

PANDA ECO SYSTEM BERHAD ("PANDA" OR THE "COMPANY")

- (I) PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GROSS SYNERGY SDN BHD ("GSSB"); AND**
- (II) PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN DAY ONE TECHNOLOGY SDN BHD ("DOTSB"),**

FROM YEOW CHENG HOCK, CHEOK KIAN HING, HO SOO CHERNG AND DING CHEW KEAT, FOR A TOTAL PURCHASE CONSIDERATION OF RM17.1 MILLION TO BE SATISFIED VIA A COMBINATION OF CASH AND ISSUANCE OF NEW ORDINARY SHARES IN PANDA

(COLLECTIVELY, REFERRED TO AS "PROPOSED ACQUISITIONS")

Unless otherwise stated, the information set out in this announcement is updated to 27 November 2024, being the latest practicable date prior to the date of this announcement ("LPD")

1. INTRODUCTION

On behalf of the Board of Directors of Panda ("Board"), M & A Securities Sdn Bhd ("**M&A Securities**") is pleased to announce that the Company had on 28 November 2024 entered into a conditional share sale agreement with Yeow Cheng Hock, Ho Soo Cherng, Ding Chew Keat and Cheok Kian Hing (collectively referred as "**Vendors**") ("**SSA**") for the:

- (a) proposed acquisition by Panda of 100,000 ordinary shares in GSSB ("**GSSB Sale Shares**"), representing the entire equity interest in GSSB from the Vendors; and
- (b) proposed acquisition by Panda of 50,000 ordinary shares in DOTSB ("**DOTSB Sale Shares**"), representing the entire equity interest in DOTSB from the Vendors,

for a total purchase consideration of RM17.1 million ("**Purchase Consideration**") (collectively referred to as "**Proposed Acquisitions**").

The Purchase Consideration will be satisfied via a combination of:

- (i) cash of RM11.1 million; and
- (ii) RM6.0 million via the issuance of 19,462,674 new ordinary shares in Panda ("**Shares**" or "**Panda Shares**") ("**Consideration Shares**") at an issue price of RM0.3068 per Consideration Share.

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

2. DETAILS OF THE PROPOSED ACQUISITIONS

The 100,000 GSSB Sale Shares will be acquired by the Company from the Vendors free from all encumbrances together with all rights attached thereto, subject to the terms and conditions of the SSA, in the following manner:

| Vendors | No. of GSSB Sale Shares | % held in GSSB | Cash | ⁽¹⁾ No. of Consideration Shares | Purchase consideration |
|-----------------|-------------------------|----------------|--------------|--|------------------------|
| | | | RM'000 | | RM'000 |
| Yeow Cheng Hock | 30,000 | 30.0 | 2,040 | 3,580,273 | 3,138 |
| Ho Soo Cherng | 20,000 | 20.0 | 1,360 | 2,386,849 | 2,092 |
| Ding Chew Keat | 20,000 | 20.0 | 1,360 | 2,386,849 | 2,092 |
| Cheok Kian Hing | 30,000 | 30.0 | 2,040 | 3,580,273 | 3,138 |
| | 100,000 | 100.0 | 6,800 | 11,934,244 | 10,460 |

Note:

⁽¹⁾ Based on the issue price of RM0.3068 per Consideration Share.

The 50,000 DOTSB Sale Shares will be acquired by the Company from the Vendors free from all encumbrances together with all rights attached thereto, subject to the terms and conditions of the SSA, in the following manner:

| Vendors | No. of DOTSB Sale Shares | % held in DOTSB | Cash | ⁽¹⁾ No. of Consideration Shares | Purchase consideration |
|-----------------|--------------------------|-----------------|--------------|--|------------------------|
| | | | RM'000 | | RM'000 |
| Yeow Cheng Hock | 15,000 | 30.0 | 1,287 | 2,258,529 | 1,980 |
| Ho Soo Cherng | 10,000 | 20.0 | 858 | 1,505,686 | 1,320 |
| Ding Chew Keat | 10,000 | 20.0 | 858 | 1,505,686 | 1,320 |
| Cheok Kian Hing | 15,000 | 30.0 | 1,287 | 2,258,529 | 1,980 |
| | 50,000 | 100.0 | 4,290 | 7,528,430 | 6,600 |

Note:

⁽¹⁾ Based on the issue price of RM0.3068 per Consideration Share.

Upon completion of the Proposed Acquisitions, GSSB and DOTSB shall become wholly-owned subsidiaries of the Company. Further details of GSSB and DOTSB are set out in Appendix I and the salient terms of the SSA are set out in Appendix II.

2.1 Information of GSSB

GSSB was incorporated in Malaysia on 15 October 1992 under the Companies Act 1965 as a private limited company under its present name and is deemed registered under the Companies Act 2016 ("**Act**").

As at LPD, the issued share capital of GSSB is RM100,000 comprising 100,000 ordinary shares.

GSSB is principally involved in the provision of information technology ("**IT**") services and trading in cash register machine.

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

| Name | Director/Shareholder | No. of GSSB Shares | % held in GSSB |
|-----------------|-----------------------------|---------------------------|-----------------------|
| Yeow Cheng Hock | Director and shareholder | 30,000 | 30.0 |
| Ho Soo Cherng | Director and shareholder | 20,000 | 20.0 |
| Ding Chew Keat | Director and shareholder | 20,000 | 20.0 |
| Cheok Kian Hing | Director and shareholder | 30,000 | 30.0 |
| | | 100,000 | 100.0 |

As at LPD, GSSB does not have any subsidiary and associated company.

Based on the latest audited financial statements of GSSB as at 31 December 2023, GSSB recorded a profit after taxation ("**PAT**") of RM544,769 and net assets ("**NA**") of RM2,399,494.

2.2 Information of DOTSB

DOTSB was incorporated in Malaysia on 22 October 2013 under the Companies Act 1965 as a private limited company under its present name and is deemed registered under the Act.

As at LPD, the issued share capital of DOTSB is RM50,000 comprising 50,000 ordinary shares. DOTSB is principally involved in the provision of IT system development and general trading.

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

| Name | Director/Shareholder | No. of DOTSB Shares | % held in DOTSB |
|-----------------|-----------------------------|----------------------------|------------------------|
| Yeow Cheng Hock | Director and shareholder | 15,000 | 30.0 |
| Ho Soo Cherng | Director and shareholder | 10,000 | 20.0 |
| Ding Chew Keat | Director and shareholder | 10,000 | 20.0 |
| Cheok Kian Hing | Director and shareholder | 15,000 | 30.0 |
| | | 50,000 | 100.0 |

As at LPD, DOTSB does not have any subsidiary and associated company.

Based on the latest audited financial statements of DOTSB as at 31 December 2023, DOTSB recorded a PAT of RM549,183 and NA of RM1,049,137.

2.3 Basis and justification of the Purchase Consideration

The Purchase Consideration of RM17.1 was arrived at based on a “willing buyer-willing seller” basis after taking into consideration the following:

- (a) the audited financial results of GSSB and DOTSB for financial year ended 31 December (“**FYE**”) 2023 and management accounts of GSSB and DOTSB for the 6 months financial period ended 30 June 2024;
- (b) the profit guarantee provided by the Vendors, wherein they unconditionally and irrevocably, jointly and severally, guarantee and covenant that the audited PAT of GSSB and DOTSB for FYE 2025 and 2026 (“**Profit Guarantee Period**”) shall not be less than RM1.4 million in aggregate for each financial year or RM2.8 million in aggregate for FYE 2025 and 2026 collectively (“**Profit Guarantee**”);
- (c) the rationale of the Proposed Acquisitions as set out in Section 3; and
- (d) the future prospects of GSSB and DOTSB as set out in Section 5.

The Purchase Consideration represents a price-to-earnings multiple of 12.0 times based on the Profit Guarantee for each financial year. Further details of the Profit Guarantee are set out in Section 2.8.

In this regard, the Vendors are of the view that the Profit Guarantee is achievable, having taking into consideration:

- (a) the PAT of GSSB and DOTSB for FYE 2023, which is adjusted for: (i) non-recurring expenses/income, amongst other, the salaries for Yeow Cheng Hock, 2 motor vehicles related expenses, interest expenses, payment on behalf by GSSB for DOTSB, loss on disposal of quoted shares, expected credit loss for trade receivables, amortisation of intangible assets, interest income, human resources development fund received, gain on disposal of equipment, dividend income and sundry income; and (ii) corporate tax of 24.0% of chargeable income, all resulting in an aggregate PAT of RM1.4 million; and
- (b) the latest management accounts of GSSB and DOTSB for the 6 months financial period ended 30 June 2024.

In addition, the Company has appointed SCS Global Advisory (M) Sdn Bhd (“**SCS Global**”) to provide its fairness opinion on the Purchase Consideration, which will be set out in the circular to the shareholders of the Company.

On a preliminary basis, SCS Global has found the Purchase Consideration to be below the indicative fair market value of the entire equity interest in GSSB and DOTSB, which ranges from RM17.4 million to RM21.1 million with an indicative base case fair market value of RM19.1 million, based on the discounted Free Cash Flow to Equity (“**FCFE**”) methodology.

Discounted FCFE methodology is a valuation method which considers both the time value of money and the projected net cash flows generated by the subject matter (in this case, GSSB and DOTSB) to derive a fair market value of the subject matter. It is based on discounted cash flows, involving the application of an appropriately selected discount rate on the projected future cash flows to be earned by the equity holders of a company. FCFE is the free cash flow available to be paid to the equity shareholders of the company after all expenses, reinvestment and debt repayment.

Premised on the above, the Board is of the opinion that the Profit Guarantee is achievable.

2.4 Mode of settlement of the Purchase Consideration

The Purchase Consideration is to be satisfied by the Company in the following manner:

- (a) cash of RM11.1 million ("**Cash Consideration**"), the mode of payment of which are as set out in Section 4 of Appendix II; and
- (b) issuance of 19,462,674 Consideration Shares at an issue price of RM0.3068 each to the Vendors, amounting to RM6.0 million.

The Company has opted to partly settle the Purchase Consideration via the Consideration Shares to conserve its existing cash for future working capital requirements and minimise external financing and its associated financing cost. The Cash Consideration will be funded via internally generated funds and/or bank borrowings, which will be determined later after taking into consideration the Group's gearing level, interest costs and cash reserves.

2.5 Basis of determining the issue price of the Consideration Shares

The issue price of RM0.3068 per Consideration Share was arrived at on a willing buyer-willing seller basis, after taking into consideration the 5 days volume weighted average market price of Panda Shares preceding the date of the SSA of RM0.3409, with a discount of 10.0%.

2.6 Ranking of the Consideration Shares

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

2.7 Listing of and quotation for the Consideration Shares

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities.

2.8 Profit Guarantee

The Vendors shall undertake to the Company that the audited PAT of GSSB and DOTSB for each financial year within the Profit Guarantee Period shall not be less than RM1.4 million in aggregate or RM2.8 million in aggregate for FYE 2025 and 2026 collectively.

In the event the aggregate of the audited PAT of GSSB and DOTSB for FYE 2025 and FYE 2026 shall be equivalent to or exceed the Profit Guarantee, then the Profit Guarantee shall be deemed fully satisfied by the Vendors and the Retention Sum (as defined in Section 4.2 of Appendix II) shall be paid by the Company to the Vendors in full in accordance with their shareholding proportion of the GSSB Sale Shares and DOTSB Sale Shares within 14 days from the Maturity Date (as defined in Section 5.2(ii) of Appendix II) as follows:

GSSB

| Vendors | No. of GSSB Sale Shares | % held in GSSB | Retention Sum |
|-----------------|--------------------------------|-----------------------|----------------------|
| | | | RM'000 |
| Yeow Cheng Hock | 30,000 | 30.0 | 523 |
| Ho Soo Cherng | 20,000 | 20.0 | 349 |
| Ding Chew Keat | 20,000 | 20.0 | 349 |
| Cheok Kian Hing | 30,000 | 30.0 | 523 |
| | Total | | 1,744 |

DOTSB

| Vendors | No. of DOTSB Sale Shares | % held in DOTSB | Retention Sum |
|-----------------|---------------------------------|------------------------|----------------------|
| | | | RM'000 |
| Yeow Cheng Hock | 15,000 | 30.0 | 330 |
| Ho Soo Cherng | 10,000 | 20.0 | 220 |
| Ding Chew Keat | 10,000 | 20.0 | 220 |
| Cheok Kian Hing | 15,000 | 30.0 | 330 |
| | Total | | 1,100 |

In contrast, in the event the aggregate of the audited PAT of GSSB and DOTSB for FYE 2025 and FYE 2026 collectively are lower than the Profit Guarantee or in the event that GSSB and DOTSB shall incur an aggregate loss after taxation ("**LAT**") for FYE 2025 and FYE 2026, the Vendors shall, jointly and severally, compensate the Company in cash such sum equivalent to the deficiency between the actual aggregate PAT/ LAT so achieved for FYE 2025 and FYE 2026 and the Profit Guarantee ("**Deficiency**") whereby the Vendors may opt to:

- (a) pay the Company such amount equivalent to the Deficiency to the Company directly following which the Company shall release the Retention Sum to the Vendors in full in accordance with their shareholding proportion of GSSB Sale Shares and DOTSB Sale Shares as set out above within 14 days from the Maturity Date; or
- (b) request the Company to deduct the Deficiency from the Retention Sum and the Company shall release the remaining sum of the Retention Sum to the Vendors in full in accordance with their shareholding proportion of GSSB Sale Shares and DOTSB Sale Shares within 14 days from the Maturity Date failing which the Company shall be liable to pay the Vendors interest on such sum that remains outstanding calculated at the rate of 8.0% per annum on a daily basis commencing from the Maturity Date till the date such sum that remains outstanding is fully paid.

Notwithstanding the aforesaid, in the event where the audited PAT of GSSB and DOTSB for FYE 2025 is RM1.4 million i.e. half of the amount of the Profit Guarantee, the Company agrees to pay RM1.4 million, i.e. the sum representing half of the Retention Sum, within 14 days from the date GSSB's and DOTSB's audited financial statements for FYE 2025 being made available, to the Vendors in accordance with their shareholding proportion of the GSSB Sale Shares and DOTSB Sale Shares failing which the Company shall be liable to pay the Vendors interest on such sum that remains outstanding calculated at the rate of 8.0% per annum on a daily basis commencing from the Maturity Date till the date such sum that remains outstanding is fully paid. For avoidance of doubt, the Company is still entitled to recourse from the Vendors in the manner as set out in (a) and (b) above should the Deficiency for FYE 2026 exceeds the remaining half of the Profit Guarantee.

2.9 Assumption of liabilities and estimated financial commitments

Save for the obligations and liabilities of the Company in and arising from the SSA, there are no other liabilities, including contingent liabilities or guarantees pursuant to the Proposed Acquisitions. The existing liabilities of GSSB and DOTSB will be settled in the ordinary course of business.

The Board does not foresee any material financial commitment to put the business of GSSB and DOTSB on stream as both companies are already in operation. However, upon completion of the Proposed Acquisitions, the Company may be required to provide corporate guarantee to the financial institution of GSSB and DOTSB in place of the Vendors.

3. RATIONALE OF THE PROPOSALS

The Proposed Acquisitions will allow the Company to expand its product offerings and diversify its customer base. The Group has identified both GSSB and DOTSB as viable and complementary businesses which align strategically with objectives of the Company and its subsidiaries ("**Group**"), after taking into consideration the following factors:

- (a) the Proposed Acquisitions will reduce the Group's reliance on its existing customer base and diversifying into different demographics;
- (b) the Proposed Acquisitions will expand its product offerings and therefore strengthen its position as a retail management solutions provider in Malaysia;
- (c) the Group will be able to leverage on the technical expertise and resources of GSSB and DOTSB to assist in the growth of the Group's existing business operations;
- (d) the favourable outlook and prospects of GSSB and DOTSB as set out in Sections 5.3 and 5.4.

Further, the Profit Guarantee provided by the Vendors provides assurance that the Proposed Acquisitions will be able to increase the Group's profitability and strengthen its financial performance, which would in turn create value for its shareholders. As such, the Proposed Acquisitions are expected to offer long-term business viability and growth potential, aligning with the strategic objectives of the Company. In terms of business continuity, Ho Soo Cherng and Ding Chew Keat have also agreed to enter into a management agreement/employment agreement/letter of employment with GSSB and DOTSB on terms to be mutually agreed by the Company, in respect of their retainment as the directors or appointment as the managers of GSSB and DOTSB and/or their respective job scopes to be agreed in the said agreement/letter.

In addition, the Board is of the view that the issuance of Consideration Shares as part settlement of the Purchase Consideration will enable the Group to conserve its cash resources and thereby provide greater flexibility to utilise its cash resources to fund the Group's existing and/ or new businesses.

4. EFFECTS OF THE PROPOSED ACQUISITIONS

4.1 Issued share capital

The pro forma effects of the Proposed Acquisitions on the issued share capital of the Company are as follows:

| | No. of Panda Shares | Issued share capital RM |
|--|--------------------------------|--|
| Issued share capital as at LPD | 671,187,000 | ⁽¹⁾ 22,172,766 |
| To be issued pursuant to the Proposed Acquisitions | 19,462,674 | ⁽²⁾ 5,971,148 |
| Enlarged issued share capital | 690,649,674 | 28,143,914 |

Notes:

- (1) Included one-off Initial Public Offering related expenses of RM0.9 million.
- (2) Based on the issue price of RM0.3068 per Consideration Share.

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4.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisitions on the shareholdings of the substantial shareholders are as follows:

| Substantial shareholders | As at LPD | | | | After Proposed Acquisitions | | | |
|--|--------------------|------|-------------------------------|------|-----------------------------|------|-------------------------------|------|
| | <-----Direct-----> | | <-----Indirect-----> | | <-----Direct-----> | | <-----Indirect-----> | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Goldcoin Capital Sdn Bhd ("Goldcoin Capital") | 467,219,800 | 69.6 | - | - | 467,219,800 | 67.7 | - | - |
| Loo Chee Wee | - | - | ⁽¹⁾ 467,219,800 | 69.6 | - | - | ⁽¹⁾ 467,219,800 | 67.7 |
| Tay Kheng Seng | - | - | ⁽¹⁾⁽²⁾ 478,217,200 | 71.3 | - | - | ⁽¹⁾⁽²⁾ 478,217,200 | 69.3 |
| Vendors, collectively | - | - | - | - | 19,462,674 | 2.8 | - | - |

Notes:

⁽¹⁾ Deemed interested by virtue of his substantial shareholdings in Goldcoin Capital pursuant to Section 8 of the Act.

⁽²⁾ Deemed interested by virtue of the shareholdings of his spouse pursuant to Section 59(11) of the Act.

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4.3 NA and gearing

The pro forma effects of the Proposed Acquisitions on the consolidated NA, NA per share and gearing of the Group based on its latest audited consolidated financial statements as at 31 December 2023, assuming that the Proposed Acquisitions had been completed on 31 December 2023, is as follows:

| | As at 31 December 2023 | After Proposed Acquisitions |
|----------------------------------|-----------------------------------|--|
| | RM'000 | RM'000 |
| Share capital | 22,173 | 28,144 |
| Merger deficit | (5,239) | (5,239) |
| Retained profits | 15,537 | ⁽¹⁾ 15,117 |
| TOTAL EQUITY | 32,471 | 38,022 |
| Number of shares in issue ('000) | 671,187 | 690,650 |
| NA per ordinary share (RM) | 0.05 | 0.06 |
| Borrowings (RM) | ⁽²⁾ N/A | ⁽³⁾ N/A |
| Gearing ratio (times) | ⁽²⁾ N/A | ⁽³⁾ N/A |

Notes:

- ⁽¹⁾ After deducting estimated expenses of approximately RM0.4 million in relation to the Proposed Acquisitions.
- ⁽²⁾ Not applicable as the Company does not have any borrowings as at 31 December 2023.
- ⁽³⁾ Not applicable as the Company, GSSB and DOTSB will not have any borrowings upon completion of the Proposed Acquisitions.

4.4 Earnings and earnings per share ("EPS")

The Proposed Acquisitions are not expected to have any immediate effect on the earnings of the Group for FYE 31 December 2024 as it is only expected to be completed in first quarter of 2025. However, the Proposed Acquisitions are expected to contribute positively to the future earnings of the Group.

However, the issuance of Consideration Shares will result in immediate dilution of the EPS of the Group. Such dilution will be alleviated by the Profit Guarantee and expected profits from GSSB and DOTSB moving forward.

4.5 Convertible securities

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

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

Malaysia

Malaysia's economy continued its growth momentum, supported by favourable economic performance, amid persistent challenges in the external environment. This signifies the country's strong fundamentals and diversified economic activities as well as investor confidence in the domestic market, anchored by sound Government policies. During the first half of 2024, the economy posted a commendable growth of 5.1% driven by robust domestic demand, combined with further expansion in exports as well as positive growth in all economic sectors. Growth is forecast to continue its momentum in the second half of the year, albeit at a moderate pace. Overall, real gross domestic product in 2024 is revised upward, ranging between 4.8% and 5.3%, surpassing the initial target of 4.0% to 5.0%.

The growth in 2025 is projected between 4.5% and 5.5%, supported by a resilient external sector, benefitting from improved global trade and stronger demand for electrical and electronics goods, leveraging the country's strategic position within the semiconductor supply chain. Additionally, robust domestic demand, fuelled by strong private sector expenditure, will support the expansion, through continued implementation of key national master plans and ongoing initiatives.

On the supply side, the services sector continues to uphold its position as the main driver of growth contributed by tourism activities, sustained exports and acceleration of information and communication technology-related activities. Tourism-related industries, particularly food & beverages, accommodation and retail trade segments, are expected to increase further, while the wholesale trade as well as air and water transportations segments will benefit from sustained trade-related activities. On the demand side, growth will be buoyed by strong private sector expenditure and stable global trade. Accounting for about 60.0% of the economy, private consumption is projected to continue spearheading growth, backed by firm labour market conditions and income growth amid manageable inflation. Gross fixed capital formation or total investment remains high, underpinned by the realisation of private investment, acceleration of public sector strategic projects and initiatives under the Government-linked Enterprises Activation and Reform Programme (GEAR-uP) as well as new and ongoing multi-year projects in the services and manufacturing sectors.

The external sector is expected to continue expanding in 2025, supported by steady global demand. Robust trade activities are projected to contribute to a surplus in the goods account, while the services account is anticipated to post a narrowing deficit attributed to vigorous tourism activities. The income accounts are forecast to continue recording net outflows resulting from a ramp-up in investment activities. Hence, the current account is projected to register a healthier surplus of RM49.1 billion or 2.4% of gross national income. World trade is expected to gain momentum in line with steady economic growth, registering 3.1% in 2024, backed by strong trade activities, particularly in technology-related sectors. Global inflation continues to show signs of abating and is expected to soften to 5.9% as energy prices and the labour market moderate. Nevertheless, inflation is expected to remain higher in emerging market and developing economies compared to advanced economies.

(Source: Economic Outlook 2025, published on 18 October 2024, Ministry of Finance of Malaysia)

5.2 Overview and outlook of the retail industry and retail management solutions industry

Malaysia's wholesale and retail sales accelerated by 7.1% year-on-year to RM147.9 billion in May 2024 — the fastest pace since 11.9% in March 2023 — thanks to higher retail sales in non-specialised stores.

Bank Muamalat Malaysia's chief economist Mohd Afzanizam Abdul Rashid, meanwhile, commented: "The government continues to implement economic reforms, especially in areas relating to fuel subsidies. Consumers are expected to remain guarded in managing their finances. The wholesale and retail trade is likely to demonstrate a resilient growth on the back of stable labour market conditions while a cash transfer programme and the latest EPF withdrawal scheme would likely provide support to household spending patterns".

(Source: Malaysia's wholesale and retail sales growth accelerates to 7.1% in May, fastest in a year, The Edge Malaysia, 11 July 2024)

The wholesale and retail trade subsector grew by 4.3% in the first half of 2024, with sustained performance, mainly in retail trade and motor vehicle segments driven by improved consumer spending. The subsector is expected to expand by 4.0% in the second half of the year supported by positive growth in all segments, particularly retail trade with anticipation of higher tourist arrivals and expenses, while household expenditure is expected to remain resilient, backed by steady income growth and various financial assistance programmes.

(Source: Economic Outlook 2025, published on 18 October 2024, Ministry of Finance of Malaysia)

The retail management software market size has grown rapidly in recent years. It will grow from USD19.46 billion in 2023 to USD22.08 billion in 2024 at a compound annual growth rate ("CAGR") of 13.5%. The growth in the historic period can be attributed to increased demand for automation, the growth of e-commerce, the globalisation of retail, the need for efficient inventory management, and regulatory compliance requirements.

The retail management software market size is expected to see rapid growth in the next few years. It will grow to USD36.81 billion in 2028 at a CAGR of 13.6%. The growth in the forecast period can be attributed to emphasis on data security and privacy, expansion of cloud-based solutions, demand for real-time analytics and insights, focus on sustainability and eco-friendly practices, and rise of mobile commerce and mobile point-of-sale. Major trends in the forecast period include increased use of augmented reality in retail management software, growth of subscription-based pricing models, emphasis on predictive analytics for demand forecasting, convergence of online and offline shopping experiences, and rise of blockchain technology for supply chain transparency.

Asia-Pacific is expected to be the fastest-growing region in the forecast period. The regions covered in the retail management software market report are Asia-Pacific, Western Europe, Eastern Europe, North America, South America, Middle East and Africa.

(Source: <https://www.thebusinessresearchcompany.com/report/retail-management-software-global-market-report>)

5.3 Prospects of GSSB and DOTSB

GSSB has over 3 decades of expertise in the retail management solutions industry, specialising in Point-of-Sale ("**POS**") and inventory management solutions. GSSB's longstanding customers relationships, some spanning more than 25 years, reflects the Company's reliability, commitment and ability to deliver quality services/products to its customers.

GSSB has built its reputation by customising software solutions that addresses the distinct needs of businesses, ensuring maximum functionality and satisfaction. By providing expert maintenance services, the company ensures systems operate at peak performance, minimising downtime and disruptions to operations.

DOTSB provides innovative solutions that enhances efficiency, security, and customer experiences. From mobile loyalty application that foster customer connections to self-checkout kiosks that enhance the in-store experience, DOTSB's offerings are designed to modernise retail operations. Through seamless eCommerce-to-POS integration, the company bridges the gap between online and offline shopping, creating a unified customer experience. Complementing these advancements are cashless payment systems for secure transactions, digital advertising strategies to drive engagement, and business intelligence analytics tools that enable informed, data-driven decisions.

DOTSB offers server hosting services and cybersecurity solutions to support retail infrastructures and safeguard retail operations against evolving threats. The company also leads with artificial intelligence-driven innovations, exploring transformative opportunities to optimise processes, elevate customer engagement, and foster continuous retail innovation.

By combining strengths and leveraging shared expertise with Panda, both GSSB and DOTSB aim for potential future growth opportunities to deliver greater value to the retail industry.

Based on the historical track record of GSSB and DOTSB in their respective business, coupled with the prospects of the retail industry and retail management solutions industry as set out in Section 5.2, the management of the Group is optimistic of the growth prospects of GSSB and DOTSB.

6. RISK FACTORS

6.1 Completion risk

The completion of the Proposed Acquisitions is conditional upon the Conditions Precedent (as defined in Section 2.1 of Appendix II) being satisfied. There can be no assurance that such Conditions Precedent will be satisfied within the Conditional Period (as defined in Section 2.1 of Appendix II). In the event that the Conditions Precedent cannot be satisfied or the Conditional Period is not extended, the SSA will be terminated and the Proposed Acquisitions will not be completed.

However, the Company will continue to take all reasonable steps to ensure satisfaction and/or waiver, as the case may require, to ensure completion of the Proposed Acquisitions.

6.2 Investment risk

The Proposed Acquisitions are expected to be beneficial to the Group as both GSSB and DOTSB anticipate business growth under the helm of Panda. However, there is no guarantee that the anticipated benefits from the Proposed Acquisitions will be realised or that the Company will be able to generate sufficient returns from the Proposed Acquisitions to offset its cost of investment.

Nevertheless, the Board endeavours to mitigate such risk by adopting prudent investment strategies and conducting the relevant assessment and review prior to making its investment decision.

6.3 Achievability of Profit Guarantee

The Profit Guarantee is based on various bases and assumptions which the Board deems reasonable, but nevertheless is subject to certain uncertainties and contingencies, which are often outside the control of the Group. Notwithstanding the Retention Sum being held as security to lend confidence to the Profit Guarantee, there can be no assurance that the Profit Guarantee will be met, or that the Retention Sum is sufficient to offset any deficiency in the Profit Guarantee.

7. APPROVALS REQUIRED

The Proposed Acquisitions are subject to the following:

- (a) approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities;
- (b) approval of the shareholders of the Company for the Proposed Acquisitions at the extraordinary general meeting to be convened; and
- (c) any other relevant authorities and/or parties, if required.

The Proposed Acquisitions are inter-conditional upon each other. However, the Proposed Acquisitions are not conditional upon any other corporate exercises undertaken or to be undertaken by the Company.

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

None of the directors, major shareholders, chief executive of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisitions.

9. STATEMENT BY THE BOARD

The Board having considered all aspects of the Proposed Acquisitions, including but not limited to the rationale, prospects as well as the terms and conditions of the Proposed Acquisitions, is of the opinion that the Proposed Acquisitions are in the best interest of the Company.

10. ADVISER

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

11. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) of the ACE Market Listing Requirements of Bursa Securities is 52.5%, calculated based on the Purchase Consideration divided by the latest audited consolidated NA of the Group as at 31 December 2023 of RM32.5 million.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisitions are expected to be completed by the 1st quarter of 2025.

13. DOCUMENT AVAILABLE FOR INSPECTION

The SSA is available for inspection at the registered office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur during normal business hours on Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 29 November 2024.

APPENDIX I – ADDITIONAL INFORMATION

1. HISTORICAL FINANCIAL INFORMATION OF GSSB

A summary of the financial information of GSSB based on the audited financial statements of GSSB for FYE 2021 to 2023 is set out below:

| | Audited | | |
|--------------------------------------|-----------------|-----------------|-----------------|
| | FYE 2021 | FYE 2022 | FYE 2023 |
| | RM'000 | RM'000 | RM'000 |
| Revenue | 6,348 | 8,437 | 6,286 |
| Gross profit ("GP") | 2,006 | 2,178 | 1,807 |
| Profit before taxation ("PBT") | 442 | 744 | 716 |
| PAT | 362 | 587 | 545 |
| | | | |
| Total equity/ NA | 1,568 | 1,855 | 2,399 |
| No. of GSSB Shares ('000) | 100 | 100 | 100 |
| NA per GSSB Share (sen) | 15.68 | 18.55 | 23.99 |
| Earnings per GSSB Share | 3.62 | 5.87 | 5.45 |
| | | | |
| Total borrowings | - | 1,342 | 1,514 |
| Gearing (times) ⁽¹⁾ | - | 0.72 | 0.63 |
| | | | |
| Current assets | 2,021 | 3,351 | 3,756 |
| Current liabilities | 992 | 1,223 | 1,031 |
| Current ratio (times) ⁽²⁾ | 2.04 | 2.74 | 3.64 |

Notes:

(1) Computed based on total borrowings over total equity.

(2) Computed based on current assets over current liabilities.

Commentaries**(a) FYE 2023 compared to FYE 2022**

Revenue for FYE 2023 decreased by RM2.1 million to RM6.3 million (FYE 2022: RM8.4 million) mainly due to several major customers having incurred significant capital expenditure in FYE 2022 to upgrade and expand their POS related devices and peripherals as well as computer and related equipment. Therefore, customers spending on such hardware normalised and reduced in FYE 2023, contributing to the decrease in revenue.

PAT for FYE 2023 decreased by RM0.04 million to RM0.55 million (FYE 2022: RM0.59 million). The decreased PAT for FYE 2023 was mainly due to (i) decrease in GP by RM0.4 million to RM1.8 million (FYE 2022: RM2.2 million); and (ii) increase in operating expenses, administrative expenses as well as finance cost by RM0.5 million to RM2.0 million (FYE 2022: RM1.5 million) mainly due to increment in annual salaries for staff. However, the decrease in PAT was partially offset by the increase in other income by RM0.8 million to RM1.0 million in FYE 2023 (FYE 2022: RM0.2 million), mainly being secondment costs charged to DOTSB by GSSB for the assignment of employees under secondment arrangement.

APPENDIX I – ADDITIONAL INFORMATION (Cont'd)

The GP margin increased by 2.9% to 28.7% (FYE 2022: 25.8%) mainly due to lower sales of hardware. Sales of hardware typically generates lower GP margin as compared to sales of software and maintenance services.

(b) FYE 2022 compared to FYE 2021

Revenue for FYE 2022 increased by RM2.1 million to RM8.4 million (FYE 2021: RM6.3 million) mainly due to higher sales of hardware and software to several major customers for their opening of new retail outlets after the COVID-19 pandemic.

PAT for FYE 2022 increased by RM0.2 million to RM0.6 million (FYE 2021: RM0.4 million). The higher PAT for FYE 2022 was mainly due to the (i) increase in GP by RM0.2 million; and (ii) decrease in other operating expenses by RM0.3 million to RM0.9 million for FYE 2022 (FYE 2021: RM1.2 million), mainly due to absence of directors' fees in FYE 2022. However, it was partially offset by the increase in administrative expenses and taxation by RM0.2 million.

The GP margin decreased by 5.8% to 25.8% (FYE 2021: 31.6%) mainly due to higher sales of hardware during FYE 2022. Sales of hardware typically generates lower GP margin as compared to sales of software and maintenance services.

2. HISTORICAL FINANCIAL INFORMATION OF DOTSB

A summary of the financial information of DOTSB based on the audited financial statements of DOTSB for FYE 2021 to 2023 is set out below:

| | Audited | | |
|--------------------------------------|-----------------|-----------------|-----------------|
| | FYE 2021 | FYE 2022 | FYE 2023 |
| | RM'000 | RM'000 | RM'000 |
| Revenue | 940 | 1,165 | 4,892 |
| GP | 378 | 462 | 1,166 |
| PBT | 58 | 35 | 669 |
| PAT | 49 | 34 | 549 |
| | | | |
| Total equity/ NA | 417 | 451 | 1,049 |
| No. of DOTSB Shares ('000) | 1 | 1 | 50 |
| NA per DOTSB Share (sen) | 417 | 451 | 20.98 |
| Earnings per DOTSB Share | 49 | 34 | 10.98 |
| | | | |
| Total borrowings | - | - | 184 |
| Gearing (times) ⁽¹⁾ | - | - | 0.18 |
| | | | |
| Current assets | 534 | 492 | 2,221 |
| Current liabilities | 135 | 189 | 1,145 |
| Current ratio (times) ⁽²⁾ | 3.96 | 2.60 | 1.94 |

Notes:

(1) Computed based on total borrowings over total equity.

(2) Computed based on current assets over current liabilities.

Commentaries**(a) FYE 2023 compared to FYE 2022**

Revenue for FYE 2023 increased by RM3.7 million to RM4.9 million (FYE 2022: RM1.2 million) mainly due to higher subscription of its newly developed self-check out system (i.e. automated payment collection) and purchase of its related hardware.

PAT for FYE 2023 increased by RM0.52 million to RM0.55 million (FYE 2022: RM0.03 million). The increased PAT for FYE 2023 was mainly due to increase in GP by RM0.7 million to RM1.2 million (FYE 2022: RM0.5 million) in line with revenue growth. However, the increase in GP was partially offset by the increase in taxation by RM0.1 million.

The GP margin decreased by 15.8% to 23.8% (FYE 2022: 39.7%) mainly due to higher sales of hardware as compared to sales of software and maintenance services, where sales of hardware typically generates lower GP margin.

(b) FYE 2022 compared to FYE 2021

Revenue for FYE 2022 increased by RM0.3 million to RM1.2 million (FYE 2021: RM0.9 million) mainly due to increase in sales of project management solutions to manage customer's software customisation as well as increase in sales of software.

PAT for FYE 2022 remained fairly consistent, with a slight drop of RM0.02 million to RM0.03 million (FYE 2021: RM0.05 million).

The GP margin remain consistent at 39.7% in FYE 2022 as compared to 40.2% in FYE 2021.

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APPENDIX II – SALIENT TERMS OF THE SSA

The salient terms of the SSA are as follows:

1. CONDITIONAL AGREEMENT TO SALE AND PURCHASE

- 1.1 In consideration of the Vendors' and the Company's (collectively referred to as "**Parties**" for the purpose of Appendix II) mutual promises set out in the SSA and the Purchase Consideration provided in accordance with **Section 4 of Appendix II**, the Vendors (as the registered holders and beneficial owners of GSSB Sale Shares and DOTSB Sale Shares agree to sell and the Company agrees to purchase the GSSB Sale Shares and DOTSB Sale Shares from the Vendors (on a willing seller and willing buyer basis) at the Purchase Consideration on the terms and subject to the Conditions Precedents (as defined in **Section 2.1 of Appendix II**).
- 1.2 The GSSB Sale Shares and DOTSB Sale Shares are sold free from all claims and encumbrances and with full legal and beneficial title and together with all rights, privileges, obligations, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof) with effect from the actual date on which the completion of the sale and purchase of GSSB Sale Shares and DOTSB Sale Shares by the performance by the Parties of their respective obligations under **Section 4.1 and Section 7.2 of Appendix II ("Completion")** have taken place ("**Completion Date**") in accordance with **Section 7 of Appendix II** and on the basis of the warranties, representations and undertakings of the Vendors contained in Clause 7, Clause 8 and Annexure 2 of the SSA ("**Warranties**").
- 1.3 The Vendors and the Company agree that the purchase of the GSSB Sale Shares and DOTSB Sale Shares from the Vendors shall include all of the rights, privileges, and obligations attached to GSSB Sale Shares and DOTSB Sale Shares.
- 1.4 The Vendors are only obliged to complete the sale and the Company is only obliged to complete the purchase of any of the GSSB Sale Shares and DOTSB Sale Shares if the sale and purchase of all the GSSB Sale Shares and DOTSB Sale Shares are completed simultaneously.

2. CONDITION PRECEDENT

- 2.1 The Proposed Acquisitions is subject to the following conditions precedent ("**Conditions Precedent**") being fulfilled, obtained or waived (as the case may be) 180 days from the date of the SSA or such other extended date the Parties may agree in writing ("**Conditional Period**"):
 - (i) the Company, having obtained the approval of its shareholders at an extraordinary general meeting to be convened, for the purchase of the GSSB Sale Shares and DOTSB Sale Shares in accordance with the terms of the SSA;
 - (ii) the Company, having obtained the approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares to be issued to the Vendors; and
 - (iii) the Parties, having obtained, where necessary, the approval of such governmental or regulatory authorities, relating to the sale and purchase of the GSSB Sale Shares and DOTSB Sale Shares being obtained by the Parties, if required and such approvals being in full force and effect as of Completion. Where such approval is subject to conditions, such conditions being reasonably acceptable to the Parties and if such conditions are to be fulfilled on or before Completion, such conditions having been fulfilled on or before such date.

- 2.2 The SSA will become unconditional on the date when all the Conditions Precedent are fulfilled, obtained or, if applicable waived, in accordance with the provisions of the SSA within the Conditional Period. The date on which the last Condition Precedent is fulfilled, obtained or, if applicable waived is referred to as the Unconditional Date.

3. WAIVER & NON-FULFILLMENT OF CONDITIONS PRECEDENT

In the event that any one of the Conditions Precedent is not or cannot be fulfilled or waived during the Conditional Period or such other extended date the Parties mutually agree in writing, either party shall be entitled, by a notice given by 1 Party to the other Parties, stating that the first Party wishes to terminate the SSA ("**Notice of Termination**") and upon such notice being served on the other and, subject to the performance by the Parties of their respective obligations upon termination including but not limited to refund by the Vendors all the monies paid towards the Purchase Consideration (with no interest) to the Company (where applicable), the SSA shall be null and void and be of no further effect.

4. PURCHASE CONSIDERATION

- 4.1 The sale and purchase consideration for the GSSB Sale Shares and DOTSB Sale Shares shall be **RM17,060,424** only ("**Purchase Consideration**"), which shall be paid by the Company in the following time and manner: -
- (i) prior to the execution of the SSA, the sum of **RM200,000.00** only, being the deposit as part payment towards the Purchase Consideration ("**Earnest Deposit**") has been paid by the Company to the solicitor of the Vendors as stakeholders, the receipt of which is hereby acknowledged by the Vendors;
 - (ii) upon the execution of the SSA, a sum of **RM1,506,042.40** only ("**Balance Deposit**") shall be paid by the Company to the Company's Solicitors as stakeholders, as part payment towards the Purchase Consideration;
 - (iii) the Earnest Deposit and the Balance Deposit shall collectively be referred to as "**Deposit**" representing 10.0% of the Purchase Consideration;
 - (iv) within 7 business days upon the Unconditional Date, the Company's Solicitors are authorised to release the Deposit into the account of the GSSB and DOTSB ("**Target Group**") for the purposes of settlement of the Outstanding Loan (as defined in Section 6.2 of Appendix II) which upon such settlement, the balance of the Deposit, if any, shall be released to the Vendors in accordance with the shareholding proportion of the Sale Shares;
 - (v) within 14 days from the Unconditional Date or such other extended date as may be mutually agreed by the Parties hereto in writing (which in any event it shall be within 30 days from the Unconditional Date ("**Completion Period**") or any extension thereof), a sum of **RM5,971,148.40** being 35.0% of the Purchase Consideration ("**Tranche 1 Payment**"), shall be paid by way of Consideration Shares to the Vendors; and

- (vi) within 14 days from the Unconditional Date or such other extended date as may be mutually agreed by the Parties hereto in writing (which in any event it shall be within 30 days from the Completion Period or any extension thereof), the cash sum of **RM6,539,829.20** only ("**Tranche 2 Payment**") shall be paid by the the Company to the Company's Solicitors as stakeholders. As and when applicable, the Company's Solicitors are authorised to utilise an amount equivalent to the remaining Outstanding Loan from the Tranche 2 Payment for the settlement of the remaining Outstanding Loan to the account of the Target Group, and thereafter to pay the remaining Tranche 2 Payment to the Vendors.
- 4.2 In light of the Profit Guarantee provided by the Vendors in accordance with **Section 5** of **Appendix II**, the Vendors hereby agree that the remaining sum of **RM2,843,404.00** only ("**Retention Sum**") shall be retained and only be paid to the Vendors upon the Maturity (as defined in Section 5.2(ii) of **Appendix II** below) ("**Maturity Date**") and to be dealt with in accordance with **Section 5** of **Appendix II** upon the Maturity Date.
- 4.3 The cash portion of the Purchase Consideration shall be settled and paid by way of cash, inter-bank transfers, cheques or bank drafts, or any other method to be mutually agreed by the Parties.

5. PROFIT GUARANTEE

- 5.1 In consideration of the Company acquiring GSSB Sale Shares and DOTSB Sale Shares, the Vendors unconditionally and irrevocably, jointly and severally, guarantee and covenant with the Company that the audited PAT of the Target Group for FYE 2025 and FYE 2026 shall not collectively attain and achieve the profit guarantee i.e. audited PAT of no less than RM1,421,702 only per annum for each of the financial year of FYE 2025 and FYE 2026 respectively or RM2,843,404 collectively for the FYE 2025 and FYE 2026 on an aggregate basis ("**Profit Guarantee**").
- 5.2 Computation of Profit Guarantee
 - (i) For the purpose of computation of the PAT and determination of the performance of the Profit Guarantee, the PAT shall be based on the Target Group's audited financial statements for FYE 2025 and FYE 2026 as may be verified, approved and certified by the Target Group's auditors ("**Certified Accounts**"), a copy of which shall be delivered by the Company to the Vendors within 3 business days from the Maturity Date, which shall in the absence of manifest error or fraud, be conclusive, final and binding on the Vendors and the Company. The Certified Accounts shall be prepared in accordance with the Malaysian Financial Reporting Standards.
 - (ii) The date where the Target Group's audited financial statements for FYE 2026 are made available shall be referred to as "**Maturity Date**".

- (iii) Depending on the audited PAT of the Target Group, the following treatments shall apply upon Maturity Date:
- a. In the event the aggregate of the audited PAT of the Target Group for FYE 2025 and FYE 2026 are lower than the Profit Guarantee or in the event that the Target Group shall incur an aggregate LAT for FYE 2025 and FYE 2026, the Vendors shall, jointly and severally, compensate the Company in cash such sum equivalent to the deficiency between the actual aggregate PAT/ LAT so achieved for FYE 2025 and FYE 2026 and the Profit Guarantee ("**Deficiency**") whereby the Vendors may opt to:-
 - (1) pay the Company such amount equivalent to the Deficiency to the Company directly following which the Company shall release the Retention Sum to the Vendors in full in accordance with the shareholding proportion of the GSSB Sale Shares and DOTSB Sale Shares within 14 days from the Maturity Date; or
 - (2) request the Company to deduct the Deficiency from the Retention Sum and the Company shall release the remaining sum of the Retention Sum to the Vendors in full in accordance with the shareholding proportion of the GSSB Sale Shares and DOTSB Sale Shares within 14 days from the Maturity Date;
 - b. In the event the aggregate of the Target Group's audited PAT for FYE 2025 and FYE 2026 shall be equivalent to or exceed the Profit Guarantee, then the Profit Guarantee shall be deemed fully satisfied by the Vendors and the Retention Sum shall be paid by the Company to the Vendors in full in accordance with the shareholding proportion of the GSSB Sale Shares and DOTSB Sale Shares within 14 days from the Maturity Date failing which the Company shall be liable to pay the Vendors interest on such sum that remains outstanding calculated at the rate of 8.0% per annum on a daily basis commencing from the Maturity Date till the date such sum that remains outstanding is fully paid.
- (iv) Notwithstanding anything to the contrary to the SSA, in the event where the audited PAT of the Target Group for FYE 2025 has achieved more than half of the amount of the Profit Guarantee, the Company agrees to pay the sum representing half of the Retention Sum, within 14 days from the date the Target Group's audited financial statements for FYE 2025 is made available, to the Vendors in accordance with their shareholding proportion of the GSSB Sale Shares and DOTSB Sale Shares failing which the Company shall be liable to pay the Vendors interest on such sum that remains outstanding calculated at the rate of 8.0% per annum on a daily basis commencing from the Maturity Date till the date such sum that remains outstanding is fully paid.

6. SPECIAL CONDITIONS

- 6.1 Simultaneously upon the execution of the SSA, Mr. Ho Soo Cherng ("**HSC**") and Mr. Ding Chew Keat ("**DCK**") shall enter into a employment agreement/letter of employment with the Target Group, on terms and conditions to be mutually agreed upon by the Parties, in respect of their retainment as the directors or appointment as the managers in the Target Group and/or their respective job scopes to be agreed in the said agreement/letter.

- 6.2 The Vendors hereby jointly and severally undertake and shall cause and procure their company, Day One Solution Sdn Bhd ("**DOSSB**") to provide an irrevocable letter of undertaking to the Company that DOSSB shall, together with the Vendors, jointly and severally undertake to repay the full amount of the loan owing by DOSSB to the Target Group of approximately RM2,000,000.00 and all incidental liabilities (other than trade payables) remaining outstanding and payable by the Target Group (as at Completion) ("**Outstanding Loan**"). Notwithstanding the aforesaid, the Vendors agree and authorise the Company or the Vendors' solicitors and/or the Company's solicitors to deduct the Outstanding Loan from the Purchase Consideration and to pay the amount equivalent to the Outstanding Loan into the account of the Target Group.
- 6.3 The Vendors confirm and undertake that the working capital requirements of the Target Group shall be sufficiently maintained by the Target Group for at least 6 months from the Completion with at least 70.0% of the retained earnings to be maintained in the form of net current assets (out of which at least 20.0% of the retained earnings to be maintained in the form of cash at bank), and the Vendors undertake not to declare any distribution of retained earnings of the Target Group as at FYE 2023 and thereafter.
- 6.4 The Company shall take all necessary steps to ensure that the Vendors are entitled to appoint Mr. Cheok Kian Hing (the "**Vendor Representative**") (or any of the Vendors, in the event Mr. Cheok Kian Hing is not eligible to be appointed as the director of the Company for any reason whatsoever) to serve as a member of the Board of Directors of the Company. The Company agrees to take all necessary actions to appoint the Vendor Representative to the Board of Directors of the Company within 14 days from the Completion Date. The Vendor Representative shall, upon appointment, have the same rights, privileges, and responsibilities as other members of the Company's Board of Directors, including, but not limited to, the right to receive notices, attend, and vote at all meetings of the Board of Directors.

7. COMPLETION

- 7.1 If the Conditions Precedent are fulfilled, obtained or waived, as the case may be, (in accordance with the provisions of the SSA) within the Conditional Period and subject to the fulfilment of **Section 7.2 of Appendix II** by the Vendor, the Completion of the sale and purchase of GSSB Sale Shares and DOTSB Sale Shares shall take place on the Completion Date.
- 7.2 Delivery of Documents and Registration of Transfer of Sale Shares
- (i) The Vendors shall procure, execute and deposit the following documents with the Company's solicitor within 7 business days from the date of the SSA:
- the instrument of transfer (i.e. the Instrument of Transfer of Shares pursuant to Section 105 of the Act) duly executed by the Vendors as transferors of the GSSB Sale Shares and DOTSB Sale Shares in favour of the Company ("**Transfer**");
 - the original share certificates in respect of GSSB Sale Shares and DOTSB Sale Shares free from all encumbrances and with full legal and beneficial title duly registered in the names of the Vendors;

- c. the undated directors' resolution in writing of the Target Group duly signed by all directors of the Target Group approving and authorizing:
 - (1) the transfer and registration of the GSSB Sale Shares and DOTSB Sale Shares in the name of the Company;
 - (2) the issuance of the new share certificate(s) in the name of the Company; and
 - (3) the cancellation of the previous share certificates registered in the names of the Vendors;
 - d. the undated letter(s) of resignation of Mr. Yeow Cheng Hock ("YCH") and CKH;
 - e. the undated directors' resolution in writing of the Company duly signed by all the directors of the Company authorizing the change of signatories of all bank account(s) of the Company to the representative(s) nominated by the Company; and
 - f. any other documents necessarily required to enable the effective transfer of the Sale Shares to the Company and enable the Company to become the registered holder thereof.
- (ii) The Company may at its absolute discretion waive any requirement contained in **Section 7.1(i)** of **Appendix II** but shall not be obliged to complete the purchase of any of the GSSB Sale Shares and DOTSB Sale Shares unless the remaining requirement have been fulfilled, failing which the SSA shall be terminated with the consequential effect and thereafter no Party shall have any claims against the other Parties.

8. TERMINATION

- 8.1 The SSA will continue and remain in full force and effect, unless terminated either by way of issuance of Notice of Termination pursuant to any of the provisions of the SSA and the consequential effects thereafter shall be governed **Section 8.6** of **Appendix II**.
- 8.2 Each of the following events shall be an Event of Default, if before Completion:
- (i) a Party commits a material breach of the terms or conditions of the SSA, and such breach is not capable of being remedied; or
 - (ii) a Party commits a material breach of the terms or conditions of the SSA and, if such breach is capable of being remedied, such Party fails, refuses or neglects to remedy such breach within 30 days (or such longer period as may be agreed by the other Parties) after written notice has been given to such Party by any of the other Parties providing particulars of the breach and requiring such remedy; or

- (iii) a Party applies for an order or an order is made declaring such Party (as applicable) bankrupt, insolvent, liquidated or wound up or granting such Party a moratorium or protection from its creditors; or a petition for bankruptcy or a winding-up shall been presented against such Party unless such Party has contested in good faith such petition within 30 days (or such longer period as may be agreed by the other Parties) of its presentation in Court and the petition is dismissed, struck off, discharged, stayed, suspended, withdrawn or set aside within 120 days (or such longer period as may be agreed by the other Parties) from the date of its presentation in Court; or an order is made or a members' resolution is passed or any legislation enacted for the winding-up of such Party (except as part of a bona fide scheme of reconstruction or amalgamation); or if such Party compounds with its creditors; or a trustee, administrator, liquidator, receiver, receiver and manager, custodian or similar official is appointed for such Party or for any substantial part of its assets or properties; or if such Party enters into or proposes to enter into any scheme of arrangement or compromise (except as part of a bona fide scheme of reconstruction or amalgamation) with any of its creditors or contributories;
- (iv) where a Party is an individual, such Party dies, becomes of unsound mind, incapacitated, commit an act of bankruptcy or is adjudicated a bankrupt;
- (v) if any distress or execution or other process of a Court of competent jurisdiction is levied upon or issued against any substantial part of the assets or property of a Party and such distress, execution or other process (as the case may be) is not satisfied by such Party within 30 days thereof (or such longer period as may be agreed by the other Parties), or unless any of the foregoing is contested in good faith within 30 days (or such longer period as may be agreed by the other Parties) and dismissed, struck off, withdrawn, suspended, set aside or discharged within 120 days thereof (or such longer period as may be agreed by the other Parties); or
- (vi) if any of the Warranties is untrue or inaccurate and the Vendors fail or refuse to remedy the same within 14 days (or such longer period as may be agreed by the other Parties) from its receipt of the Company's written notice for such remedy.

8.3 Termination by the Vendors

- (i) Upon the occurrence of an Event of Default by the Company, the Vendors may, at any time and while the Company's default as described herein subsists give a Notice of Termination to the Company to terminate the SSA forthwith without prejudice to all other rights and remedies available at any time to the Vendors and to take such actions or proceedings as it deems fit to claim damages and loss and all costs and expenses (on a full indemnity basis) incurred in connection with such actions or proceedings.
- (ii) Upon termination, the Vendors shall require the Company to return all documents provided herein to the Company within 7 days from the date of termination with all the Vendor's rights and interest in the Target Group intact.
- (iii) Subject always to the fulfilment of **Section 8.3(ii)** of **Appendix II**, the Vendors shall refund all the monies (without interest) paid by the Company under the SSA.

8.4 Termination by the Company

- (i) Upon the occurrence of an Event of Default by the Vendors, the Company may, at any time and while the Vendors' default as described herein subsists give a Notice of Termination to the Vendors to terminate the SSA forthwith without prejudice to all other rights and remedies available at any time to the Company and to take such actions or proceedings as it deems fit to claim damages and loss and all costs and expenses (on a full indemnity basis) incurred in connection with such actions or proceedings.
- (ii) Upon termination, the Company shall require the Vendors to return all documents provided herein to the Vendors within 7 days from the date of termination.
- (iii) The Vendors shall refund all the monies (without interest) paid by the Company under the SSA and **Section 8.6 of Appendix II** herein shall thereafter applied.

8.5 Termination by Either the Vendors or the Company

Unless Clause 13.9 of the SSA in relation to the invalidity and severability of the SSA is applicable, either the Vendors or the Company may terminate the SSA by Notice of Termination to the other Parties if as a result of any change in applicable laws, the transaction contemplated by the SSA or the performance by a Party of its obligations under the SSA becomes unlawful, whereupon the Vendors shall refund all the monies (without interest) paid to the Company under the SSA and **Section 8.6 of Appendix II** shall thereafter applied.

8.6. Consequences of Termination

If the SSA is terminated under this **Section 8 of Appendix II**, the following terms shall apply, namely:

- (i) the SSA will be null and void and of no further effect;
- (ii) save as set out in **Section 8.6(iii) of Appendix II**, each Party will have no further obligations to the other Party;
- (iii) the termination will be without prejudice to any rights and liabilities arising as a result of, or in connection with, any antecedent breaches of the SSA; and
- (iv) the Vendors shall have the absolute right to re-sell the GSSB Sale Shares and DOTSB Sale Shares to such persons in such manner at such price and on such terms as the Vendors may think fit.

9. NON-COMPETITION

- (i) The Vendors irrevocably agree, guarantee and covenant that for a period of 5 years from the Completion Date ("**Restricted Period**") none of them shall from the Completion Date, directly or indirectly do, involve, engage, participate, collaborate or having any direct or indirect interest in any same/similar business with the business of the Target Group, save with the written consent of the Purchaser and/or the Target Group.

APPENDIX II – SALIENT TERMS OF THE SSA (Cont'd)

- (ii) In the event after the Restricted Period, any of the Vendors enters into any same or similar business as the Target Group in any countries including Malaysia, the Target Group shall have the first right of refusal (at its discretion to participate) to invest in the said business or Target Group with not less than 30.0% of shareholdings in the venture to be undertaken by any of the Vendors.

Notwithstanding anything to the contrary, this **Section 9** of **Appendix II** shall remain in effect for the Restricted Period and shall cease thereafter.

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