**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

This Circular has been reviewed by Alliance Investment Bank Berhad as the Principal Adviser to Radiant Globaltech Berhad ("**Radiant Globaltech**" or the "**Company**") for the Proposals (as defined herein).

RADIANT GLOBALTECH

**RADIANT GLOBALTECH BERHAD**
(Registration No. 200301018877 (621297-A))
(Incorporated in Malaysia)

# CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

**(I) PROPOSED ACQUISITION OF 80% EQUITY INTEREST IN GRAND-FLO SPRITVEST SDN BHD ("GF SPRITVEST"), COMPRISING 800,000 ORDINARY SHARES IN GF SPRITVEST CURRENTLY HELD BY GRAND-FLO BERHAD, FOR A TOTAL CASH CONSIDERATION OF RM11,600,000 ("PROPOSED ACQUISITION"); AND**

**(II) PROPOSED VARIATION TO THE UTILISATION OF PROCEEDS OF RM11,480,000 RAISED FROM RADIANT GLOBALTECH'S INITIAL PUBLIC OFFERING WHICH WAS COMPLETED ON 24 JULY 2018 TO PART-FINANCE THE PROPOSED ACQUISITION**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*

ALLIANCE INVESTMENT BANK
**Alliance Investment Bank Berhad** 197401004393 (21605-D)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of the Company and the Form of Proxy are enclosed with this Circular. The EGM of the Company will be held as follows:

| | | |
|---|---|---|
| Date and time of the EGM | : | Friday, 23 October 2020 at 10:30 a.m. or at any adjournment thereof |
| Last date and time for lodging the Form of Proxy for the EGM | : | Wednesday, 21 October 2020 at 10:30 a.m. or at any adjournment thereof |
| Venue of the EGM | : | Majestic 2, The Majestic Hotel Kuala Lumpur,<br>5, Jalan Sultan Hishamuddin, Tasik Perdana,<br>50000 Kuala Lumpur, Wilayah Persekutuan |

If you decide to appoint a proxy(ies) to attend and vote on your behalf at the EGM, the Form of Proxy should be completed and deposited at the Share Registrar's office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or submitted via email to is.enquiry@my.tricorglobal.com, not less than forty-eight (48) hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

**This Circular is dated 8 October 2020**

## DEFINITIONS

In this Circular and the accompanying appendices, the following words and abbreviations shall have the following meanings unless otherwise stated:

| | | |
|---|---|---|
| **Act** | : | Companies Act 2016 |
| **AIBB** or **Principal Adviser** | : | Alliance Investment Bank Berhad (197401004393 (21605-D)), being the Principal Adviser for the Proposals |
| **Board** | : | Board of Directors of Radiant Globaltech |
| **Bursa Depository** | : | Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W)) |
| **Bursa Securities** | : | Bursa Malaysia Securities Berhad (200301033577 (635998-W)) |
| **Circular** | : | This circular to our shareholders dated 8 October 2020 |
| **CEO** | : | Chief Executive Officer |
| **CMCO** | : | Conditional MCO |
| **CPL** | : | Cheng Ping Liong |
| **Director(s)** | : | A director shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction was agreed upon, a director or a chief executive of Radiant Globaltech, its subsidiaries or holding company |
| **EDCC** | : | Electronic Data Capture and Collation |
| **EGM** | : | Extraordinary general meeting |
| **EPS** | : | Earnings per share |
| **ERP** | : | Enterprise resource planning |
| **FMCG** | : | Fast-moving consumer goods |
| **FPE** | : | Financial period ended 30 June |
| **FYE** | : | Financial year ended / ending 31 December, as the case may be |
| **GFB or Vendor** | : | Grand-Flo Berhad (200301004972 (607392-W)) |
| **GF Spritvest** | : | Grand-Flo Spritvest Sdn Bhd (199501019036 (348239-W)) |
| **GF Spritvest Shares** | : | Ordinary shares in GF Spritvest |
| **GFB Group** | : | GFB and its subsidiaries, collectively |
| **GFB Shares** | : | Ordinary shares in GFB |
| **Guaranteed Profits** | : | A minimum PAT of GF Spritvest of RM3,200,000 for the period commencing from the SSA Completion Date up to the FYE 2022 |
| **IPO** | : | Initial public offering |
| **IT** | : | Information Technology |
| **Jejaka** | : | Jejaka 7 Capital Sdn Bhd (202001019260 (1375580-X)) |

| | | |
|---|---|---|
| **Jejaka Acquisition** | : | Proposed acquisition by Jejaka of the remaining 20% equity interest in GF Spritvest, comprising 200,000 ordinary shares in GF Spritvest, from the Vendor for a cash consideration of RM2,900,000 |
| **Listing Requirements** | : | ACE Market Listing Requirements of Bursa Securities |
| **LAT/LBT** | : | Loss after tax / Loss before tax |
| **Listing Date** | : | 24 July 2018, being the date Radiant Globaltech Shares were listed on the ACE Market of Bursa Securities |
| **LPD** | : | 30 September 2020, being the latest practicable date prior to the printing of this Circular |
| **LTD** | : | 9 September 2020, being the last market day prior to the announcement of the Proposals on 10 September 2020 |
| **MCO** | : | Movement control order under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 |
| **NA** | : | Net assets |
| **PAT/PBT** | : | Profit after tax / Profit before tax |
| **PE Multiple** | : | Price to earnings multiple |
| **Proposals** | : | Proposed Acquisition and Proposed Variation, collectively |
| **Proposed Acquisition** | : | Proposed acquisition of 80% equity interest in GF Spritvest, comprising 800,000 ordinary shares in GF Spritvest, from the Vendor for a total cash consideration of RM11,600,000 |
| **Proposed Variation** | : | Proposed variation to the utilisation of proceeds of RM11,480,000 raised from Radiant Globaltech's IPO which was completed on 24 July 2018 to part-finance the Proposed Acquisition |
| **Purchase Consideration** | : | The total cash consideration of RM11,600,000 for the Proposed Acquisition |
| **Radiant Globaltech** or the **Company** | : | Radiant Globaltech Berhad (200301018877 (621297-A)) |
| **Radiant Globaltech Group** or **Group** | : | Radiant Globaltech and its subsidiaries, collectively |
| **Radiant Globaltech Shares** | : | Ordinary shares in Radiant Globaltech |
| **Record of Depositors** | : | Record of securities holders established by Bursa Depository pursuant to the Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991 |
| **RM and sen** | : | Ringgit Malaysia and sen, respectively |
| **RMCO** | : | Recovery MCO |
| **Service Agreement** | : | Service agreement dated 10 September 2020 entered into between CPL and GF Spritvest |

| | | |
|---|---|---|
| **Shareholders Agreement** | : | Shareholders agreement dated 10 September 2020 entered into by the Company, Jejaka, CPL and GF Spritvest to, amongst others, regulate the rights, obligations and liabilities of the Company and Jejaka as shareholders of GF Spritvest, upon SSA Completion Date and Jejaka Acquisition |
| **SSA** | : | Conditional share sale agreement dated 10 September 2020 entered into by the Company and the Vendor for the Proposed Acquisition |
| **SSA Completion Date** | : | The business day falling 14 days after the Unconditional Date or any extended date as may mutually be agreed between the parties of the SSA in writing on which the completion of the SSA takes place |
| **Unconditional Date** | : | The date on which all the conditions precedent are fulfilled, obtained or waived (or such other date as may be agreed upon between the parties of the SSA in writing) |
| **Vendor's Advances** | : | The net amount owing from GF Spritvest to GFB Group amounting to RM2,445,926.69 as at the date of the SSA |

All references to "Radiant Globaltech" or "our Company" in this Circular are Radiant Globaltech, references to "Radiant Globaltech Group" or "Group" are to our Company and our subsidiaries and references to "we", "us", "our" and "ourselves" are to our Group, our Company, and where the context otherwise requires, our subsidiaries.

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

Words denoting the singular shall, where applicable, include the plural and *vice versa* and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise stated. Any reference in this Circular to any enactment, codes, rules or regulations is a reference to that enactment, codes, rules or regulations as for the time being amended or re-enacted.

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

This Circular includes forward-looking statements. All statements other than statements of historical facts in this Circular including, without limitation, those regarding our Company's financial position, business strategies, plans and objectives of our Company for future operations, are forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

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## TABLE OF CONTENTS

## EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the “Definitions” Section and context of the Circular.

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

<table>
<tr><th>Key information</th><th>Description</th></tr>
<tr><td>Summary of the Proposals</td><td>On 10 September 2020, AIBB had, on behalf of the Board, announced the following:<br><br>(I) Proposed Acquisition of 80% equity interest in GF Spritvest, comprising 800,000 ordinary shares in GF Spritvest currently held by Grand-Flo Berhad, for a total cash consideration of RM11,600,000; and<br><br>(II) Proposed Variation to the utilisation of proceeds of RM11,480,000 raised from Radiant Globaltech’s IPO which was completed on 24 July 2018 to part-finance the Proposed Acquisition.</td></tr>
<tr><td>Details of the Proposed Acquisition</td><td>The Proposed Acquisition entails the acquisition by Radiant Globaltech of 80% equity interest in GF Spritvest, for total cash consideration of RM11,600,000.<br><br>GF Spritvest is a provider of total EDCC solutions focusing on the supply, installation and integration of EDCC hardware and devices, software, technical support and maintenance services.<br><br>Below is the key financial information of GF Spritvest in its latest FYE 2019:<br><br><table><tr><th></th><th>FYE 2019<br>RM’000</th></tr><tr><td>Revenue</td><td>53,352</td></tr><tr><td>PAT</td><td>1,623</td></tr><tr><td>Shareholders’ funds / NA</td><td>6,489</td></tr></table><br>Please refer to Section 2 of this Circular for further details of the Proposed Acquisition.</td></tr>
</table>

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| | |
|---|---|
| **Basis and justification in arriving at the Purchase Consideration** | The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis based on the PE Multiple of 8.95 times based on the latest audited PAT of GF Spritvest for the FYE 2019 of RM1.62 million, as well as the cumulative Guaranteed Profits of RM3.20 million for the period commencing from the completion date of the Proposed Acquisition up to the FYE 2022.<br><br>The PE Multiple of 8.95 times is below the range and the average PE Multiple of Comparable Companies of 20.09 times.<br><br>Please refer to Section 2.2 of this Circular for further details of the basis and justification in arriving at the Purchase Consideration. |
| **Details of the Proposed Variation** | The Proposed Variation of the total RM11,480,000 is intended to be used to part-finance the Proposed Acquisition. In addition, the Company intends to vary the utilisation timeframe for the aforementioned RM11,480,000. The amount is expected to be fully utilised within 4 months from the SSA Completion Date pursuant to the payment schedule stipulated on the SSA.<br><br>Please refer to Section 3 of this Circular for further details of the Proposed Variation. |
| **Rationale for the Proposals** | **<u>Proposed Acquisition</u>**<br><br>The Proposed Acquisition is in line with the Group's business expansion objectives and growth strategy. The Proposed Acquisition will also enable the Group to extend its range of products and services, and provide an additional income stream to the Group.<br><br>**<u>Proposed Variation</u>**<br><br>The Proposed Variation is intended to part-finance the Proposed Acquisition for an amount of RM11,480,000. The Proposed Variation is undertaken for business and capital expansion purposes.<br><br>Please refer to Section 4 of this Circular for further details on the rationale for the Proposals. |
| **Approvals required** | The Proposals are subject to the following approvals being obtained from the following parties:<br><br>(i) the shareholders of the Company at the forthcoming EGM;<br><br>(ii) the shareholders of GFB at an EGM to be convened for the proposed disposal of GF Spritvest; and<br><br>(ii) any other relevant authorities and/or parties, if required. |
| **Directors' recommendation** | The Board, having considered all aspects of the Proposals, including but not limited to the terms and conditions of the SSA, rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.<br><br>Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals at the forthcoming EGM. |

**RADIANT GLOBALTECH BERHAD**
(Registration No. 200301018877 (621297-A))
(Incorporated in Malaysia)

**Registered Office:**

Third Floor, No. 77, 79 & 81
Jalan SS 21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

8 October 2020

**BOARD OF DIRECTORS**

Dato' Siow Kim Lun @ Siow Kim Lin *(Independent Non-Executive Chairman)*
Yap Ban Foo *(Managing Director)*
Yap Sin Sang *(Executive Director – Operations)*
Tevanaigam Randy Chitty *(Independent Non-Executive Director)*
Mashitah Binti Osman *(Independent Non-Executive Director)*

**To: Shareholders of Radiant Globaltech Berhad**

Dear Sir/Madam,

**PROPOSALS**

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## 1. INTRODUCTION

On 10 September 2020, AIBB had, on behalf of the Board, announced the following:

(i) Proposed acquisition by Radiant Globaltech of 80% equity interest in GF Spritvest, comprising 800,000 ordinary shares in GF Spritvest currently held by GFB, for a total cash consideration of RM11,600,000;

(ii) Proposed variation of the utilisation of proceeds of RM11,480,000 raised by Radiant Globaltech's IPO which was completed on 24 July 2018 to part-finance the Proposed Acquisition.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSALS, AND TO SET OUT THE VIEWS AND RECOMMENDATIONS OF THE BOARD AS WELL AS TO SEEK YOUR APPROVALS FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

## 2. DETAILS OF THE PROPOSED ACQUISITION

### 2.1 Background information on the Proposed Acquisition

The Company had on 10 September 2020, entered into the following:

(i) the SSA with the Vendor for the Proposed Acquisition; and

(ii) the Shareholders Agreement.

The full payment terms as stipulated in the SSA are as follows:

(a) 10% of the Purchase Consideration, which is equivalent to RM1,160,000, upon the signing of the SSA;

(b) 40% of the Purchase Consideration, which is equivalent to RM4,640,000 on the SSA Completion Date;

(c) 25% of the Purchase Consideration, which is equivalent to RM2,900,000, within 2 months after the SSA Completion Date; and

(d) 25% of the Purchase Consideration, which is equivalent to RM2,900,000, within 4 months after the SSA Completion Date.

On even date, the Vendor also entered into another conditional share sale agreement with Jejaka for the disposal of the remaining 20% equity interest in GF Spritvest.

Additionally, on 10 September 2020, GF Spritvest entered into a Service Agreement with CPL, where CPL will continue to serve as a Director and CEO of GF Spritvest after the completion of the Proposed Acquisition, subject to the termination provisions provided in the service agreement. The service agreement may be terminated by either GF Spritvest or CPL by giving 12 months prior written notice to the other.

The breakdown of the GF Spritvest Shares to be acquired by Radiant Globaltech and Jejaka as well as the corresponding cash consideration is set out below:

| **Name of acquirer** | **No. of GF Spritvest Shares to be acquired** | **%** | **Purchase consideration (RM)** |
|---|---:|---:|---:|
| Radiant Globaltech | 800,000 | 80 | 11,600,000 |
| Jejaka | 200,000 | 20 | 2,900,000 |
| **Total** | **1,000,000** | **100** | **14,500,000** |

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**Guaranteed Profits**

CPL, who currently holds 55% equity interest in Jejaka ("**Jejaka Shares**"), irrevocably and unconditionally guarantees to Radiant Globaltech a minimum profitability of GF Spritvest as set out in Column 2 of the table below for the financial periods as set out in Column 1 below.

| **Column 1** | **Column 2** |
|---|---|
| Cumulative guaranteed PAT for the period commencing from the SSA Completion Date up to the FYE 2022 ("**Profit Guarantee Period**") ("**Cumulative PAT**") | Minimum PAT of RM3,200,000.00 only |

In the event the Cumulative PAT of GF Spritvest shall be less than the Guaranteed Profit (any amount of such shortfall in the Cumulative PAT shall hereinafter be referred to as the "**Profit Shortfall**"), then in such an event, CPL shall make good the entire Profit Shortfall by paying Radiant Globaltech the Profit Shortfall in cash within 90 days from the date of the audited accounts of GF Spritvest for FYE 2022.

As security for the due performance of CPL's obligations mentioned above, CPL agrees to pledge to Radiant Globaltech all present and future rights, title and interest in and to 55% of the issued share capital of Jejaka, being his entire equity interest in Jejaka by depositing the instrument of transfer for the shares duly executed by CPL in favour of Radiant Globaltech together with the share certificates in respect of the Jejaka Shares ("**Documents**") with the company secretary of Radiant Globaltech.

In the event CPL fails to make good the Profit Shortfall, the company secretary of Radiant Globaltech is authorized to release the Documents to Radiant Globaltech and Radiant Globaltech shall be entitled, but not obligated to purchase the Jejaka Shares for itself or sell the Jejaka Shares to any third party at fair value. The proceeds of such sale shall be paid to GF Spritvest to settle the Profit Shortfall.

In the event that the Guaranteed Profit is met or the Profit Shortfall is made good, then the pledge of security described above shall come to an end and the Documents shall forthwith be returned to CPL.

For the avoidance of doubt, there shall be no adjustment of the Guaranteed Profit in the event of any delay in the completion of the Proposed Acquisition. Further, the Guaranteed Profit shall be for a maximum sum of RM3,200,000.00 only regardless of whether there has been any aggregate loss over the Profit Guarantee Period.

Please refer to Section 2.1.3 of this Circular for the profile of CPL.

Please refer to Appendix I and Appendix II of this Circular for the salient terms of the SSA and Shareholders Agreement, respectively.

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### 2.1.1 Information on GF Spritvest

GF Spritvest was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Companies Act 2016 ("**Act**") on 26 June 1995 as a private limited company under the name of Spritvest Sdn Bhd. It subsequently assumed its present name on 19 March 2009.

As at the LPD, the issued share capital of GF Spritvest is RM1,000,000 comprising 1,000,000 GF Spritvest Shares. GF Spritvest is a wholly-owned subsidiary of GFB.

GF Spritvest is principally engaged in the provision of IT solutions and is mainly a provider of total EDCC solutions focusing on the supply, installation and integration of EDCC hardware and devices, software, technical support and maintenance services. Its EDCC solutions include asset tracking, sales force automation, warehouse and inventory control software and barcode devices.

Its core revenue streams are derived from the following business activities:

(i) Supply, installation and integration of EDCC hardware and devices, which include barcode readers or scanners, barcode printers, card printers, mobile computers, and wireless and networking devices;

(ii) Distribution and integration of both proprietary (i.e. in-house developed) and third-party software. Its in-house developed software includes ManageAsset, ManageSales, ManageWare and SmartApps and can be customised and configured according to its clients' operational needs. GF Spritvest also distributes third-party software, where it is responsible for the installation of the software. GF Spritvest's proprietary and third-party software can be integrated with external systems such as ERP systems.

  The functions of GF Spritvest's in-house developed software are as follows:

  - ManageAsset: an asset tracking system designed to tag and track assets using barcodes and mobile computers. It gives an accurate and complete overview of organisation entire assets and enables them to make the right strategic decisions in resource allocation;

  - ManageSales: a sales force automation system that enables its users to manage the entire sales force from pre-sales to post-sales, including the location and activity of the customers' sales personnel;

  - ManageWare: a warehouse management system solution by providing real-time accurate data and information of the customers' warehouse including products, tools, equipment, storage and manpower; and

  - SmartApps: a collective of independent applications that is built with barcode technology on Android and Windows mobile. It enables businesses to perform stock take, stock receiving and stock management more efficiently.

(iii) Maintenance and technical support relating to EDCC hardware and devices, and software. GF Spritvest also offers 24 hours a day and seven days a week customer helpdesk services to its customers.

Please refer to Appendix III of this Circular for further details of GF Spritvest.

### 2.1.2 Information of the Vendor

GFB was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Act on 26 February 2003 as a private limited company under the name of Excellent Breakthrough Sdn Bhd. It subsequently assumed its present name on 2 July 2013. GFB is a public company listed on the Main Market of Bursa Securities. As at 30 July 2020, the issued share capital of GFB is RM74,694,869 comprising 530,157,482 GFB Shares.

GFB commenced its operations in 2003. GFB is principally involved in the provision of technology solutions, namely in the supply and installation of comprehensive EDCC solutions and hardware, integration of computer system and investment holding. Through its subsidiaries, it is also involved in the provision of general contractor services of renovation works and property development. On 13 October 2006, GFB completed the acquisition of GF Spritvest, which became a wholly-owned subsidiary of GFB.

The substantial shareholders and directors of GFB are as follows as at 4 August 2020:

| | <------Direct------> | | <------Indirect------> | |
|---|---|---|---|---|
| | **No. of GFB Shares** | **%** | **No. of GFB Shares** | **%** |
| **Substantial Shareholders** | | | | |
| YBG Yap Consolidated Sdn Bhd | 342,533,726 | 64.77 | - | - |
| PLNC Holdings Sdn Bhd | - | - | 342,533,726 | 64.77* |
| JYF Capital Sdn Bhd | - | - | 342,533,726 | 64.77* |
| Dato' Sri Yap Ngan Choy | - | - | 342,533,726 | 64.77** |
| Dato' Yap Fook Choy | - | - | 342,533,726 | 64.77^ |
| **Directors** | | | | |
| Dato' Sri Yap Ngan Choy | - | - | 342,533,726 | 64.77** |
| Dato' Yap Fook Choy | - | - | 342,533,726 | 64.77^ |
| Allen Yap Kuan Kee | - | - | - | - |
| Cheong Kee Yoong | - | - | - | - |
| Sae-Yap Atthakovit | - | - | - | - |
| Yap Chun Theng | - | - | - | - |

***Notes:***

* *Deemed interested by virtue of its interest held in YBG Yap Consolidated Sdn Bhd pursuant to Section 8 of the Act.*

** *Deemed interested by virtue of his shareholdings in PLNC Holdings Sdn. Bhd. pursuant to Section 8 of the Act.*

^ *Deemed interested by virtue of his shareholdings in JYF Capital Sdn. Bhd. pursuant to Section 8 of the Act.*

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### 2.1.3 Information on Jejaka

Jejaka was incorporated in Malaysia under the Act on 17 July 2020. As at the LPD, the issued share capital of Jejaka is RM1,000 comprising 1,000 Jejaka shares.

Jejaka is principally an investment holding company.

The details of the directors and shareholders of Jejaka as at the LPD are as follows:

| | | <------Direct------> | | <------Indirect------> | |
|---|---|---|---|---|---|
| | **Nationality / Country of incorporation** | **No. of Jejaka** | **%** | **No. of Jejaka** | **%** |
| **Director and shareholder** | | | | | |
| CPL | Malaysian | 550 | 55.00 | - | - |
| Yang Siew Wai | Malaysian | 50 | 5.00 | - | - |
| **Shareholder** | | | | | |
| Tan Bak Leng | Malaysian | 50 | 5.00 | - | - |
| Gan Piak Sim | Malaysian | 50 | 5.00 | - | - |
| Mark Chan Chun Jet | Malaysian | 50 | 5.00 | - | - |
| Tan Gim Ling | Malaysian | 50 | 5.00 | - | - |
| Au Sheau Yen | Malaysian | 50 | 5.00 | - | - |
| Ng Joo Heng | Malaysian | 50 | 5.00 | - | - |
| Ong Wei Leng | Malaysian | 50 | 5.00 | - | - |
| Sharifah Nazhatul Shaiha binti Said Zubir | Malaysian | 50 | 5.00 | - | - |
| **Total** | | **1,000** | **100.00** | | |

Upon the completion of the Proposed Acquisition and the Jejaka Acquisition, Jejaka will hold 20% equity interest in GF Spritvest.

<u>**Profile of CPL**</u>

CPL, aged 55, is a Malaysian and is currently a Director and the CEO of GF Spritvest. He graduated with a Bachelor of Business Administration in Finance from the University of Iowa, USA in 1988. His first employment was with RES Malaysia Sdn Bhd where he held the position of Trainee Programmer from 1989 to 1990. In 1990, he was promoted to the position of an Analyst Programmer and this was followed by his ascension to the position of System Analyst in 1991. During the years 1992 to 1995, he took on the role of a Technical Manager in RES Malaysia Sdn Bhd. He, together with a partner, founded GF Spritvest in 1995. He spearheads GF Spritvest's research and development initiatives and plays a pivotal role in the conceptualisation of EDCC solutions. On 13 October 2006, GFB completed the acquisition of GF Spritvest, which became a wholly-owned subsidiary of GFB.

He is actively involved in the formation of strategic alliances with business and technology partners for the company as well as formulating the company's sales strategies. Upon the completion of the Proposed Acquisition and Jejaka Acquisition, CPL will continue to serve as a Director and the CEO of GF Spritvest.

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## 2.2 Basis and justification in arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis based on the PE Multiple of 8.95 times based on the latest audited PAT of GF Spritvest for the FYE 2019 of RM1.62 million, as well as the cumulative Guaranteed Profits of RM3.20 million for the period commencing from the completion date of the Proposed Acquisition up to the FYE 2022.

PE Multiple is a valuation metric used in valuing a company by measuring its current share price relative to its EPS. PE Multiple indicates the dollar amount an investor can expect to invest in a company in order to receive a dollar of that company's earnings. The PE Multiple of the comparable companies was used to gauge the company's value relative to its peers.

The Board is of the view that the PE Multiple is considered a suitable reference in arriving at the Purchase Consideration due to the following reasons:

(i) earnings are considered a key determinant of the value of GF Spritvest;

(ii) GF Spritvest has been operating in the same business since its incorporation. It has been operating profitably in the past three (3) FYE 2017 to FYE 2019, with a PAT of approximately RM1.62 million in the latest audited FYE 2019; and

(iii) GF Spritvest is not an asset based company and its assets essentially consist of trade receivables and inventories in which GF Spritvest's business relies mainly on its hardware / software solutions, coupled with the expertise of its directors and key management.

In justifying the Purchase Consideration, the Board has taken into consideration the comparable companies listed on Bursa Securities which are primarily involved in the provision of IT solutions for various industries with a market capitalisation of less than RM350 million but not directly comparable with GF Spritvest due to, among others, composition and geographical coverage of business activities, scale of operations, reputation, profit track record, financial strength, risk profile, asset base and future prospects ("**Comparable Companies**").

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The principal activities and the PE Multiple of the Comparable Companies are as follows:

| Comparable Companies | Principal activities | Closing share price as at the LTD (RM) | Latest audited EPS (RM) (sen) | [1]PE Multiple (times) |
|---|---|---|---|---|
| Microlink Solutions Berhad | Provision of research and development on information technology solutions to the financial services industry | 1.58 | 6.01 | 26.29 |
| Omesti Berhad | Provision of application software, system integration services and the provision of hardware and software maintenance services, as well as tele/data communication, networking solutions and related services | 0.545 | 4.98 | 10.94 |
| Radiant Globaltech | Provision of retail technology solutions, provision of maintenance and technical support services, and investment holding | 0.345 | 1.07 | 32.24 |
| Rexit Berhad | Provides information technology solutions and related services which includes hardware sales and software-based activities | 0.67 | 4.00 | 16.75 |
| Willowglen MSC Berhad | Research, design, development, engineering, supply, sale, implementation of computer-based control systems and integrated monitoring system | 0.435 | 3.06 | 14.22 |
| **Average PE Multiple (times)** | | | | **20.09** |
| **PE Multiple of the Proposed Acquisition** | | | | **8.95** |

*(Source: Latest annual reports of the respective Comparable Companies and Bloomberg)*

***Note:***

*(1) PE Multiple is computed based on the closing share price of the Comparable Companies as at the LTD and the earnings per share of the Comparable Companies based on the latest audited financial statements of the Comparable Companies.*

The PE Multiple of 8.95 times is below the range and the average PE Multiple of Comparable Companies of 20.09 times.

The Board is of the view that the Purchase Consideration is justifiable and is of the opinion that the Guaranteed Profits is reasonable and realistic, after taking into consideration, among others, the following:

(i) the prospects of the GF Spritvest and the potential synergistic benefits to be derived from the Proposed Acquisition as set out in Section 5.3 of this Circular;

(ii) the in-house proprietary software and existing customer portfolio of GF Spritvest. This includes a nation-wide consumer product manufacturer company, a nation-wide hyper market chain, an electronics manufacturer and a utility provider. The existing customer portfolio is expected to contribute positively to the future financial performance of GF Spritvest in meeting the Guaranteed Profits; and

(iii) the historical positive financial performance of GF Spritvest whereby during the FYE 2017, 2018 and 2019, GF Spritvest achieved a PAT of RM1.91 million, RM6.28 million and RM1.62 million, respectively.

### 2.3 Source of funding

The Purchase Consideration shall be fully satisfied in cash, which shall be financed partly by the unutilised IPO proceeds of RM11,480,000 raised from Radiant Globaltech's IPO pursuant to the Proposed Variation as detailed in Section 3 of this Circular and the remaining RM120,000 will be financed through internally generated funds and/or bank borrowings. As at the LPD, further breakdown for the sources of funding for the remaining RM120,000 has not been determined.

In the event that the Proposed Variation is not approved by the shareholders of Radiant Globaltech at an EGM to be convened, the Proposed Acquisition will be financed by internally generated funds and/or bank borrowings. In the event that the Proposed Variation is not approved by the shareholders of Radiant Globaltech, further breakdown of the sources of funding for the Proposed Acquisition has not been determined.

### 2.4 Liabilities to be assumed by Radiant Globaltech

Radiant Globaltech and Jejaka will be assuming the corporate guarantee and indemnities which were given by GFB and the guarantees which were given by the existing directors of GF Spritvest to certain financial institutions in respect of borrowings granted to GF Spritvest on or before the completion of the Proposed Acquisition. The corporate guarantee and indemnities will be assumed by Radiant Globaltech and Jejaka proportionately based on their respective shareholdings in GF Spritvest upon the completion of the Proposed Acquisition, subject to the consent of the financial institutions. As at the LPD, these corporate guarantee and indemnities given by GFB amounted to RM6.90 million.

Pursuant to the terms of the SSA, the Vendor's Advances shall be settled in the following manner:

| Date | Amount of Vendor's Advances (RM) |
|---|---|
| On or before the SSA Completion Date | A sum not less than 400,000.00 only |
| Within 12 months<br>from the date of the SSA | The remaining sum of the Vendor's Advances which is approximately 2,045,926.69 only |
| **Total** | **2,445,926.69 only** |

Save as disclosed above, Radiant Globaltech will not assume any liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisition. The existing liabilities of GF Spritvest will be settled by GF Spritvest in its ordinary course of business.

**2.5 Additional financial commitment required**

Saved as disclosed in Section 2.4 above, there are no additional financial commitments to be incurred by Radiant Globaltech in putting the businesses of GF Spritvest on-stream pursuant to the Proposed Acquisition.

## 3. DETAILS OF THE PROPOSED VARIATION

On 24 July 2020, the Company had announced an extension of time for the utilisation of IPO Proceeds. As at the date of this Circular, the Company has utilised approximately RM17.97 million of the total IPO proceeds. The Company has yet to utilise some of the IPO proceeds allocated for the intended purposes specified below:

| **Purposes** | **Proposed Utilisation (A) RM'000** | **Actual Utilisation (B) RM'000** | **Proposed Variation (B)–(A) = (C) RM'000** | **Timeframe for utilisation (Note 2)** |
|---|---|---|---|---|
| Business and capital expansion (Note 1) | 11,600 | 1,742 | (9,858) | Within 36 months from the Listing Date |
| Working capital | 4,757 | 4,757 | - | Within 36 months from the Listing Date |
| Expansion of retail software business (Note 1) | 3,000 | 1,374 | (1,626) | Within 36 months from the Listing Date |
| Repayment of bank borrowings | 6,601 | 6,601 | - | Within 6 months from the Listing Date |
| Estimated listing expenses | 3,500 | 3,500 | - | Within 3 months from the Listing Date |
| **Total** | **29,458** | **17,974** | **(11,484)** | |
| **Proposed Acquisition (Note 1)** | **-** | **-** | **11,484** | **Within 4 months from the SSA Completion Date** |

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***Note:***

*(1) As disclosed in the listing prospectus dated 28 June 2018 pursuant to Radiant Globaltech's IPO, the unutilised IPO Proceeds of RM9.86 million were initially intended to be used for business and capital expansion such as acquisition of new office units, rental of warehouse and purchase of computer equipment, as well as RM1.63 million for the expansion of retail software business such as advertising and marketing costs. While the Group still intends to undertake business and capital expansion plan, it will be carried out via the Proposed Acquisition as opposed to its earlier plans stated in the Prospectus.*

*As such, the Proposed Variation of the total RM11,480,000 is intended to be used to part-finance the Proposed Acquisition. In addition, the Company intends to vary the utilisation timeframe for the aforementioned RM11,480,000. The amount is expected to be fully utilised within 4 months from the SSA Completion Date pursuant to the payment schedule stipulated on the SSA.*

*The unutilised IPO Proceeds of RM11,480,000 represents 38.98% of the total IPO Proceeds. In accordance with Rule 8.24(2)(a) of the Listing Requirements, the Proposed Variation is deemed a material change to the use of the IPO Proceeds. Accordingly, the approval of the shareholders of Radiant Globaltech for the Proposed Variation is required to be obtained.*

*(2) Save for the Proposed Variation, there are no changes to the timeframe for utilisation as per the Company's announcement on 24 July 2020 on the extension of timeframe for the use of IPO proceeds.*

## 4. RATIONALE FOR THE PROPOSALS

### 4.1 Proposed Acquisition

Premised on its reliance on retail technology solutions, the Group is actively looking for avenues to strengthen its earnings and sustain its long term growth. Currently, the Group is serving mostly customers in the retail space. GF Spritvest provides similar solutions to customers as compared to the Group, and also caters to other industries including companies in FMCG, utilities and electronics industries.

The Proposed Acquisition will also enable the Group to extend its range of products and services, and provide an additional income stream to the Group. Potential synergies can be tapped by leveraging on each other's existing customer base and hardware / software solutions. The proprietary rights to GF Spritvest in-house developed software such as ManageAsset, ManageSales, ManageWare and SmartApps will be part of the Radiant Globaltech Group upon the completion of the Proposed Acquisition. This will strengthen the business proposition of the Group by providing one stop solutions to meet the requirements of the customers and put the Group in a better position to compete with its competitors in the market. Furthermore, such synergistic relationship is expected as the retail technology solutions (which includes barcode scanners, point of sales terminals, handheld peripherals, barcode printers and related software products) currently offered by the Group are complementary to the EDCC solutions offered by GF Spritvest.

Upon completion of the Proposed Acquisition, the assets of and the profits to be generated by GF Spritvest will be consolidated into the Group. Given the established business, positive historical financial performance of GF Spritvest and the Guaranteed Profits, the Board expects that the Proposed Acquisition will contribute positively to the future earnings of the Group.

Upon the completion of the Proposed Acquisition, Radiant Globaltech aims to be one of the market leaders in the provision of total integrated technology and EDCC solutions in Malaysia. Furthermore, the Group is also able to introduce and cross sell GF Spritvest's software solutions to its existing customers regionally in Thailand, Vietnam and Cambodia where the Group has operations in.

### 4.2 Proposed Variation

The Proposed Variation is intended to part-finance the Proposed Acquisition for an amount of RM11,480,000. The Proposed Variation is undertaken for business and capital expansion purposes. The Board is of the opinion that the Proposed Acquisition is consistent with the future plans of the Group, especially in growing its Malaysia operations and expanding its hardware / software business segment.

After considering various options available, the Proposed Acquisition and Proposed Variation provide the Group with a fast-track solution to achieve its future plans as GF Spritvest is an established company with proprietary software, reputable customers as well as technically sound employees, and is expected to contribute to the Group immediately upon the completion of the Proposals.

## 5. INDUSTRY OUTLOOK AND PROSPECTS

### 5.1 Overview and outlook of the Malaysian economy

Globally, there were unresolved trade tensions, a slowdown in investments and trade activity, heightened financial market volatility, country-specific risks and geopolitical uncertainties. As a highly open economy, the Malaysian economy was affected by global developments. In addition, weakness in investment activity and supply disruptions in the commodities sector also affected domestic economic activity. Economic growth thus expanded by 4.3% in 2019 (2018: 4.7%), driven by private sector spending.

*(Source: Annual Report 2019, Bank Negara Malaysia)*

According the Bank Negara Malaysia's press release on Economic and Financial Developments in Malaysia in the Second Quarter of 2020 on 14 August 2020, Malaysia's economy is expected to contract by 3.5% to 5.5% in 2020 before staging a recovery to grow within a range of 5.5% to 8.0% by 2021.

*(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)*

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 3Q 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%).

Weak growth was recorded across most economic sectors amid the imposition of the MCO, followed by the Conditional and Recovery MCO, during 2Q 2020. The services sector contracted by 16.2% (1Q 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to CMCO in May and RMCO in June provided some relief to businesses in the sector. The lockdown had substantially affected consumer spending and tourism activity, as shown by the significant declines in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors.

Meanwhile, growth in the information and communication sub-sector was relatively sustained by the continued high demand for data communication services especially during this period of remote working.

Domestic demand declined by 18.7% in 2Q 2020 (1Q 2020: 3.7%), due mainly to weaker private sector expenditure. Spending by the private sector was impacted by lower income, movement restrictions and subdued consumer and business sentiments. While net exports continued to decline, the contribution of the external sector to the economy improved due mainly to the larger contraction in imports vis-a-vis the previous quarter. Public consumption continued to expand, albeit at a more moderate pace of 2.3% (1Q 2020: 5.0%). Growth was supported by continued increase in emoluments amid lower spending on supplies and services.

The COVID-19 pandemic and the ensuing unprecedented containment measures have brought about significant changes to the way the economy operates. Beyond the near-term impact, there are also channels that would lead to structural implications on inflation dynamics in the longer term. As we transition into a new normal, however, there remains a significant amount of uncertainty surrounding the future assessment of inflation and growth trajectories – a common sentiment across countries. While the situation has begun to stabilise, it is certain that we are not in the clear yet and thus greater vigilance is necessary as we continue to assess any changes in inflation dynamics.

Economic activity has resumed since the economy began to reopen in early May 2020. Consequently, growth is expected to have troughed in the second quarter of 2020, with a gradual recovery in the second half. This outlook is underpinned by the rebound of key indicators such as wholesale and retail trade, industrial production, gross exports, and electricity generation.

With respect to inflation, in the second half (2H) 2020, average headline inflation is expected to remain negative largely due to low retail fuel prices. Stimulus measures to alleviate cost burdens, such as the tiered electricity tariff rebate, would also keep inflation low. However, headline inflation is projected to decline by a smaller magnitude compared to 2Q 2020 as global oil prices continue to recover and economic conditions gradually improve.

The Malaysian inflation rate for 2019 was 0.7%. Meanwhile, headline inflation is likely to be negative for 2020, averaging within Bank Negara Malaysia's earlier projection of -1.5% to 0.5%. For 2021, headline inflation is forecasted to average higher between 1% and 3%, in line with the longer term historical average. This mainly reflects the expected recovery in global oil prices and improvement in domestic demand conditions.

*(Sources: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia; and The World Bank Group, https://www.data.worldbank.org/)*

### 5.2 ICT and EDCC industry overview and outlook

The ICT Industry in Malaysia continues to grow in size and distribution to the economy, albeit at a pace slower than the desired rate to reach 20.0% of national gross domestic product (GDP) by 2020. According to PIKOM's projections, this figure should reach 18.6% in 2018, 18.8% in 2019 and potentially pass the 20.0% milestone only in 2022.

*(Source: ICT Industry Outlook in Malaysia 2019, PIKOM)*

The 5G technology will create a competitive market for home broadband services as well as increase the coverage and network quality. This will strengthen Malaysia's capacity to participate in the IR 4.0, allowing the industry to fully utilise artificial intelligence, robotics, virtual reality, big data analytics, internet of things and software engineering, leading to higher digital adoption.

In addition, the National Fiberisation and Connectivity Plan (NFCP) will provide affordable broadband services to support the digital economy, especially to small to medium enterprises. In the meantime, i-Solutions offers a seamless, borderless digital connectivity solution for the Malaysian market mainly for the small-medium enterprises and multi-national corporations.

*(Sources: Economic Outlook 2020)*

ICT will be leveraged to provide seamless movement of goods and services as well as encourage e-commerce activities. The private sector will take the lead to establish and promote virtual selling platforms as well as develop fulfilment centres and urban logistics. These activities will transform the traditional supply chain towards a smart supply chain ecosystem.

In the ICT industry, niche areas (comprising of digital content, Internet of Things (IoT), data centres and cloud services, cybersecurity, software development and testing, and big data analytics) will be further promoted and export capabilities enhanced to ensure that Malaysia captures a bigger export market for ICT products and services. Within the identified niche areas, the ICT ecosystem will be strengthened, including the capacity of start-ups, talent, infrastructure, research and development and commercial, and governance.

*(Source: Eleventh Malaysia Plan 2016-2020, Prime Minister's Department; and Mid Term Review of the Eleventh Malaysia Plan 2016-2020, Ministry of Economic Affairs)*

The management of Radiant Globaltech ("**Management**") envisages that GF Spritvest is well poised to leverage from the growing demand for operational efficiency in businesses. Further, the Management is of the opinion that the EDCC sector is also considered as a niche area within the ICT industry. GF Spritvest's products and services, as well as its in-house developed software, are aimed at, amongst others, to track, simplify, automate and minimize errors in warehouse / stock management systems, as well as sales and asset management systems. The said products and services will be crucial in enhancing operational efficiency in businesses. As such, the EDCC sector is expected to grow hand in hand with the ICT industry.

*(Source: Management of Radiant Globaltech)*

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## 5.3 Prospects of GF Spritvest

GF Spritvest has an established track record and reputation in the EDCC industry as it has been in operations since 1995. GF Spritvest also has its own proprietary software solutions which are developed in-house. This in-house capability provides GF Spritvest with the ability to customise solutions and to continuously stay abreast with the latest technological advancement in order to meet the latest market needs. Lastly, GF Spritvest provides both hardware / software solutions for the EDCC landscape and as such, it is positioned as a one stop, total EDCC solutions provider.

The Group will be able to leverage on the proprietary rights of GF Spritvest's in-house developed software such as ManageAsset, ManageSales, ManageWare and SmartApps by offering the said solutions to the existing customers of the Group in the local and overseas markets after the Proposed Acquisition.

The prospects of GF Spritvest and the enlarged Group will be further strengthened by the potential synergies it can offer by cross selling its hardware / software solutions with that of the Group's after the Proposed Acquisition.

In view of the strengths of GF Spritvest above, the enlarged Group would also benefit from greater economies of scale such as better negotiating power with suppliers through bulk purchases, as well as expansion to the overseas markets. These will enable the enlarged Group to expand its business and operations which will contribute positively to the future financial performance of our enlarged Group.

The Group's expansion plans, strategies and steps to be taken in relation to its involvement in GF Spritvest's business upon the completion of the Proposed Acquisition are as follows:

- To maintain and retain the existing key employees of GF Spritvest to allow minimal disruption in GF Spritvest's operations;
- Sharing of resources will be implemented as GF Spritvest can tap into Radiant Globaltech's technical support services in view that it currently outsources its customers' technical support services;
- To consolidate the sourcing of hardware / software products to achieve economies of scale and bargain for bulk purchase from suppliers; and
- In terms of market expansion, the enlarged Group intends to cross sell existing products and services. For example, Radiant Globaltech's in-house developed B2B portal, which is typically offered to customers in the retail industry, may be offered to GF Spritvest's customers in FMCG. In addition, the enlarged Group intends to introduce GF Spritvest's in-house developed software to overseas markets which the Radiant Globaltech Group currently serve, namely, Vietnam, Cambodia and Thailand.

The Group intends to implement the above mentioned plans and strategies within 36 months from the completion of the Proposed Acquisition. These expansion plans for GF Spritvest will be funded by internally generated funds and/or bank borrowings of GF Spritvest, the amount of which cannot be determined at this juncture.

*(Source: The management of Radiant Globaltech)*

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## 6. RISK FACTORS

The Proposed Variation does not pose any material risks to the Group.

The Proposed Acquisition will not materially change the risk profile of the business of the Radiant Globaltech Group. While the Company and GF Spritvest may serve customers from different sectors, they are still operating within the same EDCC industry which is under the ICT industry. As such, the Radiant Globaltech Group will be exposed to similar business, operational and financial risks inherent in the industry upon completion of the Proposed Acquisition. These risks include but are not limited to, competition from other EDCC service providers, adverse changes in political and economic conditions, changes in local authorities' policies and directives, technological obsolescence, operational risks, and credit risks.

In addition to the risks above, Radiant Globaltech wishes to highlight certain specific risks, which may not be exhaustive, associated with the Proposed Acquisition as follows:

### 6.1 Non-completion risk

The completion of the Proposed Acquisition is conditional upon fulfillment of the conditions precedent to the SSA. There is a possibility that the Proposed Acquisition cannot be fulfilled or completed within the time period permitted under the SSA due to the failure in fulfilling the conditions precedent as set out therein. In the event that the conditions precedent are not fulfilled within the stipulated time period or in the event any approvals required under the SSA shall contain terms which are not acceptable to the parties to the SSA, the completion of the Proposed Acquisition may be affected.

In this regard, the Board shall take reasonable steps to ensure that there is no delay in fulfilling all the conditions precedent to the SSA by the parties concerned and should there be any delay beyond the agreed time period, the Board shall negotiate with the relevant parties to the SSA to mutually extend the said period prior to its expiry.

### 6.2 Competition

GF Spritvest faces competition from local competitors which may be capable of offering similar types of hardware / software solutions and maintenance services. These competitors may compete in terms of pricing, hardware / software solutions offered and service quality. Stiff competition and an overall decline in the demand for GF Spritvest's hardware / software solutions and maintenance services may exert a downward pressure on the prices and profit margins of GF Spritvest's hardware / software solutions and maintenance services.

Nevertheless, the Board believes that the Group would be able to integrate its existing business operations with those of GF Spritvest to gain synergies for the enlarged Group, which will in turn enhance the operating and financial performance of the enlarged Group. The Group also believes that with GF Spritvest' core expertise and track record in information technology solutions specialising in automated data collection processes and mobile computing coupled with the experience of Radiant Globaltech's key management in running the existing Group, the enlarged Group would be able to withstand market competition faced by GF Spritvest through long-term technological enhancement of GF Spritvest's solutions.

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### 6.3 Absence of long-term contract

GF Spritvest does not have any long-term contracts with its customers due to the nature of its business. However, GF Spritvest has a long and established track record with its major customers. Furthermore, GF Spritvest received repeat orders from these long-term customers of approximately between 7 to 17 years. However, no assurance can be given that such long-term relationship with customers will ensure business continuity and growth to GF Spritvest in the future.

GF Spritvest also offers maintenance services and 24 hours a day and seven days a week customer helpdesk services for the products and services, and this provides an avenue for GF Spritvest to maintain and extend its business relationship with the customers over the years.

### 6.4 Dependence on key management of GF Spritvest

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

The Group had on 10 September 2020 entered into a service agreement with CPL, where CPL will continue his employment in GF Spritvest after the completion of the Proposed Acquisition subject to the termination provisions provided in the service agreement. The service agreement may be terminated by either GF Spritvest or CPL by giving 12 months prior written notice to the other. The management of Radiant Globaltech endeavours to work closely with the key management of GF Spritvest to ensure their active participation in the Group's future business planning in order for the management of Radiant Globaltech to effectively communicate its expectations on GF Spritvest to its key management, and vice versa.

In addition, 20% equity interest in GF Spritvest will be acquired by Jejaka, of which 55% of Jejaka's equity interest is held by CPL, who is the current CEO of GF Spritvest, in conjunction with the Proposed Acquisition. The remaining 45% of Jejaka's equity interest is held by 9 employees of GF Spritvest.

The Board recognises the importance to retain the key management of GF Spritvest upon completion of the Proposed Acquisition and have in place a human resource strategy, which includes maintaining a competitive remuneration package and providing opportunities for career development for its employees. After the completion of the Proposed Acquisition, the Managing Director, Executive Director, Sales Director and Digital Director of Radiant Globaltech will also be involved in the business of GF Spritvest. Nonetheless, there can be no assurance that the Group will be able to recruit, develop and retain adequate number of skilled and motivated employees for GF Spritvest upon completion of the Proposed Acquisition.

### 6.5 Political, economic and regulatory considerations

As with any type of businesses, information technology businesses are also linked to the economic fundamentals and political stability in the country. Any adverse development and uncertainties in the political, economic and regulatory environment could negatively affect the operation and performance of GF Spritvest. These include but not limited to the risk of war, terrorist attacks, riots, changes in political leadership, global economic downturn, epidemic and unfavourable changes in the governmental policies such as changes in the methods of taxation, interest rates, licensing or introduction of new regulations.

Although the Group will seek to mitigate such risks through implementing prudent management policies, careful planning and allocation of resources as well as maintaining cordial relationship with the relevant authorities, there can be no assurance that any changes to the political and/or economic environment will not materially and adversely affect the financial performance and business operations of the Group upon completion of the Proposed Acquisition.

### 6.6 Impairment risk

The Purchase Consideration may give rise to the recognition of goodwill, being the difference between the Purchase Consideration and the fair value of the identifiable assets and liabilities of GF Spritvest. The amount of goodwill that may arise will be accounted for in the financial statements of the enlarged Radiant Globaltech Group upon completion of the Proposed Acquisition. The goodwill, if any, will be subjected to periodic impairment testing and any downward adjustment to the goodwill will affect the financial position and results of the enlarged Radiant Globaltech Group.

### 6.7 COVID-19 pandemic

On 16 March 2020, the Government announced the imposition of the MCO to curb the spread of COVID-19 outbreak in Malaysia which took effect from 18 March 2020 to 3 May 2020, which required all government and private premises except those involved in providing essential services to be closed during the period of enforcement of MCO.

During the MCO period, GF Spritvest was able to continue its operations partially as its employees were mostly under work from home arrangement. The restriction in movement has dampened the sales for GF Spritvest for the 6-month financial period ending 30 June 2020.

On 10 May 2020, the Government further announced that the CMCO will be extended for another four weeks until 9 June 2020. Subsequent to 9 June 2020, the Government has imposed the RMCO from 10 June 2020 until 31 August 2020, which is further extended to 31 December 2020. As at the LPD, GF Spritvest has commenced full operations. To curb the spread of COVID-19 amongst its employees, GF Spritvest practices physical distancing, checking of temperature upon entering its premises and virtual meetings when appropriate and suitable. While GF Spritvest has commenced full operations, it still continues to take precautionary measures by having part of its software employees work from home on rotational basis.

The Group business is susceptible to any outbreak of diseases or pandemics, such as COVID-19, to certain extent that it causes interruptions to the business operations including supply chain and logistic. These interruptions, if prolonged, will adversely affect the Group’s business operations and financial performance. Similarly, any global or regional economic downturn would also affect overall business and consumer sentiments which would subsequently affect the financial performance of the Group.

In order to mitigate potential disruptions in the event of the reimposition of the MCO and CMCO, GF Spritvest will provide work from home arrangement for all of its employees, if necessary. Further, GF Spritvest has also ensured that its staff is well equipped with the relevant equipment and connectivity in order to continue working from home.

There is no assurance that any outbreak of diseases which are beyond the Group’s control, will not materially affect the financial performance of the Group.

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## 7. EFFECTS OF THE PROPOSALS

The effects of the Proposals on the share capital, substantial shareholders' shareholdings in Radiant Globaltech, NA, gearing, earnings and EPS of the Radiant Globaltech Group are as follows:

### 7.1 Issued share capital

The Proposed Acquisition and Proposed Variation 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.

### 7.2 NA and gearing

The Proposed Variation will not have any effect on the NA and gearing of the Group.

For illustrative purposes only, based on the audited consolidated statements of financial position of Radiant Globaltech as at 31 December 2019 and on the assumption that the Proposed Acquisition had been effected on that date, the pro forma effects of the Proposed Acquisition on the NA and gearing of the Radiant Globaltech Group are as follows:

| | **Audited as at 31 December 2019 (RM'000)** | **After the Proposed Acquisition (RM'000)** | |
|---|---|---|---|
| Share capital | 48,153 | 48,153 | |
| Merger deficit | (13,681) | (13,681) | |
| Foreign exchange translation reserve | (245) | (245) | |
| Retained profits | 29,454 | 29,174 | *(1)* |
| **Equity attributable to owners of the Company / NA** | **63,681** | **63,401** | *(2)* |
| | | | |
| No. of shares ('000) | 525,200 | 525,200 | |
| NA per share (RM) | 0.12 | 0.12 | |
| | | | |
| Borrowings (RM'000) | 2,233 | 3,944 | *(3)* |
| Gearing (times) | 0.04 | 0.06 | |

**Notes:**

*(1)* *After taking into consideration the estimated expenses in relation to the Proposals of RM0.28 million.*

*(2)* *The estimated goodwill of approximately RM6.41 million has been reflected in the total NA of the Group in preparing the pro forma NA of the Group after the Proposed Acquisition.*

*The estimated goodwill was arrived at after netting off 80% of the fair value of NA acquired as at 31 December 2019 of GF Spritvest of RM6.49 million (i.e RM5.19 million) from the Purchase Consideration of RM11,600,000.*

*(3)* *Comprising lease liabilities and bank borrowings.*

As discussed in Section 6.6 of this Circular, impairment risk could arise from the goodwill that may be accounted when the Proposed Acquisition is completed. Hence, the pro forma effect above does not take into consideration any potential impairment of goodwill as the Proposed Acquisition is not completed yet.

The goodwill, if any, will be subjected to annual impairment testing to be conducted in accordance with the accounting policies of the Group. Any downward adjustment to the goodwill will affect the financial position and results of the enlarged Radiant Globaltech Group, the effect of which could not be determined at this juncture.

Upon completion of the Proposed Acquisition, assessment will be conducted to ascertain the potential impact of impairment and subsequently, annually unless clear evidence of impairment is obtained prior to the annual assessment.

### 7.3 Earnings and EPS

The Proposed Variation will not have any effect on the earnings and EPS of the Group.

The Proposals will not have any immediate effect on the consolidated earnings and EPS of the Radiant Globaltech Group for the FYE 2020. However, the Proposals are expected to contribute positively to the future earnings of the Radiant Globaltech Group.

For illustrative purposes only, the pro forma effects of the Proposed Acquisition on the earnings and EPS of the Radiant Globaltech Group on the assumption that the Proposed Acquisition has been effected on 1 January 2019, are as follows:

| | **Audited as at 31 December 2019** | **After the Proposed Acquisition** |
|---|---|---|
| PAT attributable to the owners of Radiant Globaltech (RM'000) | 5,596 | 6,894 *(1)* |
| No. of Radiant Globaltech Shares issued ('000) | 525,200 | 525,200 |
| EPS (sen) | 1.07 | 1.31 |

***Notes:***

*(1) Assuming 80% of the PAT of GF Spritvest for the FYE 2019 amounting to approximately RM1.30 million attributable to the owners of Radiant Globaltech.*

### 7.4 Substantial shareholders' shareholdings

The Proposed Acquisition and Proposed Variation 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.

### 7.5 Convertible securities

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

## 8. APPROVALS REQUIRED

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

(a) the shareholders of Radiant Globaltech at an EGM to be convened for the Proposals;

(b) the shareholders of GFB at an EGM to be convened for the proposed disposal of GF Spritvest; and

(c) any other relevant parties/authorities (if applicable).

## 9. CONDITIONALITY

The Proposed Variation is conditional upon the Proposed Acquisition and not vice-versa.

The Proposed Acquisition is inter-conditional upon the completion of Jejaka Acquisition.

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

## 10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

As at the LPD, the interests of the Directors and/or major shareholders of Radiant Globaltech and/or person connected with them in GFB are as follows:

| | **Direct** | | **Indirect** | |
|---|---|---|---|---|
| | **No. of GFB Shares** | **%(3)** | **No. of GFB Shares** | **%** |
| Yap Ban Foo (1) | 1,136,666 | 0.21 | - | - |
| Yap Sin Sang (2) | 620,000 | 0.12 | - | - |

***Notes:***

(1) *Mr. Yap Ban Foo, the Managing Director of Radiant Globaltech, is also a shareholder of GFB.*

(2) *Mr. Yap Sin Sang, the Executive Director – Operations of Radiant Globaltech, is also a shareholder of GFB.*

(3) *Calculated based on the respective number of shares held by each director divided by the total number of issued shares of GFB comprising* 530,157,482 GFB Shares.

Save as disclosed above, none of the Directors, major shareholders of Radiant Globaltech and/or persons connected with them have any interest, whether direct or indirect, in the Proposals.

Based on Rule 10.08(11)(l) of the Listing Requirements, the Proposed Acquisition is not deemed a related party transaction because there are no other interested relationships except for Yap Ban Foo and Yap Sin Sang, who are Directors of Radiant Globaltech, having shareholdings in GFB of less than 10%.

## 11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the terms and conditions of the SSA, rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals at the forthcoming EGM.

## 12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the Listing Requirements is 28.38% calculated based on the total assets of GF Spritvest compared with the total assets of Radiant Globaltech Group as at 31 December 2019.

## 13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 4th quarter of 2020. The tentative timetable in relation to the completion of the Proposals is as follows:

| Tentative Date | Event |
|---|---|
| 23 October 2020 | EGM for the Proposals |
| By 4th quarter of 2020 | Completion of the Proposals |

## 14. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Our Board confirms that as at the date of this Circular, there are no other outstanding corporate exercises that have been announced but pending completion by the Company.

## 15. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Majestic 2, The Majestic Hotel Kuala Lumpur, 5, Jalan Sultan Hishamuddin, Tasik Perdana, 50000 Kuala Lumpur, Wilayah Persekutuan on Friday, 23 October 2020 at 10:30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions with or without modifications, to give effect to the Proposals.

If you are entitled but unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the office of the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or submitted via email to is.enquiry@my.tricorglobal.com, not less than 48 hours before the date and time appointed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

## 16. FURTHER INFORMATION

Shareholders are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
**RADIANT GLOBALTECH BERHAD**

**DATO' SIOW KIM LUN**
Independent Non-Executive Chairman

## APPENDIX I – SALIENT TERMS OF THE SSA

The salient terms of the SSA are as follows:

Radiant Globaltech Berhad ("**Purchaser**") had on 10 September 2020 entered into a SSA with GFB ("**Vendor**") for the Proposed Acquisition.

| | |
|---|---|
| **Basis of sale** | 800,000 ordinary shares of GF Spritvest ("**Sale Shares**") are sold to the Purchaser free from all claims, liens, charges and encumbrances. |
| **Conditions Precedent** | The obligations of the Purchaser and the Vendor are conditional upon the following being fulfilled, obtained or waived within 90 days from the date of the SSA or such other extended date as the parties may mutually agree in writing ("**Conditional Period**"):<br><br>(a) the Vendor having obtained the approval of the Vendor's shareholders at an EGM for the disposal by the Vendor of the Sale Shares and the proposed disposal of 20% of the issued share capital of GF Spritvest held by the Vendor to Jejaka 7 Capital Sdn Bhd ("**Proposed Disposal**");<br><br>(b) the Purchaser having obtained the approval of the Purchaser's shareholders at an EGM for the purchase of the Sale Shares in accordance with the provisions of the SSA;<br><br>(c) the Vendor to procure, the approval of GF Spritvest's board of directors for the transfer of the Sale Shares to the Purchaser and/or its nominee(s) and the entry into the register of members of GF Spritvest, the name of the Purchaser and/or its nominee(s), as holder of the Sale Shares upon the terms and conditions as set out in the SSA to be held by the stakeholder and to be released to the Purchaser only upon completion;<br><br>(d) the Vendor having obtained, if required, the written consent from financiers/ creditors of GF Spritvest for the sale and transfer of the Sale Shares to the Purchaser and the consequent change of shareholder in GF Spritvest and the release of any guarantees provided by the Vendor and the existing directors of GF Spritvest for the benefit of GF Spritvest;<br><br>(e) all the conditions precedent in respect of the Proposed Disposal have been duly fulfilled, obtained or waived (as the case may be) in accordance with the terms of the SSA; and<br><br>(f) the Purchaser having completed the audits, due diligence reviews and other inquiries and investigations into the business, matters and affairs of GF Spritvest and all the due diligence irregularities having been rectified by the Vendor to the Purchaser's satisfaction in accordance with the provisions set out in the SSA.<br><br>In the event that any one of the conditions precedent is not or cannot be fulfilled, obtained or waived (as the case may be) during the Conditional Period, either party shall be entitled, by notice of termination to the other, to terminate the SSA and upon such notice being served on the other and, subject to the performance by the Vendor and the Purchaser of their respective obligations upon termination, the SSA shall be null and void and be of no further effect and the Vendor shall refund all the monies paid by the Purchaser pursuant to the SSA, together with interest, to the Purchaser. |

<table>
<tr>
<td>Due Diligence</td>
<td>For the purpose of the due diligence, in the event the Vendor did not or is unable to rectify any of the due diligence irregularities within the timeframe accorded under the SSA ,and provided always that:<br><br>(a) if such irregularities are quantifiable in monetary terms and result in a loss of contractual value or potential loss or liability of an amount in excess of RM1,160,000; and<br><br>(b) if not quantifiable in monetary terms, means any matter which would have a material and adverse impact on the business of GF Spritvest or its assets,<br><br>then the due diligence irregularities shall be deemed to have not been resolved.<br><br>In such an event, the Purchaser shall grant an extension beyond the Conditional Period to rectify such irregularities and proceed to completion subject to the Vendor agreeing to pay and indemnify fully, hold harmless and defend the Purchaser from and against any and all of the deficiencies, losses, costs, expenses, damages, consequence and third party claim for damages suffered directly or indirectly by the Purchaser in connection with and/or arising from the Vendor not being able to rectify such due diligence irregularities within the period stipulated within the SSA.</td>
</tr>
<tr>
<td>Method of Payment</td>
<td>The Purchase Consideration shall be wholly satisfied in cash by the Purchaser to the Vendor in the following manner:<br><br>(a) upon signing of the SSA, the Purchaser shall pay the Vendor first tranche of the Purchase Consideration of RM1,160,000.00 ("Tranche 1");<br><br>(b) on the SSA Completion Date, the Purchaser shall pay the Vendor second tranche of the Purchase Consideration of RM4,640,000.00;<br><br>(c) within 2 months after the SSA Completion Date, the Purchaser shall pay the Vendor third tranche of RM2,900,000.00 ("Tranche 3"); and<br><br>(d) within 4 months after the SSA Completion Date, the Purchaser shall pay the Vendor the remaining balance of RM2,900,000.00 ("Tranche 4").</td>
</tr>
<tr>
<td>Vendor's Advances</td>
<td>(a) The parties agree and acknowledge that the Vendor and its related parties and persons connected with them ("Related Parties") have, prior to the date of the SSA, provided Vendor's Advances to GFS. The parties acknowledge and agree that the Vendor and its Related Parties shall not, at any time after the date of the SSA, extend any further loans and advances to GF Spritvest for any reason whatsoever.<br><br>(b) The parties agree that all such Vendor's Advances shall be settled and repaid by GF Spritvest to the Vendor and/or its Related Parties in the following manner:<br><br>
<table>
<tr><th>Date</th><th>Amount of Vendor's Advances (RM)</th></tr>
<tr><td>On or before the SSA Completion Date</td><td>A sum not less than 400,000.00 only</td></tr>
<tr><td>Within 12 months from the date of the SSA</td><td>The remaining sum of the Vendor's Advances which is approximately 2,045,926.69 only</td></tr>
<tr><td>Total</td><td>2,445,926.69 only</td></tr>
</table>
</td>
</tr>
</table>

| | |
|---|---|
| **Inter-conditionality** | The completion of the sale and purchase of the Sale Shares pursuant to the SSA is inter-conditional upon the completion of the Proposed Disposal and vice versa.<br><br>In the event the share sale agreement for the Proposed Disposal is terminated before the SSA Completion Date for whatsoever reason or not completed simultaneously with the SSA Completion Date, the SSA will be deemed to be automatically terminated and thereafter be of no effect, whereupon the Purchaser and the Vendor will not have any rights against the other and the Vendor will not have the obligation to sell the Sale Shares nor the Purchaser to purchase the Sale Shares save for the rights and obligations of the Vendor and the Purchaser pursuant to any antecedent breach of the SSA.<br><br>The Vendor shall refund to the Purchaser all the monies paid by the Purchaser to the Vendor, together with interest within 7 days from the date of the deemed termination of the SSA. |
| **Completion** | (a) 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 the respective parties' obligations under the provisions of the SSA, the completion of the sale and purchase of the Sale Shares shall take place on the SSA Completion Date. For the avoidance of doubt, the completion shall take place simultaneously with the completion of the Proposed Disposal on the SSA Completion Date.<br><br>(b) The parties mutually agree to proceed with the completion notwithstanding that the Purchase Consideration has not been fully paid and settled by the Purchaser and the Vendor's Advances have not been fully repaid and settled by GF Spritvest to the Vendor or its Related Parties on the SSA Completion Date, provided always that the payment of Tranche 3 and Tranche 4 and the repayment of the Vendor's Advances shall be made in accordance with the provisions set out in the SSA.<br><br>(c) In the event that the Purchaser breaches its obligation under the SSA to pay and settle any part of Tranche 3 and Tranche 4 in accordance with the provisions of the SSA, the Purchaser shall, inter-alia, be liable to pay to the Vendor interest at the rate of 8% per annum on the amount due, calculated on a daily basis from the due date for payment until the date of actual receipt of full payment. |
| **Subsistence of Warranties** | The warranties given under the SSA shall continue to subsist notwithstanding the completion for a period of 24 months from the SSA Completion Date. |
| **Termination** | (a) Each party shall be entitled to issue a notice of termination to the other party, if, at any time prior to completion as contemplated under the SSA, the other party commits any continuing or material breach of any of its obligations under the SSA which is incapable of remedy or if capable of remedy, is not remedied within 14 days of it being given notice to do so, or inter alia, a winding up or insolvency events occurs.<br><br>(b) If the SSA is terminated by the Vendor at any time prior to the SSA Completion Date, the Vendor shall be entitled to forfeit Tranche 1 payment made by the Purchaser as an agreed liquidated damages and all documents held by the Purchaser and/or the stakeholder pursuant to the SSA shall be returned to the other in accordance with the provisions set out in the SSA. |

| | |
|---|---|
| | (c) If the SSA is terminated by the Purchaser and the Purchaser elects not to pursue the remedy of specific performance demanding the Vendor to complete the transaction as contemplated in the SSA, the Vendor shall refund to the Purchaser all the monies paid by the Purchaser to the Vendor, together with interest[1] within 14 days upon receipt the notice of termination from the Purchaser in exchange for the returned of all documents held by the Purchaser and/or the stakeholder in accordance with the provisions set out in the SSA.<br><br>***Note:***<br><br>*(1) For information purpose, the Vendor and the Purchaser have agreed to fix the interest at the rate of 3.5% per annum.* |
| **Non-compete and non-solicitation** | The Vendor undertakes with the Purchaser that except with the consent in writing of the Purchaser:<br><br>(a) for the period of 3 years after the SSA Completion Date it will not in any country or place where GF Spritvest has carried on business within 1 year to the date hereof, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner or agent or otherwise conducts businesses for provision of information technology solutions specialising in automated data collection processes and mobile computing business;<br><br>(b) for the period of 3 years after the SSA Completion Date it will not either on its own account or in conjunction with or on behalf of any other person, firm or company solicit or entice away or attempt to solicit or entice away from GF Spritvest the custom of any person, firm, company or organisation who shall at any time within 1 year prior to the date hereof have been a customer, client, identified prospective customer or client or agent of GF Spritvest; and<br><br>(c) for the period of 3 years after the SSA Completion Date it will not either on its own account or in conjunction with or on behalf of any other person, firm or company employ, solicit or entice away or attempt to employ, solicit or entice away from GF Spritvest any person who is at the date hereof or who shall have been at the date of or within 1 year prior to any purported breach of this provision an officer, manager, consultant or employee of GF Spritvest whether or not such person would commit a breach of contract by reason of leaving such employment. |
| **Indemnity** | The Vendor shall be liable to indemnify the Purchaser within 2 years from the SSA Completion Date for the losses arising from any inaccuracies or breach of warranties given by the Vendor as stipulated in the SSA and any taxes payable by or any claims for taxes payable which have been or may be asserted against GF Spritvest and/or the Purchaser for the period on or before the SSA Completion Date. |
| **Limitation of liability** | The maximum aggregate liability of the Vendor in respect of any claims for the breach of any warranties given by the Vendor and any covenant or undertaking under the terms of the SSA, shall not exceed an amount equivalent to 40% the Purchase Consideration. No liability shall attach to the Vendor where the amount of any claim is less than RM75,000 only. |

## APPENDIX II – SALIENT TERMS OF THE SHAREHOLDERS AGREEMENT

The salient terms of the Shareholders Agreement are as follows:

GF Spritvest, Radiant Globaltech, Jejaka and CPL ("**Warrantor**") had on 10 September 2020 entered into a Shareholders Agreement which shall be effective upon the completion of the SSA and the Jejaka Acquisition.

<table>
<tr><td>Shareholdings</td><td>The initial shareholdings shall be in the following proportion:
<table>
<tr><th>Shareholder</th><th>No. of GF Spritvest Shares</th><th>% of GF Spritvest's issued share capital</th></tr>
<tr><td>Radiant Globaltech</td><td>800,000</td><td>80%</td></tr>
<tr><td>Jejaka</td><td>200,000</td><td>20%</td></tr>
<tr><td>Total</td><td>1,000,000</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Directors and Chairman</td><td>(a) The initial nomination of directors from the respective shareholders will be as follow:<br><br>• Radiant Globaltech : 2 directors<br>• Jejaka : 1 director<br><br>(b) The executive chairman of the board will be a representative of Radiant Globaltech.<br><br>(c) Notwithstanding item (b) above, Jejaka's nomination of 1 director shall be conditional upon it holding not less than 20% of the total issued share capital of GF Spritvest.</td></tr>
<tr><td>Restriction on Transfer of Shares</td><td>Approval of other party<br><br>(a) During the Profit Guarantee Period (as defined below), Radiant Globaltech and Jejaka will not sell, transfer, assign, mortgage, pledge or otherwise encumber deal with or part with the beneficial ownership of any share of GF Spritvest unless the other party otherwise agree in writing.<br><br>(b) After the Profit Guarantee Period, Radiant Globaltech and Jejaka will not sell, transfer, assign, mortgage, pledge or otherwise encumber deal with or part with the beneficial ownership of any share of GF Spritvest except in accordance with the provisions of this item (b) unless the other party otherwise agree in writing.<br><br>PROVIDED ALWAYS that any party may nominate to transfer any or all of its shares in GF Spritvest to its respective subsidiary or its parent company within the meaning of the Malaysian Companies Act 2016.<br><br>Pre-Emption<br><br><u>During the Profit Guarantee Period</u><br><br>(a) Radiant Globaltech and Jejaka (and their ultimate shareholders) ("Offeror") will not sell, transfer or otherwise part with the beneficial ownership of all or any of its shares of GF Spritvest to any third party without first making an offer in writing through GF Spritvest to sell the same to the other shareholder of GF Spritvest ("Offeree"), in proportion to the shareholding ratio at the relevant time.<br><br>(b) The offer shall remain open for acceptance for a period of 30 days and must include the number of shares being offered for sale at the fair market price as determined by an independent valuer to be mutually appointed by Radiant Globaltech and Jejaka ("Offer").</td></tr>
</table>

| | |
|---|---|
| | (c) GF Spritvest must forthwith after the receipt of the Offer, give notice to the Offeree inviting it to purchase all the shares offered by the Offeror.<br><br>(d) The Offeror may, within a period of 14 days of the Offer, by notice to GF Spritvest withdraw the Offer. If no such withdrawal is made within the period of 14 days, the Offer shall be irrevocable until the expiry of the Offer.<br><br>(e) If the Offeror have not withdrawn the Offer under item (d) above and if the Offeree desires to purchase the shares at the price specified in the Offer, the Offeree must, within 30 days from the date it received the Offer, give notice to GF Spritvest of its acceptance and the Parties shall proceed immediately to complete the sale and purchase of the said shares.<br><br>(f) If the Offeree does not accept the Offer within 30 days, the Offeror will not be entitled to make an offer to third parties unless the Offeree otherwise agrees in writing.<br><br>**<u>After the Profit Guarantee Period</u>**<br><br>(a) The Offeror will not sell, transfer or otherwise part with the beneficial ownership of all or any of its shares of GF Spritvest to any third Party without first making an offer in writing through GF Spritvest to sell the same to the Offeree, in proportion to the shareholding ratio at the relevant time.<br><br>(b) Thereafter, items (b) to (e) above shall apply.<br><br>(c) If the Offeree does not accept the Offer within 30 days, the Offeror will be entitled to make an offer to third Parties at a price not less than the price specified in the Offer. |
| **Termination** | If a party:<br><br>(a) fails to take all necessary action to remedy any breach of the Shareholders Agreement within 30 days from the service of any written notice by the other party;<br><br>(b) goes into voluntary liquidation otherwise than for the purpose of reconstruction or amalgamation or an order of court is made for its compulsory liquidation;<br><br>(c) shall enter into any composition or arrangement with its creditors or is declared bankrupt;<br><br>(d) shall have a receiver appointed over the whole or any part of its undertaking or assets;<br><br>then, the other party may be entitled to either:<br><br>(i) by written notice to terminate the Shareholders Agreement; or<br><br>(ii) require the defaulting party to sell its shares in GF Spritvest to the non-defaulting party. |
| **Non Competition and Non Solicitation** | (a) Radiant Globaltech, Jejaka and Warrantor covenant with each other and with GF Spritvest that neither of them will, without the prior consent of the other parties, directly or indirectly carry on or otherwise be concerned or interested in any business similar to or competitive with the business of GF Spritvest in the regions where GF Spritvest currently operates or will operate during the term of the Shareholders Agreement. |

<table>
<tr><td></td><td>
(b) Each of the parties agrees that, commencing from the date of the Shareholders Agreement and for a period of one year after they cease to hold any shares in GF Spritvest or ceases to be an employee or consultant of GF Spritvest or any member of the Group, whichever is later ("Restricted Period"), they shall not, directly or indirectly solicit, endeavour to entice away, employ or offer to employ any person who is at the time they cease to hold any shares in GF Spritvest or ceases to be an employee or consultant of GF Spritvest ("Relevant Date") or during the period of 6 months prior to the Relevant Date, employed by, or engaged by GF Spritvest.<br><br>
(c) Each of the parties agrees that during the Restricted Period, they shall not directly or indirectly, solicit or endeavour to solicit, influence or attempt to influence, any person who at the Relevant Date or during the period of 6 months prior to the Relevant Date is a customer of GF Spritvest or any person who has a key relationship to GF Spritvest and the operation of its business.
</td></tr>
<tr><td>Profit Guarantee</td><td>
(a) The Warrantor irrevocably and unconditionally warrants and guarantees to Radiant Globaltech a minimum profitability of GF Spritvest as set out in Column 2 of the table below for the financial periods as set out in Column 1 below.<br>
<table>
<tr><th>Column 1</th><th>Column 2</th></tr>
<tr><td>Cumulative guaranteed PAT for the period commencing from the SSA Completion Date up to the FYE 2022 ("Profit Guarantee period")</td><td>Minimum PAT of RM3,200,000.00 only</td></tr>
</table>
(b) The Warrantor further agrees and covenants with Radiant Globaltech that in the event the Cumulative PAT of GF Spritvest shall be less than the Guaranteed Profit (any amount of such shortfall in the Cumulative PAT shall hereinafter be referred to as the "Profit Shortfall"), then in such an event, the Warrantor shall make good the Profit Shortfall by paying Radiant Globaltech the Profit Shortfall in cash within 90 days from the date of the audited accounts of GF Spritvest for the FYE 2022.<br><br>
(c) As security for the due performance of the Warrantor's obligations under item (b) above, the Warrantor agrees to pledge to Radiant Globaltech all present and future rights, title and interest in and to 55% of the issued share capital of Jejaka ("Jejaka Shares") by depositing the instrument of transfer duly executed by the Warrantor in favour of Radiant Globaltech together with the share certificates in respect of the Jejaka Shares ("Documents") with the company secretary of Radiant Globaltech.<br><br>
(d) In the event the Warrantor fails to make good the Profit Shortfall, the company secretary of Radiant Globaltech is authorized to release the Documents to Radiant Globaltech and Radiant Globaltech shall be entitled, but not obligated to purchase the Jejaka Shares for itself or sell the Jejaka Shares to any third party at fair value. The proceeds of such sale shall be paid to GF Spritvest to settle the Profit Shortfall. For the avoidance of doubt, there will be no late payment interest calculated from the due date for payment of the Profit Shortfall until the date of actual settlement of the Profit Shortfall.<br><br>
(e) In the event that the Guaranteed Profit is met or the Profit Shortfall is made good, then the pledge of security shall come to an end and the Documents shall be returned to the Warrantor.
</td></tr>
</table>

## 1. BACKGROUND INFORMATION OF GF SPRITVEST

GF Spritvest was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Act on 26 June 1995 in Malaysia as a private limited company under the name of Spritvest Sdn Bhd. It subsequently assumed its present name on 19 March 2009. As at the LPD, the issued share capital of GF Spritvest is RM1,000,000 comprising 1,000,000 GF Spritvest Shares. GF Spritvest is a wholly-owned subsidiary of GFB.

GF Spritvest is a provider of total EDCC solutions focusing on the supply, installation and integration of EDCC hardware and devices, software, technical support and maintenance services. Its EDCC solutions include assets tracking, sales force automation, warehouse and inventory control software and barcode devices.

GF Spritvest commenced operations on 27 June 1995, CPL and a partner foresaw that there was promising potential for the automation of business processes of various industries in Malaysia. They noted that the business processes of various industries in Malaysia were heavily dependent upon manual data collection system, which cannot produce critical data on time and which are laborious and error prone to operate. Bringing with them the vast knowledge and experiences in automation of sales force and logistics processes, they established GF Spritvest in 1995 to tap into the EDCC market, specialising in the provision of EDCC solutions. In October 2006, GF Spritvest was acquired by GFB and became its wholly-owned subsidiary.

GF Spritvest currently has 87 employees. As at the LPD, GF Spritvest has a total of 5 offices located in Kuala Lumpur, Penang, Seremban, Melaka and Johor Bahru. GF Spritvest's principal market is Malaysia with its customers ranging from companies in FMCG, utilities and electronics industries. GF Spritvest's revenue for the past three (3) FYE 2017 up to the FYE 2019 were mainly generated from the domestic market where approximately 99.60% of its revenue for the FYE 2019 were generated from the domestic market while the remaining 0.40% were from the overseas market. The software sold are developed in-house as well as sourcing from off-the-shelf options while its hardware products are mainly sourced from suppliers in the United States of America.

The details of the total assets of GF Spritvest based on the audited financial statements for the FYE 31 December 2019 is as follows:

| | **RM'000** |
|---|---:|
| Plant and equipment | 441 |
| Inventories | 3,133 |
| Trade receivables | 18,208 |
| Other receivables | 398 |
| Amounts due from fellow subsidiaries | 1,178 |
| Tax recoverable | 207 |
| Short-term funds | 2,274 |
| Cash and bank balances | 1,616 |
| **Total** | **27,455** |

## 2. SHARE CAPITAL

As at the LPD, the issued share capital of GF Spritvest is RM1,000,000 comprising 1,000,000 GF Spritvest Shares. GF Spritvest is a wholly-owned subsidiary of the Vendor.

As at the LPD, GF Spritvest does not have any subsidiary or associate company.

## 3. SUBSTANTIAL SHAREHOLDER AND DIRECTORS OF GF SPRITVEST

As at the LPD, the sole shareholder of GF Spritvest is GFB. Please refer to Section 2.1.2 of this Circular for further information on GFB.

The details of the Directors of GF Spritvest and their respective shareholdings in GF Spritvest as at the LPD are as follows:

| | Designation | Nationality / Country of incorporation | <------Direct------> No. of GF Spritvest Shares | % | <------Indirect------> No. of GF Spritvest Shares | % |
|---|---|---|---|---|---|---|
| **Shareholder** | | | | | | |
| GFB | N/A | Malaysia | 1,000,000 | 100.00 | - | - |
| Dato' Sri Yap Ngan Choy | Director | Malaysian | - | - | 1,000,000 | 100.00* |
| Dato' Yap Fook Choy | Director | Malaysian | - | - | 1,000,000 | 100.00^ |
| **Directors** | | | | | | |
| Dato' Sri Yap Ngan Choy | Director | Malaysian | - | - | 1,000,000 | 100.00* |
| Dato' Yap Fook Choy | Director | Malaysian | - | - | 1,000,000 | 100.00^ |
| Tan Bak Hong | Director | Malaysian | - | - | - | - |
| Yap Chun Theng | Director | Malaysian | - | - | - | - |
| Sae-Yap Atthakovit | Director | Malaysian | - | - | - | - |
| CPL | CEO / Director | Malaysian | - | - | - | - |

***Notes:***

* *Deemed interested by virtue of his shareholdings in GFB via PLNC Holdings Sdn Bhd pursuant to Section 8 of the Act.*

^ *Deemed interested by virtue of his shareholdings in GFB via JYF Capital Sdn Bhd pursuant to Section 8 of the Act.*

[The rest of this page is intentionally left blank.]

## 4. FINANCIAL INFORMATION

The historical financial information on GF Spritvest for the past three (3) audited FYE 2017 to FYE 2019 and unaudited 6-month FPE 2019 and 2020:

| | <----------------------Audited---------------- | | > | <------------Unaudited------> | |
|---|---|---|---|---|---|
| | **FYE 2017** | **FYE 2018** | **FYE 2019** | **FPE 2019** | **FPE 2020** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 60,327 | 61,901 | 53,352 | 29,871 | 21,045 |
| Cost of sales | (48,794) | (44,433) | (38,814) | (20,578) | (17,247) |
| Gross profit ("**GP**") | 11,533 | 17,468 | 14,538 | 9,293 | 3,798 |
| Profit/Loss before taxation | 1,920 | 7,719 | 2,388 | 2,974 | (1,150) |
| PAT/Loss after tax | 1,908 | 6,283 | 1,623 | 2,260 | (1,150) |
| Shareholders' funds/ NA | (1,244) | 4,866 | 6,489 | 7,125 | 5,339 |
| Share capital | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Total borrowings | 2,774 | 29 | 1,711 | 45 | 29 |
| | | | | | |
| Net EPS | 1.91 | 6.28 | 1.62 | 2.26 | (1.15) |
| NA per share | (1.24) | 4.87 | 6.49 | 7.13 | 5.34 |
| Current ratio (times) | 0.94 | 1.18 | 1.29 | 1.31 | 1.27 |
| Gearing ratio (times) | N/A | 0.01 | 0.26 | 0.01 | 0.01 |
| Total dividend paid | - | - | - | - | - |

**<u>Commentaries on Historical Financial Performance</u>**

**FYE 2017 vs FYE 2016**

- Increase in revenue by 43.07% (RM18.16 million) was mainly due to higher revenue contribution from the technology refresh exercise undertaken by one of its major customers amounting to RM19.82 million and increase in sales from the customers which are in FMCG and utilities sector.

- GF Spritvest recorded a PAT of RM1.91 million in the FYE 2017 as compared to a loss after tax of RM4.91 million in the FYE 2016. This was primarily driven by the increase in revenue, and improved gross profit margin coupled with relatively stable operating expenses in the FYE 2016 and FYE 2017.

**FYE 2018 vs FYE 2017**

- Increase in revenue by 2.61% (RM1.57 million) was mainly due to increase in sales from companies in FMCG, utilities and electronics industries. The said increase was mostly contributed by a major customer in the utilities sector amounting to RM4.85 million.

- Increase in GP by 51.46% (RM5.94 million) and increase in the GP margin from 19.12% to 28.22% was mainly due to the reduction in the reliance of third-party consultants (which were used for certain maintenance services). These maintenance services were subsequently handled by an in-house team for cost optimisation.

- The increase in PAT by 229.30% (RM4.38 million) was primarily driven by the increase in revenue, and improved gross profit margin coupled with relatively stable operating expenses in FYE 2017 and FYE 2018.

**FYE 2019 vs FYE 2018**

- Decrease in revenue by 13.81% (RM8.55 million) was mainly due to the global economic slow-down causing weak consumer sentiment, which in turn resulted in significant reduction in capital spending from its customers.

- Thus, there was a decrease in gross profit by 16.77% (RM2.93 million). This was in line with the decrease in revenue. Gross profit margin remained relatively stable at 27.25% in the FYE 2019 (FYE 2018: 28.22%).

- The decrease in PAT by 74.17% (RM4.66 million) mainly due to lower revenue and higher selling and distribution expenses, higher administrative expenses and higher other operating expenses.

**FPE 30 June 2019 vs FPE 30 June 2020**

- Decrease in revenue by 29.55% (RM8.83 million) mainly due to the MCO imposed as a result of COVID-19 pandemic, which in turn resulted in dampened capital spending from its customers. The MCO has resulted in the slowdown of sales for the FPE 2020.

- Decrease in GP margin to 18.00% (FPE 2019: 31.10%) mainly due to softer market conditions in the FYE 2020 which caused GF Spritvest to offer its products and services at a more competitive pricing in order to secure higher level of sales couple with weakening of RM against the USD during the FPE 2020.

- The loss after tax of RM1.15 million in the FPE 2020 (FPE 2019: PAT of RM2.21 million) was mainly due the significant decrease in revenue, rendering GF Spritvest unable to cover its overhead costs.

## 5. ACCOUNTING POLICIES AND AUDIT QUALIFICATION

Based on the audited financial statements of GF Spritvest for the past three (3) FYE 2017 to 2019:

(i) there were no exceptional or extraordinary items reported in GF Spritvest's audited financial statements;

(ii) there are no accounting policies adopted by GF Spritvest which are peculiar to GF Spritvest due to the nature of its business or the industry which it is involved in; and

(iii) GF Spritvest's external auditors had not issued any audit qualification on its financial statements.

## 6. MATERIAL COMMITMENTS

As at the LPD, the Directors of GF Spritvest are not aware of any material commitments incurred or known to be incurred by GF Spritvest, which may have an impact on GF Spritvest's PAT or NA upon becoming enforceable.

## 7. CONTINGENT LIABILITIES

As at the LPD, the Directors of GF Spritvest are not aware of any contingent liabilities incurred or known to be incurred by GF Spritvest, which upon becoming enforceable, may have an impact on GF Spritvest's PAT or NA.

## 8. MATERIAL CONTRACTS

There is no material contract (not being contract entered into in the ordinary course of business) which has been entered into by GF Spritvest within 2 years immediately preceding the date of this Circular.

## 9. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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

MOORE

**GRAND-FLO SPRITVEST SDN. BHD.**
Registration No.: 199501019036 (348239-W)
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED**
**31 DECEMBER 2019**

**GRAND-FLO SPRITVEST SDN. BHD.**
Registration No.: 199501019036 (348239-W)
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED**
**31 DECEMBER 2019**

| **Contents** | **Pages** |
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Registration No.: 199501019036 (348239-W)

**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The principal activities of the Company consist of provision of information technology solutions specialising in automated data collection processes and mobile computing.

There have been no significant changes in these principal activities during the financial year.

### RESULTS

| | RM |
|---|---|
| Profit for the financial year | 1,622,995 |

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors' do not recommend any dividend in respect of the current financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUANCE OF SHARES OR DEBENTURES

The Company has not issued any shares or debentures during the financial year.

### DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are as follows:-

| | |
|---|---|
| Dato' Sri Yap Ngan Choy | (Appointed on 11.09.2019) |
| Dato' Yap Fook Choy | (Appointed on 11.09.2019) |
| Sae-Yap Atthakovit | (Appointed on 11.09.2019) |
| Yap Chun Theng | (Appointed on 11.09.2019) |
| Tan Bak Hong | |
| Cheng Ping Liong | |
| Tan Bak Leng | (Resigned on 11.09.2019) |

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## DIRECTORS' INTERESTS

The interest of Directors in office at the end of the financial year in shares or in debenture of the Company and its related corporations during the financial year are disclosed in the Directors' Report of the holding company pursuant to Section 59(3) of the Companies Act 2016.

## DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company for their services to the Company were as follows:

| | RM |
|---|---|
| Salaries | 836,030 |
| Bonus | 681,000 |
| Contributions to defined contribution plan | 178,700 |
| Contributions to social security | 2,003 |
| Contributions to employment insurance system | 229 |
| | 1,697,962 |

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, other than as disclosed in Note 5 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts was necessary; and

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

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render the amount written off for bad debts inadequate to any substantial extent or necessitate the making of provision for doubtful debts;

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

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

Registration No.: 199501019036 (348239-W)

**OTHER STATUTORY INFORMATION** (cont'd)

(b) At the date of this report, the Directors are not aware of any circumstances: (cont'd)

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

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

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

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

(d) In the opinion of the Directors:

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

(ii) the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company is disclosed in Note 5 to the financial statement.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

**EVENT SUBSEQUENT TO THE END OF FINANCIAL YEAR**

Details of event subsequent to the end of financial year are disclosed in Note 29 to the financial statements.

**HOLDING COMPANY**

The Directors regard Grand-Flo Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad as the holding company of the Company.

Registration No.: 199501019036 (348239-W)

**AUDITORS**

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 9 June 2020.

DATO' SRI YAP NGAN CHOY

DATO' YAP FOOK CHOY

Registration No.: 199501019036 (348239-W)

**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**
Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 9 to 58 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 9 June 2020.

DATO' SRI YAP NGAN CHOY

DATO' YAP FOOK CHOY

**STATUTORY DECLARATION**
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, LEE BOON HAI (MIA No.: 18094), being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 9 to 58 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
Abovenamed
at Kuala Lumpur in the Federal Territory
on 9 June 2020

LEE BOON HAI

Before me,

PESURUHJAYA SUMPAH
No. W 661
TAN KIM CHOOI
1.1.2019-31.12.2021
MALAYSIA

LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA
50490 KUALA LUMPUR

MOORE

Moore Stephens Associates PLT [LLP0000963-LCA]

Chartered Accountants [AF002096]
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia

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F +603 7728 9800 (General) ; 7733 1033 (Assurance)

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF GRAND-FLO SPRITVEST SDN. BHD.**
Registration No.: 199501019036 (348239-W)
(Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Grand-Flo Spritvest Sdn. Bhd., which comprise the statement of financial position as at 31 December 2019 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 58.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis of Opinion

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

### Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.



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Member firms in principal cities throughout the world.

MOORE

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**GRAND-FLO SPRITVEST SDN. BHD.** (cont'd)
Registration No.: 199501019036 (348239-W)
(Incorporated in Malaysia)

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

MOORE

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAND-FLO SPRITVEST SDN. BHD.** (cont'd)
Registration No.: 199501019036 (348239-W)
(Incorporated in Malaysia)

**Auditors' Responsibilities for the Audit of the Financial Statements** (cont'd)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Other Matters**

This report is made solely to the member of the Company as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 11 April 2019.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

STEPHEN WAN YENG LEONG
02963/07/2021 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 9 June 2020

Registration No.: 199501019036 (348239-W)

**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| Revenue | 4 | 53,352,145 | 61,900,945 |
| Cost of sales | | (38,814,278) | (44,432,804) |
| **Gross profit** | | 14,537,867 | 17,468,141 |
| Other income | 5 | 254,361 | 365,139 |
| Distribution expenses | | (1,745,452) | (1,500,563) |
| Administrative expenses | | (9,947,053) | (8,083,812) |
| Other expenses | | (679,237) | (445,365) |
| Finance costs | | (32,092) | (84,935) |
| **Profit before tax** | 5 | 2,388,394 | 7,718,605 |
| Income tax expense | 6 | (765,399) | (1,435,927) |
| **Profit for the year, representing total comprehensive income for the year** | | 1,622,995 | 6,282,678 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Registration No.: 199501019036 (348239-W)

**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2019**

| | Note | 2019<br>RM | 2018<br>RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current asset** | | | |
| Plant and equipment | 7 | 440,692 | 544,122 |
| **Current assets** | | | |
| Inventories | 8 | 3,133,354 | 3,248,459 |
| Trade receivables | 9 | 18,208,313 | 11,679,433 |
| Other receivables | 10 | 398,072 | 865,396 |
| Amounts due from fellow subsidiaries | 11 | 1,178,479 | 1,407,569 |
| Tax recoverable | | 206,728 | - |
| Short-term funds | 12 | 2,274,063 | 8,271,629 |
| Cash and bank balances | 12 | 1,616,198 | 2,349,211 |
| | | 27,015,207 | 27,821,697 |
| **TOTAL ASSETS** | | 27,455,899 | 28,365,819 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | 1,000,000 | 1,000,000 |
| Retained earnings | | 5,488,529 | 3,865,534 |
| **TOTAL EQUITY** | | 6,488,529 | 4,865,534 |
| **Non-current liabilities** | | | |
| Finance lease liability | 14 | - | 3,751 |
| Lease liabilities | 15 | 25,145 | - |
| Contract liabilities | 16 | - | 14,664 |
| | | 25,145 | 18,415 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Registration No.: 199501019036 (348239-W)

**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION** (cont'd)
**AS AT 31 DECEMBER 2019**

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | 17 | 8,093,250 | 8,461,063 |
| Other payables | 18 | 1,938,357 | 1,719,873 |
| Contract liabilities | 16 | 1,582,338 | 1,337,492 |
| Amount due to holding company | 19 | 7,616,911 | 11,080,898 |
| Amounts due to related companies | 20 | - | 272,484 |
| Amount due to a fellow subsidiary | 21 | 25,266 | - |
| Borrowing | 22 | 1,675,000 | - |
| Finance lease liability | 14 | - | 25,421 |
| Lease liabilities | 15 | 11,103 | - |
| Tax payable | | - | 584,639 |
| | | 20,942,225 | 23,481,870 |
| **TOTAL LIABILITIES** | | 20,967,370 | 23,500,285 |
| **TOTAL EQUITY AND LIABILITIES** | | 27,455,899 | 28,365,819 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statement

Registration No.: 199501019036 (348239-W)

**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

| | Share Capital RM | (Accumulated Loss)/ Retained Earnings RM | Total Equity RM |
|---|---|---|---|
| **At 1 January 2018, as restated** | 1,000,000 | (2,243,823) | (1,243,823) |
| Effect on adoption of MFRS 15 | - | (173,321) | (173,321) |
| | 1,000,000 | (2,417,144) | (1,417,144) |
| Profit net of tax, representing total comprehensive income for the financial year | - | 6,282,678 | 6,282,678 |
| **At 31 December 2018/1 January 2019** | 1,000,000 | 3,865,534 | 4,865,534 |
| Profit net of tax, representing total comprehensive income for the financial year | - | 1,622,995 | 1,622,995 |
| **At 31 December 2019** | 1,000,000 | 5,488,529 | 6,488,529 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Registration No.: 199501019036 (348239-W)

**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

| | 2019 RM | 2018 RM |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Profit before tax | 2,388,394 | 7,718,605 |
| Adjustments for: | | |
| Reversal of allowance for expected credit losses on trade receivables | (9,845) | (27,042) |
| Depreciation of plant and equipment | 208,157 | 197,637 |
| Gain on disposal of plant and equipment | - | (5,000) |
| Interest expense | 32,092 | 84,935 |
| Inventories written off | 126,770 | 202,412 |
| Inventories written down | 528,952 | 240,903 |
| Plant and equipment written off | - | 2,050 |
| Unrealised gain on foreign exchange | - | (30,427) |
| Bad debts written off | 2,274 | - |
| Interest income | (232,974) | (206,378) |
| Operating profit before changes in working capital | 3,043,820 | 8,177,695 |
| **Changes in working capital:** | | |
| Inventories | (540,617) | (200,850) |
| Trade and other receivables | (6,053,985) | 7,080,081 |
| Trade and other payables | (421,813) | (2,263,011) |
| Contract liabilities | 230,182 | 1,178,835 |
| Holding company | (586,114) | (2,000,000) |
| Fellow subsidiaries | 158,686 | (11,011,239) |
| Related companies | - | 294,319 |
| Cash generated (used in)/generated from operations | (4,169,841) | 1,255,830 |
| Tax paid | (2,063,871) | (494,878) |
| Tax refunded | 507,105 | 146,786 |
| **Net cash (used in)/from operating activities** | (5,726,607) | 907,738 |
| **Cash Flows from Investing Activities** | | |
| Acquisition of plant and equipment | (65,327) | (116,042) |
| Proceeds from disposal of plant and equipment | - | 5,000 |
| Interest received | 232,974 | 206,378 |
| **Net cash from investing activities** | 167,647 | 95,336 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

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**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019** (cont'd)

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| **Cash Flows from Financing Activities** | | | |
| Interest paid | | (32,092) | (84,935) |
| (Repayment to)/advances from holding company | | (2,877,873) | 10,007,200 |
| Advance from/(repayment to) fellow subsidiaries | | 95,670 | (475,337) |
| Advances from related companies | | - | 260 |
| Drawdown/(repayment) of bankers' acceptance | | 1,675,000 | (2,640,000) |
| Repayment of lease liabilities | A | (32,324) | (104,977) |
| **Net cash (used in)/from financing activities** | | (1,171,619) | 6,702,211 |
| **Net (decrease)/increase in cash and cash equivalents** | | (6,730,579) | 7,705,285 |
| Cash and cash equivalents at beginning of the financial year | | 10,620,840 | 2,915,555 |
| **Cash and cash equivalents at the end of the financial year** | B | 3,890,261 | 10,620,840 |

## NOTES TO STATEMENT OF CASH FLOWS

(A) Cash outflow for leases as a lessee are as follows:

| | 2019 RM |
|---|---|
| **Included in net cash (used in)/from operating activities:** | |
| Interest paid in relation to lease liabilities | 4,044 |
| Payment related to lease: | |
| - Lease of low value asset | 31,800 |
| - Short term lease rental | 190,200 |
| **Included in net cash (used in)/from financing activities:** | |
| Payment for the principal portion of lease liabilities | 32,324 |
| | 258,368 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

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**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019** (cont'd)

**NOTES TO STATEMENT OF CASH FLOWS** (cont'd)

(B) Reconciliation of movement of liabilities to cash flows arising from financing activities

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Lease liabilities/Finance lease liability** | | |
| At the beginning of financial year | 29,172 | 134,149 |
| Repayment during the financial year | (32,324) | (104,977) |
| Drawdown during the financial year | 39,400 | - |
| At the end of the financial year | 36,248 | 29,172 |

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Registration No.: 199501019036 (348239-W)

**GRAND-FLO SPRITVEST SDN. BHD.**
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019**

## 1. CORPORATE INFORMATION

The Company is a private limited company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at L1-1, Wisma Ehsan Bina, Jalan Kuchai Maju 12 (Jalan 1/116C), Kuchai Entrepreneur Park, 58200 Kuala Lumpur.

The principal activities of the Company consist of provision of information technology solutions specialising in automated data collection processes and mobile computing. There have been no significant changes in these principal activities during the financial year.

The Directors regard Grand-Flo Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad as the holding company of the Company.

The financial statements were authorised for issue in accordance with a resolution of the Directors dated 9 June 2020.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int")**

**(i) Adoption of New MFRS, Amendments/Improvements to MFRSs and IC Int**

| | |
|---|---|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |
| Annual Improvements to MFRSs 2015-2017 Cycle | |

The adoption of the above MFRSs, Amendments/Improvements to MFRSs and New IC Int did not have any significant effect on the financial statements of the Company except as described below:

Registration No.: 199501019036 (348239-W)

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int")** (cont'd)

(i) **Adoption of New MFRS, Amendments/Improvements to MFRSs and IC Int** (cont'd)

**MFRS 16 Leases**

The Company has applied MFRS 16 Leases for the first time for the financial year beginning on 1 January 2019.

MFRS 16 replaced MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under MFRS 117.

For lessee, MFRS 16 requires the recognition of a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 "Property, Plant and Equipment" whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. Lease that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date of initial application.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The modified retrospective transition approach measures the lease liabilities based on the present value of future lease payments calculated using incremental borrowing rate at date of transition. Lease payments would be split into principal and interest payment, using the effective interest method. The modified retrospective approach requires the impact of the adoption to be included in the opening retained earnings on 1 January 2019. As such, comparative information was not restated and continues to reported under MFRS 117 and related interpretations.

The following practical expedients as permitted by the standards have been adopted:

- leases of less than 12 months duration and leases for low value items are excluded. Rental payments associated with these leases will be recognised in the statement of comprehensive income on a straight-line basis over the life of the lease;

The adoption of MFRS 16 required the Company to make judgment on the discount rates used on transition to discount future lease payments (i.e. the Company's incremental borrowing rates). These rates have been calculated to reflect the underlying lease terms and observable inputs. The risk-free rate component has been based on Base Lending Rate over the same term as the lease and has been adjusted for credit risk.

## 2. BASIS OF PREPARATION (cont'd)

### (a) Statement of compliance (cont'd)

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int")** (cont'd)

(i) **Adoption of New MFRS, Amendments/Improvements to MFRSs and IC Int** (cont'd)

**MFRS 16 Leases** (cont'd)

The effect arising from initial application of MFRS 16 on the statement of financial position of the Company as at 1 January 2019 as per below:

| | Previously reported RM | Effect on adoption of MFRS 16 RM | Restated RM |
|---|---|---|---|
| **1 January 2019** | | | |
| **Non-current liabilities** | | | |
| Finance lease liabilities | 3,751 | (3,751) | - |
| Lease liabilities | - | 3,751 | 3,751 |
| **Current liabilities** | | | |
| Finance lease liabilities | 25,421 | (25,421) | - |
| Lease liabilities | - | 25,421 | 25,421 |
| | 29,172 | - | 29,172 |

** No disclosure is required on the reconciliation for the difference between operating lease commitments as at 31 December 2018 and lease liabilities recognised at the date of initial application of 1 January 2019 as all the operating lease commitments are short term leases which end within 12 months.*

(ii) **New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted**

The Company has not adopted the following new MFRSs and Amendments/Improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Company:-

***Effective for financial periods beginning on or after 1 January 2020***

Amendments to References to the Conceptual Framework in MFRS Standards

| | |
|---|---|
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 9, and MFRS 7 | Interest Rate Benchmark Reform |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |

## 2. BASIS OF PREPARATION (cont'd)

### (a) Statement of compliance (cont'd)

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int")** (cont'd)

(ii) **New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted** (cont'd)

***Effective for financial periods beginning on or after 1 June 2020***

| | |
|---|---|
| Amendment to MFRS 16 | Covid-19-Related Rent Concessions |

***Effective for financial periods beginning on or after 1 January 2021***

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

***Effective for financial periods beginning on or after 1 January 2022***

| | |
|---|---|
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non Current |
| Amendments to MFRS 3 | Reference to Conceptual Framework |
| Amendments to MFRS 116 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to MFRS 137 | Onerous Contracts–Cost of Fulfilling a Contract |
| Annual Improvements to MFRS Standards 2018–2020 Cycle | |

***Effective date to be announced***

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate of Joint Venture |

The Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Company upon their initial applications.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

### (c) Functional and presentation currency

The financial statements of the Company are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

### (d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Company's accounting policies.

## 2. BASIS OF PREPARATION (cont'd)

### (d) Significant accounting estimates and judgements (cont'd)

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below.

(i) Impairment of trade receivables – Expected Credit Loss model ("ECL")

The policy for allowance for impairment loss of the Company is based on the expected credit loss model as required by MFRS 9. Significant judgements are required in determining the impairment of trade receivables under the ECL model. Impairment losses are measured based on expected credit loss model are based on assumptions on the risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the ECL model based on past collection records, existing market conditions as well as forward looking estimates as of the end of the reporting period.

(ii) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the financial years presented in the financial statements of the Company.

### (a) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

### (b) Revenue and other income recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Company estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company perform;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(b) Revenue and other income recognition** (cont'd)

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, net of indirect taxes.

Sales of goods

Revenue from sales of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, or performance of services, net of sales and services taxes and discounts.

Service contracts

The Company recognises revenue from service contracts over time if it creates an asset with no alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

Agent fee income

When a revenue transaction involves a third party in providing goods or services to a customer, the Company determined its role as a party who arrange the third party to provide the underlying services directly to the customer (i.e., the Company is the agent in the transaction). Agent fee is recognised as revenue net of amounts collected on behalf of the principal.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

**(c) Income tax**

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Income tax** (cont'd)

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(d) **Employee benefits**

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial period in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(d) **Employee benefits** (cont'd)

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Company has no further payment obligations.

(e) **Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(f) **Leases**

***Current financial year***

**As a lessee**

The Company recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU assets are presented as part of the plant and equipment in the statement of financial position.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of plant and equipment.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(f) **Leases** (cont'd)

***Current financial year*** (cont'd)

If ROU asset relates to a class of plant and equipment to which the lessee applies the revaluation model in MRFS 116, a lessee may elect to apply that revaluation model to all of the ROU assets that relate to that class of plant and equipment.

In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability. The Company applies MFRS 136 to determine whether a ROU asset is impaired and accounts for any identified impairment loss as described in Note 3(l)(ii).

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Company is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

***Previous financial year***

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(f) **Leases** (cont'd)

***Previous financial year*** (cont'd)

(iii) Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which is in substance is an operating lease is classified as prepaid lease payments and amortised on a straight-line basis over the lease period as disclosed in the notes to the financial statements.

(g) **Plant and equipment**

Plant and equipment are initially recorded at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(g) Plant and equipment** (cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of plant and equipment at the following annual rates:

| | |
|---|---|
| Furniture and fittings | 8% |
| Office equipment | 12% |
| Motor vehicles | 16% - 20% |
| Renovation | 8% |
| Computers | 20% |

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

**(h) Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(i) Cash and cash equivalents**

Cash and cash equivalents consist of cash at banks, cash on hand and short term funds that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

**(j) Contract assets and liabilities**

Contract assets and liabilities in goods and services contract represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Company issues billing to the customer. Contract assets are recognised as revenue when performance obligations are satisfied.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liabilities are the obligation to transfer goods or services to customers for which the Company has received the consideration or has billed the customer. In the case of services contract, contract liabilities are the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers and other deferred income where the Company has billed or has collected the payment before the goods are delivered or services are provided to the customers.

**(k) Financial instrument**

**(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(k) **Financial instrument**

(ii) **Financial instrument categories and subsequent measurement**

The Company categorises financial instruments as follows:

***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets.

All financial assets are subject to impairment assessment under Note 3(l)(i).

***Financial liabilities***

The category of financial liabilities at initial recognition is as follows:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Financial instrument

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (l) Impairment of assets

#### (i) Financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowance of the Company is measured on either of the following bases:

(i) 12-month ECL – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(l) **Impairment of assets** (cont'd)

(i) **Financial assets** (cont'd)

Simplified approach - trade receivables and contract assets

The Company applies the simplified approach to provide ECLs for all trade receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach - other financial instruments

The Company applies the general approach to provide for ECLs on all other financial instruments which requires the loss allowance to be measured at an amount equal to 12-months ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 1 year past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(l) **Impairment of assets** (cont'd)

(i) **Financial assets** (cont'd)

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

(ii) **Non-financial assets**

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(l) Impairment of assets** (cont'd)

**(ii) Non-financial assets** (cont'd)

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exist. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for assets in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

**(m) Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**(n) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(o) Contingencies**

**(i) Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(ii) Contingent assets**

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

**(p) Fair value measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liabilities takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 4. REVENUE

Revenue represents the Company's revenue from contracts with customers which are recognised at point in time and over time.

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sale of goods | 43,408,170 | 53,019,791 |
| Maintenance services | 9,806,766 | 8,783,116 |
| Agent fee | 137,209 | 98,038 |
| | 53,352,145 | 61,900,945 |
| **Timing of revenue recognition** | | |
| Point in time | 43,545,379 | 53,117,829 |
| Over time | 9,806,766 | 8,783,116 |
| | 53,352,145 | 61,900,945 |

Sales of goods - Automatic Identification and Data Capture (AIDC) solutions

The Company offered its customers comprehensive Automatic Identification and Data Capture (AIDC) solutions, which are at the forefront of Barcode and Radio Frequency Identification (RFID) technology. The solutions enable its customers manage and collaborate their data efficiently using barcode printers, handheld, RFID and scanning devices.

Revenue is recognised when the performance obligation ("PO") is satisfied upon the delivery of the products to the customers which requires customers' acknowledgement that the goods have been accepted by the customers. Payment is generally due within 30 – 120 days from the date the PO is satisfied.

Maintenance service income

The Company provides services such as the repairing, maintenance and replacement of equipment parts for its customers, which is on an annual service contract basis or a one-time off contract basis. The contract is comprised of a single PO and is satisfied over the contract period. Revenue of the services are recognised over time based on the contract, whilst revenue from the replacement of equipment parts are recognised at the point in time control of the goods is transferred.

Repair and maintenance services are considered as single PO and are not separately identifiable. The PO is satisfied upon the customer simultaneously receives and consumes the benefits provided by the Company's performance.

Agent fee income

The Company acting as an agent in certain maintenance and support services as the PO is limited to arranging or mediating the provision of services for another party. PO is satisfied upon the customers subscribed to the services to be satisfied by the principal.

## 4. REVENUE (cont'd)

Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from maintenance services revenue:

| | 2019 RM | 2018 RM |
|---|---|---|
| Total contract revenue, net | 120,264 | 120,264 |
| Less: Cumulative maintenance services revenue recognised, net | (105,600) | (46,945) |
| Aggregate amount of the transaction price allocated to maintenance services revenue that are partially or fully unsatisfied as at 31 December | 14,664 | 73,319 |

The remaining unsatisfied performance obligations are expected to be recognised as below:

| | 2019 RM | 2018 RM |
|---|---|---|
| Within 1 year | 14,664 | 58,655 |
| Between 1 to 2 years | - | 14,664 |
| | 14,664 | 73,319 |

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## 5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):-

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| Auditors' remuneration: | | | |
| - Current year | | 38,000 | 23,000 |
| Bad debts written off | | 2,274 | - |
| Depreciation of plant and equipment | | 208,157 | 197,637 |
| Employee benefits expense | (a) | 8,924,599 | 7,485,470 |
| Gain on disposal of plant and equipment | | - | (5,000) |
| Interest income on:- | | | |
| - Bank balances | | (29,537) | (42,395) |
| - Short-term funds | | (203,437) | (163,983) |
| Interest expense on:- | | | |
| - Lease liabilities | | 4,044 | - |
| - Finance lease liability | | - | 10,564 |
| - Bankers' acceptance | | 23,048 | 69,362 |
| - Bank overdraft commitment fees | | 5,000 | 5,009 |
| Inventories written off | | 126,770 | 202,412 |
| Inventories written down | | 528,952 | 240,903 |
| Plant and equipment written off | | - | 2,050 |
| Realised loss/(gain) on foreign exchange | | 11,973 | (96,292) |
| Reversal of allowance for doubtful debts | | (9,845) | (27,042) |
| Rental of premises | | 222,000 | 221,400 |
| Unrealised gain on foreign exchange | | - | (30,427) |

(a) Employee benefits expense

| | 2019 RM | 2018 RM |
|---|---|---|
| **Staff costs** | | |
| Salaries, bonuses and allowances | 5,256,708 | 4,583,424 |
| Contributions to defined contribution plan | 783,680 | 652,713 |
| Social security contributions | 64,925 | 61,404 |
| Staff commission | 918,334 | 683,389 |
| Other benefits | 202,990 | 186,084 |
| | 7,226,637 | 6,167,014 |

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## 5. PROFIT BEFORE TAX (cont'd)

(a) Employee benefit expenses (cont'd)

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Directors' remuneration** | | |
| Salaries | 836,030 | 701,400 |
| Bonus | 681,000 | 472,001 |
| Contributions to defined contribution plan | 178,700 | 143,208 |
| Social security contributions | 2,003 | 1,657 |
| Contributions to employee insurance system | 229 | 190 |
| | 1,697,962 | 1,318,456 |
| | 8,924,599 | 7,485,470 |

## 6. INCOME TAX EXPENSE

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Income tax:** | | |
| - Current year | 978,564 | 1,582,713 |
| - Overprovision in prior year | (213,165) | (146,786) |
| | 765,399 | 1,435,927 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

The reconciliations from the tax amount at statutory income tax rate to the Company's tax expense are as follows:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Profit before tax | 2,388,394 | 7,718,605 |
| Tax at the Malaysian statutory income tax rate of 24% | 573,215 | 1,852,465 |
| Tax effect on non-deductible expenses | 81,406 | 167,641 |
| Utilisation of deferred tax assets not recognised | - | (423,600) |
| Deferred tax assets not recognised | 323,943 | - |
| Income not subject to income tax | - | (13,793) |
| Overprovision of income tax in prior year | (213,165) | (146,786) |
| Tax expense for the year | 765,399 | 1,435,927 |

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## 7. PLANT AND EQUIPMENT

| | Computers RM | Office equipment RM | Furniture and fittings RM | Motor vehicles RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2019 | 411,109 | 60,798 | 28,713 | 903,737 | 77,833 | 1,482,190 |
| Additions | 29,288 | 8,200 | - | 67,239 | - | 104,727 |
| At 31 December 2019 | 440,397 | 68,998 | 28,713 | 970,976 | 77,833 | 1,586,917 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2019 | 311,887 | 29,590 | 9,685 | 546,511 | 40,395 | 938,068 |
| Charge for the financial year | 38,102 | 6,429 | 2,297 | 155,102 | 6,227 | 208,157 |
| At 31 December 2019 | 349,989 | 36,019 | 11,982 | 701,613 | 46,622 | 1,146,225 |
| **Net carrying amounts** | | | | | | |
| At 31 December 2019 | 90,408 | 32,979 | 16,731 | 269,363 | 31,211 | 440,692 |

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7. **PLANT AND EQUIPMENT** (cont'd)

| | Computers RM | Office equipment RM | Furniture and fittings RM | Motor vehicles RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2018 | 367,016 | 57,213 | 28,713 | 878,418 | 77,833 | 1,409,193 |
| Additions | 47,093 | 3,585 | - | 65,364 | - | 116,042 |
| Disposals | - | - | - | (40,045) | - | (40,045) |
| Written off | (3,000) | - | - | - | - | (3,000) |
| At 31 December 2018 | 411,109 | 60,798 | 28,713 | 903,737 | 77,833 | 1,482,190 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2018 | 273,288 | 23,785 | 7,388 | 442,797 | 34,168 | 781,426 |
| Charge for the financial year | 39,549 | 5,805 | 2,297 | 143,759 | 6,227 | 197,637 |
| Disposals | - | - | - | (40,045) | - | (40,045) |
| Written off | (950) | - | - | - | - | (950) |
| At 31 December 2018 | 311,887 | 29,590 | 9,685 | 546,511 | 40,395 | 938,068 |
| **Net carrying amounts** | | | | | | |
| At 31 December 2018 | 99,222 | 31,208 | 19,028 | 357,226 | 37,438 | 544,122 |

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## 7. PLANT AND EQUIPMENT (cont'd)

(i) Asset held under finance lease

The carrying amount of motor vehicle acquired under finance lease arrangement at 31 December 2018 was RM27,561 and are pledged as security for the related finance lease liability.

(ii) Asset held in trust

The Company owns a motor vehicle with carrying amount of RM158,499 (2018: RM277,374) being registered under the name of a Director.

(iii) Acquisition of plant and equipment are satisfied by the following:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Cash | 65,327 | 116,042 |
| Financed by lease arrangements | 39,400 | - |
| Total acquisition of plant and equipment | 104,727 | 116,042 |

(iv) The net carrying amount of ROU assets recognised by the Company is as follows:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Net carrying amount** | | |
| Motor vehicles | 49,328 | - |

The depreciation on right of use assets recognised by the Company for the financial year ended 31 December 2019 is RM20,207.

## 8. INVENTORIES

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **At cost:** | | |
| Finished goods | 2,247,531 | 2,569,403 |
| Spare parts | 885,823 | 679,056 |
| | 3,133,354 | 3,248,459 |

(i) The Company recognised inventories as cost of sales amounted to RM37,426,083 (2018: RM43,055,601).

(ii) The Company has written down inventories of RM528,952 (2018: RM240,903) which was recognised as an expense under the line "other expenses" in the statement of comprehensive income.

(iii) The Company has written off inventories of RM126,770 (2018: RM202,412) which was recognised as an expense under the line "other expenses" in the statement of comprehensive income.

## 9. TRADE RECEIVABLES

| | 2019 RM | 2018 RM |
|---|---|---|
| Trade receivables, gross | 18,439,605 | 11,920,570 |
| Less: Allowance for impairment loss | (231,292) | (241,137) |
| Trade receivables, net | 18,208,313 | 11,679,433 |

The normal credit terms of trade receivables of the Company range from 30 to 90 days (2018: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The movement in the impairment loss during the financial year is shown below.

| | 2019 RM | 2018 RM |
|---|---|---|
| At 1 January | 241,137 | 268,179 |
| Reversal of impairment loss | (9,845) | (27,042) |
| At 31 December | 231,292 | 241,137 |

## 10. OTHER RECEIVABLES

| | 2019 RM | 2018 RM |
|---|---|---|
| Non-trade receivables | 17,576 | 19,301 |
| Deposits | 83,359 | 80,122 |
| Prepayments | 23,835 | 13,946 |
| Goods and Services Tax ("GST") receivable | - | 252,099 |
| Advance billing from subcontractors | 273,302 | 499,928 |
| | 398,072 | 865,396 |

## 11. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| Trade | (i) | 369,331 | 528,017 |
| Non-trade | (ii) | 809,148 | 879,552 |
| | | 1,178,479 | 1,407,569 |

(i) The amounts due from fellow subsidiaries are trade in nature, unsecured, interest free and is subject to normal credit terms.

(ii) The amounts due from fellow subsidiaries arising from non-trade transactions which are unsecured, interest free and are repayable on demand.

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## 12. CASH AND CASH EQUIVALENTS

| | 2019 RM | 2018 RM |
|---|---|---|
| Cash and bank balances | 1,616,198 | 2,349,211 |
| Short-term funds | 2,274,063 | 8,271,629 |
| | 3,890,261 | 10,620,840 |

The short term funds bear interest rates range from 2.66% to 3.51% (2018: 2.66% to 3.51%) per annum.

Short-term funds represent investment in highly liquid money market instrument and fixed income instrument with financial institution in Malaysia. The short-term funds are subject to an insignificant risk of change in value. The distribution income from these funds is tax exempted and is being treated as interest income by the Company.

## 13. SHARE CAPITAL

| | Number of ordinary shares | | Amount | |
|---|---|---|---|---|
| | 2019 Unit | 2018 Unit | 2019 RM | 2018 RM |
| **Issued and fully paid** | | | | |
| At 1 January/31 December | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

## 14. FINANCE LEASE LIABILITY

| | 2018 RM |
|---|---|
| **Future minimum lease payments:** | |
| Within 1 year | 28,817 |
| More than 1 year and less than 2 years | 3,800 |
| | 32,617 |
| Less: Future finance charges | (3,445) |
| Present value of finance lease liability | 29,172 |
| | |
| **Present value of finance lease liability:** | |
| Within 1 year | 25,421 |
| More than 1 year and less than 5 years | 3,751 |
| | 29,172 |

## 14. FINANCE LEASE LIABILITY (cont'd)

| | 2018<br>RM |
|---|---|
| **Represented by:** | |
| Current liability | 25,421 |
| Non-current liability | 3,751 |
| | 29,172 |

The finance lease liability of the Company bears effective interest rate of 6.77% per annum.

## 15. LEASE LIABILITIES

The aggregate commitment for future lease liabilities are as follows:

| | 2019<br>RM |
|---|---|
| **Minimum lease payments:** | |
| Within 1 year | 12,860 |
| More than 1 year and less than 5 years | 27,614 |
| | 40,474 |
| Less: Future finance charges | (4,226) |
| Present value of lease liabilities | 36,248 |
| **Present value of lease liabilities:** | |
| Within 1 year | 11,103 |
| More than 1 year and less than 5 years | 25,145 |
| | 36,248 |
| **Represented by:** | |
| Current liabilities | 11,103 |
| Non-current liabilities | 25,145 |
| | 36,248 |

The lease liabilities of the Company bear effective interest rates ranging from 5.63% to 6.77% per annum.

## 16. CONTRACT LIABILITIES

| | 2019 RM | 2018 RM |
|---|---|---|
| - Repair and maintenance services | 967,374 | 122,229 |
| - Sales deposits received | 614,964 | 1,229,927 |
| | 1,582,338 | 1,352,156 |

Contract liabilities primarily relate to amount billed to customer before a related performance obligation is satisfied by the Company.

(a) The movement of contract liabilities during the year is as follows:

| | 2019 RM | 2018 RM |
|---|---|---|
| At 1 January | 1,352,156 | - |
| Effect on adoption of MFRS 15 | - | 173,321 |
| Advance billing during the year | 1,024,923 | 122,229 |
| Sales deposit received during the year | - | 1,229,927 |
| Recognised as revenue during the year | (794,741) | (173,321) |
| At 31 December | 1,582,338 | 1,352,156 |
| Analysed as:- | | |
| - Current | 1,582,338 | 1,337,492 |
| - Non-current | - | 14,664 |

## 17. TRADE PAYABLES

The normal trade credit term granted to the Company is 30 days (2018: 30 days).

## 18. OTHER PAYABLES

| | 2019 RM | 2018 RM |
|---|---|---|
| Other payables | 41,942 | 333,664 |
| Accruals | 1,838,133 | 1,359,404 |
| Sales and Service Tax/GST payables | 58,282 | 26,805 |
| | 1,938,357 | 1,719,873 |

## 19. AMOUNT DUE TO HOLDING COMPANY

| | Notes | 2019 RM | 2018 RM |
|---|---|---|---|
| Trade | (i) | - | 586,114 |
| Non-trade | (ii) | 7,616,911 | 10,494,784 |
| | | 7,616,911 | 11,080,898 |

(i) The amount due to holding company is trade in nature, unsecured, interest free and subject to normal credit terms. Significant related parties transactions are disclosed in Note 24.

(ii) The amount due to holding company arising from non-trade transactions is unsecured, interest free advance which is repayable on demand.

## 20. AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies are trade in nature, unsecured, interest free with credit term of nil (2018: 30 days).

## 21. AMOUNT DUE TO A FELLOW SUBSIDIARY

Amount due to a fellow subsidiary is non-trade in nature, unsecured, interest free and is repayable on demand.

## 22. BORROWING

The bankers' acceptance bear effective interest rates with the range between 5.00% to 5.20% (2018: Nil) per annum.

## 23. DEFERRED TAXATION

This is in respect of estimated deferred tax liability/(asset) arising from temporary differences as follows:

| | 2019 RM | Restated 2018 RM |
|---|---|---|
| **Deferred tax liability** | | |
| Temporary differences arising from carrying amount of plant and equipment and its tax base | 29,714 | 26,236 |
| **Deferred tax asset** | | |
| Other temporary differences | (29,714) | (26,236) |
| | - | - |

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## 23. DEFERRED TAXATION (cont'd)

The estimated amount of temporary differences for which no deferred tax asset is recognised in the financial statements are as follows:

| | 2019 RM | Restated 2018 RM |
|---|---|---|
| Other temporary differences | 2,788,998 | 1,439,236 |

The comparative figure has been restated to reflect the actual temporary differences carried forward available to the Company.

## 24. RELATED PARTIES DISCLOSURES

Identify of related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its holding company, fellow subsidiaries and related companies. Related parties refer to companies in which certain Directors of the Company have substantial financial interests and/or are also Directors of the companies.

Related party transactions

The related party balances are shown in Notes 11, 19, 20 and 21. The related party transactions of the Company are shown below.

| | 2019 RM | 2018 RM |
|---|---|---|
| **Holding company** | | |
| Repayment to (trade) | (586,114) | (2,000,000) |
| (Repayment to)/advances from (non-trade) | (2,877,873) | 10,007,200 |
| **Related companies** | | |
| Sales to | - | (2,350,843) |
| Purchases from | - | 2,877,276 |
| Repayment to | - | (231,854) |

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## 24. RELATED PARTIES DISCLOSURES (cont'd)

Related party transactions (cont'd)

| | 2019 RM | 2018 RM |
|---|---|---|
| **Fellow subsidiaries** | | |
| Sales to | (30,794) | (502,924) |
| Purchases from | 6,770 | 45,869 |
| Repayment from/(to) | 323,518 | (11,029,521) |
| Advances to | (70,404) | - |
| Transfer of motor vehicles from | 25,266 | - |

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel refers to all the Directors of the Company.

The remuneration of Directors of the Company are disclosed in Note 5(a).

## 25. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The Company's financial assets and financial liabilities are all categorised as amortised costs respectively.

**Financial Risk Management Objectives and Policies**

The Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Company's operations whilst managing its financial risks, including credit risk, interest rate risk, liquidity risk and foreign currency risk. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

The following sections provide details regarding the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables (which consist of trade receivables and other receivables) and amount due from a fellow subsidiaries and a related company.

**Trade receivables**

***Risk management objectives, policies and processes for managing the risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Company's associations to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

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## 25. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(a) Credit risk (cont'd)

**Trade receivables** (cont'd)

***Risk management objectives, policies and processes for managing the risk*** (cont'd)

There are no significant changes as compared to previous year.

***Exposure to credit risk, credit quality and collateral***

As at the end of the reporting period, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the statements of financial position.

***Concentration of credit risk***

The Company determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

As at 31 December 2019, the Company has significant concentration of credit risk arising from the amount owing by 6 customers (2018: 6 customers) constituting 74% (2018: 64%) of gross trade receivables of the Company.

***Recognition and measurement of impairment loss***

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Any receivables having significant balances past due more than 365 days (i.e. observation period) from invoice date are deemed to have higher credit risk. The Company has subsequently recognised a loss allowance of 100% against all receivables after 365 days of observation periods (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable.

The Company applies the simplified approach to provide for expected credit losses for all its trade receivables.

The Company assesses impairment of trade receivables on individual basis. Individual assessment is used due to these debtors can be individually managed by the Company in an effective and efficient manner. The Company has reasonable and supportable information available to assess the impairment individually. All these customers have low risk of default.

Loss rates of 100% against all trade receivables over observation period are determined based on actual credit loss experienced over the prior years. The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Company believes that these factors are immaterial for the purpose of impairment calculation for the year.

Consistent with the debt recovery process, the Company has set an observation period of 365 days from the date of invoices, balances which are past due after the observation period will be considered as credit impaired.

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**25. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(a) Credit risk (cont'd)

**Trade receivables** (cont'd)

***Recognition and measurement of impairment loss*** (cont'd)

Impairment loss

The following table provides information about the exposure to credit risk and ECLs for trade receivables including amounts due from related companies as at the reporting date which are grouped together as they are expected to have similar risk nature.

| | Gross<br>RM | Loss Allowance<br>RM | Net<br>RM |
|---|---|---|---|
| **2019** | | | |
| Neither past due nor impaired | 9,504,333 | - | 9,504,333 |
| Past due and impaired: | | | |
| Less than 30 days | 2,202,944 | - | 2,202,944 |
| 31 days to 60 days | 298,966 | - | 298,966 |
| 61 days to 90 days | 48,015 | - | 48,015 |
| More than 90 days | 6,154,055 | - | 6,154,055 |
| | 8,703,980 | - | 8,703,980 |
| | 18,208,313 | - | 18,208,313 |
| **Credit impaired** | | | |
| Individually impaired | 231,292 | (231,292) | - |
| Total | 18,439,605 | (231,292) | 18,208,313 |

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## 25. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(a) Credit risk (cont'd)

**Trade receivables** (cont'd)

***Recognition and measurement of impairment loss*** (cont'd)

Impairment loss (cont'd)

| | Gross RM | Loss Allowance RM | Net RM |
|---|---|---|---|
| **2018** | | | |
| Neither past due nor impaired | 4,547,757 | - | 4,547,757 |
| Past due and impaired: | | | |
| Less than 30 days | 5,776,815 | - | 5,776,815 |
| 31 days to 60 days | 614,377 | - | 614,377 |
| 61 days to 90 days | 304,960 | - | 304,960 |
| More than 90 days | 435,524 | - | 435,524 |
| | 7,131,676 | - | 7,131,676 |
| | 11,679,433 | - | 11,679,433 |
| **Credit impaired** | | | |
| Individually impaired | 241,137 | (241,137) | - |
| Total | 11,920,570 | (241,137) | 11,679,433 |

Credit impaired

Trade receivables that are collectively determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments after observation periods. These receivables are not secured by any collateral or credit enhancements.

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Company.

Receivables that are past due but not impaired

The Company has not provided for impairment for these trade receivables as there has been no significant changes in their credit quality and the amounts are still considered recoverable. The Company has generally set the 365 days as observation period from the invoice date. These trade receivables relate mostly to customers with slower repayment patterns, for whom there is no history of default and settled within observation period. The Company does not hold any collateral or other credit enhancement over these balances.

## 25. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(a) Credit risk (cont'd)

**Amounts due from fellow subsidiaries**

***Risk management objectives, policies and processes for managing the risk***

The Company enters in to trade transactions (sales) with and provides unsecured loans and advances to its fellow subsidiaries. The Company monitors the ability of the fellow subsidiaries to repay the outstanding amount on an individual basis.

***Exposure to credit risk, credit quality and collateral***

As at the end of the financial year, the maximum exposure to credit risk arising from amounts due from fellow subsidiaries is represented by the carrying amount in the statement of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

***Recognition and measurement of impairment loss***

Amounts due from fellow subsidiaries on trade transactions is subject to normal credit term. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date.

Generally, the Company considers loans and advances to fellow subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when the fellow subsidiaries' financial position deteriorates significantly. As the Company is able to determine the timing of payments of the fellow subsidiaries' loans and advances when they are payable, the Company considers fellow subsidiaries' loan or advance to be credit impaired when the fellow subsidiaries' are unlikely to repay the loan or advances to the Company in full given insufficient highly liquid resources when the loan is demanded.

The Company determines the probability of default for these loans and advances individually using internal information available.

As at year end, there were no indications of impairment loss in respect of amounts due from fellow subsidiaries.

**Other receivables and deposits**

Other receivables and deposits are neither past due nor impaired. The Company believes that generally no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these other receivables and deposits are mainly arising from debtors that have good records of payment in the past.

**Cash and cash equivalents**

Cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

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## 25. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

**Exposure in interest rate risk**

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Floating rate instruments:** | | |
| Financial assets | | |
| - Short term funds | 2,274,063 | 8,271,629 |

The Company is exposed to interest rate risk through the impact of rate changes in floating rate of short term funds. The interest rates of short term funds are disclosed in Note 12. The changes in interest rates would not have material impact on the profit/(loss) after tax of the Company.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting financial obligations due to shortage of funds. The Company's exposures to liquidity risk arise primarily from mismatch of financial assets and liabilities. The Company's financial liabilities comprise trade payables, other payables, amount due to holding company, related companies and a fellow subsidiary and borrowings.

The Company practices prudent risk management by monitoring the availability of funding through maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Company maintains sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet its working capital requirement.

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**25. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations:

| | Carrying amount RM | Contractual cash flows RM | On demand or within 1 year RM | 1 - 2 years RM | 2 - 5 years RM |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Amount due to holding company | 7,616,911 | 7,616,911 | 7,616,911 | - | - |
| Amount due to a fellow subsidiary | 25,266 | 25,266 | 25,266 | - | - |
| Lease liabilities | 36,248 | 40,474 | 12,860 | 9,888 | 17,726 |
| Borrowing | 1,675,000 | 1,696,292 | 1,696,292 | - | - |
| Trade payables | 8,093,250 | 8,093,250 | 8,093,250 | - | - |
| Other payables | 1,938,357 | 1,880,075 | 1,880,075 | - | - |
| | 19,385,032 | 19,352,268 | 19,324,654 | 9,888 | 17,726 |

**25. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

| | Carrying amount RM | Contractual cash flows RM | On demand or within 1 year RM | 1 - 2 years RM | 2 - 5 years RM |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Amount due to holding company | 11,080,898 | 11,080,898 | 11,080,898 | - | - |
| Amounts due related companies | 272,484 | 272,484 | 272,484 | - | - |
| Finance lease liability | 29,172 | 32,617 | 28,817 | 3,800 | - |
| Trade payables | 8,461,063 | 8,461,063 | 8,872,281 | - | - |
| Other payables | 1,719,873 | 1,693,068 | 1,693,068 | - | - |
| | 21,563,490 | 21,540,130 | 21,947,548 | 3,800 | - |

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## 25. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(d) Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk is Euro (EUR) and United Stated Dollars (USD).

**Exposure to foreign currency risk**

The Company's exposure to foreign currency (a currency which is other than functional currency of the Company) risk, based on carrying amounts as at end of the reporting period was:

| | Denominated in | | |
|---|---|---|---|
| | USD | EUR | Total |
| | RM | RM | RM |
| **2019** | | | |
| Trade receivables | 1,230,682 | - | 1,230,682 |
| Cash and bank | 5,633 | - | 5,633 |
| Trade payables | (574,209) | - | (574,209) |
| | 662,106 | - | 662,106 |
| **2018** | | | |
| Trade receivables | 1,646,495 | - | 1,646,495 |
| Cash and bank | 14,808 | - | 14,808 |
| Trade payables | (2,084,352) | (15,546) | (2,099,898) |
| | (423,049) | (15,546) | (438,595) |

A strengthening/weakening of the RM against the USD and EUR respectively at the end of the reporting period would not have material impact on the profit after tax of the Company

## 26. FAIR VALUES INFORMATION

Financial instrument at fair value

As the financial assets and liabilities of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

There were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

Financial instrument other than those carried at fair value

*Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values.*

The carrying amounts of financial assets and liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments and insignificant impact of discounting.

**26. FAIR VALUES INFORMATION** (cont'd)

Financial instrument other than those carried at fair value (cont'd)

The fair value of finance lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period. At the reporting date, the carrying value as compared to fair value of the finance lease liability is not materially different.

## 27. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to maintain an optimal capital structure so as to support its business and maximise shareholder value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Company monitors capital using net debt-to-equity ratio which is the net debts divided by total equity. Net debts include finance lease liability, lease liabilities and borrowings, less cash and cash equivalents whilst total equity is equity attributable to Owners of the Company.

The net debt-to-equity ratio as at the end of the reporting period are as follows:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Finance lease liability (Note 14) | - | 29,172 |
| Lease liabilities (Note 15) | 36,248 | - |
| Borrowing (Note 22) | 1,675,000 | - |
| Less: Cash and cash equivalents | (3,890,261) | (10,620,840) |
| Total net debts | (2,215,261) | (10,591,668) |
| Total equity | 6,488,529 | 4,865,534 |
| Debt to equity ratio | * | * |

**Not meaningful*

There were no changes in the Company's approach to capital management during the financial year.

The Company is in compliance with all externally imposed capital requirements

## 28. COMPARATIVE FIGURES

(i) The financial statements of the Company for the financial year ended 31 December 2018 were audited by a firm of chartered accountants other than Moore Stephens Associates PLT.

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## 28. COMPARATIVE FIGURES (cont'd)

(ii) The comparative figures are reclassified to conform with the current year's presentation.

| | As previously reported RM | Reclassification RM | As restated RM |
|---|---|---|---|
| **2018** | | | |
| **Statement of comprehensive income** | | | |
| Revenue | 53,467,125 | (349,296) | 53,117,829 |
| Cost of sales | (44,782,100) | 349,296 | (44,432,804) |
| **Statement of financial position** | | | |
| Current assets | | | |
| Other receivables | 1,276,614 | (411,218) | 865,396 |
| Short term funds | - | 8,271,629 | 8,271,629 |
| Cash and bank balances | 3,515,845 | (1,166,634) | 2,349,211 |
| Fixed deposits placed with licensed banks | 7,104,995 | (7,104,995) | - |
| Current liabilities | | | |
| Trade payables | 8,872,281 | (411,218) | 8,461,063 |

## 29. EVENT SUBSEQUENT TO THE END OF FINANCIAL YEAR

Coronavirus (Covid-19) outbreak

The Coronavirus (Covid-19) outbreak was identified in Wuhan, China in December 2019. The World Health Organisation ("WHO") has declared the outbreak a Public Health Emergency of International Concern on 30 January 2020 and subsequently WHO declared the Covid-19 outbreak as global pandemic on 11 March 2020.

Following the WHO's declaration, Malaysia Government has on 16 March 2020 imposed the Movement Control Order ("MCO") starting from 18 March 2020 to restrain the spread of Covid-19 outbreak in Malaysia. The emergence of the Covid-19 outbreak since early 2020 has brought economic uncertainties in Malaysia and markets in which the Company operates.

Due to this unprecedented occurrence, up to the date on which this set of financial statements were authorised for issue, the Company is still in the process of assessing the impacts of the COVID-19 on the performance of the relevant CGUs. In view of the uncertain of macro-economic conditions, the Company is unable to reasonably quantify the related financial effects for the financial year ending 31 December 2020 to be disclosed in current financial statement. The Company will continuously monitor and to take appropriate and timely measures to minimise any impact of the outbreak that might arises.

Given that the Covid-19 pandemic that only came into light in early 2020, the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Thus, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

## 1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to the Vendor and GF Spritvest were obtained from the information provided by the Vendor and GF Spritvest, respectively. Therefore, the responsibility of the Directors of the Company is restricted to ensuring that such information is accurately reproduced in this Circular.

## 2. CONSENTS AND CONFLICT OF INTEREST

AIBB, being the Principal Adviser to the Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular and all references thereto in the form and context in which it appears in this Circular.

Save as disclosed below, AIBB is not aware of any situation or potential situation that will give rise to a conflict or potential conflict of interest in AIBB's capacity to act as the Adviser to Radiant Globaltech for the Proposals.

As at the LPD, Alliance Bank Malaysia Berhad, the holding company of AIBB, and its subsidiaries ("**ABMB Group**") has extended credit facilities to Radiant Globaltech Group. AIBB is of the opinion that the financial relationship with Radiant Globaltech Group as mentioned above will not give rise to a conflict of interest situation for AIBB to act as the Adviser to Radiant Globaltech, based on the following:

(i) The total credit facilities granted by ABMB Group are not material when compared to the shareholders' funds of ABMB Group as at 31 March 2020 of RM5.989 billion;

(ii) The credit facilities were not granted by AIBB. The conduct of the ABMB Group in its banking business is strictly regulated by the Financial Services Act 2013 and its own internal controls and checks. As such, the decision of AIBB is independent from the decision of other entities within the ABMB Group; and

(iii) Further, the credit facilities granted to Radiant Globaltech Group is part of the ordinary course of business of ABMB Group.

## 3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant or otherwise, and our Board is not aware of any proceedings pending or threatened against Radiant Globaltech, or its subsidiaries or of any facts likely to give rise to any proceedings which may materially or adversely affect the position or business of Radiant Globaltech and/or any of its subsidiaries.

## 4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group, which may have a material effect on the financial results or financial position of the Group.

## 5. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by Radiant Globaltech Group, which upon becoming enforceable, may have a material impact on the financial position of Radiant Globaltech Group.

## 6. MATERIAL CONTRACTS

Save for the SSA and the Shareholders Agreement, and as disclosed below, the Radiant Globaltech Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the date of this Circular:

(i) shareholders agreement dated 8 January 2020 between Radiant Globaltech, Simat Technologies Public Company Limited, Phenpuk Chintanapat, Thammanoon Korkiatwanich and Thanapoom Khetraksa for the purposes of regulating their relationships as shareholders of Rgtech Simat Co. Ltd;

(ii) share sale agreement dated 19 December 2018 between Radiant Globaltech and Chong Jen Tsin for the acquisition of 650,000 ordinary shares in Infoconnect Commerce Sdn Bhd, representing the entire equity interest, for a total purchase consideration of RM650,000 via cash. The share sale agreement was completed on 3 January 2019;

(iii) share sale agreement dated 19 December 2018 between Radiant Globaltech and Iconpos Sdn Bhd for the acquisition of 1,400,000 ordinary shares in Adaptive Pos Sdn Bhd, representing 70% equity interest, for a total purchase consideration of RM1,400,000 via cash. The share sale agreement was completed on 3 January 2019; and

(iv) sale and purchase agreement dated 30 August 2019 between Radiant Globaltech and Paramount Properties Sdn Bhd ("**Paramount**") in relation to the sale of Unit 03-01, Level 03, Tower B, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur by Paramount to Radiant Globaltech for a total purchase consideration of RM1,602,620.00. The sale and purchase agreement was completed on 29 November 2019.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be made available for inspection at the registered office of the Company at Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Monday to Friday (except public holidays) for the period commencing from the date of this Circular up to and including the date of the EGM of the Company:

(i) Constitution of Radiant Globaltech and GF Spritvest;

(ii) Material contracts referred to in Section 6 of this Appendix;

(iii) A copy of the SSA and Shareholders Agreement;

(iv) The audited financial statements of GF Spritvest for the past two (2) FYE 2018 up to the FYE 2019, as well as its unaudited 6-month FPE 2020;

(v) The audited consolidated financial statements of Radiant Globaltech for the past two (2) FYE 2018 up to the FYE 2019, as well as its latest unaudited consolidated quarterly results for the 6-month FPE 2020; and

(vi) The letter of consent referred to in Section 2 of this Appendix.

**RADIANT GLOBALTECH BERHAD**
(Registration No. 200301018877 (621297-A))
(Incorporated in Malaysia)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting ("**EGM**") of Radiant Globaltech Berhad ("**Radiant Globaltech**" or the "**Company**") will be held at Majestic 2, The Majestic Hotel Kuala Lumpur, 5, Jalan Sultan Hishamuddin, Tasik Perdana, 50000 Kuala Lumpur, Wilayah Persekutuan on Friday, 23 October 2020 at 10:30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions, with or without modifications:

**ORDINARY RESOLUTION 1**

**PROPOSED ACQUISITION OF 80% EQUITY INTEREST IN GRAND-FLO SPRITVEST SDN BHD ("GF SPRITVEST"), COMPRISING 800,000 ORDINARY SHARES IN GF SPRITVEST CURRENTLY HELD BY GRAND-FLO BERHAD ("VENDOR"), FOR A TOTAL CASH CONSIDERATION OF RM11,600,000 ("PROPOSED ACQUISITION")**

"**THAT,** subject to the fulfilment of conditions precedent and the approvals of the relevant authorities being obtained, where required, approval is hereby given for the Company:

(a) to acquire 80% equity interest in GF Spritvest comprising 800,000 ordinary shares in GF Spritvest from the Vendor for a total cash consideration of RM11,600,000, subject to and upon the terms and conditions as set out in the conditional share sale agreement dated 10 September 2020 entered into between the Company and the Vendor;

(b) to enter into a shareholders agreement with Jejaka 7 Capital Sdn Bhd ("**Jejaka**"), Cheng Ping Liong and GF Spritvest to amongst others, regulate the rights, obligations and liabilities of Radiant Globaltech and Jejaka as shareholders of GF Spritvest as set out in the shareholders' agreement dated 10 September 2020; and

(c) to provide financial assistance to GF Spritvest in the form of corporate guarantee and indemnities to be furnished to GF Spritvest on the terms set out in Section 2.4 of the Circular to shareholders of the Company dated 8 October 2020;

**AND THAT** the Directors be and are hereby empowered and authorised to take all such steps and do all acts, deeds and things to enter into any arrangements, transactions, agreements and/or undertakings and to execute, sign and deliver on behalf of the Company, all such documents as they may deem necessary, expedient and/or appropriate to implement and give full effect to and to complete the Proposed Acquisition with full powers to assent to any conditions, modifications, variations and/or amendments as the Directors may in their absolute discretion deem fit, necessary, expedient, appropriate and/or as may be imposed or permitted by any relevant authorities in connection with the Proposed Acquisition."

**ORDINARY RESOLUTION 2**

**PROPOSED VARIATION TO THE UTILISATION OF PROCEEDS OF RM11,480,000 RAISED FROM RADIANT GLOBALTECH'S INITIAL PUBLIC OFFERING ("IPO") WHICH WAS COMPLETED ON 24 JULY 2018 TO PART-FINANCE THE PROPOSED ACQUISITION ("PROPOSED VARIATION")**

**"THAT** subject to the passing of Ordinary Resolution 1, the approval be and is hereby given to the Company to vary the utilisation of the proceeds of up to RM11,480,000 raised from the IPO which was completed on 24 July 2018 to the manner and extent as set out in Section 3 of the Circular to shareholders of the Company dated 8 October 2020;

**AND THAT** the Directors be and are hereby authorised to take all such steps and do all acts, deeds and things to enter into any arrangements, transactions, agreements and/or undertakings and to execute, sign and deliver on behalf of the Company, all such documents as they may deem necessary, expedient and/or appropriate to implement and give full effect to and to complete the Proposed Variation with full powers to assent to any conditions, modifications, variations and/or amendments as the Directors may in their absolute discretion deem fit, necessary, expedient, appropriate and/or as may be imposed or permitted by any relevant authorities in connection with the Proposed Variation."

By Order of the Board
**RADIANT GLOBALTECH BERHAD**

**TEA SOR HUA (MACS 01324) (SSM PC No. 201908001272)**
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
8 October 2020

***Notes:***

*(a)* *A member of the Company who is entitled to attend, participate, speak and vote at the EGM is entitled to appoint more than one (1) proxy to attend, participate, speak and vote at the EGM in his/her stead. Where a member appoints more than (1) proxy, the member shall specify the proportion of his/her shareholdings to be represented by each proxy.*

*(b)* *A proxy may but need not be a member of the Company. A proxy appointed to attend, participate, speak and vote at the EGM shall have the same rights as the members to speak at the EGM.*

*(c)* *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

*(d)* *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.*

*(e)* *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.*

*(f)* *To be valid, the instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or submitted via email to is.enquiry@my.tricorglobal.com, not less than forty-eight (48) hours before the time for holding the EGM or adjourned meeting.*

*(g)* *For the purpose of determining a member who shall be entitled to attend the EGM, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 16 October 2020. Only members whose name appears in the Record of Depositors as at 16 October 2020 shall be entitled to attend the EGM and to participate, speak and vote thereat.*

*(h)* *The resolutions set out in this Notice of EGM will be put to vote by poll.*

*(i)* *The members are advised to refer to the Administrative Notes on the registration process for the EGM.*

*(j)* *In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the EGM at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at www.rgtech.com.my for the latest updates on the status of the EGM.*

**RADIANT GLOBALTECH BERHAD**
(Registration No. 200301018877 (621297-A))
(Incorporated in Malaysia)

**ADMINISTRATIVE NOTES FOR THE EGM:**

| | | |
|---|---|---|
| **Day, Date & Time** | : | Friday, 23 October 2020 at 10:30 a.m. or at any adjournment thereof |
| **Venue** | : | Majestic 2, The Majestic Hotel Kuala Lumpur,<br>5, Jalan Sultan Hishamuddin, Tasik Perdana,<br>50000 Kuala Lumpur, Wilayah Persekutuan |

Your health and safety are the Company's top priority. The following precautionary measures will be taken at the EGM in order to minimise the risk of community spread of COVID-19 pandemic:-

(a) A member is required to register ahead of the EGM to allow the Company to make the necessary arrangements in relation to the EGM, i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants.

Please read and follow the procedures to pre-register your physical attendance at the EGM via the TIIH Online website at https://tiih.online:

- Login to TIIH Online website with your user name (i.e. email address) and password under the "**e-Services**". If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
- Select the corporate event: **"(REGISTRATION) RADIANT EGM"**.
- Read and agree to the Terms & Conditions and confirm the Declaration.
- Select **"Register for Physical Attendance at Meeting Venue"**.
- Review your registration and proceed to register.
- System will send an email to notify that your registration for Physical Attendance at Meeting Venue is received and will be verified.
- After verification of your registration against the General Meeting Record of Depositors, the system will send you an email **after 21 October 2020** to approve or reject your registration to attend physically at the Meeting Venue.

(b) A health screening counter will be set up for the purpose of health screening and body temperature will be taken for all persons before entering the meeting venue. A member or proxy who has temperature of 37.5°C or higher or exhibits flu-like symptoms will not be permitted to enter and attend the EGM.

(c) Members are encouraged to appoint the Chairman of the EGM (or any other person) to act as proxy to attend and vote at the EGM on their behalf by submitting the proxy form with predetermined voting instruction.

(d) In the interest of the public health including the well-being of our members, should the members or proxies wish to attend the EGM in person, the members or proxies must cooperate with the precautionary measures put in place by the Company. The Company will observe the directives, safety and precautionary requirements as prescribed by the Government, amongst others, the Ministry of Health, the Malaysian National Security Council, the Securities Commission Malaysia and other relevant authorities to curb the spread of COVID-19.

(e) Members or proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the EGM in person. Please note that no face mask will be provided at the venue.

(f) Members or proxies are advised to observe/maintain social distancing of at least 1 meter from each other throughout the EGM.

(g) Members or proxies are advised to arrive early at the EGM venue given that the above-mentioned precautionary measures may cause delay in the registration process.

(h) **NO Door Gifts** will be provided to the members/proxies at the meeting venue.

(i) In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Malaysia Securities Berhad's and Company's website at www.rgtech.com.my for the latest updates on the status of the EGM.

**RECORDING/PHOTOGRAPHY**

By participating at the EGM, you agree that no part of the EGM proceedings may be recorded, photographed, stored in any retrieval systems, reproduced, transmitted or uploaded in any form, platform or social media or by any means whether it is mechanical, electronic, photocopying, recording or otherwise without the prior written consent of the Company. The Company reserves the rights to take appropriate legal actions against anyone who violates this rule.

**RECORD OF DEPOSITORS FOR THE EGM**

The date of Record of Depositors for the EGM is 16 October 2020. As such, only members whose name appears in the Record of Depositors of Radiant Globaltech as at 16 October 2020 shall be entitled to attend the EGM and to participate, speak and vote thereat.

**ENQUIRY**

If you have any general queries prior to the EGM, please contact the Share Registrar during office hours (Monday to Friday except public holidays) at:

Tricor Investor & Issuing House Sdn. Bhd.
Tel No.: +60(3) 2783 9299
Email: is.enquiry@my.tricorglobal.com

**RADIANT GLOBALTECH BERHAD**
(Registration No. 200301018877 (621297-A))
(Incorporated in Malaysia)

**FORM OF PROXY**

| **CDS Account No.** |
|---|
| |
| **No. of Shares held** |
| |

I/We,…………………………………………NRIC/Passport/RegistrationNo.: ………………………………
(Full name in block)
of ………………………………………………………………………………………………………………
(Address)
being a member/members of Radiant Globaltech Berhad, hereby appoint(s):

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and / or*

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing him/her*, the Chairman of the meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at Majestic 2, The Majestic Hotel Kuala Lumpur, 5, Jalan Sultan Hishamuddin, Tasik Perdana, 50000 Kuala Lumpur, Wilayah Persekutuan on Friday, 23 October 2020 at 10:30 a.m. or at any adjournment thereof.

Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If no specific direction as to vote is given, the proxy will vote or abstain from voting at his/her* discretion.

| **No.** | **Ordinary Resolutions** | **FOR** | **AGAINST** |
|---|---|---|---|
| 1. | Proposed Acquisition | | |
| 2. | Proposed Variation | | |

**delete whichever not applicable*

Dated this………..day of …………………………, 2020

Signature(s) of member(s)

***Notes:***

*(a) A member of the Company who is entitled to attend, participate, speak and vote at the EGM is entitled to appoint more than one (1) proxy to attend, participate, speak and vote at the EGM in his/her stead. Where a member appoints more than (1) proxy, the member shall specify the proportion of his/her shareholdings to be represented by each proxy.*

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*(c) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

*(d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.*

*(e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.*

*(f) To be valid, the instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or submitted via email to is.enquiry@my.tricorglobal.com, not less than forty-eight (48) hours before the time for holding the EGM or adjourned meeting.*

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

**The Share Registrar**
**RADIANT GLOBALTECH BERHAD**
(Registration No. 200301018877 (621297-A))
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Wilayah Persekutuan

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