

THIS CIRCULAR TO SHAREHOLDERS OF RUBBEREX CORPORATION (M) BERHAD ("RUBBEREX" OR THE "COMPANY") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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RUBBEREX CORPORATION (M) BERHAD

Registration No.: 199601000297 (372642-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) PROPOSED ACQUISITION OF 500,000 ORDINARY SHARES IN RESZON DIAGNOSTICS INTERNATIONAL SDN BHD ("RESZON"), REPRESENTING 100% EQUITY INTEREST IN RESZON FOR A TOTAL PURCHASE CONSIDERATION OF RM180.0 MILLION TO BE SATISFIED BY A COMBINATION OF CASH AND NEW ORDINARY SHARES IN RUBBEREX;**
- (II) PROPOSED DIVERSIFICATION OF THE BUSINESS ACTIVITIES OF RUBBEREX AND ITS SUBSIDIARIES INTO HEALTHCARE BUSINESS WHICH INCLUDES BUT NOT LIMITED TO MANUFACTURING AND SALES OF TEST KITS AND OTHER HEALTHCARE RELATED PRODUCTS AND SERVICES; AND**
- (III) PROPOSED CHANGE OF NAME OF THE COMPANY FROM RUBBEREX CORPORATION (M) BERHAD TO HEXTAR HEALTHCARE BERHAD**

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)

The Extraordinary General Meeting ("EGM") of Rubberex Corporation (M) Berhad ("**Rubberex**" or "**Company**") will be conducted fully virtual through online meeting platform via TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Wednesday, 14 September 2022 at 10.00 a.m. using the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>. The Notice of EGM and the Form of Proxy are attached in this Circular.

If you are unable to participate at this EGM, you may appoint a proxy(ies) to do so on your behalf by completing, signing and depositing the Form of Proxy in accordance with the instruction contained therein. Alternatively, you may appoint the Chairman of the meeting as your proxy and indicate your voting instruction in the Form of Proxy.

The completed Form of Proxy must be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than 48 hours before the time for holding the EGM, which is no later than **Monday, 12 September 2022 at 10.00 a.m.** or any adjournment thereof. You may also submit the proxy appointment electronically via TIIH Online website at <https://tiih.online> not later than the aforementioned time.

This Circular is dated 23 August 2022

DEFINITIONS

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

Act	:	Companies Act, 2016 and includes any amendments thereto from time to time
Board	:	Board of Directors of Rubberex
Bursa Securities	:	Bursa Malaysia Securities Berhad
Cash Consideration	:	Cash consideration of RM54.0 million
CCM	:	Companies Commission of Malaysia
Circular	:	This circular to shareholders of Rubberex in relation to the Proposals dated 23 August 2022
Consideration Share(s)	:	177,690,030 new Rubberex Shares to be issued at the Issue Price pursuant to the Proposed Acquisition
COVID-19	:	Coronavirus Disease
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Eco Asia	:	Eco Asia Capital Advisory Sdn Bhd, the independent business valuer appointed by the Company for the Proposed Acquisition
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per share
Escrow Agreement	:	The escrow agreement to be entered into between Rubberex, escrow agent and the Vendors relating to the establishment and the operation of the escrow account
EV	:	Enterprise value
Fairness Opinion Letter	:	Fairness opinion letter on the Purchase Consideration prepared by Eco Asia
FYE	:	Financial year ended/ending 31 December, as the case may be
Healthcare Business	:	Healthcare business which includes but not limited to manufacturing and sales of test kits and other healthcare related products and services such as medicine, medical consumables, pharmaceutical products, medical equipment or devices, vaccines, health supplements, provision of quarantine services, health screening services, clinical services and laboratory services.
Issue Price	:	Issue price of RM0.7091 per Consideration Share
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	29 July 2022, being the latest practicable date prior to the printing and despatch of this Circular
LTD	:	30 May 2022, being the last market day prior to the announcement of the Proposals on 31 May 2022

DEFINITIONS (cont'd)

M&A Securities or Principal Adviser	:	M&A Securities Sdn Bhd
MOH	:	Ministry of Health, Malaysia
NA	:	Net assets
PAT	:	Profit after taxation
PE	:	Price-to-earnings
Profit Guarantee	:	Audited net PAT of Reszon of not less than RM50,000,000 for the FYE 2022 and not less than RM50,000,000 for the FYE 2023 guaranteed by the Vendors
Proposals	:	Collectively, the Proposed Acquisition, Proposed Diversification and Proposed Change of Name
Proposed Acquisition	:	Proposed acquisition of 500,000 ordinary shares in Reszon, representing 100% equity interest in Reszon, from the Vendors for a total purchase consideration of RM180.0 million to be satisfied by a combination of cash and Consideration Shares
Proposed Change of Name	:	Proposed change of name of the Company from "Rubberex Corporation (M) Berhad" to "Hextar Healthcare Berhad"
Proposed Diversification	:	Proposed diversification of the business activities of Rubberex Group into the Healthcare Business
Protégé	:	Protégé Associates Sdn Bhd
Reszon	:	Reszon Diagnostics International Sdn Bhd
Reszon Shares	:	Ordinary shares in Reszon
Revongen	:	Revongen Corporation Sdn Bhd
RM and sen	:	Ringgit Malaysia and sen, respectively
Rubberex Group or Group	:	Rubberex and its subsidiaries
Rubberex or Company	:	Rubberex Corporation (M) Berhad
Rubberex Share(s) or Share(s)	:	Ordinary share(s) in Rubberex
Sale Share(s)	:	500,000 ordinary shares in Reszon representing 100.0% equity interest in Reszon
SSA	:	Conditional share sale agreement entered into by the Company and the Vendors for the Proposed Acquisition dated 31 May 2022
sq ft	:	Square feet
Vendors	:	Collectively, Law Eng Lim and Revongen
VWAMP	:	Volume weighted average market price

DEFINITIONS (*cont'd*)

All references to "we", "us", "our" and "ourselves" are to Rubberex or Rubberex Group. All references to "you" in this Circular are to the shareholders of Rubberex.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any 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.

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

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE ENTIRE CONTENTS OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF THE COMPANY TO BE CONVENED.

Key information	Summary	Reference to Circular
Summary of the Proposals	<p>On 31 May 2022, M&A Securities had, on behalf of the Board announced the following:</p> <ul style="list-style-type: none">(i) Proposed acquisition of 500,000 ordinary shares in Reszon, representing 100% equity interest in Reszon, from the Vendors, for a total purchase consideration of RM180.0 million to be satisfied by a combination of cash and Consideration Shares;(ii) Proposed diversification of the business activities of Rubberex Group into healthcare business which includes but not limited to manufacturing and sales of test kits and other healthcare related products and services; and(iii) Proposed change of name of the Company from Rubberex Corporation (M) Berhad to Hextar Healthcare Berhad.	-
Details of the Proposed Acquisition	<p>The Proposed Acquisition entails the acquisition of the Sale Shares, representing 100.0% equity interest of Reszon by Rubberex from the Vendors for the Purchase Consideration.</p> <p>Reszon is principally involved in manufacturing of innovative vitro diagnostics (IVD) rapid test kits, COVID-19 rapid test kits (RTK) and enzyme-linked immunosorbent assay (ELISA) test kits specializing in infectious diseases diagnosis and drug of abuse screening for medical professionals and clinical diagnostic markets.</p> <p>Upon completion of the Proposed Acquisition, Rubberex will hold 100.0% equity interest in Reszon.</p> <p>The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis, after taking into consideration the following:</p> <ul style="list-style-type: none">(i) the Profit Guarantee;(ii) the rationale and benefits of the Proposed Acquisition;(iii) the historical financial performance of Reszon for the past 3 financial years; and(iv) Fairness Opinion Letter prepared by Eco Asia. <p>The Issue Price was arrived at after taking into consideration the 5-day VWAMP of Rubberex Shares up to and including the LTD.</p>	Section 2
Details of the Proposed Diversification	<p>Upon completion of the Proposed Acquisition, the Board anticipates that the Proposed Acquisition will potentially contribute 25% or more of the net profits of Rubberex Group and/or result in a diversion of more than 25% of the NA of Rubberex Group.</p>	Section 3

EXECUTIVE SUMMARY (cont'd)

Key information	Summary	Reference to Circular
	<p>For illustrative purposes, this is based on the audited consolidated PAT of Rubberex Group for FYE 31 December 2021 of RM185.7 million against the expected PAT of Reszon of RM50.0 million (being the Profit Guarantee per annum).</p> <p>Therefore, the Company wishes to obtain the approval of the shareholders of Rubberex to diversify the business activities of Rubberex Group to include the Healthcare Business.</p>	
Details of the Proposed Change of Name	: The Board proposes to change the Company's name from "Rubberex Corporation (M) Berhad" to "Hextar Healthcare Berhad".	Section 4
Rationale for the Proposals	: <u>Proposed Acquisition</u> The Proposed Acquisition is in line with the Group's overall business expansion objectives and growth strategy. The Proposed Acquisition will provide an opportunity for the Group to venture into the Healthcare Business, which is complementary and synergistic to its existing glove business in view that gloves are considered personal protective equipment which falls within the healthcare sector. Synergies may be derived in the form of potential sharing of resources (i.e. manpower and equipment) and experience (i.e. in the healthcare field). <u>Proposed Diversification</u> The Proposed Diversification will diversify the earnings base of the Group and reduce the business risk of dependency on its existing glove manufacturing and property investment businesses. <u>Proposed Change of Name</u> The Proposed Change of Name is to have a new corporate identity to better reflect the Group's core business and its future undertakings.	Section 5
Risk factors	: The Proposed Acquisition and Proposed Diversification may expose the Rubberex Group to certain risk factors which include the following: (i) Non-completion of the Proposed Acquisition; (ii) Investment risk; (iii) Business diversification risk; (iv) Key personnel risk; and (v) Achievability of Profit Guarantee	Section 7
Approvals required	: The Proposals are subject to the following approvals being obtained from: (i) Bursa Securities, for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; and (ii) shareholders of Rubberex for the Proposals at the forthcoming EGM of the Company to be convened.	Section 10

EXECUTIVE SUMMARY (cont'd)

Key information	Summary	Reference to Circular
	<p>Save as disclosed above, the Proposals are not subject to any approvals from the government or any other relevant regulatory authority.</p>	
Directors' statements and recommendation	<p>: After considering all aspects of the Proposals, including the rationale, benefit and justification of arriving at the Purchase Consideration and prospects for the Proposals, the Board is of the opinion that the Proposals are in the best interest of Rubberex Group and its shareholders.</p> <p>Accordingly, the Board recommends that you vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM of the Company to be convened.</p>	Section 14

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RUBBEREX CORPORATION (M) BERHAD

Registration No.: 199601000297 (372642-U)
(Incorporated in Malaysia)

Registered Office:

41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan

23 August 2022

Board of Directors:

Liew Jee Min @ Chong Jee Min (*Independent Non-Executive Chairman*)
Khoo Chin Leng (*Managing Director*)
Dato' Ong Choo Meng (*Non-Independent Non-Executive Director*)
Goh Hsu-Ming (*Non-Independent Executive Director*)
Lim Chee Lip (*Non-Independent Executive Director*)
Dato' Mohamed bin Hamzah (*Independent Non-Executive Deputy Chairman*)
Dato' Chan Choun Sien (*Independent Non-Executive Director*)

To: The Shareholders of Rubberex

Dear Sir/Madam,

- (I) PROPOSED ACQUISITION;**
- (II) PROPOSED DIVERSIFICATION; AND**
- (III) PROPOSED CHANGE OF NAME**

1. INTRODUCTION

On 31 May 2022, M&A Securities had on behalf of the Board, announced that Rubberex had on the same date entered into the SSA with the Vendors for the Proposed Acquisition.

In conjunction with the Proposed Acquisition, Rubberex intends to undertake the Proposed Diversification and Proposed Change of Name.

On 5 August 2022, on behalf of the Board, M&A Securities announced that Bursa Securities had, vide its letter dated 5 August 2022, resolve to approve the listing of and quotation for 177,690,030 Consideration Shares, subject to the following conditions:

No.	Conditions	Status of Compliance
(i)	Rubberex and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied
(ii)	Rubberex and M&A Securities to inform Bursa Securities upon the completion of the Proposed Acquisition;	To be complied

No.	Conditions	Status of Compliance
(iii)	Rubberex 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 Diversification;	To be complied
(iv)	Rubberex and M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed; and	To be complied
(v)	To incorporate the comments made in the circular to shareholders provided in attachment I of Bursa Securities' approval letter.	Complied

THE PURPOSE 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 OF THE COMPANY TO BE CONVENED. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE APENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM OF THE COMPANY TO BE CONVENED.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition of the Sale Shares, representing 100.0% equity interest of Reszon by Rubberex from the Vendors for the Purchase Consideration.

Set out below are the terms of the Sale Shares to be disposed and the settlements to be received by the respective Vendors pursuant to the terms and conditions of the SSA:

Vendors	Sale Shares '000	Consideration shares (70% of Purchase Consideration)		Cash Consideration (30% of Purchase Consideration)		Total RM'000
		'000	RM'000	RM'000	RM'000	
Law Eng Lim	3	1,066	756	324	1,080	
Revongen	497	176,624	125,244	53,676	178,920	
Total	500	177,690	126,000	54,000	180,000	

The mode of payment of the Purchase Consideration is summarised as follows: -

Type of Payment	Purchase Consideration	Particulars
Earnest Deposit	RM9,000,000.00 in cash (5% of the Purchase Consideration)	<ul style="list-style-type: none"> ▪ Paid on 27 June 2022 ▪ Refundable (interest free) if conditions precedents of the SSA are not fulfilled. ▪ Part payment towards FYE 2022 H1 Payment.
Initial Shares Payment	RM9,000,000.00 in Consideration Shares (5% of the Purchase Consideration)	<ul style="list-style-type: none"> ▪ Within 14 days from completion date of the SSA.
FYE 2022 H1 Payment	<ul style="list-style-type: none"> ▪ Up to RM4,500,000.00 in cash (after taking into account the Earnest Deposit); and ▪ Up to RM22,500,000.00 in Consideration Shares 	<ul style="list-style-type: none"> ▪ Within 14 days from the completion date of the SSA ▪ Subject to the Company's review of Reszon's unaudited financial result for H1 of FYE 2022. ▪ Actual amount payable shall be in proportion to the percentage of the FYE 2022 Profit Guarantee attained by the Vendors for H1 of FYE 2022. ▪ Capped at a maximum of 50% of the FYE 2022 Profit Guarantee.
FYE 2022 H2 Payment	<ul style="list-style-type: none"> ▪ Up to RM13,500,000.00 in cash; and ▪ Up to RM31,500,000.00 in Consideration Shares 	<ul style="list-style-type: none"> ▪ Within 14 days from the release of Reszon's audited financial statement for FYE 2022. ▪ Subject to collection of 90% of Reszon's trade receivables for FYE 2022. ▪ Actual amount payable shall be in proportion to the percentage of the FYE 2022 Profit Guarantee attained by the Vendors for H2 of FYE 2022. ▪ Capped at a maximum of 50% of the FYE 2022 Profit Guarantee.
FYE 2023 Payment	<ul style="list-style-type: none"> ▪ Up to RM27,000,000.00 in cash; and ▪ Up to RM63,000,000.00 in Consideration Shares 	<ul style="list-style-type: none"> ▪ Within 14 days from the release of Reszon's audited financial statement for FYE 2023. ▪ Subject to collection of 90% of Reszon's trade receivables for FYE 2023. ▪ Actual amount payable shall be in proportion to the percentage of the FYE 2023 Profit Guarantee attained by the Vendors.

In the event that Reszon's cumulative PAT for FYE 2022 and FYE 2023 exceeds the Profit Guarantee of RM100.0 million, the Vendors shall be entitled to receive a one-off cash incentive ("**Performance Bonus**") which may increase the total Purchase Consideration. The Performance Bonus shall be capped at RM45.0 million and payable in proportion to the excess in Profit Guarantee attained by Reszon ("**PG Surplus**"). Such PG Surplus attained by Reszon shall be capped at RM30.0 million.

For illustrative purposes (not exhaustive), the Performance Bonus shall be received by the Vendors in the following manner:

Scenario 1 – Cumulative PAT of RM110.0 million is achieved

If the Vendors achieved an aggregate PAT of RM110,000,000 for the FYE 2022 and FYE 2023 (represents PG Surplus of RM10,000,000), the Performance Bonus payable to the Vendors shall be RM15,000,000 (i.e. $[\text{RM}10,000,000/\text{RM}30,000,000] \times \text{RM}45,000,000$).

Scenario 2 – Cumulative PAT of RM130.0 million is achieved

If the Vendors achieved an aggregate PAT of RM130,000,000 for the FYE 2022 and FYE 2023 (represents PG Surplus of RM30,000,000), the Performance Bonus payable to the Vendors shall be RM45,000,000 (i.e. $[\text{RM}30,000,000/\text{RM}30,000,000] \times \text{RM}45,000,000$).

Scenario 3 – Cumulative PAT of RM140.0 million is achieved

The Vendors will not be entitled to additional cash incentives beyond or other than the Performance Bonus in the event Reszon's cumulative PAT for the FYE 2022 and FYE 2023 is more than RM130,000,000.

For avoidance of doubt, the Performance Bonus is an incentive given by the Company to the Vendors if the Vendors exceed the Profit Guarantee. However, in the event the Vendors do not achieve the Profit Guarantee, the Vendors will not be entitled to the Performance Bonus. In addition, they will also not be entitled to the full amount of the Purchase Consideration.

Subject to the terms and conditions of the SSA, the Sale Shares will be acquired by Rubberex free from all encumbrances from the Vendors.

Upon completion of the Proposed Acquisition, Rubberex will hold 100.0% equity interest in Reszon.

In consideration of the Company agreeing to purchase the Sale Shares in accordance with the terms of the SSA from the Vendors, the Vendors covenant with and undertake to the Company that Reszon shall achieve the Profit Guarantee.

The Proposed Acquisition is subject to the terms and conditions of the SSA. The Company shall also enter into the Escrow Agreement as a security mechanism for the Vendors' performance of the Profit Guarantee prior to the completion of the Proposed Acquisition. Please refer to **Appendix I** and **Appendix II** of this Circular for the salient terms of the SSA and Escrow Agreement, respectively.

2.1 Information on Reszon

Reszon is a private limited company incorporated in Malaysia on 11 October 2010 and commenced operations on 1 November 2010. Reszon is principally involved in manufacturing a suite of innovative in-vitro diagnostics ("IVD") rapid test kits, COVID-19 rapid test kits (RTK) and enzyme-linked immunosorbent assay ("ELISA") test kits specializing in infectious diseases diagnosis and drug of abuse screening for medical professionals and the clinical diagnostic markets.

The functions of the test kits produced by Reszon are as follows:

Products	Functions	Examples
IVD rapid test kits	IVD rapid test kits are immunochromatographic based in vitro diagnostic rapid tests performed on samples taken from the human body, such as swabs of mucus from the nose or throat, blood taken from fingerstick or urine samples. IVD rapid test kits can be used to detect diseases or to monitor a person's overall health to help cure, treat, or prevent diseases.	<ul style="list-style-type: none"> ▪ COVID-19 Rapid Antigen Test Kit; ▪ COVID-19 Rapid IgG/IgM Test Kit; ▪ Dengue Rapid NS1 Antigen Test Kit; ▪ Malaria Rapid Test Kit; ▪ Typhoid Rapid Test Kit; ▪ Lymphatic Filariasis Rapid Test - Brugia Rapid Test Kit; and ▪ Drug of Abuse Rapid Test Kit
ELISA test kits	ELISA test kits are enzyme-linked immunoassays commonly used to detect antibodies (protein produced by the body's immune system when it detects harmful substances in the blood).	Typhoid ELISA test kit

The principal markets of Reszon's products are Malaysia and France.

Please refer to **Appendix III** of this Circular for further information on Reszon.

2.2 Information on the Vendors

(i) **Law Eng Lim**

The background information on Law Eng Lim is set out in Section 3 of this Circular.

(ii) **Revongen Corporation Sdn Bhd**

Revongen is a private limited company incorporated in Malaysia on 3 June 2009. Revongen is an investment holding company.

As at the LPD:

- (a) the total issued share capital of Revongen is RM2,699,974 comprising 105,263 ordinary shares;
- (b) the Directors of Revongen are Law Eng Lim and Pook Jyh Long; and
- (c) the shareholders of Revongen are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Law Eng Lim	75,000	71.2	-	-
Olympia Tier Sdn Bhd	25,000	23.8	-	-
Neogon Holding FZE	5,263	5.0	-	-

(iii) Olympia Tier Sdn Bhd ("Olympia")

Olympia is a private limited company incorporated in Malaysia on 30 June 2016. Olympia is an investment holding company.

As at the LPD:

- (a) the total issued share capital of Olympia is RM100 comprising 100 ordinary shares;
- (b) the Directors of Olympia are Gan Kok Wee and Pook Jyh Long; and
- (c) the shareholders of Olympia are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Gan Kok Wee	80	80.0	-	-
Pook Jyh Long	10	10.0	-	-
Goh Seok Seong	10	10.0	-	-

(iv) Neogon Holding FZE ("Neogon")

Neogon is incorporated under the UMM AL Quwain Free Trade Zone Authority at United Arab Emirates on 8 October 2018. Neogon is principally involved in provision of management consultancy services. As at the LPD, the director of Neogon is Norbert Csuzda. The shareholders' information of Neogon is not available as there is no official company registration database in the United Arab Emirates.

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

Name	Date of investment	No. of shares acquired/(transferred)	Consideration RM
Law Eng Lim	11 October 2010	1	1.00
	9 November 2012	⁽ⁱ⁾ (1)	(1.00)
	13 March 2018	150,000	150,000.00
	10 October 2018	⁽ⁱⁱ⁾ (147,000)	(147,000.00)
Revongen	12 December 2019	⁽ⁱⁱⁱ⁾ 297,000	297,000.00
	14 December 2021	200,000	200,000.00

Notes:

- ⁽ⁱ⁾ Transferred to Biosyntech Malaysia Group Sdn Bhd ("**Biosyntech**") (a company wholly owned by Law Eng Lim) and subsequently transferred to Empress Wood Sdn Bhd ("**Empress Wood**") (a company wholly-owned by Green Afforestation International Network Sdn Bhd, which is a 53.3% owned subsidiary of Revongen)
- ⁽ⁱⁱ⁾ Transferred to Empress Wood
- ⁽ⁱⁱⁱ⁾ Transferred from Empress Wood (Prior to 12 December 2019, Empress Wood held 297,000 shares in Reszon by way of (i) 100,000 shares disposed from Biosyntech on 13 July 2017; (ii) 50,000 shares allotted from Reszon on 17 August 2018; and (iii) 147,000 shares disposed from Law Eng Lim on 10 October 2018)

2.3 Basis of arriving at and justification for the Purchase Consideration

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

- (i) the Profit Guarantee;
- (ii) the rationale and benefits of the Proposed Acquisition (as set out in Section 5 of this Circular);
- (iii) the historical financial performance of Reszon for the past 3 financial years; and
- (iv) Fairness Opinion Letter prepared by Eco Asia, an independent business valuer engaged by Rubberex to evaluate the fairness of the Purchase Consideration.

The Purchase Consideration represents a PE multiple of approximately 3.6 times, computed by dividing the Purchase Consideration of RM180.0 million with the Profit Guarantee for an individual guaranteed financial year of RM50.0 million.

The Purchased Consideration also represents an EV/EBITDA multiple of 2.6 times, where the EV is computed based on the market capitalisation implied by the Purchased Consideration over the EBITDA computed based on the average Profit Guarantee and financial information extracted from Reszon's audited financial statements for FYE 2021 as illustrated in the following table:

EV	RM'000
Market capitalisation as implied by the Purchase Consideration	180,000
Less: Cash and cash equivalents as at 31 December 2021	(8,351)
Add: Debt as at 31 December 2021	2,359
	174,008

EBITDA	RM'000
Average Profit Guarantee	50,000
Add: Taxation (based on the corporate tax rate of 24%)	15,789
Net interest expense	190
Depreciation and amortisation	479
	66,458

The Profit Guarantee appears realistic, after taking into consideration the historical performance and future prospects of Reszon.

The Board has appointed Eco Asia as the independent business valuer to opine on the market value of Reszon using the PE Multiple as the primary valuation methodology and EV/EBITDA as the secondary valuation methodology. Further details are as follows:

- (i) Eco Asia selected the PE Multiple as the primary valuation methodology, where the PE ratio of a company's market valuation is compared to its PAT position, which indicates the price which investors are willing to pay to invest in a company as compared to its historical earnings. It is obtained by dividing a company's market value over its PAT position. Eco Asia has adopted the PE Multiple as its primary valuation method due to the following:
 - the Purchase Consideration is based on an average Profit Guarantee which is provided in the form of PAT;
 - the PE multiple is a common and acceptable valuation metric which estimates a company's market value based on its PAT relative to its peers; and

- the PE multiple is more likely to reflect the current sentiment of the market.
- (ii) the EV/EBITDA multiple has been selected as the secondary valuation methodology as it is a common valuation metric and not affected by the differences in capital structures, borrowing costs and taxation as well as different depreciation and amortisation policies.

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Eco Asia has selected the comparable companies based on the following criteria:

- (i) Principally involved in the manufacturing of medical test kits;
- (ii) COVID-19 test kits produced are approved by the Medical Device Authority, an agency under MOH; and
- (iii) Companies which are listed on the stock exchange.

Please take note that the selection of the comparable companies and the adjustments made are highly subjective and judgmental and that the selection of the comparable companies may not be entirely comparable to Reszon due to various factors such as the geographical factors, product market segment, client base and technical know-how. Despite the market capitalisation of the comparable companies being substantially higher than the Purchase Consideration, Eco Asia has selected all available companies which fulfill criteria (i), (ii) and (iii) as stated above due to limited comparable companies.

The valuation statistics of the comparable companies using PE multiple and EV/EBITDA multiple are set out below:

Comparable companies	Stock exchange listed	Principal activities	(i) Market capitalisation (RM)	(ii) PE Multiple (times)	(ii) EV/EBITDA (times)
Getein Biotech Inc ("Getein")	Shanghai Exchange	Getein is a fully integrated vitro diagnostic company principally involved in research, development, manufacturing, marketing and distribution of diagnostic test kits in point-of-care testing ("POCT"), clinical chemistry, chemiluminescent assays, hematology, coagulation, urinalysis and molecular diagnostics.	4.67 billion	17.20	13.82
Guangzhou Wondfo Biotech Co., Ltd ("GWB")	Shanghai Exchange	GWB specialises in research and development, production and sales of POCT products and provision rapid diagnosis and chronic disease management solutions.	10.98 billion	25.71	17.94
Hangzhou ALLTest Biotech Co., Ltd ("HAB")	Shanghai Exchange	HAB specialises in development of various rapid test kits as well as POCT products.	4.40 billion	8.71	5.13

Comparable companies	Stock exchange listed	Principal activities	(i) Market capitalisation (RM)	(ii) PE Multiple (times)	(ii) EV/EBITDA (times)
Sugentech Inc. ("Sugentech")	Korea Exchange	Sugentech specialises in R&D, supply of disease diagnostic devices used in hospitals and laboratories, POCT products and home test kits products.	778.81 million	6.28	4.05
Humasis Co., Ltd ("Humasis")	Korea Exchange	Humasis specialises in R&D and development of POCT rapid diagnosis	2.23 billion	4.30	2.42
			Median	8.71	5.13

Notes:

- (i) Extracted from Bloomberg based on the closing share prices as at the LPD. This is then converted to RM based on the exchange rates quoted from Bank Negara Malaysia's website as at the LPD.
- (ii) Computed based on the closing market prices as at the LPD and the latest available financial information for FYE 31 December 2021 as extracted from Bloomberg.

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Based on the median PE multiple of the comparable companies of 8.71 times and the Profit Guarantee per year of RM50.0 million, the indicative value of Reszon is as follows:

	Amount (RM'000)
Profit Guarantee per annum ⁽ⁱ⁾	50,000
Median PE Multiple of the comparable companies (times)	8.71
(-) illiquidity discount (30%) ⁽ⁱⁱ⁾	(2.61)
(x) Adjusted PE multiple	6.10
Valuation of Reszon	305,000

Notes:

- (i) Eco Asia has assessed the achievability of the Profit Guarantee by considering the historical performance and future prospects of Reszon. In assessing the achievability, Eco Asia has taken into consideration the existing service agreements and secured purchase orders available as at the LPD as well as potential agreements/orders in which the management of Reszon is looking to secure from its existing or new customers. The following was noted:
- (a) Reszon's management accounts for the six months ended 30 June 2022 indicates that Reszon is on track to achieve the Profit Guarantee for FYE 2022; and
- (b) approximately 77% of the estimated quantity of test kits to be sold for FYE 2023 has been contracted for as at the LPD.
- (ii) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran, a factor which may have an impact on the valuation is the liquidity of the asset i.e. the extent in which the asset can be freely bought or sold. Generally, shares of non-listed companies are not freely tradeable as compared to public listed companies. Illiquidity discount typically ranges from 20% - 30%. In the case of Reszon, where the revenue of Reszon for FYE 2021 is smaller relative to the revenue of the comparable companies, we have adopted a higher illiquidity discount of 30% after taking into consideration that the market capitalisation of the comparable companies are substantially higher than the Purchase Consideration.

Secondly, based on the median EV/EBITDA multiple of the comparable companies of 4.36 times and the Profit Guarantee per year of RM50.0 million, the indicative value of Reszon is as follows:

	Amount (RM'000)
Profit Guarantee per annum ⁽ⁱ⁾	50,000
(+) Taxation ⁽ⁱⁱ⁾	15,789
(+) Net finance cost ⁽ⁱⁱⁱ⁾	190
(+) Amortization and depreciation ⁽ⁱⁱⁱ⁾	479
EBITDA of Reszon [A]	66,458
Median EV/EBITDA of the comparable companies	5.13
(-) Illiquidity discount ^(iv)	(1.54)
(x) Adjusted EV/EBITDA (times) [B]	3.59
Indicative EV of Reszon [C] = [A] x [B]	238,584
(-) Total debt ⁽ⁱⁱⁱ⁾	(2,359)
(+) Total cash and cash equivalents ⁽ⁱⁱⁱ⁾	8,351
Valuation of Reszon	244,576

Notes:

- (i) Eco Asia has assessed the achievability of the Profit Guarantee by considering the historical performance and future prospects of Reszon. In assessing the achievability, Eco Asia has taken into consideration the existing service agreements and secured purchase orders available as at the LPD as well as potential agreements/orders in which the management of Reszon is looking to secure from its existing or new customers. The following was noted:
 - (a) Reszon's management accounts for the six months ended 30 June 2022 indicates that Reszon is on track to achieve the Profit Guarantee for FYE 2022; and
 - (a) approximately 77% of the estimated quantity of test kits to be sold for FYE 2023 has been secured as at the LPD.
- (ii) Based on the corporate tax rate of 24%. The estimated tax was derived by dividing the Profit Guarantee of RM50.0 million by 76% (i.e. 1 – corporate tax rate), and thereafter, deducting the average Profit Guarantee of RM50.0 million.
- (iii) Based on the audited financial statements of Reszon of FYE 2021.
- (iv) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran, a factor which may have an impact on the valuation is the liquidity of the asset i.e. the extent in which the asset can be freely bought or sold. Generally, shares of non-listed companies are not freely tradeable as compared to public listed companies. Illiquidity discount typically ranges from 20%-30%. In the case of Reszon, where the revenue of Reszon for FYE 2021 is smaller relative to the revenue of the comparable companies, we have adopted a higher illiquidity discount of 30% after taking into consideration that the market capitalisation of the comparable companies are substantially higher than the Purchase Consideration.

Based on the above selected valuation methods, Eco Asia is of the opinion that the Purchase Consideration is fair due to the following:

- (i) The Purchase Consideration of RM180.0 million is lower than the valuation range of RM244.6 million and RM305.0 million as at the date of the Fairness Opinion Letter; and
- (ii) The maximum purchase consideration of RM225.0 million after taking into consideration the Performance Bonus of RM45.0 million (in the event that Reszon achieves a cumulative PAT for FYE 2022 and FYE 2023 of more than RM100.0 million. Refer to Section 5 of Appendix I in this Circular for details of the Performance Bonus) is lower than the valuation range as at the date of fairness opinion letter.

In the event that Reszon fails to achieve the Profit Guarantee, the Vendors shall not be entitled to the full amount of the Purchase Consideration which shall be adjusted in proportion to the percentage of the Profit Guarantee attained. For illustrative purpose, any Purchase Consideration which remain unpaid to the Vendors upon the following calculation shall be known as the "**Unpaid Purchase Consideration**":

A - (B + C + D)

whereby,

A = Purchase Consideration

B = FYE 2022 H1 Payment (being the aggregate amount of H1 Cash Payment and H1 Share Payment including the Earnest Deposit and Initial Shares Payment)

C = FYE 2022 H2 Payment (being the aggregate amount of H2 Cash Payment and H2 Share Payment)

D = FYE 2023 Payment

Pursuant to the SSA and the Escrow Agreement, the Company is entitled to instruct the escrow agent to sell, transfer or dispose of any Consideration Shares which form the Unpaid Purchase Consideration either by dealings at any licensed broker or by public or private sale or in such manner as the Company may deem fit without prior notice to the Vendors.

2.4 Basis of arriving at and justification for the Issue Price

The Issue Price was arrived at after taking into consideration the 5-day VWAMP of Rubberex Shares up to and including the LTD of RM0.7091 per Share.

A comparison of the Issue Price against the historical 5-day, 1-month, 3-month and 6-month VWAMP of Rubberex Shares up to and including the LTD, is as follows:

	Issue Price RM	VWAMP RM	Premium/(Discount) of the Issue Price to VWAMP %
5-day VWAMP of Rubberex Shares up to and including LTD	0.7091	0.7091	nil
1-month VWAMP of Rubberex Shares up to and including LTD	0.7091	0.7261	(2.3)
3-month VWAMP of Rubberex Shares up to and including LTD	0.7091	0.5894	20.3
6-month VWAMP of Rubberex Shares up to and including LTD	0.7091	0.5851	21.2

The Issue Price is justifiable after taking into consideration of the following:

- (i) the pricing of the Consideration Shares closer to the date of the SSA reflects the prevailing market price of Rubberex Shares at the point in time which the terms of the Proposed Acquisition was agreed upon between the Vendors and Rubberex; and
- (ii) the partial settlement of the Purchase Consideration via the issuance of the Consideration Shares will allow the Group to partly conserve cash without any immediate material impact on its cash flow as opposed to being fully settled in cash.

2.5 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Rubberex Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of the Consideration Shares.

2.6 Listing of and quotation for the Consideration Shares

On 5 August 2022, Bursa Securities approved the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 1 of this Circular.

2.7 Source of funding

The Purchase Consideration will be satisfied via combination of Cash Consideration and the allotment and issuance of the Consideration Shares to the Vendors. The Cash Consideration and Performance Bonus shall be funded via the internally generated funds. However, the Company may also use a combination of internally generated funds and bank borrowings to optimise the funding cost, if required.

2.8 Liabilities to be assumed

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

2.9 Additional financial commitment

As Reszon is already in operation and generating income and cash flow, there are no additional financial commitments required by Rubberex in putting the business of Reszon on-stream subsequent to the Proposed Acquisition.

3. DETAILS OF THE PROPOSED DIVERSIFICATION

Presently, Rubberex, together with its subsidiaries, are principally involved in the following business activities:

- (i) manufacturing and sales of household and industrial gloves as well as nitrile disposable gloves; and
- (ii) property investment.

Pursuant to the Proposed Acquisition, Reszon will become a wholly owned subsidiary company of Rubberex. The business of the enlarged Rubberex Group will include the Healthcare Business and is expected to increase and diversify Rubberex Group's earnings premised on the Profit Guarantee provided by the Vendors to Rubberex for a period of 2 financial years of FYE 2022 and FYE 2023 of Reszon.

Based on the above, the Board anticipates that, barring any unforeseen circumstances, the new Healthcare Business may contribute 25% or more of the net profits of Rubberex Group or cause a diversion of 25% or more of the NA of Rubberex Group moving forward. For illustrative purposes, this is based on the audited consolidated PAT of Rubberex Group for FYE 31 December 2021 of RM185.7 million against the expected PAT of Reszon of RM50.0 million (being the Profit Guarantee per annum). As such, the Board proposes to seek the approval of shareholders of Rubberex for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements.

The Group will leverage on the experience and expertise of the existing management personnel of Reszon, namely Law Eng Lim in managing the Healthcare Business. The profile of Law Eng Lim is set out as below:

(i) Law Eng Lim

Law Eng Lim, aged 54, male, a Malaysian, is the Director of Reszon. He holds a Bachelor of Biochemistry (Honours) from the Universiti Kebangsaan Malaysia, Malaysia. Upon graduation, he worked for the National University of Singapore, Singapore as a researcher for two years.

He has over 25 years' experiences in directing business growth, investment, and expansion in biotechnology related businesses. He started his business in life science research, commercial bio-production, biotechnology and bio-partnering through Biosyntech Malaysia Group Sdn Bhd in 1997 (up to present) and thereafter founded Revongen in 2009 (up to present) to undertake various businesses and investments in the biotechnology sector particularly in the area of agroforestry, aquaculture, bioscience, medical as well as halal certification related solutions.

As the Director of Reszon, he is responsible for providing the strategic direction and overseeing the overall business operations of the company. Law Eng Lim has been instrumental in the growth and development of Reszon's business whereby he led Reszon to achieve an annual production capacity of up to 12.3 million units of COVID-19 self-test kits in 2021 to cater to the demand mainly in Malaysia and France.

Recognising the key role of Law Eng Lim in Reszon, a management service agreement will be executed with Law Eng Lim ("**Management Service Agreement**") for a period of 2 years throughout FYE 2022 and FYE 2023. For shareholders' information, the Company did not enter into a management service agreement with Pook Jyh Long as he is not involved in the day-to-day operations of Revongen or Reszon.

In addition to the above, the Executive Director of Rubberex, Goh Hsu-Ming will be involved in the overall strategic direction and planning for the Healthcare Business. The profile of Goh Hsu-Ming is as follows:

(i) Goh Hsu-Ming

Goh Hsu-Ming, aged 47, a Malaysian, the non-independent Executive Director of Rubberex, will be involved in the overall strategic direction and planning for the Healthcare Business. He is a double-major graduate in Accounting and Finance from the University of Sydney, Australia. He started his career with a Big-4 accounting firm in Malaysia. He has more than 13 years of experience in a Malaysian conglomerate with senior roles in investment banking, stockbroking and principal investments as well as corporate development. Currently, he is the Group Deputy Chief Executive Officer of the Hextar group of companies.

Notwithstanding that Goh Hsu Ming is the Executive Director of Rubberex, he will be mainly responsible for supervising the implementation of the Group's diversification strategy into the Healthcare Business to ensure smooth operation of the new business. This falls within his responsibility and capacity as the Executive Director of the Rubberex, whilst the daily operations of the Healthcare Business will be managed by Law Eng Lim.

Further, the board of directors of Reszon shall comprise of a maximum of 2 nominee directors from Rubberex upon completion of the Proposed Acquisition. The appointment of such nominee directors will be determined and decided by Rubberex in due course.

The management of Rubberex will, from time to time, review the capabilities and resources needed for the Healthcare Business. Should the need arise, Rubberex may recruit additional personnel with the relevant experience, qualification and networking for the Healthcare Business.

Notwithstanding the Proposed Diversification, Rubberex Group will continue with its existing businesses in the same manner.

4. DETAILS OF THE PROPOSED CHANGE OF NAME

The Board proposes to change the Company's name from "**Rubberex Corporation (M) Berhad**" to "**Hextar Healthcare Berhad**". The Proposed Change of Name, if approved by the shareholders, will take effect from the date of the Certificate of Incorporation on Change of Name to be issued by the CCM to the Company.

5. RATIONALE OF THE PROPOSALS

5.1 Proposed Acquisition

The Proposed Acquisition is in line with the Group's business expansion objectives and growth strategy. The Proposed Acquisition will provide an opportunity for the Group to venture into the Healthcare Business, which is complementary and synergistic to its existing glove business in view that gloves are considered personal protective equipment which falls within the healthcare sector. Synergies may be derived in the form of potential sharing of resources (i.e. manpower and equipment) and experience (i.e. in the healthcare field). Rubberex Group will be able to leverage on Reszon's existing business to increase its range of products and capitalise on Reszon's existing distribution networks and customer base in the healthcare industry to market the Company's existing glove products. The Proposed Acquisition will enable the enlarged Rubberex Group to provide a broader range of products to its clientele, thus enhancing its profitability.

Upon completion of the Proposed Acquisition, the assets of and the profits generated by Reszon will be consolidated into the Group. The Board expects that the Proposed Acquisition will contribute positively to the future earnings of the Group, given the established business of Reszon and the Profit Guarantee provided as well as the positive prospects of the healthcare industry (as set out in Section 6.2 of this Circular).

In addition, part of the Purchase Consideration is to be satisfied via the issuance of Consideration Shares to the Vendors. The partial settlement of the Purchase Consideration via the issuance of the Consideration Shares will allow the Group to partly conserve cash without any immediate material impact on its cash flow as opposed to being fully settled in cash or via borrowings.

The cash and bank balances of Rubberex Group stood at RM298.4 million and RM166.0 million based on the latest audited financial statement for FYE 2021 and FPE 30 June 2022 respectively. Having considered the cash and bank balance of the Group, the Company is of the view that the issuance of Consideration Shares to partially satisfy 70% of the Purchase Consideration will enable the Group to conserve cash resources of up to RM126.0 million and provide greater flexibility to utilise these cash resources to fund the Group's working capital requirements as well as to serve as a "war-chest" for other business expansion plans/investment opportunities of the Group.

Barring any unforeseen circumstances and based on the above, the Company believes that the Proposed Acquisition should augur well for the growth prospects of the Group in the medium to long-term.

5.2 Proposed Diversification

The Board, having considered various growth options to enhance shareholders' value, identified the Healthcare Business as a complementary business to be included in the existing business of the Group. The shareholders' approval for the Proposed Diversification is sought as the Proposed Acquisition may result in Rubberex Group's new Healthcare Business to potentially contribute 25% or more of Rubberex Group's net profits or cause a diversion of 25% or more of the NA of Rubberex Group moving forward.

The Proposed Diversification will diversify the earnings base of the Group and reduce the business risk of dependency on its existing businesses (i.e. glove manufacturing and property investment business). The Board is of the view that the Proposed Diversification will add value and contribute positively to the future growth of the Group, thereby enhancing value to its shareholders.

Despite the availability of vaccines, the ability of the virus to mutate and lead to new variants of concern emerging will continue to see the need for COVID-19 testing. Self-testing for COVID-19 has become a norm to limit the chances of another severe outbreak of the disease in the community.

In view of the above, the Board deems the Proposed Diversification as timely for the Group to capture the demand of the healthcare related products and services, and thus jumpstarting the Group's foray into the promising healthcare segment, notwithstanding that the Group has recently diversified into the property investment segment.

5.3 Proposed Change of Name

The Proposed Change of Name is to have a new corporate identity to better reflect the Group's core business and its future undertakings.

6. PROSPECTS AND OUTLOOK

6.1 Malaysian economy

The Malaysian economy grew by 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). Growth was supported mainly by higher domestic demand as economic activity continued to normalise with the easing of containment measures. The improvement also reflects the recovery in the labour market and continued policy support. In addition, strong external demand, amid the continued upcycle in global technology, provided a further uplift to growth. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 3.9% (4Q 2021: 4.6%).

Key economic sectors expanded in the first quarter of 2022. The services sector grew by 6.5% (4Q 2021: 3.2%). Consumer-related activities continued to recover amid the reopening of the economy. This was reflected in stronger growth in the retail and leisure-related subsectors. The strong expansion was also seen in business-related activities, including transport and storage, real estate, business services and private healthcare. Growth in the information and communication subsector provided further support amid greater coverage of 4G services as well as sustained demand for data communications services, particularly for e-commerce and e-payment activities.

The Malaysian economy is expected to improve further in 2022, underpinned by stronger domestic demand, continued expansion in external demand and improving labour market. Going forward, growth would continue to benefit from the easing of restrictions and reopening of international borders. Furthermore, investment activities are also projected to improve, supported by the realisation of multi-year projects.

However, the risks to Malaysia's growth prospects remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.

(Source: Quarterly Bulletin for the 1st Quarter of 2022, Bank Negara Malaysia)

Under the Twelfth Malaysia Plan 2021-2025 ("Twelfth Plan") by the Economic Planning Unit (EPU), potential output is expected to expand between 4% and 5%. Private sector activity will rebound and remain the anchor of growth supported by accommodative monetary and fiscal policies. Labour market conditions are expected to improve with full employment in the Twelfth Plan, while inflation is projected to be stable.

During the Twelfth Plan, the gross domestic product (GDP) is expected to grow between 4.5% and 5.5% per annum led by higher labour productivity growth, resulting in a 6.4% per annum rise in gross national income (GNI) per capita, from RM42,503 (US\$10,111) in 2020 to RM57,882 (US\$14,842) in 2025. Salaries and wages are also expected to rise, resulting in a more equitable distribution of income between capital owners and employees as well as contributing to higher household income. The overall wellbeing of the rakyat is expected to improve, supported by both economic and social progress as well as balanced and inclusive regional development.

(Source: Twelfth Plan, September 2021, EPU)

6.2 Overview of the healthcare industry in Malaysia

The healthcare industry consists of healthcare service providers and healthcare product manufacturers who are involved in facilitating the provision of healthcare to patients. Healthcare service providers include hospitals, medical centres, and clinics, amongst others.

Healthcare product manufacturers are businesses that manufacture pharmaceutical products and medical devices that are used during diagnosis and treatment of health conditions. Pharmaceutical products include prescription and over the counter drugs, health and food supplements and traditional and complementary medicines. Medical devices refer to any instrument, apparatus, implement, machine, appliance, implant, and in-vitro reagent that is used for the purpose of diagnosing, preventing, monitoring, or treating diseases, injuries, ailments as well as other physical and psychological health conditions. Medical devices can be categorised into disposable products (e.g., self-test kits), surgical instruments, therapeutics, and diagnostic equipment.

The total healthcare expenditure in Malaysia stood at RM67.02 billion in 2020, an increase of 4.4% from RM64.20 billion in 2019. Public healthcare system expenditure accounted for RM36.61 billion (54.6%) of the total healthcare expenditure while the private healthcare system accounted for RM30.41 billion (45.4%) in 2020. The total healthcare expenditure in Malaysia has shown an increasing trend from 2016 to 2020, growing by a compound annual growth rate ("CAGR") of 6.8% from RM51.70 billion in 2016 to RM67.02 billion in 2020. The growth was contributed by both public and private healthcare systems.

There has been an increase in the number of hospitals in Malaysia from 2016 to 2020. In 2016, there were 340 hospitals in Malaysia, of which 153 were public hospitals and 187 were private hospitals. In 2020, the total number of hospitals in Malaysia increased to 358, of which 156 were public hospitals and 202 were private hospitals. The number of hospital beds in Malaysia has grown in tandem with the increased healthcare expenditure and number of hospitals. Despite the growing number of hospital beds from 2016 to 2020, the bed-to-total population ratio ("BPR") in Malaysia stood at 2.01 beds per 1,000 residents in 2020. Although Malaysia's BPR has increased, it is still low compared to that of other countries such as Germany (2019: 7.9), Japan (2019: 12.8), and Korea (2019: 12.4). This represents an opportunity for continued development in hospitals in Malaysia.

In the Twelfth Malaysia Plan ("12MP") that was tabled by the Malaysian Government, the Government is targeting a BPR of 2.08 beds per 1,000 residents by 2025 as part of its efforts to enhance healthcare service delivery in Malaysia through construction of new hospitals or upgrading of existing hospitals and facilities. In addition to the 12MP, the Government plans to allocate RM32.4 billion in Budget 2022 to the MOH for operating and development expenditure to fight Covid-19 and improve the public healthcare system. With the RM32.4 billion allocated, it will bring about a positive impact to people's health and to the overall healthcare industry.

A rapid antigen self-test is a rapid diagnostic test that is used to detect the presence or absence of an antigen, or specific proteins on the surface of cells such as red blood cells, bacteria, and viruses. Such tests are widely used in laboratory testing, point of care testing, and even home testing due to its simplicity. Rapid antigen tests are also often inexpensive and provide diagnostic results within minutes. A well-known rapid antigen test is the home pregnancy test where the test detects the presence of a specific hormone in the body. Self-tests are also becoming a widespread mechanism, as the Covid-19 pandemic continues to necessitate social distancing. The introduction of Covid-19 antigen rapid self-test kits has enabled individuals to test themselves using either a nasal swab or oral fluid sample and complements the country's efforts in living with the virus while also ensuring the health and safety of the population.

At the beginning of the pandemic, the Malaysian Government announced that it would be importing COVID-19 self-test kits to detect COVID-19 positive individuals in the country. Covid-19 self-test kits were in high demand as it was the most reliable method for detecting the virus. Various local companies such as NeoScience Sdn Bhd, Key Alliance Group Berhad and mTouche Technology Berhad announced that they would import test kits from countries such as South Korea and China after receiving approval from the relevant authorities to help increase the supply

of self-test kits in Malaysia. Local companies including Reszon Diagnostic International Sdn Bhd, Iconic Medicare Sdn Bhd and Medical Innovation Ventures Sdn Bhd also began producing Covid-19 self-test kits to fulfil the growing demand. As at 14 June 2022, the MOH has approved 141 COVID-19 self-test kits, with a handful being manufactured locally and the rest imported from China, South Korea and India. The growing number of approved self-test kits has led to an increase in supply throughout Malaysia. The combination of higher imports of COVID-19 self-test kits and the anticipated growing local manufacturing of COVID-19 self-test kits is expected to deliver a steady supply of the product in Malaysia, thereby driving the growth of the market.

As the most convenient and quickest way to detect COVID-19 in individuals, the demand for COVID-19 self-test kits has gradually increased after the MOH approved its usage. The self-test kits are popular due to its lower price and ease of use compared to laboratory tests. They have also become more easily accessible as an increasing number of premises are allowed to sell them, coupled with the price reduction due to the growing supply. Whilst the severe Covid-19 wave during the third quarter of 2021 was controlled due to a strict lockdown and growing vaccination rates, the importance for self-testing remains.

The need for continuous testing is compounded by the unceasing mutation of COVID-19, with the emergence of a new variant named Omicron detected in many parts of the world. The MOH has announced that PCR and antigen-based tests were effective in detecting COVID-19 positive patients, even with the new Omicron variant. The ability of the virus to mutate and lead to new variants emerging will continue to see the need for Covid-19 testing to ensure that the spread of the virus is kept under control and as such, will drive the demand for COVID-19 rapid antigen self-test kits for the duration of the forecast period from 2022 to 2026.

Self-test kits are categorised under the medical device segment in Malaysia. According to the Malaysian Investment Development Authority, the global medical devices industry is expected to reach USD745 billion by 2030, representing a compound annual growth rate of 5.0% driven by several worldwide health trends, including the prevalence of both infectious and chronic diseases, as well as accelerating technological innovation. Despite the slowdown in economic activity due to the pandemic, demand for ventilators and personal protective equipment has soared. The demand for hospital supplies, in-vitro medical diagnostic test kits, and respiratory care devices will also likely continue as measures are taken to mitigate the emergence and spread of similar infections. In Malaysia, the medical devices industry is valued at RM12.11 billion in 2021, representing a growth of 20.0% from the previous year, due to strong healthcare demand from the covid-19 pandemic. The industry is projected to reach RM21.41 billion in 2026, representing a compound annual growth rate of 12.1% during the forecast period from 2022 to 2026.

In terms of COVID-19 rapid antigen self-test kits, the number of tests conducted in Malaysia grew from 1.1 million tests in 2020 to 21.7 million tests in 2021 and is projected to reach 30.0 million tests in 2022 before declining to 22.0 million tests in 2023. The growth of the COVID-19 self-test kits market is expected to be driven by primarily by surging demand from the pandemic and the implementation of routine self-testing as the country continues its economic recovery path were effective in detecting COVID-19 positive patients, even with the new Omicron variant. The ability of the virus to mutate and lead to new variants of concern emerging will continue to see the need for COVID-19 testing. Despite the availability of vaccines, self-testing for COVID-19 may become a norm in the future to limit the chances of another severe outbreak of the disease in the community.

Nevertheless, the market may be impacted by the progression of the National COVID-19 Immunisation Programme and how well the COVID-19 pandemic is controlled. As more individuals are vaccinated, the less likely it is that the virus will spread due to herd immunity being established. This would lead to decreased demand for Covid-19 self-test kits in the future. The demand may also be affected by the availability of substitute tests such as the laboratory-based PCR and rapid antigen tests. Nevertheless, the MOH continues to encourage the use of the self-administered tests for screening purposes and only requires PCR tests for further confirmation of the individuals' status, which may continue to drive demand for self-test kits during the forecast period from 2022 to 2026.

(Source: Independent Market Research Report prepared by Protégé)

6.3 Overview of the healthcare industry in France

France's healthcare system is mainly based on a social health insurance ("SHI") system whereby universal healthcare coverage is provided for its residents and financed through employee and employer contributions and by earmarked tax on a range of private sectors' revenues. In 2019, the healthcare expenditure for France was valued at Euro ("EUR") 269.54 billion, which accounted for 11.1% of its GDP in 2019. On a per capita basis, healthcare expenditure is at EUR 3,645 in 2019. In 2019, public and private compulsory health insurance schemes funded 83.7% of all health spending in France. The revenue for these schemes comes mainly from social security contributions paid by employers and employees, income taxes and additional sources such as taxes on tobacco and alcohol. The SHI expenditure has been controlled by the national health spending target and its' growth had remain constant at around 2.5% growth per year from 2009 to 2019 but however, grew by 9.5% to EUR294.14 billion in 2020 due to additional spending related to the COVID-19 pandemic and the introduction of new investment plan to strengthen public hospitals.

As noted earlier, the French Government had greatly increased its healthcare spending in 2020 in response to the pandemic – by 9.5% compared with an average growth of 2.5% per year in the last 10 years. In July 2020, the government adopted plans to allocate additional EUR 8.2 billion per year to increase recruitment and retention of healthcare workers in hospitals and nursing home. Furthermore, the government also announced the Recovery and Resilience Plan of EUR7.7 billion which will further support investments with priority areas include modernisation of the health care systems, greater investment in elderly care facilities, wider implementation of technological health and eHealth systems and encouraging research and development, training and scientific research.

In 2021, the French Government launched a EUR 7.0 billion worth of the 'Healthcare Innovation 2030 Strategy' plan which aimed to shape France as a leading European nation in terms of innovation and sovereignty in healthcare. Among the main measures announced are the acceleration strategies for biotherapies, digital health, and emerging infectious diseases as well as measures for market access and consistency of price regulation for medicines and medical devices to support innovation and production. Going forward, the growth of the healthcare industry as valued by its total healthcare expenditure is expected to be between 6.0% to 8.0% for the forecast period from 2022 to 2026, as the effects of the pandemic continued to be felt, driven by increased need for healthcare providers, particularly hospitals. The pandemic has increased the pressure on France's healthcare system with increased hospitalizations and need for ICU beds and ventilators.

(Source: Independent Market Research Report prepared by Protégé)

6.4 Prospect of enlarged Rubberex Group

Notwithstanding the Proposed Diversification, the Group will continue to focus on its gloves manufacturing business and believes that the strong market demand for rubber gloves and other personal protective equipment shall prevail amidst heightened safety and hygiene awareness among the global population.

In early 2021, the Group acquired 2 parcels of leasehold land located in Lahat, Kinta district, Perak, which was intended for the construction of a new factory to cater for additional nitrile disposable glove production lines. Owing to the current market outlook for the glove industry, the project is still under the review and as at the LPD, construction works have not commenced yet. Nevertheless, once the new plant is fully commissioned, the Group is expected to have an annual production capacity of 10.0 billion pieces of gloves, representing an increase by an additional 7.5 billion pieces to 10.0 billion pieces from the current capacity of 2.5 billion pieces.

The Group had on 31 December 2021 obtained its shareholders' approval for diversification of the Group's business to include property investment. The Group's investment in Empire City Mall will provide the Group with an alternative income stream when Empire City Mall commence operations estimated by first quarter of 2024. Save for the Group's investment in Empire City Mall, the Group has not identified any other potential property investments at this juncture.

The Group may also explore investment opportunities in other industries including potential mergers, acquisitions and/or joint ventures, as part of the Group's continuing efforts to expand its revenue and cash flow to improve its financial position as well as to diversify its earnings base. At this juncture, the Board has not identified any other investment opportunities. The Company will make the necessary announcement(s) in accordance with the Listing Requirements and seek shareholders' approval (if required) as and when the Company has identified such opportunities.

Following the Proposed Acquisition, the future plans for Reszon include amongst others, the following:

- (i) increase production capacity, enhancing manufacturing standards and facilities (both automation and manual); and
- (ii) expansion of product offerings by undertaking intensive internal research and development (R&D) programmes and collaborating with an international affiliated company to include meningitis serotyping RTK, pneumonia RTK, tuberculosis RTK, typhoid RTK, Flu Type A, B and COVID-19 RTK, and other types of infectious and/or rare diseases and manufacture of industrial application RTKs.

Whilst the enlarged Rubberex Group intends to commence such future plans after the completion of the Proposed Acquisition, the exact timeframe and quantum of financial resources required have yet to be determined at this juncture. Nevertheless, the Group shall finance the future plans via a combination of internally generated funds and/or bank borrowings (if required).

As more individuals are vaccinated, the less likely it is that the virus will spread due to herd immunity being established. This would lead to decreased demand for COVID-19 self-test kits in the future. However, the Company is expanding its product offerings to include different types of test kits for other diseases as part of the future plans of Reszon.

Premised on the above, the Board is optimistic of the future prospects of the Group moving forward.

(Source: Management of Rubberex)

7. RISK FACTORS

The Proposed Acquisition and Proposed Diversification may expose the Rubberex Group to certain risk factors which include the following:

7.1 Non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to, amongst others, the fulfilment of the conditions precedent of the SSA as disclosed in **Appendix I** of this Circular. In the event any of the conditions precedent are not fulfilled, the Proposed Acquisition may not proceed to completion, which may result in the failure of the Group to achieve the objectives and benefits of the Proposed Acquisition.

Notwithstanding that, the Board and management of the Company shall use their best endeavours to ensure every effort is taken to procure all necessary approvals to satisfy the conditions precedent within the stipulated timeframe.

7.2 Investment risk

It is expected that upon completion of the Proposed Acquisition, the business and operations of Reszon will contribute positively to the enlarged Group's future financial performance. However, such benefits to be realised from the Proposed Acquisition are dependent upon the successful business, operations and profitability of Reszon. Further, there is no assurance that the business and operations of Reszon will generate the expected return on investment, beyond the Profit Guarantee, as the success and profitability of its business depends on various factors.

Nevertheless, moving forward, the Board is confident that it can manage such risk by leveraging on the experience and expertise of Law Eng Lim.

7.3 Business diversification risk

The Proposed Diversification would result in the diversification of the Group's existing businesses to include Healthcare Business, whereby the Group may face new challenges and risks arising from the Healthcare Business in which the Group has not been involved previously. These may include, amongst others, general economic slowdown or downturn in the global and regional economy, competition from existing players, changes in the legal and environmental framework within which the healthcare industry operates and changes in demand for healthcare products and/or services (i.e. slower demand for COVID-19 self-test kits with Malaysia moving towards the endemic phase).

7.4 Key personnel risk

The continued success of Reszon is dependent on the ability, commitment and efforts of the directors and key management of Reszon. As such, the loss of services of any of the directors and key management of Reszon without any suitable and prompt replacement may adversely affect the continued ability of Reszon to compete successfully in the Healthcare Business.

Recognising the importance of the key personnel, the Management Service Agreement will be entered into with Law Eng Lim prior to the completion of the Proposed Acquisition, for the purpose of management continuity and to drive the future growth of Reszon going forward post completion of the Proposed Acquisition. In addition, the Group will also leverage on the expertise and experience of its existing Executive Director, Goh Hsu-Ming, in providing general oversight of the Healthcare Business.

The Group will continuously adopt appropriate approaches or measures to attract and retain key personnel, including but not limited to offering incentives and competitive remuneration packages. The Group will use its best endeavours to reduce the dependency on particular key personnel by striving to attract qualified and experienced employees, as well as to groom junior employees to complement the management team. This will help to ensure continuity and competency of the Group's management team.

7.5 Achievability of Profit Guarantee

The Vendors have provided a Profit Guarantee of not less than RM50,000,000 for the FYE 2022 and not less than RM50,000,000 for the FYE 2023 of Reszon.

The Profit Guarantee is subject to certain uncertainties and contingencies, which are often outside the control of Rubberex. There can be no assurance that the Profit Guarantee will be achieved. However, this risk is mitigated whereby if there is a shortfall, the Vendors will only be entitled to receive such amount of the final Purchase Consideration in proportion to the Profit Guaranteed achieved. For avoidance of doubt, the Vendors have no obligation to make any top-up in the event the Profit Guarantee is not met.

As the profits generated/losses incurred by Reszon will be consolidated into the Group upon completion of the Proposed Acquisition, in the event that the Profit Guarantee is not met or Reszon is making losses, the financial performance of the Group will be affected.

8. EFFECTS OF THE PROPOSALS

8.1 Share capital

The Proposed Diversification and Proposed Change of Name will not have any effect on the issued share capital of the Company as it does not involve any issuance of new Shares by the Company.

For illustrative purposes, the effects of the Proposed Acquisition on the share capital of Rubberex are as follows:

	No. of Shares	RM
Issued share capital as at LPD	860,677,251	257,793,534
To be issued pursuant to the Proposed Acquisition	177,690,030	⁽ⁱ⁾ 126,000,000
Enlarged issued share capital	1,038,367,281	383,793,534

Notes:

- (i) Based on the Issue Price.
- (ii) Excluding 54,825,600 Treasury Shares.

8.2 NA and gearing

The Proposed Diversification and Proposed Change of Name are not expected to have any material impact on the NA and gearing of the Group. However, the revenue derived from the Proposed Diversification is expected to have a positive impact on the future NA of Rubberex Group.

The pro forma effects of the Proposed Acquisition on the NA and gearing of the Group based on the latest audited consolidated financial position of the Group as at 31 December 2021 are as follows:

	Audited as at 31 December 2021	⁽ⁱ⁾Subsequent events	After the Proposed Acquisition
	RM'000	RM'000	RM'000
Share capital	257,794	257,794	⁽ⁱⁱ⁾ 383,794
Treasury shares	(24,203)	(31,166)	(31,166)
Translation reserve	575	575	575
Retained earnings	366,972	366,972	⁽ⁱⁱⁱ⁾ 366,372
Total equity/NA	601,138	594,175	719,575
No. of Shares (^000) (excluding Treasury Shares)	873,902	860,676	1,038,367
NA per Share (RM) ^(iv)	0.69	0.69	0.69
Total borrowings (RM'000)	23	23	^(v) 56,383
Gearing (times)	negligible	negligible	0.08

Notes:

- (i) After adjusting for the purchase of total 13,225,600 Treasury Shares in March 2022 and June 2022.
- (ii) Based on the Issue Price.
- (iii) After adjusting for the estimated expenses relating to the Proposals of approximately RM0.60 million.
- (iv) Computed by taking the total NA of the Group divided by the number of Shares in issuance.
- (v) Assuming the Cash Consideration of RM54.00 million will be financed via bank borrowings, and after consolidating the total bank borrowings of Reszon of RM2.36 million based on its latest audited financial statements for the FYE 2021.

8.3 Substantial shareholders' shareholding

The Proposed Diversification and Proposed Change of Name will not have any effect on the substantial shareholders' shareholdings in the Company as it does not involve any issuance of new Shares by the Company.

The pro forma effects of the Proposed Acquisition on the shareholding of the substantial shareholders of Rubberex as at the LPD are set out in the table below:

Substantial shareholders	As at the LPD				After Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	(i)%	No. of Shares ('000)	%	No. of Shares ('000)	(ii)%	No. of Shares ('000)	%
Hextar Rubber Sdn Bhd	302,947	35.2	-	-	302,947	29.2	-	-
Dato' Ong Choo Meng	-	-	(iii)302,947	35.2	-	-	(iii)302,947	29.2
Vendors (collectively)	-	-	-	-	177,690	17.1	-	-

Notes:

- (i) Based on the existing share capital of 860,677,251 Shares as at the LPD (excluding Treasury Shares).
- (ii) Based on the enlarged share capital of 1,038,367,281 Shares after the Proposed Acquisition (excluding Treasury Shares).
- (iii) Deemed interested by virtue of his shareholding in Hextar Rubber Sdn Bhd.

The Proposed Acquisition will not result in any non-compliance with the minimum public shareholding spread requirement wherein at least 25% of the issued Shares (excluding treasury shares, if any) are in the hands of public shareholders.

8.4 Earnings and EPS

The Proposed Diversification and Proposed Change of Name will not have any effect on the earnings and EPS of Rubberex Group.

The Proposed Acquisition is expected to be earnings accretive and contribute positively to the future earnings and EPS of Rubberex Group. However, the EPS of Rubberex Group may be diluted correspondingly as a result of the issuance of the Consideration Shares.

For illustration purposes only, the pro forma effect on the consolidated earnings and earnings per Share assuming the Proposed Acquisition had been effected on FYE 2021, are set out below:

	RM'000	(i)EPS (sen)
PAT attributable to owners of the Company for FYE 2021	200,805	17.9
Add: PAT of Reszon for the FYE 2021	15,065	1.5
Less: Estimated expenses in relation to the Proposals ⁽ⁱⁱ⁾	(600)	(0.1)
Pro forma PAT and EPS	200,205	19.3
Estimated interest expenses to be incurred in relation to the Proposed Acquisition ⁽ⁱⁱⁱ⁾	(2,430)	(0.2)
Pro forma PAT and EPS	197,775	19.1

Notes:

- (i) Based on the enlarged share capital of 1,038,367,281 Shares after the Proposed Acquisition (excluding Treasury Shares).
- (ii) Based on the estimated expenses relating to the Proposals of approximately RM0.60 million.
- (iii) Assuming that the Cash Consideration of RM54.00 million will be funded via bank borrowings, at the average interest rate of 4.5% per annum, before taking into account any tax savings.

8.5 Convertible Securities

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

9. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Rubberex Shares as traded on Bursa Securities for the past 12 months up to June 2022 are as follows:

	High RM	Low RM
<u>2021</u>		
August	0.865	0.775
September	0.785	0.575
October	0.620	0.535
November	0.845	0.505
December	0.710	0.475
<u>2022</u>		
January	0.550	0.470
February	0.535	0.395
March	0.570	0.335
April	0.780	0.570
May	0.790	0.595
June	0.650	0.490
July	0.540	0.495
Last transacted price of Rubberex Shares as at the LTD		0.600
Last transacted price of Rubberex Shares as at the LPD		0.510

10. APPROVALS REQUIRED

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

- (i) Bursa Securities, for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; and
- (ii) the shareholders of Rubberex for the Proposals at the forthcoming EGM of the Company to be convened.

Save as disclosed above, the Proposals are not subject to any approvals from the government or any other relevant regulatory authority.

The application for the name “**Hextar Healthcare Berhad**” for the Proposed Change of Name was approved and reserved by the CCM on 19 May 2022.

11. INTER-CONDITIONALITY

The Proposed Acquisition, Proposed Diversification are inter-conditional upon each other.

The Proposed Change of Name is conditional upon the Proposed Acquisition and Proposed Diversification but not vice versa.

The Proposals are not conditional upon any other corporate proposals of the Company.

12. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposals (which is subject matter of this Circular), the Board confirms that there is no other outstanding corporate proposal which has been announced but not yet completed as at the date of this Circular.

13. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

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

14. DIRECTORS’ STATEMENTS AND RECOMMENDATION

After considering all aspects of the Proposals, including the rationale and benefit, justification of arriving at the Purchase Consideration and prospects for the Proposals, the Board is of the opinion that the Proposals are in the best interest of Rubberex Group and its shareholders.

Accordingly, the Board recommends that you vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM of the Company to be convened.

15. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 29.94%, computed based the Purchase Consideration as compared with the audited NA of Rubberex as at 31 December 2021.

16. ADVISER

M&A Securities has been appointed as the Adviser to the Company for the Proposals.

17. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be implemented by the second half of 2022. The tentative timetable in relation to the completion/implementation of the Proposals is as follows:

<u>Tentative date</u>	<u>Event</u>
14 September 2022	<ul style="list-style-type: none">▪ Extraordinary General Meeting held for the Proposals▪ Completion of Proposed Diversification
Second half of 2022	<ul style="list-style-type: none">▪ Fulfilment of the Conditions Precedent to the SSA▪ Completion of Proposed Acquisition

The Proposed Change of Name, if approved by the shareholders, will take effect from the date of the Certificate of Incorporation on Change of Name to be issued by CCM to the Company.

18. EGM

The forthcoming EGM, a notice of which is enclosed in this Circular, will be conducted fully virtual through online meeting platform via TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Wednesday, 14 September 2022 at 10.00 a.m. using Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>, for the purpose of considering and if thought fit, passing with or without modifications the resolutions to give effect to the Proposals.

If you are unable to participate in this EGM, you may appoint a proxy(ies) to do so on your behalf by completing, signing and depositing the Form of Proxy in accordance with the instructions contained therein. Alternatively, you may appoint the Chairman of the meeting as your proxy and indicate your voting instruction in the Form of Proxy.

The completed Form of Proxy must be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for convening the EGM, which is no later than **Monday, 12 September 2022 at 10.00 a.m.** or any adjournment thereof. You may also submit the proxy appointment electronically via TIIH Online at <https://tiih.online> before the proxy appointment cut off time as mentioned above. For further information on electronic lodgement of Form of Proxy, please refer to Administrative Guide for the EGM.

19. FURTHER INFORMATION

Please refer to the **Appendix VI** set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
RUBBEREX CORPORATION (M) BERHAD

GOH HSU-MING
NON-INDEPENDENT EXECUTIVE DIRECTOR