa Securities, the Company shall make an application to Bursa Securities for its permission to deal in and for the listing and quotation of the new MAG Shares so allotted in accordance with By-law 38.4 and By-law 42.1 (as the case may be).

15. RETENTION PERIOD

The MAG Shares to be allotted and issued or transferred to the Participant pursuant to this LTIP will not be subjected to any retention period. However, the Participant is encouraged to hold the MAG Shares as an investment rather than to realise immediate gains from disposal.

Notwithstanding the above, a non-executive director must not sell, transfer or assign MAG Shares obtained through the exercise of ESOS Options or the vesting of the MAG Shares pursuant to the SGP Grant within one (1) year from the Date of Offer or such period as may be prescribed by Bursa Securities.

16. ADMINISTRATION

This LTIP shall be administered by the LTIP Committee comprising such persons as shall be appointed from time to time by the Board of MAG. The Board of MAG shall have the discretion as it deems fit to approve, rescind and/or revoke the appointment of any person in the LTIP Committee and amend, modify or vary the terms of reference of the LTIP Committee. The LTIP Committee shall be vested with such powers and duties as are conferred upon it by the Board of MAG, but subject to these By-Laws, to administer the LTIP in such manner it shall in its discretion deem fit. The LTIP Committee may, for the purpose of administering the LTIP, do all acts and things, rectify any errors in its Offers, recommend to the Board to establish, amend and revoke rules and regulations relation to the ESOS and/or SGP and its administration, and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the LTIP which the LTIP Committee may in its discretion consider to be necessary or desirable for giving full effect to the LTIP.

Any decision or determination of the LTIP Committee made pursuant to the provisions of the LTIP (other than a matter to be certified and/or approved by the Auditors or Advisers) shall be final, binding and conclusive (including for the avoidance of doubt, any decision pertaining to any dispute as to the interpretation of the LTIP or any rule, regulation or procedure hereunder or as to any rights under the LTIP). The LTIP Committee shall not be required to furnish any reason for any decision or determination made by it except as may be required by the relevant authorities.

17. AMENDMENT AND/OR MODIFICATION TO THE LTIP

17.1 Subject to the compliance with the requirements of Bursa Securities and any other relevant authorities and their approvals being obtained (if required under the Listing Requirements and applicable laws and regulations), the LTIP Committee may at any time and from time to time recommend to the Board any additions or amendments to or deletions of these By-laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these By-laws upon such recommendation **PROVIDED ALWAYS THAT** no additions or amendments to or deletions of these By-laws shall be made which will:

(a) prejudice any rights then accrued to any Participant without the prior consent or sanction of that Participant (as the case may be);

(b) prejudice any rights of the shareholders of the Company without the prior approval of the Company's shareholders in a general meeting; or

(c) alter to the advantage of any Eligible Person in respect of any matters which are required to be contained in the By-laws by virtue of Appendix 6E of the Listing Requirements, without the prior approval of the Company's shareholders in a general meeting unless allowed otherwise by the provisions of the Listing Requirements.

17.2 Any amendments/modifications to the By-laws shall not contravene any of the provisions stipulated under the Listing Requirements and/or any other relevant regulatory authority in relation to share issuance schemes and/or share grant schemes.

17.3 Upon amending and/or modifying all or any of the provisions of the LTIP, the Company shall within five (5) Market Days after the effective date of the amendments caused to be submitted to Bursa Securities the amended By-laws and a confirmation letter in the form required under the Listing Requirements that the said amendment and/or modification complies and does not contravene any of the provisions of the Listing Requirements on share issuance schemes and/or share grant schemes (as the case may be) and the Rules of Bursa Depository.

17.4 The Participants shall be given written notices in the term prescribed by the LTIP Committee from time to time if any conditions, amendments to and/or modifications of these By-laws within five (5) Market Days of any of the foregoing taking effect.

18. DISPUTES AND ERRORS AND OMISSIONS

18.1 In the event of any dispute or difference arising between the LTIP Committee and an Eligible Person or a Participant, as to any matter or thing of any nature arising hereunder, the LTIP Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) to the Eligible Person or the Participant, as the case may be **PROVIDED THAT** where the dispute or difference is raised by a member of the LTIP Committee, the said member shall abstain from voting in respect of the decision of the LTIP Committee in that instance. The said decision shall be final and binding in all respects.

18.2 If in consequence of an error or omission, the LTIP Committee discovers or determines that:

(a) an Eligible Person who was selected by the LTIP Committee as a Participant, has not been given the opportunity to participate in the LTIP on any occasion; or

(b) the number of MAG Shares allotted, issued, transferred or vested to any Participant on any occasion is found to be incorrect,

the LTIP Committee and/or the Trustee may do all such acts and things to rectify such error or omission and ensure that the Eligible Person is given the opportunity to participate in the LTIP and/or the aggregate number of MAG Shares to which the Participant is correctly entitled to is credited into the Participant's CDS account.

19. LTIP NOT A TERM OF EMPLOYMENT

This LTIP shall not form part of or constitute or in any way be construed as a term or condition of employment of any employee. This LTIP shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the MAG Group under which the Eligible Person is employed or any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The terms of employment of an Eligible Person shall not be affected by his/ her participation in the LTIP.

20. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the administration and management of the LTIP including but not limited to the fees, costs and expenses relating to the grant, vesting, allotment and issue and/or transfer of the MAG Shares pursuant to the exercise or vesting of any ESOS Option or SGP Grant shall be borne by the Company. Notwithstanding this, the Participant shall bear any fees, costs and expenses incurred in relation to his/ her acceptance of an Offer and exercise of the ESOS Option, opening and maintaining of his/ her respective CDS Account and sale of MAG Shares in the market.

21. CONSTITUTION

Notwithstanding the terms and conditions contained in these By-laws, if a situation of conflict should arise between these By-laws and the Constitution of the Company, the provisions of the Constitution of the Company shall prevail at all times.

22. INSPECTION OF AUDITED ACCOUNTS

All Participants are entitled to inspect the latest audited accounts of the Company during the normal office hours on any working day at the Registered Office of the Company.

23. TRANSFER FROM OTHER COMPANIES TO THE GROUP

In the event that:

(i) a Director or an Employee who was employed in a company related to but not within the MAG Group and is subsequently transferred from such company to any company within the MAG Group; or

(ii) a Director or an Employee who was in the employment of a company which subsequently becomes a member of the MAG Group as a result of a restructuring exercise or otherwise involving MAG and/or any company within the MAG Group with any of the first mentioned company stated in (i) above;

(the first mentioned company in (i) and (ii) above are hereinafter referred to as the "Previous

Company"), such a Director or an Employee of the Previous Company ("the Affected Director/Employee"), subject to By-law 6 hereof, may:

(a) be eligible to participate in the LTIP only for the remaining duration of the LTIP, subject to the Affected Director/Employee falling with the definition of "**Eligible Person**" in accordance with these By-laws, and subject further to the LTIP Committee's discretion; and /or

(b) be entitled to continue to exercise all such unexercised ESOS Options and/or SGP Grants which were granted to him/her under the Previous Company's Schemes ("Previous Company's Schemes") in accordance with the by-laws of the Previous Company's Schemes but he/she shall not, upon such transfer or restructuring exercise as the case may be, be eligible to participate for further options of such Previous Company's Schemes; and/or

(c) if the Affected Director/Employee had participated in the Previous Company's Schemes, the number of new ESOS Options and/or SGP Grants to be offered to the Affected Director/Employee under the LTIP shall be subject to the sole and absolute discretion of the LTIP Committee.

In the event that the ESOS Grantee / SGP Grantee is transferred from the Group to any associated companies of the Group (which definition shall be that which is adopted by the applicable Malaysian Financial Reporting Standards) or to any related companies (as defined in Section 7 of the Act) of the Company which have an existing share issuance scheme in which the ESOS Grantee / SGP Grantee will be entitled to participate, the unexercised / unvested ESOS Options and/or SGP Grants, on the date of transfer shall be null and void and be of no effect.

24. DIVESTMENT FROM THE MAG GROUP

24.1 If a Participant who is in the employment of a company which ceases to be a company within the MAG Group due to a subsequently disposal or divested (in whole or in part) from the MAG Group, then such Participant:

(a) the unexercised or unvested ESOS Option(s) and/or SGP Grants on the date of such company ceasing to be a subsidiary, shall be null and void and be of no effect with effect from the date the relevant company ceases to be a subsidiary of the Company; and

(b) shall not be eligible to participate for further Offers under the LTIP.

24.2 For the purpose of By-law 24.1, a company shall be deemed to be divested from the MAG Group in the event that such company would no longer be a subsidiary of MAG pursuant to Section 4 of the Act.

25. TAKE-OVER AND MERGERS

Subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant regulatory authorities, in the event of a take-over offer being made for the Company, under Part VI of the Capital Markets and Services Act, 2007 and Rules on Take-overs, Mergers and Compulsory Acquisitions, to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over offer ("**Offeror**") or any persons acting in concert with the Offeror):

(a) the LTIP Committee may in its discretion but subject always to By-law 17 and any applicable laws, by giving notice in writing to the ESOS Grantee, vary the Exercise Period and/or any other terms of the vested ESOS Options to the extent permitted under the Listing Requirements;

(b) the LTIP Committee may in its discretion permit the vesting of any unvested ESOS Options and/or SGP Grants (or any part thereof) to the Participant at any time and subject to such terms and conditions as may be prescribed notwithstanding that the

Vesting Conditions or other terms and conditions of the Offer has not been fulfilled or satisfied; and

(c) any vested but unexercised ESOS Options shall remain in force and be exercisable until and inclusive of the expiry or termination of the LTIP Period applicable thereto unless the Offeror shall become entitled or be bound to exercise the right of compulsory acquisition of MAG Shares under the provisions of the Capital Markets and Services Act 2007 and gives notice to the Company that it intends to exercise such right on a specific date, in which case the vested but unexercised ESOS Options shall remain in force and be exercisable until and inclusive of the date the compulsory acquisition is exercised by the Offeror.

PROVIDED ALWAYS THAT any ESOS Options and SGP Grants to the extent unexercised or unvested after the date on which the right of compulsory acquisition is exercised shall lapse and immediately cease to have any effect.

26. SCHEME OF ARRANGEMENT, AMALGAMATION AND RECONSTRUCTION

Notwithstanding By-laws 38 and 40 hereof and subject to the discretion of the LTIP Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company or its amalgamation with any other company or companies, any vested ESOS Options and SGP Grants shall remain exercisable by or capable of being allotted/transferred onto the Participant at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective or such other date as the LTIP Committee may deem fit, whichever comes first. For the avoidance of doubt, upon the compromise or arrangement becoming effective, all ESOS Options and/or SGP Grants (or any part thereof), to the extent unexercised shall automatically lapse and shall become null and void. The LTIP Committee may in its discretion further permit the vesting of any unvested ESOS Options and/or SGP Grants (or any part thereof) to the Participant at any time and subject to such terms and conditions as may be prescribed notwithstanding that the Vesting Conditions or other terms and conditions of the Offer has not been fulfilled or satisfied.

27. SUBSEQUENT EMPLOYEE SHARE SCHEMES

Subject to the approval of the relevant authorities and/or the shareholders of the Company and without derogating the right of the Company to implement more than one employee share scheme, share issuance scheme and/or share grant scheme under By-law 5.4, the Company may establish a new employee share scheme, share issuance scheme and/or share grant scheme after the expiry date of this LTIP or upon termination of this LTIP.

28. NO COMPENSATION

28.1 A Participant who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the LTIP which he/she might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.

28.2 No Eligible Person or Participant or legal personal representatives shall bring any claim, action or proceeding against the Company or the Board of MAG or the LTIP Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his/her rights to exercise or the vesting of his/her ESOS Option(s) and/or SGP Grant(s) or his/her Offer(s), ESOS Option(s) and/or SGP Grant(s) ceasing to be valid pursuant to the provisions of these By-laws, as may be amended from time to time in accordance with By-law 17 hereof.

28.3 Notwithstanding anything to the contrary in these By-laws, the LTIP Committee, the Trustee, MAG Group and MAG Group's directors and employees shall not under any circumstances be liable for any costs, losses, expenses and damages whatsoever and howsoever arising in connection with or incidental to any acts or omissions, including but not limited to the Company's or any other persons delay in issuing, acquiring or procuring the transfer or disposal of the shares or making any other required applications.

29. TAXES

All taxes (including income tax), if any, arising from the grant, vesting and/or exercise of any ESOS Option and/or SGP Grant (as the case may be) under the LTIP shall be borne by the Participant.

30. WINDING UP

All outstanding ESOS Options and SGP Grants shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

In the event a petition is presented in Court for the winding-up or liquidation of the Company, all rights to exercise the ESOS Options and SGP Grants shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the Court, the right to exercise the ESOS Options and SGP Grants shall accordingly be unsuspended.

31. SEVERABILITY

If any time any term, condition, stipulation or provision in these By-laws is or becomes illegal, void, prohibited or unenforceable in any respect, the same shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

32. GOVERNING LAW AND JURISDICTION

32.1 These By-laws shall be governed and construed in accordance with the laws of Malaysia and the Participant shall submit to the exclusive jurisdiction of the Courts of Malaysia in all matters connected with the obligations and liabilities of the parties hereto under or arising out of these By-laws.

32.2 Any proceeding or action shall be instituted or taken in Malaysia and the Participant irrevocably and unconditionally waives any objection on the ground of venue or forum non- convenience or any other grounds.

32.3 Any Offer made to Eligible Persons pursuant to the LTIP shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the LTIP Committee in the Offer.

33. NOTICE

33.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Participant pursuant to the LTIP shall be in writing and shall be deemed to be sufficiently given:

(a) if it is sent by ordinary post by the Company to the Eligible Person or the Participant at the last address known to the Company as being his/her address, such notice shall be deemed to have been received three (3) Market Days after posting;

(b) if it is given by hand to the Eligible Person or the Participant, such notice or request shall be deemed to have been received on the date of delivery;

(c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Participant, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Participant shall be communicated in writing to the Company and the LTIP Committee.

33.2 Any certificate, notification, correspondence or other notice required to be given to the Company or the LTIP Committee shall be properly given if in writing and sent by registered post or delivered by hand (with acknowledgement of receipt) to the Company at its business address at B-3-12, Gateway Corporate Suites, Gateway Kiaramas, Jalan Desa Kiara, Mont Kiara, 50480 Kuala Lumpur, Malaysia or any other business address which may be notified in writing by the LTIP Committee from time to time.

33.3 Notwithstanding By-Law 33.1, where any notice is required to be given by the Company or the LTIP Committee under these By-Laws in relation to matters which may affect all the Eligible Persons or Participants, as the case may be, the Company or the LTIP Committee may give notice through an announcement to all employees of the MAG Group to be made in such manner deemed appropriate by the LTIP Committee. Upon the making of such an announcement, the notice to be made under By-Law 33.1 shall be deemed to be sufficiently given, served or made to all affected Eligible Person or Participants, as the case may be.

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PART B : ESOS

34. OFFER OF ESOS OPTIONS

34.1 The LTIP Committee may, at any time during the duration of the LTIP as defined in By-law 6 hereof, make Offer(s) of ESOS Options in writing to any Eligible Person (based on the criteria of allocation as set out in By-law 8 herein) selected by the LTIP Committee which selection shall be at the sole and absolute discretion of the LTIP Committee.

34.2 The actual number of MAG Shares which may be offered to an Eligible Person shall be at the sole and absolute discretion of the LTIP Committee and, subject to any adjustments that may be made under By-law 13 hereof, shall not be less than one hundred (100) MAG Shares but not more than the Maximum Allowable Allocation and shall always be in multiples of one hundred (100) MAG Shares.

34.3 An Offer may be made upon such terms and conditions as the LTIP Committee may decide from time to time. Each Offer shall be made in writing and is personal to the Eligible Person and is non-assignable and non-transferable.

34.4 The LTIP Committee may state the following particulars in the Offer Letter (where applicable):

(a) The number of ESOS Options that are being offered to the Eligible Person;

(b) The number of MAG Shares which the Eligible Person shall be entitled to upon the vesting and exercise of the ESOS Options being offered;

(c) The LTIP Period;

(d) The Exercise Period;

(e) The Option Price;

(f) The Validity Period as defined in By-law 35.1;

(g) Whether the Offer is conditional, any vesting, service and/or performance conditions ("**Vesting Conditions**"), the performance period, service period, vesting period, and vesting date(s) but in any event such period(s) and date(s) shall not be later than the Date of Expiry; and

(h) Any other information deemed necessary by the LTIP Committee.

34.5 No Offer shall be made to any Director in an executive capacity in MAG or persons connected with them unless such Offer and the related allotment of MAG Shares have previously been approved by the shareholders of the Company in a general meeting.

For the purpose of these By-Laws, "persons connected" with the Director in an executive capacity in MAG shall have the same meaning given in relation to persons connected with a director as defined in Rule 1.01 of the Listing Requirements.

34.6 Without prejudice to By-laws 17 and 18, in the event of an error on the part of the Company in stating any of the particulars referred to in By-law 34.4, the following provisions shall apply:

(a) Within one (1) month after discovery of the error, the Company shall issue a supplemental Offer Letter, stating the correct particulars referred to in By-law 34.4;

(b) In the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental Offer Letter shall remain as the Option Price as per the original Offer Letter; and

(c) In the event that the error relates to the Option Price, the Option Price applicable in the supplemental Offer Letter shall be the Option Price applicable as at the date of the original Offer Letter, save and except with respect to any ESOS Option which have already been exercised as at the date of issue of the supplemental Offer Letter.

34.7 Subject to By-law 34 hereof, nothing herein shall prevent the LTIP Committee from making more than one (1) Offer to any Eligible Person **PROVIDED ALWAYS THAT** the total aggregate number of MAG Shares which may be offered to any Eligible Person (inclusive of MAG Shares previously offered under the LTIP, if any) shall not exceed the Maximum Allowable Allocation of that Eligible Person as set out in By-law 8 hereof.

34.8 The LTIP Committee has the sole and absolute discretion not to make further additional Offers.

34.9 The Offers shall automatically lapse and be null and void in the event of the death of the Eligible Person or the Eligible Person ceasing to be employed by the MAG Group (as in the case of a non-executive Director, resigning from the Board) for any reason whatsoever prior to the acceptance of the Offers by the Eligible Person in the manner set out in By-law 35 hereof.

34.10 After each adjustment following an alteration of the Company's share capital as stipulated in By-laws 13.1 and 13.2 and the Company informing the ESOS Grantee of such adjustment pursuant to By-law 13.5, upon the return by an ESOS Grantee of the original Offer Letter to the Company, that letter shall be amended or a new Offer Letter shall be issued within one (1) month from the date of return of the original Offer Letter, to reflect the adjustment made to the number of ESOS Options granted to the ESOS Grantee and/or the Option Price.

34.11 The LTIP Committee may, by giving notice in writing to the Eligible Person, vary or waive the terms of any Vesting Condition, performance period, service period, vesting period or other conditions.

34.12 The Company shall keep and maintain at its own expense a register of ESOS Grantees and shall enter the names, addresses and identify card numbers of the ESOS Grantees, the Maximum Allowable Allocation, the number of ESOS Options offered, the number of ESOS Options exercised, the Date of Offer and the Exercise Price and other particulars as may be prescribed under Section 129 of the Act.

34.13 For the avoidance of doubt, there shall be no legal, equitable or any other obligation whatsoever on the part of the LTIP Committee to consider making, or to make, any Offer to any or all of the Eligible Persons.

34.14 Each vested ESOS Option shall be exercisable into one (1) MAG Share, fully issued and paid-up, in accordance with the provisions of these By-laws.

35. ACCEPTANCE OF THE OFFER

35.1 An Offer of the ESOS Option(s) shall be valid for a period of thirty (30) calendar days from the Date of Offer or such period as the LTIP Committee at its discretion, determines on a case to case basis (**"Validity Period"**). Acceptance of the said Offer by an Eligible Person shall be made by way of a written notice from the Eligible Person to the LTIP Committee in the form prescribed by the LTIP Committee and accompanied by the payment of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the acceptance of each Offer (regardless of the number of shares comprised therein).

35.2 In the event that the Eligible Person fails to accept the Offer of the ESOS Option(s) or pay the acceptance consideration as set out in By-law 35.1 hereof within the Validity Period and in the manner aforesaid, the said Offer shall be deemed to have lapsed. The ESOS Option(s) comprised in such Offer may, at the discretion of the LTIP Committee, be re-offered to other Eligible Persons.

35.3 The LTIP Committee shall within thirty (30) days of acceptance by the Offer by the Eligible Person issue to the ESOS Grantee a certificate of the ESOS Option in such form as may be determined by the LTIP Committee from time to time stating, amongst other matters, the number of Shares granted under the ESOS Option, the Option Price and the Option Period.

36. OPTION PRICE

36.1 The Option Price of each Share comprised in any ESOS Option shall be the weighted average market price of the MAG Shares for the five (5) Market Days immediately preceding the Date of Offer less a discount of not more than ten per centum (10%) therefrom or such other percentage of discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time.

36.2 The Option Price shall be determined by the Board and shall be conclusive and binding on the ESOS Grantees, subject to any adjustments provided under By-law 13 herein.

37. VESTING CONDITIONS

37.1 Subject to By-laws 6, 7 and 37.2, the ESOS Option(s) or such part thereof will only vest to the ESOS Grantee on the vesting date(s) if:

(a) the ESOS Grantee remains in employment with the MAG Group as at the vesting date; and

(b) the other Vesting Conditions (if any) are fully and duly satisfied.

37.2 The LTIP Committee shall have the discretion to determine whether any Vesting Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the LTIP Committee shall have the right to make reference to (among others) the audited results of the MAG Group, to take into account such factors as the LTIP Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, to amend any Vesting Conditions if the LTIP Committee decides that a changed performance target would be a fairer measure of performance. Where the LTIP Committee has made the determination that the Vesting Conditions and all other stipulated conditions have been fulfilled (whether fully or partially) pursuant to the ESOS Option, the LTIP Committee shall notify the ESOS Grantee of the number of ESOS Options vested and the vesting date of such ESOS Option. No ESOS Grantee shall have any right to exercise any ESOS Options granted to the ESOS Grantee until the ESOS Options are vested on the ESOS Grantee pursuant to this By-Law. The decision and/or determination of the LTIP Committee on the vesting of the ESOS Option on the ESOS Grantee pursuant to these By- Laws shall be final and conclusive.

37.3 Unless otherwise determined by the LTIP Committee if the Vesting Conditions are not fulfilled in accordance with the period as set out in the Offer Letter, that ESOS Option(s) shall lapse and be of no value.

38. EXERCISE OF ESOS OPTIONS

38.1 Subject to By-laws 38.2 and 38.7 hereof and the terms and conditions of an Offer as mentioned in By-Law 34.3 hereof, an ESOS Option can be exercised by the ESOS Grantee by notice in the prescribed form to the Company on the first or fifteenth of every month during the Exercise Period in respect of all or any part of the MAG Shares comprised in the ESOS Option, such part being in multiples of one hundred (100) MAG Shares. For the avoidance of doubt, if the first or fifteenth day of any month shall fall on a day which is not a Market Day, then the notice in writing by the ESOS Grantee to the Company shall be submitted on the Market Day immediately following the first or fifteenth of the said month. Any partial exercise of an ESOS Option shall not preclude the ESOS Grantee from exercising the ESOS Option in respect of the balance of the MAG Shares comprised in the ESOS Option. In the event that the balance of MAG Shares comprised in the ESOS Options of any ESOS Grantee is less than one hundred (100) MAG Shares, the said balance of the ESOS Options shall, if exercised, be exercised in a single tranche.

38.2 Subject to By-laws 13 and 17 hereof, the LTIP Committee may, at any time and from time to time, before and after an ESOS Option is granted, limit the exercise of the ESOS Option to a maximum number of MAG Shares and/or such percentage of the total MAG Shares comprised in the ESOS Option during such periods within the LTIP Period, subject to the exercise of the ESOS Option to any Vesting Condition determined by the LTIP Committee at its sole and absolute discretion including but not limited to performance/ service targets being achieved before an ESOS Option(s) can be exercised and/or impose any other terms and/or conditions (including the time period to exercise the ESOS Option) as the LTIP Committee may, in its sole discretion deem appropriate including amending or varying any terms and conditions imposed earlier.

38.3 Every such notice to exercise the ESOS Option referred to in By-law 38.1 hereof shall be accompanied by a remittance in RM in the form of a bankers' draft or cashiers' order drawn and payable in Malaysia or any other from acceptable to the LTIP Committee for the full amount of subscription monies (calculated in accordance with the provisions of By-law 38 hereof) in relation to the number of MAG Shares in respect of which the written notice is given.

38.4 The Company shall allot and issue such new MAG Shares to the ESOS Grantee in accordance with the provisions of the Company's Constitution, the SICDA and the Rules of Bursa Depository, despatch the notice of allotment or transfer to the ESOS Grantee and make an application for the listing and quotation of the new MAG Shares within eight (8) Market Days from the receipt by the Company of the aforesaid notice and remittance from the ESOS Grantee or such other period as may be prescribed by Bursa Securities.

38.5 The LTIP Committee, the Board of MAG and the Company shall not under any circumstances whatsoever be liable for any costs, expenses, charges and damages whatsoever and howsoever arising whether arising directly or indirectly from any delay on the part of the Company in allotting and issuing of the new MAG Shares or in procuring Bursa Securities to list the new MAG Shares for which the ESOS Grantee is entitled to subscribe or otherwise.

38.6 The ESOS Grantee who exercises his/her ESOS Option shall provide the LTIP Committee with his/her CDS Account number or the CDS Account number of his/her Authorised Nominee, as the case may be, in the notice referred to in By-law 38.1 hereof. The MAG Shares to be issued pursuant to the exercise of an ESOS Option will be credited directly into the CDS Account of the ESOS Grantee or his/her Authorised Nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS Account will be issued to the ESOS Grantee within eight (8) Market Days from the receipt by the Company of the written notice of exercise of the ESOS Option together with the requisite remittance of monies and no physical share certificate will be issued.

38.7 In the event that an ESOS Grantee is subject to a performance improvement plan ("**PIP**")/ disciplinary proceedings (whether or not such PIP/disciplinary proceedings will give rise to a dismissal or termination of service) the LTIP Committee shall have the right, to suspend the ESOS Grantee's ESOS Option from being vested and/or exercised pending the achievement of the stipulated improvement plan targets by the ESOS Grantee/ the outcome of such disciplinary proceedings. The LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate having regard to the nature of the PIP/charges made or brought against the ESOS Grantee **PROVIDED ALWAYS THAT:**

(a) in the event that such ESOS Grantee shall subsequently achieve the stipulated improvement plan targets/be found not guilty of the charges which give rise to such disciplinary proceedings, the LTIP Committee shall reinstate the rights of such ESOS Grantee to be vested and/or to exercise his/her vested ESOS Option;

(b) in the event the ESOS Grantee fails to achieve the stipulated improvement plan targets/disciplinary proceedings result in a recommendation for the dismissal or termination of service of such ESOS Grantee, the ESOS Option (whether or not vested) shall immediately cease without notice and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such ESOS Grantee notwithstanding that such recommendation may be subsequently challenged by the ESOS Grantee in any other forum; and

(c) in the event such ESOS Grantee only partially achieves the stipulated improvement plan targets/is found guilty but not dismissed or termination of service is not recommended, the LTIP Committee shall have the right to determine at its discretion whether or not the ESOS Grantee may continue to be vested and/or to exercise his/her ESOS Option and/or adjust such number of ESOS Options to be vested and if so, to impose such limits, terms and conditions as it deems appropriate, on such vesting and/or exercise.

The LTIP Committee may, after a warning /caution letter has been issued to an ESOS Grantee by the relevant company within the MAG Group suspend the ESOS Grantee's ESOS Option from being vested and/or exercised until such time as the LTIP Committee determines at its discretion whether or not the ESOS Grantee may continue to be vested and/or exercise his/her ESOS Option and if so, whether to impose such limits, terms and conditions as the LTIP Committee deems appropriate, on such vesting and/or exercise.

For the purpose of this By-laws, an ESOS Grantee shall be deemed to be subject to "disciplinary proceedings" if:

(i) he/ she is suspended from work pending investigation into his/ her conduct;

(ii) he/ she is issued with a letter requiring him/ her to attend an internal domestic inquiry; or

(iii) such other instances as the LTIP Committee may deem as being subject to disciplinary proceedings.

38.8 All ESOS Options to the extent unexercised and/or unvested on the expiry or earlier termination of the LTIP Period applicable thereto shall lapse.

38.9 Any failure to comply with the procedures specified by the LTIP Committee or to provide information as required by the Company in the notice to exercise or inaccuracy in the CDS Account number provided shall result in the notice to exercise being rejected at the discretion of the LTIP Committee. The LTIP Committee shall inform the ESOS Grantee of the rejection of the notice of exercise within ten (10) Market Days from the date of rejection and the ESOS Grantee shall not have deemed to have exercised his/her ESOS Option.

38.10 The Company, the Board and the LTIP Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities whatsoever and howsoever arising in the event of any delay on the part of the Company in allotting and issuing or crediting the MAG Shares or in procuring the relevant authorities to list and quote the MAG Shares subscribed for by an ESOS Grantee (where applicable) or any delay in receipt or non-receipt by the Company of the notice to exercise the ESOS Options or for any errors in any ESOS Options or any other matters or dealings which are outside the control of the Company, the Board and/or the LTIP Committee.

38.11 Every ESOS Option shall be subjected to the condition that no MAG Shares shall be vested, issued and/or credited pursuant to the exercise of an ESOS Option if such vesting, issue and/or crediting would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the LTIP Period or such period as may be extended.

PART C : SGP

39. OFFER OF SGP GRANTS

39.1 The LTIP Committee may, annually at any time during the duration of the LTIP as defined in By-law 6 hereof, make an Offer(s) of SGP Grants in writing to any Eligible Person (based on the criteria of allocation as set out in By-law 8 herein) selected by the LTIP Committee which selection shall be at the absolute discretion of the LTIP Committee.

39.2 The actual number of MAG Shares which may be offered to an Eligible Person shall be at the sole and absolute discretion of the LTIP Committee and, subject to any adjustments that may be made under By-law 13 hereof, shall not be less than one hundred (100) MAG Shares but not more than the Maximum Allowable Allocation and shall always be in multiples of one hundred (100) MAG Shares.

39.3 An Offer may be made upon such terms and conditions as the LTIP Committee may decide from time to time. Each Offer shall be made in writing and is personal to the Eligible Person and is non-assignable and non-transferable.

39.4 The LTIP Committee may state the following particulars in the Offer Letter (where applicable):

(a) The number of MAG Shares to be granted under the Offer Letter;

(b) The LTIP Period;

(c) The Date of Offer;

(d) Whether the Offer is conditional, the Vesting Conditions, the performance period, service period, vesting period, and vesting date(s) but in any event such period(s) and date(s) shall not be later than the Date of Expiry; and

(e) Any other information deemed necessary by the LTIP Committee.

39.5 No Offer shall be made to any Director in an executive capacity in MAG or to Persons Connected with them unless such Offer and the related allotment of MAG Shares have previously been approved by the shareholders of the Company in a general meeting.

For the purpose of these By-Laws, “persons connected” with the Director in an executive capacity in MAG shall have the same meaning given in relation to persons connected with a director as defined in Rule 1.01 of the Listing Requirements.

39.6 The LTIP Committee shall notify each SGP Grantee of the SGP Grant of such performance targets, performance period, service period, vesting period, Vesting Conditions, vesting date(s) or such other conditions to be stipulated by the LTIP Committee and the number of MAG Shares vested onto him/ her on the vesting dates PROVIDED THAT there may be excluded from such notice any information the disclosure of which the LTIP Committee shall reasonably consider would prejudice confidentiality.

39.7 Without prejudice to By-laws 17 and 18, in the event of an error on the part of the Company in stating any of the particulars referred to in By-laws 39.4 and/or 39.5, the Company shall issue a supplemental Offer Letter, stating the correct particulars referred to in By-law 39.4 and/or 39.5 within one (1) month after discovery of the error.

39.8 Subject to By-law 39 hereof, nothing herein shall prevent the LTIP Committee from making more than one (1) Offer to any Eligible Person **PROVIDED ALWAYS THAT** the total aggregate number of MAG Shares which may be offered to any Eligible Person (inclusive of MAG Shares previously offered under the LTIP, if any) shall not exceed the Maximum Allowable Allocation of that Eligible Person as set out in By-law 8 hereof.

39.7 The LTIP Committee has the sole and absolute discretion not to make further additional Offers.

39.8 The Offers shall automatically lapse and be null and void in the event of the death of the Eligible Person or the Eligible Person ceasing to be employed by the MAG Group (as in the case of a non-executive Director, resigning from the Board) for any reason whatsoever prior to the acceptance of the Offers by the Eligible Person in the manner set out in By-law 40 hereof.

39.9 After each adjustment following an alteration of the Company's share capital as stipulated in By-laws 13.1 and 13.2 and the Company informing the SGP Grantee of such adjustment pursuant to By-law 13.5, upon the return by a SGP Grantee of the original Offer Letter to the Company, that letter shall be amended or a new Offer Letter shall be issued within one (1) month from the date of return of the original Offer Letter, to reflect the adjustment made to the number of MAG Shares granted to the SGP Grantee.

39.10 The LTIP Committee may, by giving notice in writing to the Eligible Person, vary or waive the terms of any Vesting Condition, performance period, service period, vesting period or other conditions.

39.11 For the avoidance of doubt, there shall be no legal, equitable or any other obligation whatsoever on the part of the LTIP Committee to consider making, or to make, any Offer to any or all of the Eligible Persons.

40. ACCEPTANCE OF THE OFFER OF SGP GRANT

40.1 An Offer of SGP Grant shall be valid for a period of thirty (30) calendar days from the Date of Offer or such period as the LTIP Committee at its discretion, determines on a case to case basis (**"Validity Period"**). Acceptance of the said Offer by an Eligible Person shall be made by way of a written notice from the Eligible Person to the LTIP Committee in the form prescribed by the LTIP Committee and accompanied by the payment of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the acceptance of each Offer of SGP Grant (regardless of the number of shares comprised therein).

40.2 In the event that the Eligible Person fails to accept the Offer of SGP Grant or pay the acceptance consideration as set out in By-law 40.1 hereof within the Validity Period and in the manner aforesaid, the said Offer of SGP Grant shall be deemed to have lapsed. The SGP Grants comprised in such Offer may, at the discretion of the LTIP Committee, be re-offered to other Eligible Persons.

41. VESTING CONDITIONS

41.1 Subject to By-laws 6, 7 and 42.2, the MAG Shares comprised in the SGP Grant or such part thereof will only vest to the SGP Grantee on the vesting date(s) if:

(a) the SGP Grantee remains in employment with the MAG Group as at the vesting date; and

(b) the other Vesting Conditions (if any) are fully and duly satisfied.

41.2 The LTIP Committee shall have the discretion to determine whether any Vesting Condition has been satisfied (whether fully or partially) or exceeded, and in making any such determination, the LTIP Committee shall have the right to make reference to (among others) the audited results of the MAG Group, to take into account such factors as the LTIP Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, to amend any Vesting Conditions if the LTIP Committee decides that a changed performance target would be a fairer measure of performance. Where the LTIP Committee has made the determination that the Vesting Conditions and all other stipulated conditions have been fulfilled (whether fully or partially) pursuant to the SGP Grant, the LTIP Committee shall notify the SGP Grantee of the number of MAG Shares vested or which will be vested to the SGP Grantee on the vesting date of such MAG Shares. No SGP Grantee shall have any right to or interest in the MAG Shares granted to him unless and until the MAG Shares are vested in him on and with effect from the date of vesting of the said MAG Shares. The decision and/or determination of the LTIP Committee on the vesting of the MAG Shares on the SGP Grantee pursuant to these By-Laws shall be final and conclusive.

41.3 Unless otherwise determined by the LTIP Committee if the Vesting Conditions are not fulfilled in accordance with the period as set out in the Offer Letter, that SGP Grant shall lapse and be of no value.

41.4 For the avoidance of doubt, the MAG Shares will vest with the SGP Grantees at no cost to the SGP Grantees upon acceptance of the SGP Grant by the SGP Grantees and fulfilment of the Vesting Conditions and all other as stipulated Clause 41.2 (if any).

42. DELIVERY OF MAG SHARES

42.1 In respect of MAG Shares which are vested onto a SGP Grantee pursuant to By-laws 41, the Company shall as soon as reasonably practicable following the date of vesting, credit such MAG Shares to the SGP Grantee's CDS Account in accordance with the provisions of the Company's Constitution, the SICDA and the Rules of Bursa Depository, despatch the notice stating such number of MAG Shares credited into the CDS Account of the SGP Grantee. Where new MAG Shares are to be allotted and issued following the vesting, the Company shall allot and issue and/or transfer such MAG Shares to the SGP Grantee in accordance with the provisions of the Company's Constitution, the SICDA and the Rules of Bursa Depository, despatch the notice of allotment or transfer to the SGP Grantee and make an application for the listing and quotation of the new MAG Shares.

42.2 The LTIP Committee, the Board of MAG and the Company shall not under any circumstances whatsoever be liable for any costs, expenses, charges and damages whatsoever and howsoever arising whether arising directly or indirectly from any delay on the part of the Company in crediting the MAG Shares.

42.3 The SGP Grantee shall provide the LTIP Committee with his/her CDS Account number or the CDS Account number of his/her Authorised Nominee, as the case may be. The MAG Shares to be credited pursuant to the vesting will be credited directly into the CDS Account of the SGP Grantee or his/her Authorised Nominee, as the case may be and a notice stating the number of shares credited into such CDS Account will be issued to the SGP Grantee and no physical share certificate will be issued.

42.4 In the event that a SGP Grantee is subject to a PIP/disciplinary proceedings (whether or not such PIP/disciplinary proceedings will give rise to a dismissal or termination of service) the LTIP Committee shall have the right, to suspend the SGP Grantee's SGP Grant from being vested pending the achievement of the stipulated improvement plan targets by the SGP Grantee/ the outcome of such disciplinary proceedings. The LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate having regard to the nature of the PIP/charges made or brought against the SGP Grantee **PROVIDED ALWAYS THAT:**

(a) in the event that such SGP Grantee shall subsequently achieve the stipulated improvement plan targets/be found not guilty of the charges which give rise to such disciplinary proceedings, the LTIP Committee shall reinstate the rights of such SGP Grantee to continue to hold or be vested his/her SGP Grant;

(b) in the event the SGP Grantee fails to achieve the stipulated improvement plan targets/disciplinary proceedings result in a recommendation for the dismissal or termination of service of such SGP Grantee, the SGP Grant shall immediately cease without notice and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such SGP Grantee notwithstanding that such recommendation may be subsequently challenged by the SGP Grantee in any other forum; and

(c) in the event such SGP Grantee only partially achieves the stipulated improvement plan targets/ is found guilty but not dismissed or termination of service is not recommended, the LTIP Committee shall have the right to determine at its discretion whether or not the SGP Grantee may continue hold or be vested his/her SGP Grant and/or adjust such number of SGP Grants to be vested and if so, to impose such limits, terms and conditions as it deems appropriate, on such vesting.

The LTIP Committee may, after a warning /caution letter has been issued to a SGP Grantee by the relevant company within the MAG Group suspend the SGP Grantee's SGP Grant from being vested until such time as the LTIP Committee determines at its discretion whether or not the SGP Grantee may continue to be vested MAG Shares under his/her SGP Grant and if so, whether to impose such limits, terms and conditions as the LTIP Committee deems appropriate, on such vesting.

For the purpose of this By-laws, a SGP Grantee shall be deemed to be subject to "disciplinary proceedings" if:

(i) he/ she is suspended from work pending investigation into his/ her conduct;

(ii) he/ she is issued with a letter requiring him/ her to attend an internal domestic inquiry; or

(iii) such other instances as the LTIP Committee may deem as being subject to disciplinary proceedings.

42.5 All SGP Grants to the extent unvested on the expiry or earlier termination of the LTIP Period applicable thereto shall lapse.

42.6 The Company, the Board and the LTIP Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities whatsoever and howsoever arising in the event of any delay on the part of the Company in crediting the MAG Shares or in procuring the relevant authorities to list and quote the MAG Shares subscribed for by a SGP Grantee (where applicable) or any delay in receipt or non-receipt by the Company of the notice or for any errors in any SGP Grants or any other matters or dealings which are outside the control of the Company, the Board and/or the LTIP Committee.

42.7 Every SGP Grant shall be subjected to the condition that no MAG Shares shall be vested and/or credited pursuant to a SGP Grant if such vesting and/or crediting would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the LTIP Period or such period as may be extended.

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THE SCHEDULE

In addition to By-law 13.1 and not in derogation thereof, the Option Price and the number of MAG Shares relating to the ESOS Option so far unvested and/or unexercised and/or relating to a SGP Grant in so far as unvested shall from time to time be adjusted by LTIP Committee in accordance with the following relevant provisions in consultation with an Adviser and/or an Auditor:

(a) If and whenever a MAG Share by reason of any consolidation or subdivision (including if so permitted by the relevant authorities, a subdivision by way of a bonus issue by the Company of MAG Shares without capitalisation of profits or reserves) or conversion occurs, the Option Price shall be adjusted and the adjusted number of MAG Shares relating to the ESOS Option / SGP Grant (where applicable) to be issued or transferred shall be calculated in accordance with the following formula:

(i) New Option Price $= \dfrac{S \times L}{M}$

(ii) Additional number of MAG Shares $= \dfrac{T \times M}{L} - T$

Where:

L = the aggregate number of MAG Shares in issue immediately prior to the consolidation or subdivision or conversion; and

M = the aggregate number of MAG Shares in issue immediately after such consolidation or subdivision or conversion; and

S = existing Option Price; and

T = existing number of MAG Shares relating to the ESOS Option/ SGP Grant; and

Each such adjustment will be effective from the day on which the consolidation or subdivision or conversion becomes effective.

(b) If whenever the Company shall make any issue of MAG Shares to ordinary shareholders for which no consideration is payable or which are credited as fully paid, by way of capitalisation of profits or reserves (including any capital redemption reserve fund and other than an issue of Ordinary Shares to its members who had an option to take cash or other dividend in lieu of the relevant Ordinary Shares), the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{S \times A}{(A + B)}$$

and the adjusted number of MAG Shares relating to the ESOS Option to be issued / the additional number of MAG Shares to be vested and transferred under the SGP Grant shall be calculated as follows:

$$\text{Additional number of MAG Shares} = T \times \left[\frac{A + B}{A}\right] - T$$

where

A = the aggregate number of issued and fully paid-up MAG Shares on the Entitlement Date immediately before such capitalisation;

B = the aggregate number of MAG Shares to be issued pursuant to any allotment to ordinary shareholders credited as fully paid by way of capitalisation of profits or reserves (including any capital redemption reserve fund and other than an issue of Ordinary Shares to its members who had an option to take cash or other dividend in lieu of the relevant Ordinary Shares);

S = as (a) above.

T = as (a) above.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

(c) If and whenever the Company shall make:

(i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets or involving any purchase by the Company of its own Ordinary Shares in accordance with the Companies Act 2016 (Act 777) and all other applicable laws and regulations); or

(ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for MAG Shares by way of rights; or

(iii) any offer or invitation to its ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into MAG Shares or securities with rights to acquire or subscribe for MAG Shares,

then and in respect of each such case, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\text{New Option Price} = S \times \left[\frac{C - D}{C}\right]$$

and in respect of the case referred to in Clause (c)(ii) hereof, the adjusted number of MAG Shares comprised in the ESOS Option to be issued / the adjusted number of MAG Shares to be vested and transferred under a SGP Grant shall be calculated as follows:

$$\text{Adjusted Number of MAG Shares} = T \times \left[\frac{C}{C - D^*}\right] - T$$

where

T = as above;

C = the current market price of each MAG Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the announcement of the Entitlement Date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (i) in the case of an offer or invitation to acquire or subscribe for MAG Shares by way of rights under Clause (c)(ii) above or for securities convertible into MAG Shares or securities with rights to acquire or subscribe for MAG Shares under Clause (c)(iii) above, the value of rights attributable to one (1) MAG Share (as defined below); or

(ii) in the case of any other transaction falling within Clause (c) hereof, the fair market value, as determined by the Company (in consultation with the Auditors and/or Adviser), of that portion of the Capital Distribution attributable to one (1) MAG Share.

For the purpose of definition (i) of D above, the "value of the rights attributable to one (1) MAG Share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

C = as C above;

E = the subscription consideration for one (1) additional MAG Share under the terms of such of offer or invitation or subscription price for one (1) additional MAG Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) MAG Share under the offer or invitation;

F = the number of MAG Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional MAG Share or security convertible into rights to acquire or subscribe for one (1) additional MAG Share; and

D* = the value of rights attributable to one (1) MAG Share (as defined below).

For the purpose of definition D* above, the "value of rights attributable to one (1) MAG Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

where:

C = as C above;

E* = the subscription price for one (1) additional MAG Share under the terms of such offer or invitation; and

F* = the number of MAG Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional MAG Share.

For the purpose of Clause (c) hereof, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividend) or by way of issue of MAG Shares (not falling under Clause (b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (including any capital redemption reserve fund) (but excluding an issue of Ordinary Shares to its members who had an option to take cash or other dividend in lieu of the relevant Ordinary Shares).

Any distribution out of profits or reserves (including any capital redemption reserve fund) made (whenever paid) shall be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated profit and loss accounts of the Company

Such adjustments will be effective (if appropriate retroactively) from the commencement of the next Market Day immediately following the effective date for the above transactions.

(d) If and whenever the Company makes an allotment to its ordinary shareholders as provided in Clause (b) above and also makes an offer or invitation to its ordinary shareholders as provided in Clause (c)(ii) or (iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\underline{\text{New Option Price}} = S \times \left[\frac{(G \times C) + (H \times I)}{(G + H + B) \times C} \right]$$

and where the Company makes an allotment to its ordinary shareholders as provided in Clause (b) above and also makes an offer or invitation to its ordinary shareholders as provided in Clause (c)(ii) above and the entitlement date for the purpose of the allotment is also the book closure date for the purpose of the offer or invitation, the adjusted number of MAG Shares relating to the ESOS Option to be issued / MAG Shares to be vested and transferred under the SGP Grant shall be calculated as follows:

$$\text{Adjusted Number of MAG Shares (ESOS Option)} = T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

$$\text{Adjusted Number of MAG Shares (SGP Grant)} = T \times \left[\frac{(G + H + B) \times C}{(G \times C) + (H \times I)} \right] - T$$

Where:

B = as B above;

C = as C above;

G = the aggregate number of issue and fully paid-up MAG Shares on the Entitlement Date;

H = the aggregate number of new MAG Shares under an offer or invitation to acquire or subscribe for MAG Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into MAG Shares or rights to acquire or subscribe for MAG Shares, as the case may be;

H*	=	the aggregate number of new MAG Shares under an offer or invitation to acquire or subscribe for MAG Shares by way of rights;
I	=	the subscription price of one (1) additional MAG Share under the offer or invitation to acquire or subscribe for MAG Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional MAG Share, as the case may be;
I*	=	the subscription price of one (1) additional MAG Share under the offer or invitation to acquire or subscribe for MAG Shares; and
T	=	as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

(e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for MAG Shares as provided in Clause (c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for ordinary shareholders as provided in Clause (c)(iii) above, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\text{New Option Price} = S \times \left[\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C} \right]$$

and the adjusted number of MAG Shares relating to the ESOS Option to be issued / MAG Shares to be vested and transferred under the SGP Grant shall be calculated as follows:

$$\text{Adjusted Number of MAG Shares (ESOS Option)} = T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

$$\text{Adjusted Number of MAG Shares (SGP Grant)} = T \times \left[\frac{(G + H + J) \times C}{(G \times C) + (H \times I) + (J \times K)} \right] - T$$

where:

C	=	as C above;
G	=	as G above;
H	=	as H above;
H*	=	as H* above;
I	=	as I above;
I*	=	as I* above;
J	=	the aggregate number of MAG Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for MAG Shares by the ordinary shareholders;
K	=	the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional MAG Share; and
T	=	as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transactions.

(f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in Clause (b) above and also makes an offer or invitation to acquire or subscribe for MAG Shares to its ordinary shareholders as provided in Clause (c)(ii) above, together with rights to acquire or subscribe for MAG Shares as provided in Clause (c)(iii) above, and the book closure date for the purpose of allotment is also the book closure for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\text{New Option Price} = S \times \left[\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C} \right]$$

and the adjusted number of MAG Shares relating to the ESOS Option to be issued / MAG Shares to be vested and transferred under the SGP Grant shall be calculated as follows:

$$\text{Adjusted Number of MAG Shares (ESOS Option)} = T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

$$\text{Adjusted Number of MAG Shares (SGP Grant)} = T \times \left[\frac{(G + H + J + B) \times C}{(G \times C) + (H \times I) + (J \times K)} \right] - T$$

where:

B	=	as B above;
C	=	as C above;
G	=	as G above;
H	=	as H above;
H*	=	as H* above;
I	=	as I above;
I*	=	as I* above;
J	=	as J above;
K	=	as K above; and
T	=	as T above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transaction.

(g) For the purpose of the Schedule:

(i) "Current Market Price" means in relation to each MAG Share for any relevant day the five (5) day volume weighted average market price for each MAG Share on Bursa Securities for the five (5) consecutive Market Days before such date for one or more board lots of MAG Shares on Bursa Securities or in such other manner as may from time to time be stipulated in any guidelines prescribed by any competent authorities, if any.

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1. INFORMATION ON NCUBE

NCUBE was incorporated in Malaysia on 8 September 2016 under the Companies Act 1965 as a private limited company, and is deemed registered under the Act. The principal activity of NCUBE is the Aquaculture Business.

On 21 December 2018, NCUBE commenced the Aquaculture Business through the acquisition of the following:

(i) prawn farm located on 120.5 hectares of leasehold land located at Tawau, Sabah ("**Farm**"); and

(ii) prawn processing plant with an annual capacity of up to 6,000 tonnes located at Tawau, Sabah ("**Processing Plant**");

from Pegagau Aquaculture Sdn Bhd for a total consideration of RM90.00 million.

The Farm consists of 133 ponds with a total capacity of approximately 3,000 tonnes a year.

Size and location of property

Location of the property	Size
Umas Umas, KM 85, Jalan Kalabakan, Tawau, Sabah	120.5 hectares

On 17 May 2019, NCUBE Food was incorporated to undertake the activity of seafood processing and export of seafood products as NCUBE tap into the downstream sector of the Aquaculture Business.

The annual production capacity and output of NCUBE Group for FYE 31 December 2019 and 12-month FPE 31 December 2020[2] are as follow:

Farm

	FYE 31 December 2019	FPE 31 December 2020
Production capacity (tonnes)	3,000	3,000
Production output (tonnes)	1,070	1,081

Processing Plant

	FYE 31 December 2019	FPE 31 December 2020
Production capacity (tonnes)	6,000	6,000
Production output (tonnes)	1,664	1,431

NCUBE Group distributes its products in local and foreign markets such as China and South Korea. The breakdown of foreign and local sales of NCUBE Group for FYE 31 December 2019 and FPE 31 December 2020 are as follows:

	FYE 31 December 2019	FPE 31 December 2020
Local sales (%)	4.3	50.2
Foreign sales (%)	95.7	49.8

[2] *NCUBE had changed its financial year end from 31 December to 30 June. As such, the next financial year of NCUBE shall be FYE 30 June 2021 (i.e. 18-month financial year).*

NCUBE primarily sources its raw materials from Malaysia, Thailand and Vietnam. The raw materials sourced from its suppliers for the FYE 31 December 2019 and FPE 31 December 2020 are as follows:

	FYE 31 December 2019	FPE 31 December 2020
Malaysia (%)	83	66
Thailand and Vietnam (%)	17	34

2. SHARE CAPITAL, SHAREHOLDERS AND DIRECTORS

The share capital of NCUBE as at the LPD is RM20,599,995 comprising of 20,599,995 NCUBE Shares. NCUBE does not have any convertible securities as at the LPD.

As at the LPD, the shareholders and directors of NCUBE are as follows:

			Shareholding			
			Direct		Indirect	
Name	Nationality	Designation	No. of NCUBE Shares held	%	No. of NCUBE Shares held	%
Ng Min Lin	Malaysia	Shareholder and Director	18,589,995	90.2	-	-
Melvin Lim Chun Woei	Malaysia	Shareholder	2,010,000	9.8	-	-
			20,599,995	**100.0**	**-**	**-**

3. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, NCUBE have 1 subsidiary and does not have any associate company. The details of NCUBE's subsidiary are as follows:

Company	Date/ Country of incorporation	Share capital	Principal activity	Equity interest (%)
NCUBE Food	17 May 2019/ Malaysia	RM200,000 comprising of 200,000 ordinary shares	Seafood processing and export of seafood products	100.0

4. HISTORICAL FINANCIAL INFORMATION

The summary of the consolidated financial information of NCUBE for the past FYEs 31 December 2018 to 2019 and FPE 31 December 2020 are set out below:

	Audited		Unaudited
	[(i)(ii)]FPE 31 December 2018 RM	FYE 31 December 2019 RM	FPE 31 December 2020 RM
Revenue	-	26,079,943	38,612,242
GP	-	6,476,113	14,911,900
Profit before tax / (Loss before tax)	(8,069)	5,509,526	7,639,901
PAT/ (LAT)	(8,069)	4,710,303	6,123,504
Share capital	100,000	20,100,000	20,599,995
Shareholders' funds/ NA	83,222	24,793,525	31,417,024
Current ratio	1.00	1.06	1.30
Total Borrowings	-	58,662,943	62,402,432

	Audited		Unaudited
	(i)(ii)FPE 31 December 2018 RM	FYE 31 December 2019 RM	FPE 31 December 2020 RM
Gearing ratio (times) (iii)	Not applicable	2.37	1.99
Gross profit margin	-	24.8%	38.6%
NA per shares (RM)	0.83	1.23	1.53
Net (LPS)/EPS (RM)	(0.08)	0.31	0.30

Notes:

(i) *For the financial year for the period from 1 March 2018 to 31 December 2018 as NCUBE had a change of financial year end*

(ii) *NCUBE was a dormant company and only started its operation on 21 December 2018.*

(iii) *Computed by taking the total borrowing of NCUBE Group over the NA of NCUBE Group.*

Commentary

FPE 31 December 2018

NCUBE was a dormant company and only commenced its operation on 21 December 2018. The intended principal activity of NCUBE was that of aquaculture farming, processing and export. The LAT of RM8,069 was attributed to administrative expenses such as audit fee, secretarial and statutory filing fees.

FYE 31 December 2019

For FYE 31 December 2019, NCUBE Group recorded revenue of RM26.08 million and a PAT of RM4.71 million. The financial result of NCUBE Group for FYE 2019 was derived from the operation results of the Farm and Processing Plant. NCUBE completed the acquisition of the Farm and Processing Plant in end-May 2019 and NCUBE Group is able to recognise the financial results of the Farm and Processing Plant from 1 June 2019 onwards.

The total borrowings of NCUBE Group as at 31 December 2019 amounted to RM58.66 million, which comprised mainly of a RM58.50 million term loan undertaken by NCUBE to part-finance the acquisition of the Farm and Processing Plant.

FPE 31 December 2020

For the 12 month FPE 31 December 2020, NCUBE Group recorded revenue of RM38.61 million as compared with the revenue of RM26.08 million recorded in FYE 31 December 2019, which represent an increase of approximately 48.1%. Higher revenue recorded in FPE 31 December 2020 was a result of the recognition of 12-month (from 1 January 2020 to 31 December 2020) operation results of the Farm and Processing Plant as opposed to the 7-month operation results captured during FYE 31 December 2019.

NCUBE Group managed to achieve a higher gross profit margin of 38.6% in FPE 31 December 2020 as compared with 24.8% in FYE 31 December 2019 due to a higher production yield and operational efficiency attained during the year which in turn was due to better water quality from continuous pond improvement. In addition, NCUBE recorded a PAT of RM6.12 million which represent an increase of 30.21% due to higher customers' orders as compared to FYE 31 December 2019 as well as the longer operation period as highlighted above.

5. ACCOUNTING POLICIES

The audited financial statements of NCUBE for the past FYEs and FPE under review have been prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and there was no audit qualification for the audited financial statements of NCUBE for the respective FYEs and FPE under review. NCUBE has not adopted any accounting policies which are peculiar to its operations for the respective years under review.

6. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, NCUBE and its subsidiary have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the date of this Circular:

(i) On 6 May 2019, NCUBE entered into a subscription agreement with OBATA-Ambak Holdings Sdn Bhd in relation to the issuance of up to 2,000,000 coupon bearing cumulative redeemable convertible preference shares ("**RCPS**") in NCUBE at the issue price of RM7.50 per RCPS. A total of 66,666 RCPS were issued by NCUBE and subscribed by OBATA-Ambak Holdings Sdn Bhd on 30 August 2019 at the total subscription price of RM0.50 million; and

(ii) On 8 July 2020, NCUBE entered into a RCPS redemption agreement with OBATA-Ambak Holdings Sdn Bhd in relation to the redemption of the 66,666 RCPS subscribed by OBATA-Ambak Holdings Sdn Bhd at the redemption amount of RM0.50 million together with the accrued dividend of RM60,000.00. The redemption was completed on 7 September 2020 and as at the LPD, there are no RCPS remaining in NCUBE.

7. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, NCUBE is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors of NCUBE has no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of NCUBE:

(i) Ng Min Lin and NCUBE v Reymee Bin Mohamed Hussein and Wondeux (M) Sdn Bhd – WA-22NCC-437-09/2020

The litigation suit No. WA-22NCC-437-09/2020 commenced by Ng Min Lin and NCUBE (as plaintiffs) against Reymee Bin Mohamed Hussein ("**Reymee**") and Wondeux (M) Sdn Bhd ("**WMSB**") (as defendants) in the High Court of Kuala Lumpur, Malaya, whereby the plaintiffs are claiming for compensation amounting to RM2 million arising from the alleged breaches by the defendants of the terms of the Funding Agreement dated 8 January 2019 entered into between NCUBE and WMSB ("Funding Agreement"). The plaintiffs further seek a series of declarations, *inter alia* that the Funding Agreement has lapsed, and that Reymee is not the Chief Corporate Officer of NCUBE. The matter has been fixed for full trial on 5th, 6th and 7th of April 2021 and to be heard on same day as litigation suit No. WA-22NCC-437-09/2020.

As at the LPD, the trial dates for the case had been postponed to 23, 24, 25, 26, and 27 August 2021 by the High Court of Kuala Lumpur, Malaya.

There is no exposure of liability to Ng Min Lin and/or NCUBE as the claim is commenced by Ng Min Lin and NCUBE against Reymee Bin Mohamed Hussein and Wondeux (M) Sdn Bhd. Based on the legal advice received from NG Min Lin's and NCUBE's appointed legal counsel, Ng Min Lin, in his personal capacity and in his capacity as the sole director of NCUBE, is of the view that there is a good chance of succeeding in the claim against Reymee Bin Mohamed Hussein and Wondeux (M) Sdn Bhd.

(ii) Reymee Bin Mohamed Hussein v Ng Min Lin and NCUBE
– WA-22NCC-43-01/2021

The litigation suit No. WA-22NCC-43-01/2021 (previously under suit No. WA-22NCC-450-08/2020) commenced by Reymee (as plaintiff) against Ng Min Lin and NCUBE (as defendants) in the High Court of Kuala Lumpur, Malaya, whereby Reymee is seeking for declarations that the validity period of the Funding Agreement was mutually extended, and there was an oral collateral contract between Reymee and the defendants that 3% of the NCUBE's shares have been assigned to Reymee. Reymee is further seeking a declaration that he is the Chief Corporate Officer of NCUBE and the defendants are jointly and severally liable to him for the sum of RM2,700,000.00, being the value of 3% of NCUBE's shares. The matter has been fixed for full trial on 5^{th}, 6^{th} and 7^{th} of April 2021 and to be heard on same day as litigation suit No. WA-22NCC-437-09/2020.

As at the LPD, the trial dates for the case had been postponed to 23, 24, 25, 26, and 27 August 2021 by the High Court of Kuala Lumpur, Malaya.

Based on the statement of claim, the maximum exposure of Ng Min Lin and NCUBE is RM2,700,000.00. Based on the legal advice received from NG Min Lin's and NCUBE's appointed legal counsel, Ng Min Lin, in his personal capacity and in his capacity as the sole director of NCUBE, is of the view that there is a good chance of successfully defending the claim by Reymee Bin Mohamed Hussein.

(iii) Ng Min Lin and NCUBE v Steven Mak and Wondeux (M) Sdn Bhd
– WA-22IP-38-07/2020

The litigation suit No. WA-22IP-38-07/2020 commenced by Ng Min Lin and NCUBE (as plaintiffs) against Steven Mak ("**Steven Mak**") and WMSB (as defendants) in the High Court of Kuala Lumpur, Malaya, whereby the plaintiffs are claiming for compensation amounting to RM2 million arising from the alleged breaches by the defendants of the terms of the Funding Agreement. The plaintiffs further seek a series of declarations, *inter alia* that the Funding Agreement has lapsed, that Steven Mak is not the Chief Marketing Officer of NCUBE, and further that Steven Mak does not own the copyrights & trademarks of NCUBE. Case Management hearing is set on 17 March 2021 to address whether this suit should be consolidated with WA-22IP-43-08/2020 or to undergo joint trial since the cause of actions, parties and facts are similar. The matter is pending trial date to be set by the court.

NCUBE has further obtained an interim injunction against Steven Mak, *inter alia* :

(a) prohibiting Steven Mak against involving himself in all matters relating to the business of NCUBE, and representing himself as the Chief Marketing Officer or employee of NCUBE;

(b) prohibiting Steven Mak and/or his agent from claiming any right or ownership over NCUBE's trademark and name; and

(c) the Registrar of Trademark is instructed to suspend all registration process pertaining to the trademark of NCUBE until the disputes have been fully resolved through the court.

(iv) Steven Mak v Ng Min Lin and North Cube Sdn Bhd
– WA-22IP-43-08/2020

The litigation suit No. WA-22IP-43-08/2020 commenced by Steven Mak (as plaintiff) against Ng Min Lin and NCUBE (as defendants) in the High Court of Kuala Lumpur, Malaya, whereby Steven Mak is seeking for declarations that the validity period of the Funding Agreement was mutually extended, and that Steven Mak is owed the sum of RM405,900.00 (payment order) being works done for NCUBE. Steven Mak is further seeking a declaration that he is the Chief Marketing Officer or an employee of NCUBE, and that Steven Mak owns the copyrights and trademarks of 'North Cube', and is further claiming damages of RM 5,000,000.00 from the defendants for breach of his intellectual property's trademarks and copyrights. In addition, Steven Mak is also seeking an injunction to prohibit NCUBE from using his copyright and trademarks, a mandatory injunction for NCUBE to produce NCUBE's book of accounts. The defendants' interlocutory application for interrogatories against Steven Mak was allowed on 09/02/2021. Steven Mak has responded to the interrogatories. Case Management hearing was set on 17 March 2021 to address whether this suit should be consolidated with WA-22IP-38-07/2020 or to undergo joint trial since the cause of actions, parties and facts are similar. The matter is pending trial date to be set by the court.

Both suits under items (iii) and (iv) have undergone consolidation. The Statement of Claim issued in suit WA-22IP-43-08/2020 (item iv) is now deemed as the counterclaim in suit WA-22IP-38-07/2020 (item iii). As directed by the High Court of Kuala Lumpur, Malaya, the parties will attend a mediation conducted by the Kuala Lumpur Mediation Centre on 29 June 2021, followed by a case management set on 30 June 2021 to update the High Court of Kuala Lumpur, Malaya, on the outcome of the mediation.

Based on the statement of claim, the maximum exposure of Ng Min Lin and NCUBE is RM5,405,900.00. Based on the legal advice received from NG Min Lin's and NCUBE's appointed legal counsel, Ng Min Lin, in his personal capacity and in his capacity as the sole director of NCUBE, is of the view that there is a good chance of successfully defending the claim by Steven Mak.

8. MATERIAL COMMITMENTS

As at the LPD, the Directors of NCUBE are not aware of any material commitments incurred or known to be incurred by NCUBE that is likely to have an impact on NCUBE's profits or NA upon becoming enforceable.

9. CONTINGENT LIABILITIES

As at the LPD, the Directors of NCUBE are not aware of any contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on the NCUBE's profits or NA.

NORTH CUBE
NORTH CUBE SDN BHD (1201363-X)

Operation Office:
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Tel: 088-297899 Fax: 088-255899
www.northcube.my

Date: 10 June 2021

To: The Shareholders of MAG Holdings Berhad

Dear Sir/Madam,

On behalf of the Board of Directors ("Board") of North Cube Sdn Bhd ("NCUBE"), I report after due enquiries that during the period from 31 December 2020 (being the date to which the last audited financial statements of NCUBE have been made) to the date hereof, being a date not earlier than 14 days before the date of issue of this Circular:

(i) the business of NCUBE has, in the opinion of the Board of NCUBE, been satisfactory maintained;

(ii) in the opinion of the Board of NCUBE, since the last audited financial statements of NCUBE, there has been no circumstances which have adversely affected the trading or the value of the assets of NCUBE;

(iii) the current assets of NCUBE appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) there are no other contingent liabilities by reason of any guarantees or indemnities given by NCUBE;

(v) since the last audited financial statements of NCUBE, the Board of NCUBE is not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and

(vi) since the last audited financial statements of NCUBE, there have been no material changes in the published reserves or any unusual factors affecting the profits of NCUBE.

Yours faithfully,

For and on behalf of the Board of

North Cube Sdn Bhd

Ng Min Lin

Director

HQ Office:
B-3-11, Gateway Corporate Suites, Gateway Kiaramas, No. 1 Jalan Desa Kiara, Mont Kiara, 50480, Kuala Lumpur
Tel: 03-5886-0931

APPENDIX VI – DETAILS OF THE PROPOSED AMENDMENT

The existing Constitution of the Company is proposed to be amended by insertion of the additional article as set out in the following manner: -

New Article No.	Proposed Additional Article	Rationale
1.1	Definitions (a) In this Constitution, unless the context otherwise requires: **WORDS** — **MEANINGS** "RPS" — Redeemable Preference Shares	This article has been amended to be in line with the creation and issuance of the RPS pursuant to Proposed Acquisition
2.	Company Names The name of the Company is "MAG HOLDINGS BERHAD *(FKA XINGHE HOLDINGS BERHAD)*".	This article has been amended for clarity and in line with the new Company name w.e.f 7 August 2020.
14.1	Subject to the provision of the Act, the Company may issue RPS with the following specific rights, privileges and conditions:- **<u>Terms</u>** : **<u>Details</u>** Issuers : MAG Holdings Berhad *(formerly known as XingHe Holdings Berhad)* ["MAG"] Issue Price : RM0.20 per RPS Size : 400,000,000 RPS Tenure : 5 years commencing from and inclusive of the date of issue of the RPS. Maturity Date : The day immediately preceding the 5th anniversary from the date of issue of the RPS. If such a day fall on a non-market day, then the maturity date will be the preceding market day. Voting rights : Restricted to any resolution on winding-up and/or any resolution directly affecting the rights of the RPS holders. Notices : The RPS holders shall be entitled to receive notices of general meetings, reports and audited accounts of MAG and other information which may be reasonably sought. Dividend : 3.0% per annum of the Issue Price of RPS, payable semi-annually, subject to the provisions of the Act. Form and Denomination : The RPS are to be issued in registered form and constituted by the Constitution of MAG. Conversion Right : The RPS are not convertible into new ordinary shares of the Company.	This article has been amended to be in line with the creation and issuance of the RPS pursuant to Proposed Acquisition.

New Article No.	Proposed Additional Article			Rationale
	Ranking of the RPS	:	The RPS shall, upon allotment and issuance, rank equally without any preference or priority among themselves and in priority to ordinary shares of the Company, but shall rank behind all secured and unsecured obligations of MAG. In the event of liquidation, dissolution, winding-up or other repayment of capital (other than on redemption): (i) the RPS shall confer on the RPS holders the right to receive in priority to the holders of all other class of securities in the share capital of MAG, cash repayment in full of the amount (and the amount of any coupon that has fallen due and remaining in arrears) of up to 100% of the Issue Price of the RPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of MAG; (ii) the RPS shall not confer on the RPS holders thereof the right to participate in the distribution of surplus assets or profits; and (iii) in the event that MAG has insufficient assets to permit payment of the full Issue Price to the RPS holders, the assets of MAG shall be distributed proportionally to the RPS holders in proportion to the amount that each RPS holders would otherwise be entitled to receive.	
	Redemption	:	The RPS is redeemable at the Issue Price of the RPS at any time after the Guarantee Period and the auditors of NCUBE having issued a certificate confirming the actual Profit After Tax ("**PAT**") of NCUBE for the Guarantee Period, and during the tenure of the RPS, at the option of MAG, subject to not less than 7 business days' notice in writing being given prior to the Redemption. In the event of any Shortfall, the amount of the Shortfall shall be set-off against the redemption of the equivalent value of RPS. Any RPS not redeemed by MAG or surrendered by the RPS holders at the Maturity Date shall be redeemed by MAG at the Issue Price of the RPS.	
	Redemption Price	:	The redemption price is at the Issue Price of the RPS together with arrears of dividend payments (if any) up to the date of redemption.	

New Article No.	Proposed Additional Article			Rationale
	Shortfall	:	In the event that at the end of the Guarantee Period, the actual PAT is less than the guarantee amount of **Ringgit Malaysia Eighteen Million (RM18,000,000.00)** ("**Guarantee Amount**") in aggregate by more than ten per cent (10%), i.e. the actual PAT is a sum of less than RM16,200,000, then the liability of the Vendors in respect of the Shortfall amount between the actual PAT and the Guarantee Amount shall be as follows: (i) the first ten per cent (10%) of the Shortfall amounting to **Ringgit Malaysia One Million Eight Hundred Thousand (RM1,800,000.00)** shall not be claimable by the Company against the Vendors; and (ii) the remaining amount of Shortfall in excess of **Ringgit Malaysia One Million Eight Hundred Thousand (RM1,800,000.00)** shall be set-off against the redemption amount of the equivalent number of RPS held by the Vendors (in proportion to the current shareholdings ratio of the Vendors in NCUBE), and shall result in the cancellation of the RPS of equivalent value.	
	Guarantee Period	:	The eighteen (18) months financial period of NCUBE commencing on 1 January 2021 and ending on 30 June 2022 (both dates inclusive).	
	Vendors	:	Ng Min Lin and Melvin Lim Chun Woei	
	Transferability	:	Non-transferable	
	Listing	:	Non-listed	
	Governing Law	:	Law of Malaysia	

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NORTH CUBE SDN. BHD.
Registration No.: 201601030422 (1201363-X)
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS

NORTH CUBE SDN. BHD.
Registration No.: 201601030422 (1201363-X)
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS

Contents	**Pages**

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The Board of Directors
MAG Holdings Berhad
(formerly known as XingHe Holdings Berhad)
B-3-12, Gateway Corporate Suites
Gateway Kiaramas,
Jalan Desa Kiara, Mont Kiara
50480 Kuala Lumpur, Malaysia

Date: 21 May 2021

Dear Sirs,

Reporting Accountants' Opinion on the Consolidated Financial Statements Contained in the Accountants' Report of North Cube Sdn. Bhd. and its subsidiary

Opinion

We have audited the consolidated financial statements of North Cube Sdn. Bhd. (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out in pages 5 to 51. The historical consolidated financial statements of the Group have been prepared for inclusion in the circular of MAG Holdings Berhad in connection with the proposed acquisition by MAG Holdings Berhad of the entire equity interest in the Group, and for no other purposes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial positions of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020, and of their financial performances and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis of Opinion

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

Independence and Other Ethical Responsibilities

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

MOORE

REPORTING ACCOUNTANTS' OPINION ON
NORTH CUBE SDN. BHD. (cont'd)
Registration No.: 201601030422 (1201363-X)
(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

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

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

Reporting Accountants' Responsibilities for the Audit of the Financial Statements

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

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Group, 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.

(b) 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 Group's internal control.

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

MOORE

REPORTING ACCOUNTANTS' OPINION ON
NORTH CUBE SDN. BHD. (cont'd)
Registration No.: 201601030422 (1201363-X)
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Financial Statements (cont'd)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the financial statements of the Group 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 Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the consolidated financial statements of the Group, including the disclosures, and whether the financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Restriction on Distribution and Use

This report is made solely to comply with the Prospectus Guidelines issued by Securities Commission Malaysia for inclusion in the Circular of MAG Holdings Berhad in connection with the Proposed Acquisition by MAG Holdings Berhad of the entire equity interest in the Company and for no other purposes. We do not assume responsibility to any other person for the content of this report.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

STEPHEN WAN YENG LEONG
02963/07/2021 J
Chartered Accountant

Registration No.: 201601030422 (1201363-X)

NORTH CUBE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTOR

I, being the sole Director of the Company, do hereby state that, in my opinion, the accompanying financial statements as set out on pages 5 to 51 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020 and of their financial performance and cash flows for the financial periods then ended 31 December 2018, 31 December 2019 and 31 December 2020.

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Registration No.: 201601030422 (1201363-X)

NORTH CUBE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIODS ENDED 31 DECEMBER 2018, 2019 AND 2020

	Note	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Revenue	4	38,612,242	26,079,943	-
Cost of sales		(23,700,342)	(19,603,830)	-
Gross profit		14,911,900	6,476,113	-
Other income		771,517	2,988,511	-
Administrative expenses		(2,060,016)	(1,115,024)	(8,069)
Selling and distribution expenses		(875,722)	(789,134)	-
Other operating expenses		(514,578)	-	-
Profit/(loss) from operations		12,233,101	7,560,466	(8,069)
Finance costs		(4,593,200)	(2,050,940)	-
Profit/(loss) before tax	5	7,639,901	5,509,526	(8,069)
Income tax expense	6	(1,516,397)	(799,223)	-
Profit/(loss) net of tax, representing total comprehensive income for the financial period		6,123,504	4,710,303	(8,069)

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Registration No.: 201601030422 (1201363-X)

NORTH CUBE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018, 2019 AND 2020

	Note	2020 RM	2019 RM	2018 RM
ASSETS				
Non-current assets				
Property, plant and equipment	7	83,438,228	79,286,685	-
Right-of-use assets	8	10,287,343	10,463,446	-
Other investment	9	1	-	-
		93,725,572	89,750,131	-
Current assets				
Biological assets	10	7,376,484	6,211,513	-
Inventories	11	5,812,925	6,993,733	-
Trade receivables	12	14,364,314	3,837,713	-
Other receivables	13	3,745,657	3,493,708	9,720,067
Cash and bank balances		3,469,015	304,148	3,644
		34,768,395	20,840,815	9,723,711
TOTAL ASSETS		128,493,967	110,590,946	9,723,711
EQUITY AND LIABILITIES				
Equity				
Share capital	14	20,599,995	20,100,000	100,000
Retained earnings/(accumulated loss)		10,817,029	4,693,525	(16,778)
TOTAL EQUITY		31,417,024	24,793,525	83,222
Non-current liabilities				
Amount due to a Director	15	13,893,830	13,535,931	-
Borrowings	16	54,836,052	51,941,925	-
Deferred tax liabilities	17	1,631,378	649,287	-
		70,361,260	66,127,143	-
Current liabilities				
Trade payables	18	6,313,520	7,767,496	-
Other payables	19	12,146,177	4,502,833	6,144
Amount due to a Director	15	29,100	29,000	9,634,345
Preference shares	20	-	499,995	-
Borrowings	16	7,566,380	6,721,018	-
Tax payable		660,506	149,936	-
		26,715,683	19,670,278	9,640,489
TOTAL LIABILITIES		97,076,943	85,797,421	9,640,489
TOTAL EQUITY AND LIABILITIES		128,493,967	110,590,946	9,723,711

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Registration No.: 201601030422 (1201363-X)

NORTH CUBE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIODS ENDED 31 DECEMBER 2018, 2019 AND 2020

	Note	Share Capital RM	Distributable Retained Earnings/ (Accumulated Losses) RM	Total Equity RM
At 1 March 2018		100,000	(8,709)	91,291
Loss net of tax, representing total comprehensive income for the financial period		-	(8,069)	(8,069)
At 31 December 2018		100,000	(16,778)	83,222
At 1 January 2019		100,000	(16,778)	83,222
Profit net of tax, representing total comprehensive income for the financial period		-	4,710,303	4,710,303
Transaction with Owner:				
Issuance of ordinary shares	14	20,000,000	-	20,000,000
At 31 December 2019		20,100,000	4,693,525	24,793,525
At 1 January 2020		20,100,000	4,693,525	24,793,525
Profit net of tax, representing total comprehensive income for the financial period		-	6,123,504	6,123,504
Transaction with Owner:				
Issuance of ordinary shares	14	499,995	-	499,995
At 31 December 2020		20,599,995	10,817,029	31,417,024

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Registration No.: 201601030422 (1201363-X)

NORTH CUBE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIODS ENDED 31 DECEMBER 2018, 2019 AND 2020

	Note	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Cash Flows from Operating Activities				
Profit/(loss) before tax		7,639,901	5,509,526	(8,069)
Adjustments for:-				
Adjustment on property, plant and equipment		48,500	-	-
Depreciation of right-of-use assets		249,893	102,727	-
Depreciation of property, plant and equipment		4,108,054	2,349,444	-
Fair value adjustment on deferred payable		-	(2,930,209)	-
Fair value adjustment on biological assets		556,207	992,559	-
Gain on deemed disposal of a subsidiary		(679,057)	-	-
Impairment loss on trade receivables		266,611	-	-
Impairment loss on other receivables		247,967	-	-
Interest expense		4,593,200	2,050,940	-
Interest income		(1,441)	(1,602)	-
Unrealised loss on foreign exchange		389,696	57,622	-
Operating profit/(loss) before changes in working capital		17,419,531	8,131,007	(8,069)
Biological assets		(1,721,178)	(7,204,072)	-
Inventories		(2,372,189)	(6,993,733)	-
Receivables		(11,732,678)	2,331,024	(9,494,067)
Payables		11,257,272	12,264,185	5,144
Cash generated from/(used in) operations		12,850,758	8,528,411	(9,496,992)
Interest paid		(3,714,668)	(2,050,940)	-
Interest received		1,441	1,602	-
Income tax paid		(23,736)	-	-
Net cash from/(used in) operating activities		9,113,795	6,479,073	(9,496,992)
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	7	(9,097,136)	(1,636,129)	-
Acquisition of business	21	-	(90,000,000)	-
Acquisition of right-of-use assets	8	(252,996)	(566,173)	-
Net cash outflow arising from deemed disposal of a subsidiary	9	(37,595)	-	-
Net cash used in investing activities		(9,387,727)	(92,202,302)	-

Registration No.: 201601030422 (1201363-X)

NORTH CUBE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIODS ENDED 31 DECEMBER 2018, 2019 AND 2020 (cont'd)

	Note	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Balance brought forward		(273,932)	(85,723,229)	(9,496,992)
Cash Flows from Financing Activities				
Issuance of preference shares	20	-	499,995	-
Redemption of preference shares	20	(499,995)	-	-
(Repayment to)/advances from a Director	(i)	(20,538)	26,860,795	9,500,610
Drawdown of borrowings	(i)	4,638,567	65,214,191	-
Repayment of borrowings	(i)	(679,235)	(6,551,248)	-
Net cash from financing activities		3,438,799	86,023,733	9,500,610
Net increase in cash and cash equivalents		3,164,867	300,504	3,618
Cash and cash equivalents at beginning of the period		304,148	3,644	26
Cash and cash equivalents at end of the period		3,469,015	304,148	3,644

Note:

(i) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Borrowings RM	Amount due to a Director RM
2020		
At beginning of the financial period	58,662,943	13,564,931
Drawdown	4,638,567	-
Repayment	(679,235)	(20,538)
Net changes in cash flows from financing activities	3,959,332	(20,538)
Deemed disposal of a subsidiary	(219,843)	-
Capitalisation of debt through issuance of ordinary shares (Note 14)	-	(499,995)
Accretion of interest	-	878,532
At end of the financial period	62,402,432	13,922,930

Registration No.: 201601030422 (1201363-X)

NORTH CUBE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIODS ENDED 31 DECEMBER 2018, 2019 AND 2020 (cont'd)

Note: (cont'd)

(i) Reconciliation of movements of liabilities to cash flows arising from financing activities: (cont'd)

	Borrowings RM	Amount due to a Director RM
2019		
At beginning of the financial period	-	9,634,345
Drawdown	65,214,191	-
Repayment	(6,551,248)	-
Advances from	-	26,860,795
Net changes in cash flows from financing activities	58,662,943	26,860,795
Capitalisation of debt through issuance of ordinary shares (Note 14)	-	(20,000,000)
Fair value adjustment	-	(2,930,209)
At end of the financial period	58,662,943	13,564,931
2018		
At beginning of the financial period		133,735
Advances from, representing net changes in cash flows from financing activity		9,500,610
At end of the financial period		9,634,345

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Registration No.: 201601030422 (1201363-X)

NORTH CUBE SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020, 31 DECEMBER 2019 AND 31 DECEMBER 2018

1. GENERAL INFORMATION

(a) Introduction

This report has been prepared solely for inclusion in the Circular to the Shareholders of MAG Holdings Berhad in connection with the Proposed Acquisition of the Company and should not be relied upon for any other purposes.

(b) Background

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

The registered office of the Company is located at 40-1, Jalan Metro Pudu 2, Fraser Business Park, 55200, Kuala Lumpur, Wilayah Persekutuan.

The principal place of business of the Company is located at B-3-11, Gateway Corporate Suites, Gateway Kiaramas, No.1 Jalan Desa Kiara, Mont Kiara, 50480, Kuala Lumpur.

The principal activities of the Company are carrying on the business of prawn aquaculture and renting out of property, plant and machinery. There have been no significant changes in the nature of these activities during the financial periods

The Company has investment in the following subsidiaries as below:

Name of subsidiaries	Place of incorporation	Principal activities	Effective equity interest 2020 %	2019 %	2018 %
North Cube Food Sdn. Bhd. ("NCF")	Malaysia	Food processing, manufacturing and export of prawn	100	100	-
North Cube Marketing Sdn. Bhd. ("NCM")	Malaysia	Food and beverage, frozen food merchandising and general trading	-	100	-

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The Group has also considered the new accounting pronouncements in the preparation of the financial statements.

Registration No.: 201601030422 (1201363-X)

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

(i) **Accounting pronouncements that are effective and adopted**

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The adoption of the new MFRSs, Amendments/Improvements to MFRSs and IC Int did not have any significant effect on the financial statements of the Group.

(ii) **New accounting pronouncements that are issued but not yet effective and have not been early adopted**

The Group has not adopted the following new accounting pronouncement that have been issued as at the date of the Reporting Accountants' report but are not yet effective for the Group: -

Effective for financial periods beginning on or after 1 June 2020

Amendments to MFRS 16	Covid-19 Related Rent Concessions

Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 7 MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRSs 2018 - 2020	

Effective for financial periods beginning on or after 1 January 2023

Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates

Registration No.: 201601030422 (1201363-X)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) New accounting pronouncements that are issued but not yet effective and have not been early adopted (cont'd)

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial applications.

(b) Basis of measurement

The consolidated financial statements of the Group has been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) Functional and presentation currency

These consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency.

(d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made.

Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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

2. **BASIS OF PREPARATION** (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

Biological assets

In measuring the fair value of biological assets, estimates are required which included the market price, estimated size of prawns and average harvest weight per pond. Market price is derived from observable market prices through historical data, estimated size of prawns are determined based on sampling basis and average harvest weight per pond is estimated through historical data. Changes to any of these assumptions would affect the fair value of the biological assets.

The key assumptions used in the valuation methods are disclosed in Note 10.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

(a) Basis of consolidation

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to Owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Consolidation

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(b) **Foreign currencies**

Foreign currency translations and balances

Transactions in foreign currencies are converted into the functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into the functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rates as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) **Revenue and other income recognition**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, that is when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group perform;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue and other income recognition (cont'd)

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue and other income can be measured reliably. Revenue and other income are measured at fair value of consideration received or receivable.

Sale of goods

Revenue from sale of goods is recognised upon delivery of goods where control of the goods has been passed to the customers, or performance of services, net of discounts.

Other income earned by the Group is recognised on the following basis:

Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on asset.

(d) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plan

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

(e) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income taxes

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(g) Leases

As a lessee

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

The right-of-use assets and lease liabilities are presented as a separate line in the consolidated statements of financial position.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(g) **Leases** (cont'd)

As a lessee (cont'd)

The right-of-use asset is 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. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment as follows:

Long -term leasehold land	Over remaining lease period
Leased premise	2 years

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3(m)(ii).

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

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

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(h) **Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(h) **Property, plant and equipment** (cont'd)

(i) Recognition and measurement (cont'd)

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

Buildings	5%
Ponds and farm improvements	2.5%
Plant and machinery	15%
Furniture and fittings	10%
Motor vehicles	20%
Computer and software	10% - 20%
Factory and farm equipment	10%
Renovation	10%
Kitchen equipment	10% - 20%
Office equipment	10%

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(h) **Property, plant and equipment** (cont'd)

(iii) Depreciation (cont'd)

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(iv) Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses and includes borrowing cost incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the costs will be transferred to property, plant and equipment.

(i) **Biological assets**

Biological assets comprise live prawns that are measured at fair value less cost to sell.

The fair values of live prawns are determined using market price derived from observable market prices through historical data, estimated size of prawns based on sampling basis and average harvest weight per pond which is estimated through historical data.

Costs to sell include the incremental selling costs but excludes finance costs and income taxes.

Changes in fair value of biological assets are recognised in the profit or loss.

(j) **Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost method and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition, are accounted for as follows:

- cost of prawn feed, consumables and diesel comprise cost of purchase and are stated on a weighted average cost or standard cost basis (which approximates average actual cost).
- cost of finished goods includes raw materials, labour and an appropriate proportion of production overheads based on normal operating capacity.

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

(k) **Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and in hand. The cash at bank is readily convertible to known amount of cash and as such, is subject to an insignificant risk of change in value.

Registration No.: 201601030422 (1201363-X)

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(l) **Financial instruments**

(i) **Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) **Financial instrument categories and subsequent measurement**

The Group categorises financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets.

All financial assets, are subject to impairment assessment under Note 3(m)(i).

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(l) **Financial instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

Financial liabilities

Amortised cost

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

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

(iii) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(iv) **Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) **Derecognition**

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment

(i) Financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowance of the Group is measured on either of the following bases:

(a) 12-month ECLs - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(b) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach – trade receivables and contract assets

The Group applies the simplified approach to provide ECLs for all trade receivables, and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach - other financial instruments

The Group applies the general approach to provide for ECLs on all other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

Registration No.: 201601030422 (1201363-X)

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(m) **Impairment** (cont'd)

(i) **Financial assets** (cont'd)

General approach - other financial instruments (cont'd)

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 1 year past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event (e.g being more than the range from 150 or 270 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recoveries made are recognised in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(m) **Impairment** (cont'd)

(ii) **Non-financial assets**

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus of the assets to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flow that largely are independent from other assets and groups.

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

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

(n) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of their liabilities.

<u>Ordinary shares</u>

Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

<u>Preference share capital</u>

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Group's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions are reviewed at each end of the 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.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statements of comprehensive income net of any reimbursement.

(p) Fair value measurement

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

4. REVENUE

	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Recognised at point in time:			
- Sale of live prawns	5,526,088	1,521,244	-
- Sale of frozen products	33,086,154	24,558,699	-
	38,612,242	26,079,943	-

Sale of live prawns and frozen products

The Group is engaged in the business of prawn aquaculture. The Group entered into contract with customers upon issuance of sales invoice to customers.

Performance Obligation ("PO")

PO is satisfied upon the delivery of goods to customers and acknowledged by customers. The credit terms granted to customers are generally 14 to 60 days. No allocation of transaction price to PO required as each contract consists of one PO only and transaction price is determined based on mutually agreed price of the goods.

Timing of recognition

Revenue is recognised at the point in time when the Group had satisfied PO, that is the delivery of goods to customers. At the end of the financial period, there are no unsatisfied POs, that is unperformed services.

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived after charging/(crediting): -

	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Auditors' remuneration	53,000	53,000	2,000
Depreciation of right-of-use assets	249,893	102,727	-
Depreciation of property, plant and equipment	4,108,054	2,349,444	-
Director's remuneration (Note (a))	194,124	118,139	-
Employee benefits expense (Note (b))	3,278,956	2,338,144	-
Fair value adjustment on deferred payable	-	(2,930,209)	-
Fair value adjustment on biological assets	556,207	992,559	-
Gain on deemed disposal of a subsidiary (Note 9)	(679,057)	-	-
Impairment loss on trade receivables	266,611	-	-
Impairment loss on other receivables	247,967	-	-

Registration No.: 201601030422 (1201363-X)

5. PROFIT/(LOSS) BEFORE TAX (cont'd)

Profit/(loss) before tax is arrived after charging/(crediting): - (cont'd)

	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Interest expense on:			
- accretion of interest on deferred payable	878,532	-	-
- borrowings	3,654,668	2,050,940	-
- preference shares (Note 20)	60,000	-	-
Short term lease of:-			
- office equipment	2,208	736	-
- premises	122,000	66,000	-
Realised gain on foreign exchange	(15,023)	(56,501)	-
Unrealised loss on foreign exchange	389,696	57,622	-
Interest income	(1,441)	(1,602)	-

(a) Director's remuneration

	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Salaries	172,500	105,000	-
Contributions to defined contribution plan	20,700	12,600	-
Social security contributions	924	539	-
	194,124	118,139	-

(b) Employee benefits expense

	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Salaries and allowances	3,139,999	2,273,349	-
Contributions to defined contribution plan	118,794	55,711	-
Social security contributions	20,163	9,084	-
	3,278,956	2,338,144	-

Registration No.: 201601030422 (1201363-X)

6. INCOME TAX EXPENSE

	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Income tax:			
- Current period	534,433	149,936	-
- Overprovision in prior period	(127)	-	-
	534,306	149,936	-
Deferred tax (Note 17):			
- Origination of temporary differences	1,631,378	649,287	-
- Overprovision in prior period	(649,287)	-	-
	982,091	649,287	-
	1,516,397	799,223	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%; 2018: 24%) of the estimated assessable profit for the period.

The reconciliations from the tax amount at statutory income tax rate to the Group's tax expense are as follows:

	01.01.2020 to 31.12.2020 RM	01.01.2019 to 31.12.2019 RM	01.03.2018 to 31.12.2018 RM
Profit/(loss) before tax	7,639,901	5,509,526	(8,069)
Tax at the Malaysian statutory income tax rate of 24% (2019: 24%; 2018: 24%)	1,833,576	1,322,286	(1,937)
Income not subject to tax	(162,974)	(703,250)	-
Tax effect on non-deductible expenses	1,485,877	165,042	1,937
Utilisation of previously unrecognised deferred tax assets	(1,124,913)	-	-
Deferred tax assets not recognised	134,245	15,145	-
Overprovision in prior period:			
- Income tax	(127)	-	-
- Deferred tax	(649,287)	-	-
	1,516,397	799,223	-

The Group has estimated unabsorbed capital allowances of RM51,168,808 (2019: RM38,512,399; 2018: RM Nil) available for set-off against future taxable profits.

The comparative figures have been restated to reflect the actual capital allowances carried forward available to the Group.

Registration No.: 201601030422 (1201363-X)

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Ponds and farm improvements RM	Plant and machinery RM	Furniture and fittings RM	Motor vehicles RM	Computer and software RM	Balance carried forward RM
2020							
At 1 January	7,372,951	61,811,591	11,714,923	62,870	48,350	28,335	81,039,020
Additions	-	-	-	-	-	22,386	22,386
Adjustment ^	-	-	-	-	-	-	-
Deemed disposal of a subsidiary (Note 9)	-	-	-	-	-	(14,090)	(14,090)
At 31 December	7,372,951	61,811,591	11,714,923	62,870	48,350	36,631	81,047,316
Accumulated depreciation							
At 1 January	215,045	901,419	1,219,360	3,246	1,056	1,836	2,341,962
Charge for the financial period	368,648	1,545,290	2,090,332	6,192	9,670	8,167	4,028,299
Deemed disposal of a subsidiary (Note 9)	-	-	-	-	-	(1,293)	(1,293)
At 31 December	583,693	2,446,709	3,309,692	9,438	10,726	8,710	6,368,968
Net carrying amount							
At 31 December	6,789,258	59,364,882	8,405,231	53,432	37,624	27,921	74,678,348

Registration No.: 201601030422 (1201363-X)

7. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

	Balance brought forward RM	Factory and farm equipment RM	Renovation RM	Kitchen equipment RM	Office equipment RM	Capital work in progress RM	Total RM
2020							
At 1 January	81,039,020	12,916	535,693	48,500	-	-	81,636,129
Additions	22,386	129,906	320,102	4,937	19,805	8,600,000	9,097,136
Adjustment ^	-	-	-	(48,500)	-	-	(48,500)
Deemed disposal of a subsidiary (Note 9)	(14,090)	-	(797,990)	(4,937)	(18,656)	-	(835,673)
At 31 December	81,047,316	142,822	57,805	-	1,149	8,600,000	89,849,092
Accumulated depreciation							
At 1 January	2,341,962	464	7,018	-	-	-	2,349,444
Charge for the financial period	4,028,299	32,704	45,571	256	1,224	-	4,108,054
Deemed disposal of a subsidiary (Note 9)	(1,293)	-	(43,918)	(256)	(1,167)	-	(46,634)
At 31 December	6,368,968	33,168	8,671	-	57	-	6,410,864
Net carrying amount							
At 31 December	74,678,348	109,654	49,134	-	1,092	8,600,000	83,438,228

^ Adjustment relates to credit note received from supplier during the financial period.

Registration No.: 201601030422 (1201363-X)

7. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

	Buildings RM	Ponds and farm improvements RM	Plant and machinery RM	Furniture and fittings RM	Motor vehicles RM	Computer and software RM	Factory and farm equipment RM	Renovation RM	Kitchen equipment RM	Total RM
2019										
At 1 January	-	-	-	-	-	-	-	-	-	-
Acquisition of business (Note 21)	7,300,000	61,200,000	11,500,000	-	-	-	-	-	-	80,000,000
Additions	72,951	611,591	214,923	62,870	48,350	28,335	12,916	535,693	48,500	1,636,129
At 31 December	7,372,951	61,811,591	11,714,923	62,870	48,350	28,335	12,916	535,693	48,500	81,636,129
Accumulated depreciation										
At 1 January	-	-	-	-	-	-	-	-	-	-
Charge for the financial period	215,045	901,419	1,219,360	3,246	1,056	1,836	464	7,018	-	2,349,444
At 31 December	215,045	901,419	1,219,360	3,246	1,056	1,836	464	7,018	-	2,349,444
Net carrying amount										
At 31 December	7,157,906	60,910,172	10,495,563	59,624	47,294	26,499	12,452	528,675	48,500	79,286,685
At 1 January 2019/ 31 December 2018	-	-	-	-	-	-	-	-	-	-

Registration No.: 201601030422 (1201363-X)

8. RIGHT-OF-USE ASSETS

	Long-term leasehold land RM	Leased premise RM	Total RM
2020			
Cost			
At 1 January	10,566,173	-	10,566,173
Additions	-	252,996	252,996
Deemed disposal of a subsidiary (Note 9)	-	(252,996)	(252,996)
At 31 December	10,566,173	-	10,566,173
Accumulated depreciation			
At 1 January	102,727	-	102,727
Charge for the financial period	176,103	73,790	249,893
Deemed disposal of a subsidiary (Note 9)	-	(73,790)	(73,790)
At 31 December	278,830	-	278,830
Net carrying amount			
At 31 December	10,287,343	-	10,287,343
2019			
Cost			
At 1 January	-	-	-
Acquisition of business (Note 21)	10,000,000	-	10,000,000
Additions	566,173	-	566,173
At 31 December	10,566,173	-	10,566,173
Accumulated depreciation			
At 1 January	-	-	-
Charge for the financial period	102,727	-	102,727
At 31 December	102,727	-	102,727
Net carrying amount			
At 31 December	10,463,446	-	10,463,446
At 1 January 2019/31 December 2018	-	-	-

The long-term leasehold land has remaining lease period of 58 (2019: 59; 2018: Nil) years.

The long-term leasehold land has been pledged as security for banking facilities granted to the Group as disclosed in Note 16.

Registration No.: 201601030422 (1201363-X)

9. OTHER INVESTMENT

	2020 RM	2019 RM	2018 RM
Investment in unquoted shares, at cost			
At beginning of the financial period	-	-	-
Fair value on retained interest as other investment	1	-	-
At end of the financial period	1	-	-

On 1 July 2020, the Group undertook a deemed disposal of its former subsidiary, North Cube Marketing Sdn. Bhd. ("NCM") upon the dilution of the Group's effective equity interest in NCM from 100% to 1% upon additional shares being issued and subscribed by a third party.

The effect of the deemed disposal of a subsidiary at the date of disposal are summarised below:

	2020 RM
Property, plant and equipment	789,039
Right-of-use assets	179,206
Inventories	3,552,997
Trade receivables	8,064
Other receivables	41,790
Cash and bank balances	37,595
Trade payables	(3,473,938)
Other payables	(1,593,966)
Borrowings	(219,843)
Net assets of disposed subsidiary	(679,056)
Equity interest in other investment	(1)
Gain on deemed disposal of a subsidiary	679,057
Total cash consideration received	-
Less: Cash and bank balances of the subsidiary disposed	(37,595)
Net cash outflow arising from deemed disposal	(37,595)

10. BIOLOGICAL ASSETS

	2020 RM	2019 RM	2018 RM
At fair value:			
Live prawns	7,376,484	6,211,513	-

Registration No.: 201601030422 (1201363-X)

10. BIOLOGICAL ASSETS (cont'd)

Movement of live prawns at fair value can be analysed as follows:

	2020 RM	2019 RM	2018 RM
At beginning of the financial period	6,211,513	-	-
Cost of input	7,513,602	12,028,450	-
Change in fair value	(556,207)	(992,559)	-
Sale of biological assets	(5,792,424)	(4,824,378)	-
At end of the financial period	7,376,484	6,211,513	-

In measuring the fair value of live prawns biological assets, management estimates and judgements are required which included the expected harvest weight and expected size of prawns and feed percentage, survival rate and observable selling price.

The fair values of the biological assets are categorised at Level 3 of the fair value hierarchy and were estimated using observable inputs for the assets.

11. INVENTORIES

	2020 RM	2019 RM	2018 RM
At cost:			
Feeds	483,897	1,026,070	-
Consumables	93,082	117,234	-
Packing materials	721,257	740,025	-
Finished goods	4,514,689	5,110,404	-
	5,812,925	6,993,733	-

The Group recognised inventories as cost of sales amounted to RM23,711,293 (2019: RM 19,603,830; 2018: RM Nil).

12. TRADE RECEIVABLES

	Note	2020 RM	2019 RM	2018 RM
Trade receivables				
- Third parties		11,200,344	3,837,583	-
- Director's related companies		3,430,581	130	-
Trade receivables, gross		14,630,925	3,837,713	-
Less: Allowance for impairment loss	(i)	(266,611)	-	-
Trade receivables, net		14,364,314	3,837,713	-

The normal credit terms extended to customers are ranging from 14 to 60 days (2019: 14 to 60 days; 2018: Nil). Other credit terms are assessed and approved on a case by case basis.

Registration No.: 201601030422 (1201363-X)

12. TRADE RECEIVABLES (cont'd)

(i) Movements in the allowance for impairment loss on trade receivables are as follows:

	2020 RM	2019 RM	2018 RM
At beginning of the financial period	-	-	-
Additions	266,611	-	-
At end of the financial period	266,611	-	-

13. OTHER RECEIVABLES

	Note	2020 RM	2019 RM	2018 RM
Other receivables,gross		1,207,869	977,357	720,067
Less: Allowance for impairment loss	(i)	(247,967)	-	-
Other receivables, net	(ii)	959,902	977,357	720,067
Deposits	(iii)	2,513,994	2,511,454	9,000,000
Prepayments		271,761	4,897	-
		3,745,657	3,493,708	9,720,067

(i) Movements in the allowance for impairment loss on other receivables are as follows:

	2020 RM	2019 RM	2018 RM
At beginning of the financial period	-	-	-
Additions	247,967	-	-
At end of the financial period	247,967	-	-

(ii) Included in the other receivables is RM598,442 (2019: RM100,000; 2018: RM100,000) which represents the amount owing by Director's related companies which is unsecured and interest free.

(iii) Included in the deposits of the Group are:

(a) An amount of RM Nil (2019: RM Nil; 2018: RM9,000,000) which represents the down-payment of the purchase consideration for the proposed acquisition of the prawn aquaculture farm which was completed on 31 May 2019;

(b) An amount of RM2,037,705 (2019: RM2,037,705; 2018: RM Nil) which represents deposit pledged to a licensed bank for facility granted as disclosed in Note 16; and

(c) An amount of RM387,600 (2019: RM387,600; 2018: RM Nil) which represents deposit pledged to a licensed bank for bank guarantee facility.

14. SHARE CAPITAL

	Number of ordinary shares		
	2020	**2019**	**2018**
	Unit	**Unit**	**Unit**
Issued and fully paid:			
At beginning of the financial period	20,100,000	100,000	100,000
Issuance of ordinary shares	499,995	20,000,000	-
At end of the financial period	20,599,995	20,100,000	100,000

	Amount		
	2020	**2019**	**2018**
	RM	**RM**	**RM**
Issued and fully paid:			
At beginning of the financial period	20,100,000	100,000	100,000
Issuance of ordinary shares	499,995	20,000,000	-
At end of the financial period	20,599,995	20,100,000	100,000

During the financial period, the Company increased its issued and paid up ordinary shares from RM20,100,000 to RM20,599,995 by way of the issuance of 499,995 new ordinary shares at an issue price of RM1 per share for redemption of preference shares as disclosed in Note 20.

In year 2019, the Company increased its issued and paid up ordinary shares from RM100,000 to RM20,100,000 by way of the issuance of 20,000,000 new ordinary shares at an issue price of RM1 per share through capitalisation of amount owing to a Director.

The new ordinary shares issued during the financial period rank pari passu in all respects with the existing issued ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

15. AMOUNT DUE TO A DIRECTOR

	Note	2020 RM	2019 RM	2018 RM
Non-current				
Future minimum payments		15,945,507	16,466,140	-
Less: Unamortised interest		(2,051,677)	(2,930,209)	-
Present value of minimum payment	(i)	13,893,830	13,535,931	-
Current				
Amount due to a Director	(ii)	29,100	29,000	9,634,345

(i) The amount owing to a Director is unsecured which payable at 3 years. The deferred payable is measured at amortised cost at imputed interest rate of 6.45% (2019: 6.45%) per annum.

(ii) The amount owing to a Director is unsecured, interest-free and is repayable on demand.

16. BORROWINGS

	2020 RM	2019 RM	2018 RM
Non-current liability			
Term financing-i	54,836,052	51,941,925	-
Current liabilities			
Term financing-i	4,939,196	4,479,281	-
Cash line-i	502,860	491,158	-
Trust receipts-i	2,124,324	1,750,579	-
	7,566,380	6,721,018	-
Total borrowings			
Term financing-i	59,775,248	56,421,206	-
Cash line-i	502,860	491,158	-
Trust receipts-i	2,124,324	1,750,579	-
	62,402,432	58,662,943	-

The effective interest rates per annum at the reporting date for the bank borrowings are as follows:

	2020 RM	2019 RM	2018 RM
Term financing-i	BFR + 0%	BFR + 0%	-
Cash line-i	BFR + 1.25%	BFR + 1.25%	-
Trust receipts-i	BFR + 1.25%	BFR + 1.25%	-

*BFR – Base Financing Rate
Presently, the Base Financing Rate is at the rate of 5.50% per annum.

The banking facilities are secured by the following:

(i) First legal charge on the leasehold land of the Group as disclosed in Note 8;

(ii) Debenture over fixed and floating charge on the assets, both present and future;

(iii) Personal guarantee by Director of the Company;

(iv) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") with guarantee limit of 80% from the Term financing-i limit of RM0.5 million; and

(v) Corporate guarantee by the Company.

17. DEFERRED TAX LIABILITIES

	2020 RM	2019 RM	2018 RM
At beginning of the financial period	649,287	-	-
Recognised in profit or loss (Note 6)	982,091	649,287	-
At end of the financial period	1,631,378	649,287	-

Registration No.: 201601030422 (1201363-X)

17. DEFERRED TAX LIABILITIES (cont'd)

The recognised deferred tax (assets)/liabilities before offsetting are as follows:

	2020 RM	2019 RM	2018 RM
Deferred tax liabilities			
Difference between the carrying amount of property, plant and equipment and their tax base	14,074,490	9,887,680	-
Other taxable temporary differences	-	160,347	-
	14,074,490	10,048,027	-
Deferred tax assets			
Unabsorbed capital allowances	(12,280,514)	(9,243,238)	-
Unrealised profits on inventories	(2,367)	-	-
Other deductible temporary differences	(160,231)	(155,502)	-
	(12,443,112)	(9,398,740)	-

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	2020 RM	Restated 2019 RM	2018 RM
Unabsorbed capital allowances	-	4,687,137	-
Other deductible temporary differences	699,550	140,195	-
	699,550	4,827,332	-

The comparative figures have been restated to reflect the actual capital allowances carried forward available to the Group.

18. TRADE PAYABLES

	2020 RM	2019 RM	2018 RM
Trade payables			
- Third parties	4,382,724	6,143,786	-
- Director's related company	1,930,796	1,623,710	-
	6,313,520	7,767,496	-

The normal trade credit terms granted to the Group range from 60 to 90 days (2019: 60 to 90 days; 2018: 60 to 90 days). Other credit terms are assessed and approved on a case by case basis.

19. OTHER PAYABLES

	Note	2020 RM	2019 RM	2018 RM
Other payables	(i)	7,170,663	4,099,381	2,647
Accruals		447,423	403,452	3,497
Deposit received	(ii)	4,528,091	-	-
		12,146,177	4,502,833	6,144

(i) Included in other payables is an amount of RM6,385,000 (2019: RM2,875,000; 2018: RM Nil) which represents amount owing to a Director's related company. The amount is non-trade in nature, unsecured, interest free and is repayable on demand.

(ii) Included in deposit received is an amount of RM4,527,044 (2019: RM Nil; 2018: RM Nil) which represents advance deposit received from a customer for future business arrangement.

20. PREFERENCE SHARES

	Number of preference shares		
	2020 Unit	2019 Unit	2018 Unit
At beginning of the financial period	66,666	-	-
Issuance of preference shares	-	66,666	-
Redemption of preference shares	(66,666)	-	
At end of the financial period	-	66,666	-

	Amount		
	2020 RM	2019 RM	2018 RM
At beginning of the financial period	499,995	-	-
Issuance of preference shares	-	499,995	-
Redemption of preference shares	(499,995)	-	-
At end of the financial period	-	499,995	-

The 66,666 cumulative redeemable convertible preference shares ("RCPS") were issued on 30 August 2019 at an issue price of RM7.50 each and has been fully redeemed on 9 July 2020 ("Redemption Date").

During the financial period, an annual dividend of 12% on the face value of the preference shares amounting to RM60,000 was paid to preference shareholder on 11 November 2020 and is recognised as interest expense and accounted for in profit or loss in the financial year ended 31 December 2020 as disclosed in Note 5.

20. PREFERENCE SHARES (cont'd)

The salient terms of the RCPS were as follows:

(a) Dividend

(i) The RCPS carry the right to receive out of profits of the Company a cumulative preferential dividend at the following rates:
- during the first twelve (12) months, at twelve per centum (12%) per annum (based on the Issue Price of the RCPS),
- during the month thirtheenth (13^{th}) to month twenty-fourth (24^{th}), at fifteen per centum (15%) per annum (based on the Issue Price of the RCPS),
- from the twenty-fifth (25^{th}) month onwards until the date of conversion or redemption thereof, at eighteen per centum (18%) per annum (based on the Issue Price of the RCPS),

each payable upon approval of the shareholders of the Company in general meeting.

(ii) The RCPS carry the right to rank in regard to return of capital and dividend in priority to the ordinary shares and all other classes of shares.

(b) Conversion term

Provided that RCPS has not been redeemed, upon the Company receiving all approvals from the relevant authorities for the Company's initial public offer through listing of its entire issued and paid up ordinary share capital on a recognised stock exchange as determined by the Company, each of the Subscribers shall within fourteen (14) days from the receipt of the written notification, make an irrevocable election whether or not to convert the RCPS into ordinary shares of the Company.

(c) Redemption

The RCPS may be redeemed on any of the following circumstances:

(i) at any time after the expiry of 42 months from the Issue Date (or such earlier date as may be agreed by the Company);

(ii) In the event the Subscriber shall have elected not to convert the RCPS into ordinary shares in the Company pursuant to the Conversion Term, the Subscriber shall be deemed to have made a request for Company to redeem the RCPS; or

(iii) At any time during the tenure of the RCPS, the Company may by notice offer to the Subscribers to redeem the RCPS

whereupon the Company shall be liable to redeem the RCPS from the date of receipt of the redemption request notice, the conversion election notice or the acceptance of the redemption offer, as the case may be, from the Subscriber.

The RCPS which are not converted or redeemed at the option of the Subscriber will be redeemed by the Company on the final Maturity Date.

20. PREFERENCE SHARES (cont'd)

The salient terms of the RCPS were as follows: (cont'd)

(d) Rights

The RCPS shall carry no right to vote at any general meeting except with regard to the events set out in the Protective Provisions. The RCPS shall entitle a holder to one (1) vote at any class meeting in relation to any proposal by the Company.

(e) Ranking of the RCPS

The RCPS shall rank pari passu amongst themselves.

(f) Ranking of the new ordinary shares

The new ordinary shares to be issued upon the conversion of the RCPS shall upon allotment and issuance, rank pari passu in all respects with the existing ordinary shares except that such new ordinary shares shall not rank for any dividends, allotments or other distributions on or prior to the relevant date of allotment of new ordinary shares arising from the conversion of the RCPS.

21. GOODWILL

The Group has acquired the prawn aquaculture farm located in the District of Tawau, locality of Sg. Umas, Sabah with a land area of 120.5 hectares on 31 May 2019.

The effect of the farm acquisition by the Group which qualified as business combination is disclosed as below.

Fair values of the identifiable assets as at date of acquisition were:

	RM
Property, plant and equipment	80,000,000
Right-of-use assets	10,000,000
Fair value of identifiable assets acquired	90,000,000
Fair value of consideration transferred	(90,000,000)
Goodwill	-

22. RELATED PARTY DISCLOSURES

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

22. RELATED PARTY DISCLOSURES (cont'd)

Identity of related parties (cont'd)

The Group has related party relationships with its Director's related company, Directors and key management personnel. Director's related company refer to companies in which the Director has substantial financial interests and/or is also Director of the Company. The related party balances are shown in Notes 12, 13, 15 and 19 respectively.

Significant related party transactions

Other than disclosed elsewhere in the financial statements, the significant related party transactions between the Group and its related parties during the financial period are as follows:

	2020 RM	2019 RM	2018 RM
Directors			
(Repayment to)/Advances from	(20,538)	26,860,795	9,500,610
Rental expenses	20,000	45,000	-
Director's related companies			
Purchases	307,086	1,623,710	-
Sales	(88,984)	-	-

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel is made up of the Director of the Company.

The remuneration of the Director of the Company is disclosed in Note 5.

23. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's financial assets and financial liabilities are all categorised as amortised costs respectively.

Financial Risk Management Objectives and Policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, interest rate risk and liquidity risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposures to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables (which consist of trade receivables and other receivables). There are no significant changes as compared to prior period.

23. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's association to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

There are no significant changes as compared to previous period.

Exposure to credit risk, credit quality and collateral

As the Group does not hold any collateral, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the consolidated statements of financial position as at the end of the reporting date.

Concentration of credit risk

The Group determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

As at 31 December 2020, the Group has significant concentration of credit risk arising from the amount owing by 3 customers (2019: 2 customers; 2018: Nil) constituting 46% (2019: 42%; 2018: Nil) of gross trade receivables balance of the Group.

Recognition and measurement of impairment loss

The Group assesses impairment of trade receivable on individual and collective basis. The Group assesses impairment on individual basis due to different risk characteristics and the number of debtors is minimal and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually.

For collective basis, the Group uses an allowance matrix to measure ECL of collective assessed receivables as they are grouped based on shared credit risk characteristics, the days past due and similar types of contracts which have similar risk characteristics.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency.

Loss rates are based on actual credit loss experienced over the prior periods. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the period.

The Group has recognised a loss allowance of 100% against all receivables ranging from 150 or 270 days past due because historical experience has indicated that these receivables are generally not recoverable.

Registration No.: 201601030422 (1201363-X)

23. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Impairment losses

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date:

	2020 RM	2019 RM	2018 RM
Not past due	3,692,371	1,923,807	-
Past due:			
1 day to 30 days	1,229,442	-	-
31 days to 60 days	788,140	903,512	-
61 days to 90 days	-	591,560	-
91 days to 120 days	-	417,765	-
More than 120 days	8,920,972	1,069	-
	10,938,554	1,913,906	-
Less: Loss allowances	(266,611)	-	-
Total trade receivables	14,364,314	3,837,713	-

Credit impaired

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments subsequent to the 150 days or 270 days past due. Trade receivables that are collectively determined to be impaired at the reporting date relate to debtors that have defaulted on payments and due more than 150 days. These receivables are not secured by any collateral or credit enhancements. These receivables are not secured by any collateral or credit enhancements.

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. However, the Directors are of the opinion that these debts should be realisable in full without material losses in the ordinary course of business. These trade receivables relate mostly to customers with slower repayment patterns, for whom there is no history of default.

Registration No.: 201601030422 (1201363-X)

23. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

Other receivables and deposits

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivables. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the consolidated statement of financial position. The Group has provided allowances for expected credit losses on the debtors as disclosed in Note 13.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

Exposure in interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2020 RM	2019 RM	2018 RM
Floating rate interest:			
Financial liabilities	62,402,432	58,662,943	-

The Group is exposed to interest rate risk through the impact of rate changes in floating rate borrowings. The interest rates of borrowings are disclosed in Note 16. The changes in interest rates would not have material impact on the profit after tax of the Group.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period with all other variables held constant:

	2020 RM	2019 RM	2018 RM
Effects on profit after tax			
Increase of 10 basis points	(47,426)	(44,584)	-
Decrease of 10 basis points	47,426	44,584	-
Effects on equity			
Increase of 10 basis points	(47,426)	(44,584)	-
Decrease of 10 basis points	47,426	44,584	-

23. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than functional currency of the Group. The currency giving rise to this risk is primarily United States Dollar ("USD").

Foreign exchange exposures in transactional currency other than functional currency of the Group is kept to an acceptable level.

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than functional currency of the Group) risk, based on carrying amounts as at end of the reporting period was:

	Denominated in USD RM
2020	
Trade receivables	8,622,923
2019	
Trade receivables	3,837,583

A 5% strengthening of the functional currency of the Group against the foreign currency at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amount shown below:

	2020		2019	
	Profit after tax RM	Equity RM	Profit after tax RM	Equity RM
Group				
RM/USD	(327,671)	(327,671)	(145,828)	(145,828)

A 5% weakening of the functional currency of the Group against the foreign currency at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatch of financial assets and liabilities.

Registration No.: 201601030422 (1201363-X)

23. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(d) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the financial period based on contractual undiscounted repayment obligations:

	Carrying amount	Contractual cash flows	<----------Contractual Cash Flows--------->			
			Within one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
	RM	RM	RM	RM	RM	RM
2020						
Trade payables	6,313,520	6,313,520	6,313,520	-	-	-
Other payables	12,146,177	12,146,177	12,146,177	-	-	-
Amount due to a Director	13,922,930	15,974,607	29,100	15,945,507	-	-
Borrowings:-						
- Term financing-i	59,775,248	71,107,384	7,795,240	8,493,744	33,863,280	20,955,120
- Cash line-i	502,860	536,803	536,803	-	-	-
- Trust receipts-i	2,124,324	2,267,716	2,267,716	-	-	-
	94,785,059	108,346,207	29,088,556	24,439,251	33,863,280	20,955,120

23. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(d) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the financial period based on contractual undiscounted repayment obligations: (cont'd)

	Carrying amount RM	Contractual cash flows RM	<------ Contractual Cash Flows ------> Within one year RM	Between 1 and 2 years RM	Between 2 and 5 years RM	More than 5 years RM
2019						
Trade payables	7,767,496	7,767,496	7,767,496	-	-	-
Other payables	4,502,833	4,502,833	4,502,833	-	-	-
Amount due to a Director	13,564,931	16,495,140	29,000	-	16,466,140	-
Borrowings:-						
- Term financing-i	56,421,206	77,432,743	8,150,815	8,150,815	32,603,260	28,527,853
- Cash line-i	491,158	530,451	530,451	-	-	-
- Trust receipts-i	1,750,579	1,890,625	1,890,625	-	-	-
	84,498,203	108,619,288	22,871,220	8,150,815	49,069,400	28,527,853
2018						
Other payables	6,144	6,144	6,144	-	-	-
Amount due to a Director	9,634,345	9,634,345	9,634,345	-	-	-
	9,640,489	9,640,489	9,640,489	-	-	-

24. FAIR VALUE MEASUREMENTS

Assets and liabilities carried at fair value

The fair value measurement hierarchies used to measure assets and liabilities at fair value in the consolidated statements of financial position are disclosed in Note 10.

There were no material transfer between Level 1, Level 2 and Level 3 during the financial period.

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of short-term receivables and payables and cash and cash equivalents approximate their fair values due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long term floating rate loans approximates its fair value as the loans will be repriced to market interest rate on or near reporting date.

The carrying amount of long term deferred payable approximately its fair value as the market interest rate on initial recognition is approximately same as the current market interest rate.

25. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern. The Group monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group monitors capital using net debt-to-equity ratio which is the net debt divided by total equity. Net debt includes loans and borrowings, less cash and cash equivalents whilst total equity is equity attributable to Owners of the Company.

The net debt-to-equity ratios at end of the reporting period are as follows:-

	2020 RM	2019 RM	2018 RM
Borrowings	62,402,432	58,662,943	-
Less: Cash and cash equivalents	(3,469,015)	(304,148)	(3,644)
Total net debts	58,933,417	58,358,795	(3,644)
Total equity attributable to Owner of the Company	31,417,024	24,793,525	83,222
Debt-to-equity ratio (%)	188%	235%	*

* *Not meaningful*

The Group is not subject to any externally imposed capital requirements.

MOORE

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Date: 21 May 2021

The Board of Directors
MAG Holdings Berhad
(formerly known as XingHe Holdings Berhad)
B-3-12, Gateway Corporate Suites
Gateway Kiaramas,
Jalan Desa Kiara, Mont Kiara
50480 Kuala Lumpur, Malaysia

Dear Sirs,

MAG Holdings Berhad ("MAG" or "the Company") and its subsidiaries ("MAG Group")

Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position for inclusion in the Circular to the Shareholders of MAG ("Circular") in connection with the:

(i) Proposed acquisition of the entire equity interest in North Cube Sdn Bhd ("NCUBE") at a purchase consideration of RM200,000,000 ("Purchase Consideration") to be satisfied via a combination of cash, issuance of new ordinary shares in MAG ("Share(s)" or "MAG Share(s)") and redeemable preference shares in MAG ("RPS") ("Proposed Acquisition"):
- **Cash consideration of RM60 million;**
- **Issuance of 300,000,000 new MAG Shares at an issue price of RM0.20 per MAG Share ("Consideration Shares"); and**
- **400,000,000 RPS at an issue price of RM0.20 per RPS.**

(ii) Proposed private placement of 331,548,600 new MAG Share ("Placement Share(s)"), representing not more than 45.0% of the issued share capital of MAG of which 250,000,000 shares have been identified to be issued at RM0.20 and the issue price for remaining 81,548,600 shares to be determined and announced later ("Proposed Private Placement");

(iii) Proposed amendment to the constitution of MAG to facilitate the issuance of RPS under the Proposed Acquisition ("Proposed Amendment"); and

(iv) Proposed establishment and implementation of a long term incentive plan ("LTIP") which comprise of a share grant plan and employees' share option scheme of up to 15% of MAG total issued share capital (excluding treasury shares) for eligible directors and employees of MAG Group (excluding dormant subsidiaries) ("Proposed LTIP")

(The Proposed Acquisition, Proposed Private Placement, Proposed Amendment and Proposed LTIP are collectively referred to as the "Proposals")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of MAG Group as at 31 December 2019 ("Pro Forma Consolidated Statements of Financial Position"), and related notes as attached to this report in Appendix A, which have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of the Company ("the Directors") has compiled the Pro Forma Consolidated Statements of Financial Position are described in the notes of Appendix A.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors for inclusion in the Circular solely to illustrate the impact of the Proposals on MAG Group's consolidated statements of financial position as at 31 December 2019. As part of this process, information about MAG Group's consolidated statements of financial position has been extracted by the Directors from the Company's audited consolidated financial statements for the financial year ended 31 December 2019, on which an audit report has been issued.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes of Appendix A.

Reporting Accountants' Independence and Quality Control

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

Our firm applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the International Auditing and Assurance Standards Board and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position have been properly compiled, in all material respects, by the Directors on the basis set out in the notes of Appendix A.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*", issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes of Appendix A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of MAG Group as if the events have occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

Reporting Accountants' Responsibilities (cont'd)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of MAG Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

i) the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes of Appendix A using financial statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and

ii) each material adjustment made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position are appropriate for the purpose of preparing such Pro Forma Consolidated Statements of Financial Position.

Other Matter

This report has been prepared solely for inclusion in the Circular in connection with the Proposals and should not be used or relied upon for any other purposes. Neither the firm nor any member of employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

STEPHEN WAN YENG LEONG
02963/07/2021J
Chartered Accountant

MAG HOLDINGS BERHAD **Appendix A**

Pro Forma Consolidated Statements of Financial Position and the notes thereon

The pro forma consolidated statements of financial position of MAG Holdings Berhad ("MAG" or "the Company") and its subsidiaries ("MAG Group") as at 31 December 2019 ("Pro Forma Consolidated Statements of Financial Position") as set out below has been prepared for illustrative purposes only and to show the effects of the events or transactions referred to in the notes on the basis it has been effected on 31 December 2019, and should be read in conjunction with the notes accompanying the Pro Forma Consolidated Statements of Financial Position.

	Note	Audited 31 December 2019 RM	*Pro Forma I* Subsequent Events RM	*Pro Forma II* After Pro Forma I and Proposed Private Placement RM	*Pro Forma III* After Pro Forma II and Proposed Acquisition RM	*Pro Forma IV* After Pro Forma III and Assumed full Redemption of RPS, full exercise of the Warrants and full conversion of unconverted RCN RM
ASSETS						
Non-current assets						
Property, plant and equipment		98,548,560	98,548,560	98,548,560	181,986,788	181,986,788
Right-of-use assets		-	-	-	10,287,343	10,287,343
Investment in an associate		94,338,922	94,338,922	94,338,922	94,338,922	94,338,922
Other investment		-	-	-	1	1
Loan to an associate		234,723,228	234,723,228	234,723,228	234,723,228	234,723,228
Goodwill	4.1	1,387,670	1,387,670	1,387,670	161,691,817	161,691,817
		428,998,380	428,998,380	428,998,380	683,028,099	683,028,099

MAG HOLDINGS BERHAD **Appendix A**

Pro Forma Consolidated Statements of Financial Position and the notes thereon

	Note	Audited 31 December 2019 RM	*Pro Forma I* Subsequent Events RM	*Pro Forma II* After Pro Forma I and Proposed Private Placement RM	*Pro Forma III* After Pro Forma II and Proposed Acquisition RM	*Pro Forma IV* After Pro Forma III and Assumed full Redemption of RPS, full exercise of the Warrants and full conversion of unconverted RCN RM
Current assets						
Biological assets		3,118,080	3,118,080	3,118,080	10,494,564	10,494,564
Inventories		501,499	501,499	501,499	6,314,424	6,314,424
Trade and other receivables	4.2	11,813,257	10,893,401	10,893,401	29,003,372	29,003,372
Tax recoverable		11,386	11,386	11,386	11,386	11,386
Cash and bank balances	4.3	94,936,411	116,454,386	181,264,106	124,733,121	109,412,164
		110,380,633	130,978,752	195,788,472	170,556,867	155,235,910
TOTAL ASSETS		539,379,013	559,977,132	624,786,852	853,584,966	838,264,009

MAG HOLDINGS BERHAD **Appendix A**

Pro Forma Consolidated Statements of Financial Position and the notes thereon

	Note	Audited 31 December 2019 RM	*Pro Forma I* Subsequent Events RM	*Pro Forma II* After Pro Forma I and Proposed Private Placement RM	*Pro Forma III* After Pro Forma II and Proposed Acquisition RM	*Pro Forma IV* After Pro Forma III and Assumed full Redemption of RPS, full exercise of the Warrants and full conversion of unconverted RCN RM
EQUITY AND LIABILITIES						
Equity						
Share capital	4.4	346,680,500	374,396,682	440,706,402	500,706,402	579,385,445
Redeemable convertible notes ("RCN")	4.5	-	360,000	360,000	360,000	-
Foreign exchange reserve		5,513,752	5,513,752	5,513,752	5,513,752	5,513,752
Retained earnings	4.6	126,051,930	126,051,930	124,551,930	124,551,930	112,551,930
Equity attributable to Owners of the Company		478,246,182	506,322,364	571,132,084	631,132,084	697,451,127
Non-controlling interests		1,688,533	1,688,533	1,688,533	1,688,533	1,688,533
Total equity		479,934,715	508,010,897	572,820,617	632,820,617	699,139,660

MAG HOLDINGS BERHAD **Appendix A**

Pro Forma Consolidated Statements of Financial Position and the notes thereon

	Note	Audited 31 December 2019 RM	*Pro Forma I* Subsequent Events RM	*Pro Forma II* After Pro Forma I and Proposed Private Placement RM	*Pro Forma III* After Pro Forma II and Proposed Acquisition RM	*Pro Forma IV* After Pro Forma III and Assumed full Redemption of RPS, full exercise of the Warrants and full conversion of unconverted RCN RM
Non-current liabilities						
Borrowings		47,976,124	47,976,124	47,976,124	102,812,176	102,812,176
Lease liabilities		71,449	71,449	71,449	71,449	71,449
Amount due to a Director	4.7	-	-	-	5,615,001	5,615,001
Redeemable convertible notes ("RCN")	4.5	-	1,640,000	1,640,000	1,640,000	-
Redeemable preference shares ("RPS")	4.8	-	-	-	80,000,000	-
Deferred tax liabilities		-	-	-	1,631,378	1,631,378
		48,047,573	49,687,573	49,687,573	191,770,004	110,130,004

MAG HOLDINGS BERHAD **Appendix A**
Pro Forma Consolidated Statements of Financial Position and the notes thereon

	Note	Audited 31 December 2019 RM	*Pro Forma I* Subsequent Events RM	*Pro Forma II* After Pro Forma I and Proposed Private Placement RM	*Pro Forma III* After Pro Forma II and Proposed Acquisition RM	*Pro Forma IV* After Pro Forma III and Assumed full Redemption of RPS, full exercise of the Warrants and full conversion of unconverted RCN RM
Current liabilities						
Trade and other payables	4.9	9,118,063	-	-	18,459,697	18,459,697
Borrowings		2,223,878	2,223,878	2,223,878	9,790,258	9,790,258
Lease liabilities		23,064	23,064	23,064	23,064	23,064
Amount due to a Director	4.7	-	-	-	29,100	29,100
Tax payables		31,720	31,720	31,720	692,226	692,226
		11,396,725	2,278,662	2,278,662	28,994,345	28,994,345
Total liabilities		59,444,298	51,966,235	51,966,235	220,764,349	139,124,349
TOTAL EQUITY AND LIABILITIES		539,379,013	559,977,132	624,786,852	853,584,966	838,264,009

v

MAG HOLDINGS BERHAD **Appendix A**

Pro Forma Consolidated Statements of Financial Position and the notes thereon

	Note	Audited 31 December 2019 RM	*Pro Forma I* Subsequent Events RM	*Pro Forma II* After Pro Forma I and Proposed Private Placement RM	*Pro Forma III* After Pro Forma II and Proposed Acquisition RM	*Pro Forma IV* After Pro Forma III and Assumed full Redemption of RPS, full exercise of the Warrants and full conversion of unconverted RCN RM
Number of shares in issue		596,774,865	751,774,865	1,083,323,465	1,383,323,465	1,726,710,607
Net assets per share attributable to Owners of the Company(RM)		0.801	0.674	0.527	0.456	0.404
Total borrowings (interest-bearing) #		50,294,515	51,934,515	51,934,515	194,336,947	112,696,947
Gearing ratio (times)^		0.105	0.103	0.091	0.308	0.162

\# *Total borrowings represent borrowings, lease liabilities, RCN (liability portion) and RPS*

^ *Gearing ratio represents total borrowings over total equity attributable to Owners of the Company*

1. Introduction

The pro forma consolidated statements of financial position of MAG Holdings Berhad ("MAG" or the "Company") and its subsidiaries ("MAG Group") as at 31 December 2019 ("MAG Group Pro Forma Consolidated Statements of Financial Position") have been prepared for inclusion in the Company's circular to shareholders in connection with the following:

(i) Proposed acquisition of the entire equity interest in North Cube Sdn Bhd ("NCUBE") at a purchase consideration of RM200,000,000 ("Purchase Consideration") to be satisfied via a combination of cash, issuance of new ordinary shares in MAG ("Share(s)" or "MAG Share(s)") and redeemable preference shares in MAG ("RPS") ("Proposed Acquisition"):
- Cash consideration of RM60 million;
- Issuance of 300,000,000 new MAG Shares at an issue price of RM0.20 per MAG Share ("Consideration Shares"); and
- 400,000,000 RPS at an issue price of RM0.20 per RPS.

(ii) Proposed private placement of 331,548,600 new MAG Share ("Placement Share(s)"), representing not more than 45.0% of the issued share capital of MAG of which 250,000,000 shares have been identified to be issued at RM0.20 and the issue price for remaining 81,548,600 shares to be determined and announced later ("Proposed Private Placement");

(iii) Proposed amendment to the constitution of MAG to facilitate the issuance of RPS under the Proposed Acquisition ("Proposed Amendment"); and

(iv) Proposed establishment and implementation of a long term incentive plan ("LTIP") which comprise of a Share Grant Plan ("SGP") and Employees' Share Option Scheme ("ESOS") of up to 15% of MAG total issued share capital (excluding treasury shares) for eligible directors and employees of MAG Group (excluding dormant subsidiaries) ("Proposed LTIP").

The Proposed LTIP will not have immediate effect on the shareholdings of the substantial shareholders of the Company until such time when the Shares are issued and/or transferred arising from the vesting of the SGP and/or exercise of the ESOS pursuant to the Proposed LTIP. Any potential effect on the percentage of substantial shareholders' shareholdings in MAG would depend on the actual number of MAG Shares to be issued and/or transferred pursuant to the Proposed LTIP. Therefore, the effect of the Proposed LTIP will not be reflected in the Proforma Consolidated Statements of Financial Position.

(The Proposed Acquisition, Proposed Private Placement, Proposed Amendment and Proposed LTIP are collectively referred to as the "Proposals")

2. Basis of Preparation

The MAG Group Pro Forma Consolidated Statements of Financial Position have been compiled based on the audited financial statements of MAG Group for the financial year ended 31 December 2019 which had been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"). The MAG Group Pro Forma Consolidated Statements of Financial Position do not include effects of the adoption of MFRS issued by the Malaysian Accounting Standards Board which are effective for the annual period beginning on or after 1 January 2020.

2. Basis of Preparation (cont'd)

The accounting policies, basis and assumptions used in the preparation of the MAG Group Pro Forma Consolidated Statements of Financial Position are consistent with those adopted by MAG Group in the preparation of their audited financial statements for the financial year ended 31 December 2019, and included the application of acquisition method in accordance with *MFRS 3 Business Combinations* for the Proposed Acquisition.

MFRS 3 Business Combinations applies to an acquisition whereby an acquirer shall be identified for all business combinations and the acquirer is defined as the entity that obtains control of the combining entities or businesses. The excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed is recognised as goodwill in the statement of financial position.

Under the acquisition method, the identifiable assets and liabilities of NCUBE from an accounting perspective were measured and accounted for in MAG Group Pro Forma Consolidated Statements of Financial Position based on their carrying values as at 31 December 2020. The Board of Directors of MAG will ascertain the fair values of the assets and liabilities of NCUBE at the date of completion of the Proposed Acquisition. Any adjustment to the fair values of the assets and liabilities of NCUBE may have a corresponding effect on the financial position of MAG Group.

The MAG Group Pro Forma Consolidated Statements of Financial Position of which the Board of Directors of MAG is solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of MAG Group as at 31 December 2019 had the events/transactions as described in Note 3 been effected on that date, and should be read in conjunction with the accompanying notes thereto.

3. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position

3.1 Pro Forma I – Subsequent events

Pursuant to the issuance of Redeemable Convertible Notes ("RCN") with an aggregate principal amount of up to RM120 million as announced by the Company on 6 May 2019, the following subscription and conversion of RCN took place subsequent to the financial year ended 31 December 2019:

(a) RCN with nominal value of RM31,000,000 were subscribed and converted immediately into 155,000,000 new ordinary shares of the Company at a conversion price of RM0.20 per share; and
(b) RCN with nominal value of RM2,000,000 were subscribed and remained unconverted.

Upon the subscription and immediate conversion of RCN as mentioned in (a) above, the Company's issued ordinary share capital was increased from RM346,680,500 to RM374,396,682, net of amortisation of RCN issuance expenses amounting to RM3,283,818.

The unconverted RCN as mentioned in (b) gave rise to the recognition of RCN of RM360,000 (equity component) and RM1,640,000 (liability component) respectively.

3. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (cont'd)

3.1 Pro Forma I – Subsequent events (cont'd)

The total proceeds from the subscription of RCN amounting to total RM33,000,000 were utilised for the following purposes:

Details	**Note**	**RM**
Settlement of payables	4.9	9,118,063
RCN issuance expenses incurred	4.2	2,363,962
Cash and bank balances	4.3	21,517,975
Proceeds from subscription of RCN		**33,000,000**

The effects of the conversion of RCN are reflected in Pro Forma I.

3.2 Pro Forma II – Proposed Private Placement

Pro Forma II incorporates the effect of Pro Forma I and the effects of the Proposed Private Placement.

The Proposed Private Placement entails the issuance of up to 331,548,600 new MAG Shares ("Placement Share(s)") of which 250,000,000 shares have been identified to be issued at RM0.20 per share and the issue price for remaining 81,548,600 shares to be determined and to be identified at a later stage.

The estimated expenses in relation to the Proposed Private Placement of RM1,500,000 are assumed to be expensed to profit or loss and reflected in Pro Forma II.

For illustrative purpose, the remaining 81,548,600 shares will be assumed to be issued at RM0.20 per share. The proceeds to be derived from the Proposed Private Placement will be approximately RM66,309,720 ("Placement Proceeds").

The expected manner of utilisation of proceeds at this juncture are as follows:

Details	**RM'000**	**Note**	**Expected timeframe for utilisation (from the date of listing of Placement Shares)**
Funding for the Proposed Acquisition	60,000	(i)	Within 6 months
Working capital	4,810	(ii)	Within 12 months
Estimated expenses in relation to the Proposals	1,500	(iii)	Within 1 month
Total	**66,310**		

Notes:

(i) RM60.00 million of the proceeds to be raised from the Proposed Private Placement will be utilised to fund the cash portion of the Purchase Consideration for the Proposed Acquisition.

3. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (cont'd)

3.2 Pro Forma II – Proposed Private Placement (cont'd)

Notes: (cont'd)

(ii) The Group intends to utilise up to RM4.81 million of the proceeds to be raised from the Proposed Private Placement for the working capital requirements of its day-to-day operations. As the actual utilisation of these proceeds will depend on the prevailing operating needs of the Group at the time when the proceeds are received, a further breakdown of the proposed utilisation of proceeds for working capital cannot be determined at this juncture. Nevertheless, these proceeds shall mainly be utilised for the operating expenses for the Group's prawn aquaculture farms, such as purchase of prawn fries, feeds and staff costs.

(iii) The estimated expenses for the Proposals include advisory fees, fees payable to the relevant authorities, placement fees and other miscellaneous cost such as secretarial and administrative costs. Any surplus or shortfall for the payment of expenses for the Proposals will be adjusted accordingly from or to the amount allocated for working capital.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the actual issue price and the actual number of Placement Shares issued. Pending full utilisation of the proceeds from the Proposed Private Placement, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institution(s) or in short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the MAG Group.

3.3 Pro Forma III – Proposed Acquisition

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and the effects of the Proposed Acquisition.

On 24 March 2021, the Company had entered into a conditional share acquisition agreement ("SAA") with Ng Min Lin and Melvin Lim Chun Woei (collectively, the "Vendors") for the proposed acquisition of the entire equity interest in North Cube Sdn. Bhd. ("NCUBE") at a purchase consideration of RM200,000,000 which will be satisfied with the following manner:
(i) Cash consideration of RM60,000,000;
(ii) Issuance of 300,000,000 new MAG Shares at an issue price of RM0.20 per MAG Share ("Consideration Shares"); and
(iii) 400,000,000 redeemable preference shares ("RPS") in MAG at an issue price of RM0.20 per RPS.

Pursuant to the terms of SAA, an amount owing to Ng Min Lin of RM8,278,829 in NCUBE shall be capitalised into new NCUBE shares on the completion date of the SAA. The new NCUBE shares shall be renounced by Ng Min Lin and issued directly to MAG.

The Vendors covenant with and undertake that NCUBE shall achieve a consolidated profit after tax ("PAT") of RM18,000,000 for 18-month financial period ending 30 June 2022 ("Guaranteed Period") on a consolidation basis, subject to not more than 10.0% deviation or a PAT of not less than RM16,200,000 to be achieved ("Profit Guarantee").

3. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (cont'd)

3.3 Pro Forma III – Proposed Acquisition (cont'd)

Any shortfall in the Profit Guarantee in excess of the 10.0% deviation shall be set-off against the redemption amount of the equivalent number of RPS. For the purpose of the preparation of the pro forma to effect the Proposed Acquisition, the condition is assumed to be met by NCUBE of which no shortfall to be set-off against the redemption amount of the RPS.

The identifiable assets and liabilities of NCUBE were measured and accounted for in MAG Group Pro Forma Consolidated Statements of Financial Position based on their carrying values as at 31 December 2020 for illustrative purpose. The Directors will ascertain the fair values of the assets and liabilities of NCUBE at the completion of the Proposed Acquisition and is subject to finalisation of the purchase price allocation exercise which may vary from the amounts presented.

Details of the provisional fair value of assets and liabilities of NCUBE acquired are as follows:

	Note	RM
As at 31 December 2020		
Property, plant and equipment		83,438,228
Right-of-use assets		10,287,343
Other investment		1
Biological assets		7,376,484
Inventories		5,812,925
Trade and other receivables		18,109,971
Cash and bank balances	4.3	3,469,015
Borrowings		(62,402,432)
Deferred tax liabilities		(1,631,378)
Trade and other payables	4.9	(18,459,697)
Amount due to a Director	4.7	(13,922,930)
Tax payables		(660,506)
Net asset acquired		31,417,024
Capitalisation on amount due to a Director	4.7	8,278,829
		39,695,853
Fair value of effective purchase consideration transferred		(200,000,000)
Goodwill	4.1	160,304,147

Purchase consideration made up of:

	Note	RM
Cash consideration	4.3	60,000,000
Consideration shares	4.4	60,000,000
Redeemable preference shares	4.8	80,000,000
		200,000,000

3. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (cont'd)

3.4 Pro Forma IV – Full Redemption of RPS, Full Exercise of the Warrants and Full Conversion of Unconverted RCN

Pro Forma IV incorporates the effects of Pro Forma I, Pro Forma II, Pro Forma III and the effects of full redemption of RPS, full exercise of warrants and full conversion of unconverted RCN.

Full Redemption of RPS

The full redemption of the RPS assumes that 400,000,000 RPS are fully redeemed with cash amounted to RM80,000,000.

For the purpose of the preparation of the pro forma to effect the full redemption of RPS, the RPS is assumed to be redeemed at the end of 5 years period and dividend payable over 5 years amounted to RM12,000,000 has been recognised accordingly.

Full Exercise of the Warrants

The full exercise of the warrants illustrates the 333,387,142 free Warrants in circulation by the Company to be fully exercised at its conversion ratio of 1 free Warrant for 1 new ordinary share of the Company at an exercise price of RM0.23 per share, which contributing to the increase in cash and bank balances and share capital of RM76,679,043 respectively for working capital purposes.

Full Conversion of Unconverted RCN

The full conversion of unconverted RCN illustrates the full conversion of the unconverted RCN with nominal value of RM2,000,000 shown in Pro Forma I assumed to be converted in the near term similar to that of the previously issued and converted RCN. Consequently, upon the conversion it will contribute to the increase in 10,000,000 new ordinary share capital by RM2,000,000 by way of reversing the RM360,000 (equity component) and RM1,640,000 (liability component).

4. Pro Effect on the Pro Forma Consolidated Statements of Financial Position

4.1 Goodwill

	RM
As at 31 December 2019/Pro Forma I/Pro Forma II	1,387,670
Effects of Pro Forma III	
- Effect on the Proposed Acquisition	160,304,147
Pro Forma III to Pro Forma IV	161,691,817

4. Pro Effect on the Pro Forma Consolidated Statements of Financial Position (cont'd)

4.2 Trade and other receivables

	RM
As at 31 December 2019	11,813,257
Effects of Pro Forma I	
- Capitalisation of RCN issuance expenses	2,363,962
- Amortisation of RCN issuance expenses	(3,283,818)
Pro Forma I to Pro Forma II	10,893,401
Effects of Pro Forma III	
- Proposed Acquisition	18,109,971
Pro Forma III to Pro Forma IV	29,003,372

4.3 Cash and bank balances

	RM
As at 31 December 2019	94,936,411
Effects on Pro Forma I	
- Proceeds from subscription of RCN, netting off the RCN issuance expenses	21,517,975
Pro Forma I	116,454,386
Effects on Pro Forma II	
- Proposed Private Placement	64,809,720
Pro Forma II	181,264,106
Effects on Pro Forma III	
- Proposed Acquisition	
Cash and cash equivalents acquired	3,469,015
Settlement via cash consideration	(60,000,000)
Pro Forma III	124,733,121
Effects on Pro Forma IV	
- Assumed full redemption of RPS	(80,000,000)
- Dividend payable in relation to RPS	(12,000,000)
- Assumed full exercise of the warrants	76,679,043
Pro Forma IV	109,412,164

4. Pro Effect on the Pro Forma Consolidated Statements of Financial Position (cont'd)

4.4 Share capital

	RM	Unit
As at 31 December 2019	346,680,500	596,774,865
Effects on Pro Forma I		
- Effect on the conversion of RCN	31,000,000	155,000,000
- Amortisation of RCN issuance expenses	(3,283,818)	-
Pro Forma I	374,396,682	751,774,865
Effects on Pro Forma II		
- Proposed Private Placement	66,309,720	331,548,600
Pro Forma II	440,706,402	1,083,323,465
Effects on Pro Forma III		
- Proposed Acquisition Settlement via Consideration Shares	60,000,000	300,000,000
Pro Forma III	500,706,402	1,383,323,465
Effects on Pro Forma IV		
- Assumed full exercise of the warrants	76,679,043	333,387,142
- Assumed full conversion of issued but unconverted RCN	2,000,000	10,000,000
Pro Forma IV	579,385,445	1,726,710,607

4.5 Redeemable Convertible Notes ("RCN")

	RM
Equity	
As at 31 December 2019	-
Effects on Pro Forma I	
- RCN remained unconverted	360,000
Pro Forma I to Pro Forma III	360,000
Effects on Pro Forma IV	
- Assumed full conversion of issued but unconverted RCN	(360,000)
Pro Forma IV	-
Non-current liabilities	
As at 31 December 2019	-
Effects on Pro Forma I	
- RCN remained unconverted	1,640,000
Pro Forma I to Pro Forma III	1,640,000
Effects on Pro Forma IV	
- Assumed full conversion of issued but unconverted RCN	(1,640,000)
Pro Forma I to Pro Forma IV	-

4. Effect on the Pro Forma Consolidated Statements of Financial Position (cont'd)

4.6 Retained earnings

	RM
As at 31 December 2019/Pro Forma I	126,051,930
Effects on Pro Forma II	
- Estimated expenses in relation to the Proposals	(1,500,000)
Pro Forma II to Pro Forma III	124,551,930
Effects on Pro Forma IV	
- Dvidend payable in relation to the RPS	(12,000,000)
Pro Forma IV	112,551,930

4.7 Amount due to a Director

	RM
As at 31 December 2019/Pro Forma I/Pro Forma II	-
Effects on Pro Forma III	
- Proposed Acquisition	13,922,930
- Capitalisation on amount due to a Director	(8,278,829)
Pro Forma III to Pro Forma IV	5,644,101

4.8 Redeemable Preference Shares ("RPS")

	RM
As at 31 December 2019/Pro Forma I/Pro Forma II	-
Effects on Pro Forma III	
- Proposed Acquisition	
Settlement via issuance of RPS	80,000,000
Pro Forma III	80,000,000
Effects on Pro Forma IV	
- Assumed full redemption of RPS	(80,000,000)
Pro Forma IV	-

4. Effect on the Pro Forma Consolidated Statements of Financial Position (cont'd)

4.9 Trade and other payables

	RM
As at 31 December 2019	9,118,063
Effects of Pro Forma I	
- Proceed from conversion of RCN utilised for debt settlement	(9,118,063)
Pro Forma I to Pro Forma II	-
Effects of Pro Forma III	
- Proposed Acquisition	18,459,697
Pro Forma III to Pro Forma IV	18,459,697

Approved and adopted on behalf of the Board of Directors of MAG Holdings Berhad in accordance with a resolution dated 21 May 2021.

NG MIN LIN
Director

COLLIN GOONTING a/l O.S. GOONTING
Director

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

The information relating to NCUBE was obtained from NCUBE and the responsibility of the Board is limited to ensuring that the information is accurately reproduced in this Circular.

2. CONSENTS AND DECLARATION OF CONFLICT OF INTERESTS

2.1 M&A Securities

M&A Securities, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references in the form and context in which they appear in this Circular.

M&A Securities has given its confirmation that no conflict of interest exists or is likely to exist in relation to its role as the Principal Adviser for the Proposals in the Circular.

2.2 BDOCC

BDOCC, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular, the IAL of its name and all references in the form and context in which they appear in this Circular.

BDOCC, has given its confirmation that no conflict of interest exists or is likely to exist in relation to its role as the Independent Adviser for the Proposed Acquisition in the Circular.

2.3 Moore Stephens Associates PLT

Moore Stephens Associates PLT, being the Reporting Accountant for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Accountant's Report on NCUBE, the letter on the pro forma consolidated statements of financial position of MAG as at 31 December 2019 and all references thereto in the form and context in which they appear in this Circular.

Moore Stephens Associates PLT, has given its confirmation that no conflict of interest exists or is likely to exist in relation to its role as the Reporting Accountant for the Proposals in the Circular.

2.4 Protégé

Protégé, being the IMR for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular, extracts of the IMR Report of its name and all references in the form and context in which they appear in this Circular.

Protégé, has given its confirmation that no conflict of interest exists or is likely to exist in relation to its role as the IMR for the Proposals in the Circular.

3. MATERIAL CONTRACTS

Save for the SAA and Subscription Agreements as well as the following, the MAG Group (excluding NCUBE) has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the date of this Circular:

(i) On 6 May 2019, MAG entered into a subscription agreement with Advance Opportunities Fund in relation to the issuance of redeemable convertible notes ("**RCN**") with an aggregate principal amount of up to RM120.00 million. As at the LPD, a total of 88 sub-tranches (of RM1.0 million each) has been issued by MAG with a total amount raised of RM88.0 million. Out of the RM88.0 million of RCN issued, RM86.0 million worth of RCN has been converted into a total of 430,000,000 new MAG Shares at a conversion price of RM0.20 per MAG Share; and

(ii) On 23 October 2019, MAG Aquaculture, entered into a master commodities sale agreement with Bank Pertanian Malaysia Berhad as part of a term financing loan of RM50.00 million to part-finance the acquisition of a piece of land held under a 99-year lease in the District of Tawau, Locality of Kg. Wakuba, Sabah measuring 97.9 hectares ("**Farm Land**") together the farm assets which comprised of all ponds, land improvements, buildings, plant and machinery, equipment, motors vehicles, livestock and consumables on the Farm Land. As at the LPD, the entire RM50.0 million has been drawndown by MAG Aquaculture and the repayment of the loan is currently ongoing.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the MAG Group is not engaged in any material litigation, claims 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 the MAG Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the MAG Group.

5. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the MAG Group, which may have a material impact on the financial results/position of the MAG Group.

6. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the MAG Group, which upon becoming enforceable, may have a material impact in the ability of the Company to meet the obligations as and when they fall due.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's Registered Office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays), from the date of this Circular up to the date of the EGM:

(i) Constitution of MAG and NCUBE, respectively;

(ii) Audited consolidated financial statements of MAG for the past 2 FYE 31 December 2018 and 31 December 2019 together with unaudited FPE 31 December 2020;

(iii) Audited financial statements of NCUBE for the past 2 FYE 31 December 2018 and 31 December 2019 together with unaudited FPE 31 December 2020;

(iv) The SAA;

(v) The Subscription Agreements;

(vi) The letters of consent and declaration of conflict of interest referred to in Section 2 of Appendix IX of this Circular;

(vii) IMR Report prepared by Protégé;

(viii) Pro forma consolidated statement of financial position of MAG as at 31 December 2019 together with the reporting accountant's letter;

(ix) Accountant Report on NCUBE;

(x) The draft By-Laws for the Proposed LTIP;

(xi) The cause papers referred in Section 7 of Appendix IV of this Circular; and

(xii) The material contracts referred to in Section 6 of Appendix IV and Section 3 of Appendix IX of this Circular.

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MAG HOLDINGS BERHAD
(formerly known as XingHe Holdings Berhad)
Registration No. 200401004611 (643114-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of MAG Holdings Berhad (formerly known as XingHe Holdings Berhad) ("**MAG**" or the "**Company**") will be held on a fully virtual basis via online meeting platform of Securities Services e-Portal at https://sshsb.net.my/ on Friday, 2 July 2021 at 9.00 a.m. or at any adjournment thereof to consider and if thought fit, to pass the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 331,548,600 NEW ORDINARY SHARES IN MAG ("PLACEMENT SHARES") ("PROPOSED PRIVATE PLACEMENT")

"**THAT**, subject to the passing of Ordinary Resolution 2 and Special Resolution and conditional upon the approvals of all relevant authorities and persons (if any), approval be and is hereby given to our Company to increase the share capital of MAG by way of private placement of up to 331,548,600 new ordinary shares in MAG, representing not more than 45.0% of its issued shares, in one or multiple tranches to be allocated and issued to:

(i) Chan Yok Peng, Chow Dai Ying, Lee Choon Hooi, Megan Mezanin Sdn Bhd and Pelican Prospect Sdn Bhd ("**Subscribers**") for 50,000,000 Placement Shares each, amounting to a total of 250,000,000 Placement Shares ("**Subscription Shares**"), in accordance with the terms and conditions of the subscription agreements entered into between the Company and the Subscribers respectively on 24 March 2021 ("**Subscription Agreement(s)**"), at an issue price of RM0.20 per Subscription Share ("**Subscription Price**"); and

(ii) independent investor(s) to be identified for the remaining 81,548,600 Balance Placement Shares as well as any Subscription Shares not subscribed by the Subscribers, in one or several tranches, at an issue price for each tranche to be determined and fixed by the Board of Directors of the Company ("**Board**"), which shall be determined later after all the relevant approvals have been obtained. In any event, the issue price shall not be at a discount of more than 10% from the 5-day volume weighted average price of MAG Shares immediately preceding the price-fixing date;

THAT, such Placement Shares will, upon issuance and allotment, rank equally with the existing MAG Shares, except that holders of the Placement Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions, that may be declared to the shareholders of the Company, which the entitlement date (namely the date as at the close of business on which the shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) is prior to the date of allotment of the Placement Shares;

THAT, the proceeds raised from the Proposed Private Placement are to be utilised in the manner as set out in Section 2.2.5 of the Circular to Shareholders of the Company dated 10 June 2021 and the ("**Circular**") Board be and is hereby authorised, at their sole discretion, to vary the manner of utilisation of proceeds from time to time as it may deem fit, necessary or expedient in the interest of the Company;

AND THAT, the Board be and is hereby authorised to do all such acts and things that are necessary to give full effect to the Proposed Private Placement with full powers to assent to any conditions, modifications, variations and/or amendments deemed necessary or expedient in the interest of the Company and/or as may be required by the relevant authorities and to take all steps and actions they consider necessary or as may be required to give full effect to and complete the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION BY MAG OF 20,599,995 ORDINARY SHARES ("SALE SHARES") IN NORTH CUBE SDN BHD ("NCUBE"), REPRESENTING 100% OF THE EQUITY INTEREST IN NCUBE FROM NG MIN LIN AND MELVIN LIM CHUN WOEI (COLLECTIVELY, THE "VENDORS"), FOR A PURCHASE CONSIDERATION OF RM200,000,000 TO BE SATISFIED VIA A COMBINATION OF CASH CONSIDERATION OF RM60,000,000, ISSUANCE AND ALLOTMENT OF 300,000,000 NEW ORDINARY SHARES IN MAG ("MAG SHARE(S)" OR "SHARE(S)") ("CONSIDERATION SHARE(S)") AT AN ISSUE PRICE OF RM0.20 PER CONSIDERATION SHARE AND ISSUANCE AND ALLOTMENT OF 400,000,000 NEW REDEEMABLE PREFERENCE SHARES ("RPS") ("CONSIDERATION RPS") AT AN ISSUE PRICE OF RM0.20 PER CONSIDERATION RPS ("PROPOSED ACQUISITION")

"**THAT** subject to the passing of Ordinary Resolution 1 and Special Resolution and the approvals of all relevant authorities and/or persons being obtained, approval be and is hereby given for MAG to acquire the Sale Shares for a purchase consideration of RM200,000,000 ("**Purchase Consideration**").

The Purchase Consideration shall be satisfied in the following manner:-

(i) Cash consideration of RM60,000,000;

(ii) RM60,000,000 via the issuance and allotment of 300,000,000 Consideration Shares at the issue price of RM0.20 per Consideration Share; and

(iii) RM80,000,000 via the issuance and allotment of 400,000,000 Consideration RPS at an issue price of RM0.20 per Consideration RPS,

in accordance with the terms and conditions of the conditional share acquisition agreement dated 24 March 2021 entered into between the Vendors and MAG.

THAT, such Consideration Shares shall, upon issuance and allotment, rank equally in all respects with the existing MAG Shares, except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distributions, which may be declared, made or paid, for which the entitlement date is prior to the date of issuance and allotment of the Consideration Shares.

THAT the Board be and is hereby authorised to issue and allot the Consideration Shares and the Consideration RPS in satisfaction of the Purchase Consideration in accordance with the terms of the Proposed Acquisition.

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Acquisition with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Acquisition."

ORDINARY RESOLUTION 3

PROPOSED ESTABLISHMENT OF A LONG TERM INCENTIVE PLAN ("LTIP") OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT OF TIME DURING THE DURATION OF THE LTIP FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES OF MAG AND ITS SUBSIDIARY COMPANIES ("MAG GROUP" OR "GROUP") (EXCLUDING SUBSIDIARY COMPANIES WHICH ARE DORMANT) ("PROPOSED LTIP")

"**THAT** subject to the approvals of all relevant authorities (where required) being obtained, and to the extent permitted by law and the Constitution of the Company ("**Constitution**"), the Board be and is hereby authorised to:

(i) establish, implement and administer the Proposed LTIP of up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the LTIP for the eligible directors and employees of MAG Group (excluding subsidiary companies which are dormant)("**Eligible Persons**") in accordance with the provisions of the by-laws governing the Proposed LTIP ("**By-Laws**"), a draft of which is set out in Appendix III of the Circular and to give full effect to the Proposed LTIP with full power to assent to any conditions, variations, modifications and/or amendments as may be required by the relevant authorities. The Proposed LTIP comprises the proposed establishment of an employees' share grant plan ("**Proposed SGP**") and proposed establishment of an employees' share option scheme ("**Proposed ESOS**");

(ii) issue and/or transfer from time to time such number of ordinary shares in MAG Shares to the Eligible Persons upon vesting of the share grant awards pursuant to the Proposed SGP ("**SGP Grants**") and/or exercise of the share options ("**ESOS Options**") pursuant to the Proposed ESOS ("**ESOS Grants**") under the Proposed LTIP, provided that the maximum number of MAG Shares which may be made available under the Proposed LTIP shall not in aggregate exceed 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the Proposed LTIP;

(iii) the MAG Shares arising upon vesting of the SGP Grants and/or exercising of the ESOS Options shall, upon issuance and allotment, rank equally in all respects with the existing MAG Shares and together with the MAG Shares procured by the Company, via the Trustee, for transfer, shall:

(a) be subject to the provisions of the Constitution; and

(b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing MAG Shares, the record date for which is on or after the date on which the MAG Shares are credited into the central depository system accounts of the Eligible Persons and shall in all other respects rank equally with other existing MAG Shares then in issue;

(iv) if required, establish a trust to be administered by a trustee(s) to be appointed by the Company ("**Trustee**") ("**Trust**") in accordance with the trust deed to be entered into between the Company and the Trustee ("**Trust Deed**"), and to authorise the Trustee to accommodate any transfer of Shares to the central depository system accounts of the Eligible Persons at a time when the Company shall direct, subscribe for and/or acquire the necessary number of existing MAG Shares from the open market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), and be entitled from time to time to the extent permitted by law and as set out under the By-Laws to accept funding and/or assistance, financial or otherwise from the Company and/or any company within MAG Group;

(v) add, amend, modify and/or delete all or any part of the terms and conditions as set out in the By-Laws governing the Scheme from time to time provided that such additions, amendments, modifications and/or deletions are effected in accordance with the provisions of the By-Laws, and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Proposed LTIP; and

(vi) do all things necessary and make the necessary applications to Bursa Securities for the listing of and quotation for the new Shares that may, hereafter from time to time, be issued pursuant to the Proposed LTIP;

THAT the Board be and is hereby authorised to give effect to the Proposed LTIP with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed LTIP.

AND THAT the draft By-Laws, as set out in Appendix III of the Circular and which is in compliance with the ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), be and is hereby approved and adopted."

ORDINARY RESOLUTION 4

PROPOSED AWARDING OF SGP GRANT AND/OR ESOS GRANT (COLLECTIVELY, "OFFER") TO NG MIN LIN

"**THAT** subject to the passing of Ordinary Resolution 3 above and the approvals of the relevant authorities (where required) being obtained for the Proposed LTIP, the Board be and is hereby authorised at any time and from time to time during the duration of the Proposed LTIP, to award such number of Offer to Ng Min Lin, the Executive Chairman of MAG, subject to the provisions of the By-Laws of the Proposed LTIP, provided always that:

(i) he must not participate in the deliberation or discussion of his own allocation, as well as that of the persons connected with him, under the Proposed LTIP; and

(ii) not more than 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of the Company made available under the Proposed LTIP shall be allocated to him, if he, either singly or collectively through persons connected (as defined in the Listing Requirements) with him, holds 20% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the Proposed LTIP and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

AND THAT the Board be further authorised to issue and/or transfer such number of Shares pursuant to the Proposed LTIP, from time to time, to the abovementioned person."

ORDINARY RESOLUTION 5

PROPOSED AWARDING OF OFFER TO YEOH WOOI KIA

"**THAT** subject to the passing of Ordinary Resolution 3 above and the approvals of the relevant authorities (where required) being obtained for the Proposed LTIP, the Board be and is hereby authorised at any time and from time to time during the duration of the Proposed LTIP, to award such number of Offer to Yeoh Wooi Kia, the Independent Non-Executive Director of MAG, subject to the provisions of the By-Laws of the Proposed LTIP, provided always that:

(i) he must not participate in the deliberation or discussion of his own allocation, as well as that of the persons connected with him, under the Proposed LTIP; and

(ii) not more than 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of the Company made available under the Proposed LTIP shall be allocated to him, if he, either singly or collectively through persons connected (as defined in the Listing Requirements) with him, holds 20% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the Proposed LTIP and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

AND THAT the Board be further authorised to issue and/or transfer such number of Shares pursuant to the Proposed LTIP, from time to time, to the abovementioned person."

ORDINARY RESOLUTION 6

PROPOSED AWARDING OF OFFER TO WANG ZHIMIN

"**THAT** subject to the passing of Ordinary Resolution 3 above and the approvals of the relevant authorities (where required) being obtained for the Proposed LTIP, the Board be and is hereby authorised at any time and from time to time during the duration of the Proposed LTIP, to award such number of Offer to Wang ZhiMin, the Independent Non-Executive Director of MAG, subject to the provisions of the By-Laws of the Proposed LTIP, provided always that:

(i) he must not participate in the deliberation or discussion of his own allocation, as well as that of the persons connected with him, under the Proposed LTIP; and

(ii) not more than 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of the Company made available under the Proposed LTIP shall be allocated to him, if he, either singly or collectively through persons connected (as defined in the Listing Requirements) with him, holds 20% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the Proposed LTIP and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

AND THAT the Board be further authorised to issue and/or transfer such number of Shares pursuant to the Proposed LTIP, from time to time, to the abovementioned person."

ORDINARY RESOLUTION 7

PROPOSED AWARDING OF OFFER TO COLLIN GOONTING A/L O.S GOONTING

"**THAT** subject to the passing of Ordinary Resolution 3 above and the approvals of the relevant authorities (where required) being obtained for the Proposed LTIP, the Board be and is hereby authorised at any time and from time to time during the duration of the Proposed LTIP, to award such number of Offer to Collin Goonting a/l O.S Goonting, the Independent Non-Executive Director of MAG, subject to the provisions of the By-Laws of the Proposed LTIP, provided always that:

(i) he must not participate in the deliberation or discussion of his own allocation, as well as that of the persons connected with him, under the Proposed LTIP; and

(ii) not more than 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of the Company made available under the Proposed LTIP shall be allocated to him, if he, either singly or collectively through persons connected (as defined in the Listing Requirements) with him, holds 20% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the Proposed LTIP and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

AND THAT the Board be further authorised to issue and/or transfer such number of Shares pursuant to the Proposed LTIP, from time to time, to the abovementioned person."

SPECIAL RESOLUTION

PROPOSED AMENDMENT TO THE CONSTITUTION OF MAG TO FACILITATE ISSUANCE OF THE CONSIDERATION RPS ("PROPOSED AMENDMENT")

"**THAT** subject to the passing of Ordinary Resolution 1 and Ordinary Resolution 2, the Constitution of MAG be amended in the manner set out in Appendix VI of this Circular;

THAT the Board be and is hereby authorised to give effect to the amendments to the Constitution of MAG;

AND THAT the Board be and is hereby authorised to do all acts, deeds and things and execute all necessary documents as they may consider necessary, expedient and/or appropriate in the best interests of the Company, with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities and/or parties, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Amendment."

BY ORDER OF THE BOARD

WONG YUET CHYN (MAICSA 7047163) (SSM PC 202008002451)
Company Secretary

Kuala Lumpur
10 June 2021

Notes:

1. *A depositor shall not be regarded as a member entitled to attend this EGM or at any adjournment thereof and to speak and vote thereat unless his/her/its name appears on the Record of Depositors as at 25 June 2021 (which is not less than three clear market days before the date of this EGM) issued by Bursa Malaysia Depository Sdn. Bhd. (**"Bursa Depository"**) in accordance with the rules of Bursa Depository.*
2. *A member who is a holder of 2 or more shares shall be entitled to appoint up to 2 proxies to attend and vote at this EGM. Where a member appoints 2 proxies, the appointments shall be invalid unless he/she/it specifies the proportions of his/her/its holdings to be represented by each proxy. Provided that having appointed a proxy to attend in his/her/its stead, if such member personally attends this EGM, his/her/its proxy shall be precluded from the meeting.*
3. *A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**"), it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (**"omnibus account"**) as defined under SICDA, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised.*
7. *The Form of Proxy and the duly completed instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be lodged at the Company's Registered Office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or fax to 03-6201 3121 or email to ir.mag@shareworks.com.my not less than 24 hours before the time appointed for holding this EGM or at any adjournment thereof.*
8. *Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of this EGM shall be put to vote by poll.*

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FORM OF PROXY

Number of ordinary shares held

I/We, ____ CDS Account No. ____
of ____
being a Member/Members of **MAG HOLDINGS BERHAD** ***(formerly known as Xinghe Holdings Berhad)***, hereby

appoint ____ of ____
____ or failing him/her, ____

of ____
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 ("**EGM**") of the Company to be held on a fully virtual basis via online meeting platform of Securities Services e-Portal at https://sshsb.net.my/ on Friday, 2 July 2021, at 9:00 a.m and at any adjournment thereof. My/Our proxy is to vote as indicated below:

		Resolutions	For	Against
1.	Proposed Private Placement	Ordinary Resolution 1		
2.	Proposed Acquisition	Ordinary Resolution 2		
3.	Proposed LTIP	Ordinary Resolution 3		
4.	Proposed awarding of Offer to Ng Min Lin	Ordinary Resolution 4		
5.	Proposed awarding of Offer to Yeoh Wooi Kia	Ordinary Resolution 5		
6.	Proposed awarding of Offer to Wang ZhiMin	Ordinary Resolution 6		
7.	Proposed awarding of Offer to Collin Goonting a/l O.S Goonting	Ordinary Resolution 7		
8.	Proposed Amendments	Special Resolution		

*(Please indicate with a **"x"** as to how you wish your vote/s to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).*

Where two (2) proxies are appointed, please indicate below the proportion of your shareholdings to be represented by each proxy.

First named proxy______________% Second named proxy______________%

Dated this day of , 2021

____
Signature
(If shareholder is a corporation, this part should be executed under seal)

Notes:

1. *A depositor shall not be regarded as a member entitled to attend this EGM or at any adjournment thereof and to speak and vote thereat unless his/her/its name appears on the Record of Depositors as at 25 June 2021 (which is not less than three clear market days before the date of this EGM) issued by Bursa Malaysia Depository Sdn. Bhd. (**"Bursa Depository"**) in accordance with the rules of Bursa Depository.*
2. *A member who is a holder of 2 or more shares shall be entitled to appoint up to 2 proxies to attend and vote at this EGM. Where a member appoints 2 proxies, the appointments shall be invalid unless he/she/it specifies the proportions of his/her/its holdings to be represented by each proxy. Provided that having appointed a proxy to attend in his/her/its stead, if such member personally attends this EGM, his/her/its proxy shall be precluded from the meeting.*
3. *A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.*
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5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (**"omnibus account"**) as defined under SICDA, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised.*
7. *The Form of Proxy and the duly completed instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be lodged at the Company's Registered Office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or fax to 03-6201 3121 or email to ir.mag@shareworks.com.my not less than 24 hours before the time appointed for holding this EGM or at any adjournment thereof.*
8. *Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of this EGM shall be put to vote by poll.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
MAG HOLDINGS BERHAD
(formerly known as XingHe Holdings Berhad)
Registration No. 200401004611 (643114-X)
No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas
50480 Kuala Lumpur
Malaysia

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MAG HOLDINGS BERHAD
(Formerly known as XINGHE HOLDINGS BERHAD)
Registration No. 200401004611 (643114-X)
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE FOR THE EXTRAORDINARY GENERAL MEETING ("EGM")

Meeting Date : **Friday, 2 July 2021**

Time : **9:00 a.m.**

Meeting platform/ hosted by: **Securities Services e-Portal (SS e-Portal) at https://sshsb.net.my/**

Mode of meeting:

As part of the safety measures in view of Covid-19 pandemic, the EGM of the Company will be held on a fully virtual basis through live streaming and online remote voting by using remote participation and voting facilities via online meeting platform of Securities Services e-Portal at https://sshsb.net.my/ provided by Securities Services (Holdings) Sdn. Bhd.

Please note that it is your responsibility to ensure the stability of your internet connectivity throughout the Meeting as the quality of the live webcast and online remote voting are dependent on your internet bandwidth and stability of your internet connection.

This is in line with the guidance note on conduct of general meetings for listed issuers issued by the Securities Commission Malaysia on 18 April 2020 and all subsequent revisions thereto. The online meeting platform shall be recognised as the main venue of the EGM and the online platform is located in Malaysia.

Shareholders, proxies and corporate representatives/attorneys will not be allowed to attend the EGM in person on the day of the EGM.

Shareholders may submit questions to the Company prior to the EGM at eservices@sshsb.com.my not later than Wednesday, 30 June 2021, 9:00 a.m. or to use the e-Portal to raise questions (as described below)

All users of Securities Services e-Portal are to read, agree and abide to all the Terms and Conditions of Use and Privacy Policy as required throughout the e-Portal. Please note that the e-Portal is best viewed on the latest versions of Chrome, Firefox, Edge and Safari.

Enquiry
Please contact Mr. Wong Piang Yoong (DID: +603 2084 9168) or Ms. Lee Pei Yeng (DID: +603 2084 9169) or Ms. Rachel Ou (DID: +603 2084 9161) or our general line (DID: +603 2084 9000) to request for e-Services Assistance during our office hours on Monday to Friday from 8:30 a.m. to 12:15 p.m. and from 1:15 p.m. to 5:30 p.m. Alternatively, you may email us at eservices@sshsb.com.my.

BEFORE THE MEETING

(A) Register as a User of Securities Services e-Portal
Only if you are not an existing registered user

(B) Register for Remote Participation
Where you wish to participate remotely at the meeting

OR

(C) Submit e-Proxy Form
Where you wish to appoint proxy(ies) to participate remotely on your behalf (you may also submit the hard copy Proxy Form)

ON THE DAY OF THE MEETING

(D) Join the Live Stream Meeting (eLive)

AND

(E) Vote Online Remotely during the Meeting (eVoting)

BEFORE THE MEETING

(A) Sign up for a user account at Securities Services e-Portal	
Step 1 Visit https://sshsb.net.my/ Step 2 Sign up for a user account Step 3 Wait for our notification email that will be sent within one (1) working day Step 4 Verify your user account within seven (7) days of the notification email and log in	• **This is a ONE-TIME registration.** If you already have a user account, you need not register again. • Your email address is your User ID. • Please proceed to either (B) or (C) below once you are a registered user.

ALL SHAREHOLDERS MUST SIGN UP AS USER BY 28 JUNE 2021

(B) Register for Remote Participation	
Meeting Date and Time	**Registration for Remote Participation Closing Date and Time**
Friday, 2 July 2021 at 9:00 a.m.	Wednesday, 30 June 2021 at 9:00 a.m.

- Log in to https://sshsb.net.my/ with your registered email and password
- Look for **MAG Holdings Berhad** under Company Name and **EGM on 2 July 2021 at 9:00 a.m. – Registration for Remote Participation** under Corporate Exercise / Event and click "**>**" to register for remote participation at the meeting.

Step 1 Check if you are attending as –
- Individual shareholder
- Corporate or authorised representative of a body corporate
  For body corporates, the appointed corporate/authorised representative has to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The original evidence of authority and translation thereof, if required, have to be submitted to SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan (KL) for verification before the registration closing date and time above.

Step 2 Submit your registration.

- A copy of your e-Registration for remote participation can be accessed via **My Records** (refer to the left navigation panel).
- Your registration will apply to **all the CDS account(s)** of each individual shareholder / body corporate shareholder that you represent. If you are both an individual shareholder and representative of body corporate(s), you need to register as an individual and also as a representative for each body corporate.
- As the meeting will be conducted on a fully virtual basis and only the Chairman and other essential individuals will be present at the broadcast venue, we highly encourage all shareholders to remotely participate and vote at the meeting, failing which, please appoint the Chairman of the meeting as proxy or your own proxy(ies) to represent you.

(C) Submit e-Proxy Form

Meeting Date and Time	Proxy Form Submission Closing Date and Time
Friday, 2 July 2021 at 9:00 a.m.	Thursday, 1 July 2021 at 9:00 a.m.

- Log in to https://sshsb.net.my/ with your registered email and password
- Look for **MAG Holdings Berhad** under Company Name and **EGM on 2 July 2021 at 9:00 a.m. – Submission of Proxy Form** under Corporate Exercise / Event and click "**>**" to submit your proxy forms online for the meeting by the submission closing date and time above.

Step 1 Check if you are submitting the proxy form as –
- Individual shareholder
- Corporate or authorised representative of a body corporate
  For body corporates, the appointed corporate/authorised representative is to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The original evidence of authority and translation thereof, if required, have to be submitted to SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan (KL) for verification before the proxy form submission closing date and time above .

Step 2 Enter your CDS account number or the body corporate's CDS account number and corresponding number of securities. Then enter the information of your proxy(ies) and the securities to be represented by your proxy(ies).
You may appoint the Chairman of the meeting as your proxy where you are not able to participate remotely.

Step 3 Proceed to indicate how your votes are to be casted against each resolution.

Step 4 Review and confirm your proxy form details before submission.

- A copy of your submitted e-Proxy Form can be accessed via **My Records** (refer to the left navigation panel).
- You need to submit your e-Proxy Form for **every CDS account(s)** you have or represent.

PROXIES

All appointed proxies need not register for remote participation under (B) above but if they are not registered Users of the e-Portal, they will need to register as Users of the e-Portal under (A) above by 28 June 2021. PLEASE NOTIFY YOUR PROXY(IES) ACCORDINGLY. Upon processing the proxy forms, we will grant the proxy access to remote participation at the meeting to which he/she is appointed for instead of the shareholder, provided the proxy must be a registered user of the e-Portal, failing which, the proxy will not be able to participate at the meeting as the meeting will be conducted on a fully virtual basis.

ON THE DAY OF THE MEETING

Log in to https://sshsb.net.my/ with your registered email and password

(D) Join the Live Stream Meeting (eLive)

Meeting Date and Time	eLive Access Date and Time
Friday, 2 July 2021 at 9:00 a.m.	Friday, 2 July 2021 at 8:30 a.m.

➢ Look for **MAG Holdings Berhad** under Company Name and **EGM on 2 July 2021 at 9:00 a.m. - Live Stream Meeting** under Corporate Exercise / Event and click "**>**" to join the meeting.

- The access to the live stream meeting will open on the abovementioned date and time.
- If you have any questions to raise, you may use the text box to transmit your question. The Chairman/Board/ Management/relevant adviser(s) will endeavour to broadcast your question and their answer during the meeting. Do take note that the quality of the live streaming is dependent on the stability of the internet connection at the location of the user.

(E) Vote Online Remotely during the Meeting (eVoting)

Meeting Date and Time	eVoting Access Date and Time
Friday, 2 July 2021 at 9:00 a.m.	Friday, 2 July 2021 at 9:00 a.m.

➢ If you are already accessing the Live Stream Meeting, click **Proceed to Vote** under the live stream player.
OR
➢ If you are not accessing from the Live Stream Meeting and have just logged in to the e-Portal, look for **MAG Holdings Berhad** under Company Name and **EGM on 2 July 2021 at 9:00 a.m. - Remote Voting** under Corporate Exercise / Event and click "**>**" to remotely cast and submit the votes online for the resolutions tabled at the meeting.

Step 1 Cast your votes by clicking on the radio buttons against each resolution.
Step 2 Review your casted votes and confirm and submit the votes.

- The access to eVoting will open on the abovementioned date and time.
- Your votes casted will apply throughout all the CDS accounts you represent as an individual shareholder, corporate / authorised representative and proxy. Where you are attending as a proxy, and the shareholder who appointed you has indicated how the votes are to be casted, we will take the shareholder's indicated votes in the proxy form.
- The access to eVoting will close as directed by the Chairman of the meeting.
- A copy of your submitted e-Voting can be accessed via **My Records** (refer to the left navigation panel).