

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 advisers immediately.

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

This Circular has been reviewed by TA Securities Holdings Berhad as the Adviser to Kronologi Asia Berhad (“**KAB**”) for the Proposed Acquisition (as defined herein).



KRONOLOGI ASIA BERHAD

(Registration No. 201301037868 (1067697-K))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ACQUISITION BY KAB OF THE REMAINING 83.33% EQUITY INTEREST IN QUANTUM CHINA LIMITED NOT ALREADY OWNED BY KAB FOR A PURCHASE CONSIDERATION OF UP TO RM150,000,000 TO BE SATISFIED VIA A COMBINATION OF CASH AND THE ISSUANCE OF NEW ORDINARY SHARES IN KAB (“PROPOSED ACQUISITION”)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting (“**EGM**”) of KAB will be conducted on a fully virtual basis via remote participation and electronic voting via online meeting platform. The Notice of EGM together with the Proxy Form, Administrative Guide and this Circular can be downloaded from the Company’s website at <https://www.kronologi.asia/investor-centre-reports/>. The EGM will be held as follows:

Online Meeting Platform of the EGM	: TIHH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd
Date and time of the EGM	: Friday, 23 July 2021 at 10.00 a.m. or at any adjournment thereof
Last date and time for lodging the Proxy Form	: Wednesday, 21 July 2021 at 10.00 a.m.

You are entitled to participate and vote remotely at our EGM or to appoint a proxy or proxies (where applicable) to participate and vote on your behalf. In such event, the completed Proxy Form should be lodged at our Share Registrar Office at Unit 32-01, Level 32 Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or submit electronically via TIHH Online at <https://tiih.online>, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The Proxy Form once deposited will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so. Please follow the procedures provided in the Administrative Guide in order to register, participate and vote remotely.

This Circular is dated 8 July 2021

DEFINITIONS

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

“13M-FPE”	: 13-month period ended
“5D-VWAP”	: 5-day volume weighted average market price
“Act”	: Companies Act 2016
“Announcement”	: The announcement of the Proposed Acquisition dated 24 May 2021
“Announcement LPD”	: 21 May 2021, being the latest practicable date prior to the Announcement
“Agreements”	: SPA and Supplemental Deed, collectively
“BDO”	: BDO Capital Consultants Sdn Bhd (199601032957 (405309-T))
“Board”	: Board of Directors of our Company
“Bursa Securities”	: Bursa Malaysia Securities Berhad (200301033577 (635998-W))
“BVI”	: British Virgin Islands
“CAGR”	: Compounded annual growth rate
“Cash Consideration”	: Cash payment of RM75,000,000 which forms part of the Purchase Consideration
“China” or “PRC”	: The People’s Republic of China
“Circular”	: This circular to shareholders dated 8 July 2021 in relation to the Proposed Acquisition
“Completion”	: Completion of the sale and purchase of the Sale Shares under the SPA
“Completion Date”	: The date on which Completion takes place, which shall be (a) on the fifth business day after the satisfaction of all the conditions precedent set out in the SPA (unless waived by the relevant Party); or (b) such other date as the Parties may mutually agree in writing
“Consideration Shares”	: Up to 110,294,117 new KAB Shares to be issued pursuant to the Proposed Acquisition
“Director”	: A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“EDM”	: Enterprise data management
“EGM”	: Extraordinary general meeting of our Company
“End-User Customers”	: End-users from various industries including financial, manufacturing, internet, media and entertainment as well as government agencies
“EPS”	: Earnings per KAB Share
“Expert’s Report”	: Expert’s report in relation to the fairness of the Purchase Consideration for the Proposed Acquisition dated 5 July 2021 prepared by BDO
“FPE 2018”	: Financial period from 24 May 2018 to 31 December 2018
“FYE”	: Financial year ended/ ending, as the case may be
“GDP”	: Gross domestic product
“IMR Report”	: Independent Market Research Report on the EDM industry in China dated 22 June 2021 prepared by Providence
“Issue Price”	: Issue price of RM0.68 per Consideration Share

DEFINITIONS (CONT'D)

“IT”	:	Information technology
“KAB” or “Company” or “Purchaser”	:	Kronologi Asia Berhad (201301037868 (1067697-K))
“KAB Group” or “Group”	:	KAB and our subsidiaries, collectively
“KAB Shares” or “Shares”	:	Ordinary shares in our Company
“Lavender Blooms” or the “Vendor”	:	Lavender Blooms Investments Limited (2017357)
“Legal Opinion”	:	Legal opinion in relation to <i>inter alia</i> ownership of title to securities or assets and the enforceability of agreements, representations and undertakings given by QCL Group, licensing, government regulation and other relevant legal matters as well as policies on foreign investments, taxation and repatriation of profits dated 5 July 2021 prepared by Messrs. Shook Lin & Bok LLP
“Listing Requirements”	:	ACE Market Listing Requirements of Bursa Securities
“LPD”	:	22 June 2021, being the latest practicable date prior to the printing of this Circular
“NA”	:	Net assets attributable to ordinary equity holders of the company
“Parties”	:	Our Company and/or the Vendor, collectively, and “Party” shall mean any one of them
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PE Multiple”	:	Price-to-earnings ratio
“Placement Shares”	:	104,675,000 new KAB Shares allotted and issued pursuant to the Private Placement.
“Private Placement”	:	Private placement of 104,675,000 new KAB Shares which was completed on 7 May 2021
“Profit Warranty 2022”	:	PAT of USD2,000,000 for the FYE 31 January 2022
“Profit Warranty 2023”	:	PAT of USD2,500,000 for the FYE 31 January 2023
“Profit Warranties”	:	Profit Warranty 2022 and Profit Warranty 2023, collectively
“Proposed Acquisition”	:	Proposed acquisition of the Sale Shares currently held by the Vendor, for the Purchase Consideration, to be satisfied via a combination of the Cash Consideration and the issuance of the Consideration Shares at the Issue Price
“Providence”	:	Providence Strategic Partners Sdn Bhd (201701024744 (1238910-A)), an independent researcher and consulting firm
“Public Shareholding Spread Requirement”	:	Rule 8.02 of the Listing Requirements wherein a listed corporation must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders
“Purchase Consideration”	:	Purchase consideration of up to RM150,000,000 pursuant to the Proposed Acquisition
“QCL”	:	Quantum China Limited (1980361)
“QCL Group”	:	QCL and its subsidiaries, collectively
“QCL Shares”	:	Ordinary shares in QCL
“QST”	:	Quantum Storage Technology (Shenzhen) Co., Ltd. (91440300MA5FB6FA3G)
“Quantum”	:	Quantum Corporation

DEFINITIONS (*CONT'D*)

“Record of Depositors”	:	A record of depositors provided by Bursa Malaysia Depository Sdn Bhd to our Company under the rules of Bursa Malaysia Depository Sdn Bhd
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RMB”	:	Renminbi
“Sale Shares”	:	100 QCL Shares, being the remaining equity interest in QCL not already held by KAB as at the Completion Date which is to be sold by the Vendor to the Purchaser on the terms and subject to the conditions of the Agreements
“Service Partner Agreement”	:	Service Partner Agreement entered into between Quantum and QCL on 20 July 2018 in conjunction with the Strategic Marketing Agreement
“SPA”	:	Conditional sale and purchase agreement entered into between the Vendor and our Company on 24 May 2021 for the Proposed Acquisition
“Strategic Marketing Agreement”	:	Strategic Marketing Agreement entered into between Quantum and QCL on 20 July 2018 to appoint QCL as the exclusive partner and marketer of the Quantum branded products in the PRC, and provide maintenance support and services for the products
“Supplemental Deed”	:	Supplemental deed entered into between the Vendor and our Company on 2 July 2021 to include additional clause under the Profit Warranties clause of the SPA
“TA Securities”	:	TA Securities Holdings Berhad (197301001467 (14948-M))
“US”	:	United States of America
“USD”	:	US Dollar
“VWAP”	:	Volume weighted average market price
“YoY”	:	Year-on-year
“ZB”	:	Zettabytes

All references to “our Company” in this Circular are to KAB, references to “our Group” are to our Company and our subsidiaries. All references to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, our Group. All references to “you” in this Circular are references to the shareholders of our Company.

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

Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Unless otherwise stated, the exchange rate of USD1.00:RM4.1420 being the Bank Negara Malaysia’s middle rate as at 5.00 p.m. on the Announcement LPD is used throughout this Circular.

Any exchange rate translations in this Circular are provided solely for convenience of readers and should not be constituted as representative that the translated amounts stated in this Circular could have been or would have been converted into such other amounts or vice versa.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by our Company, such as in the quarterly results or annual reports of our Company (as the case may be), is due to rounding.

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	
LETTER TO OUR SHAREHOLDERS CONTAINING:	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED ACQUISITION	2
3. BASIS OF AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION	4
4. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION	7
5. INDUSTRY OUTLOOK AND PROSPECTS	8
6. RISK FACTORS	15
7. POLICIES ON FOREIGN INVESTMENTS, REPATRIATION OF PROFITS AND TAXATION.....	17
8. EFFECTS OF THE PROPOSED ACQUISITION	20
9. HISTORICAL SHARE PRICES	22
10. APPROVALS REQUIRED	23
11. CONDITIONALITY OF THE PROPOSED ACQUISITION	23
12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM.....	23
13. DIRECTORS' STATEMENT AND RECOMMENDATION.....	24
14. TENTATIVE TIMETABLE FOR IMPLEMENTATION.....	24
15. EGM	24
16. FURTHER INFORMATION	25
 APPENDICES	
I SALIENT TERMS OF THE AGREEMENTS	26
II INFORMATION ON QCL GROUP	31
III AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021	37
IV LEGAL OPINION IN RELATION TO <i>INTER ALIA</i> OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021	75
V EXPERT'S REPORT IN RELATION TO THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION	98
VI DIRECTORS' REPORT ON QCL	115
VII FURTHER INFORMATION	116
NOTICE OF EGM	ENCLOSED
ADMINISTRATIVE GUIDE	ENCLOSED
PROXY FORM	ENCLOSED

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY SETS OUT SALIENT INFORMATION ON THE PROPOSED ACQUISITION. PLEASE READ THIS CIRCULAR AND ITS APPENDICES CAREFULLY FOR FURTHER DETAILS ON THE PROPOSED ACQUISITION BEFORE VOTING.

Our Board is recommending to our shareholders to vote **in favour** of the resolution in relation to the Proposed Acquisition to be tabled at the forthcoming EGM.

PROPOSED ACQUISITION	
Purpose	<p>: For our Company to acquire the remaining 100 QCL Shares, representing 83.33% of the equity interest in QCL, from the Vendor.</p> <p>Please refer to Section 2 of this Circular which contains further details on the Proposed Acquisition.</p>
Purchase Consideration	<p>: Up to RM150,000,000 to be satisfied via a combination of the Cash Consideration and the issuance of Consideration Shares.</p> <p>Please refer to Section 3.1 of this Circular for further details on the basis and justification in arriving at the Purchase Consideration.</p>
Cash Consideration	: RM75,000,000.
Consideration Shares	: Up to 110,294,117 KAB Shares to be issued to the Vendor or its nominee at the Issue Price.
Issue Price	<p>: RM0.68 per Consideration Share.</p> <p>Please refer to Section 3.1 of this Circular for further details on the basis and justification in arriving at the Issue Price.</p>
Rationale	<p>: </p> <ul style="list-style-type: none">• To further expand our marketing, distribution and customer coverage footprint in China.• To have control over the strategic direction and management of QCL Group.• Our Board expects the Proposed Acquisition to contribute positively to the future earnings of our Group. <p>Please refer to Section 4 of this Circular which contains further details on the rationale for the Proposed Acquisition.</p>
Risk factors	<p>: </p> <ul style="list-style-type: none">• Acquisition risk where our Group may fail to realise the anticipated benefits of the Proposed Acquisition, generate sufficient revenue and earnings therefrom to offset the associated acquisition costs incurred.• Further exposure to business, operational and financial risks associated with QCL Group.• Risk of non-fulfilment of the Agreements and/or the Profit Warranties (or any of them).• Political, economic and regulatory risk. <p>Please refer to Section 6 of this Circular which contains further details on the risk factors arising from the Proposed Acquisition.</p>



KRONOLOGI ASIA BERHAD
(Registration No. 201301037868 (1067697-K))
(Incorporated in Malaysia)

Registered Office:

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

8 July 2021

Board of Directors

Geoffrey Ng Ching Fung (*Independent Non-Executive Chairman*)
Edmond Tay Nam Hiong (*Executive Director / Chief Executive Officer*)
Tan Jeck Min (*Executive Director / Chief Operating Officer*)
John Chin Shoo Ted (*Senior Independent Non-Executive Director*)
Kok Cheang-Hung (*Independent Non-Executive Director*)

To: Our Shareholders

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 24 May 2021, TA Securities announced on behalf of our Board that we propose to undertake the Proposed Acquisition by entering into the SPA with the Vendor to acquire the remaining 83.33% equity interest in QCL comprising 100 QCL Shares for the Purchase Consideration.

On 2 July 2021, TA Securities announced on behalf of our Board that our Company entered into the Supplemental Deed to include additional clause under the Profit Warranties clause of the SPA. The additional clause was made to allow for any excess amount (being the difference between the audited PAT for 31 January 2022 and the Profit Warranty 2022) to be cumulatively added to the audited PAT for 31 January 2023, to determine whether the Profit Warranty 2023 has been achieved.

Bursa Securities had vide its letter dated 2 July 2021 approved the listing of and quotation for up to 110,294,117 Consideration Shares on the ACE Market of Bursa Securities, subject to the conditions as stated in **Section 10** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSED ACQUISITION, TO SET OUT OUR BOARD'S RECOMMENDATION ON THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

Pursuant to the Agreements, the Sale Shares shall be acquired free from all encumbrances (including but not limited to any form of legal, equitable, or security interests, including but not limited to any mortgage, assignment of receivables, debenture, lien, charge, pledge, title retention, right to acquire, security interest, hypothecation, option, right of first refusal, any preference arrangement (including title transfers and retention arrangements or otherwise), any other encumbrance or condition whatsoever, or any other arrangements having similar effect) and together with all rights and advantages attaching or accruing to it as at the Completion Date (including the right to receive all dividends and distributions declared, made or paid on or after the Completion Date).

The Purchase Consideration shall be fully satisfied through the allotment and issuance of the Consideration Shares to the Vendor (and/or its nominee) and the payment of a Cash Consideration which shall be apportioned as follows:

- (i) **1st Payment Tranche:** Payment of RM99,000,000, which shall be fully satisfied by RM75,000,000 in cash and the allotment and issuance of 35,294,117 Consideration Shares by our Company to the Vendor (and/or its nominee) at the Issue Price on the Completion Date.
- (ii) **2nd Payment Tranche:** Payment of RM37,400,000 (“**2nd Payment Consideration Amount**”), which shall be fully satisfied by the allotment and issuance of 55,000,000 Consideration Shares by our Company to the Vendor (and/or its nominee) at the Issue Price, upon the QCL Group achieving the Profit Warranty 2022 based on the consolidated audited accounts of the QCL Group for FYE 31 January 2022 subject always to Completion having taken place. The 2nd Payment Tranche shall be payable within 14 days after the issuance of the consolidated audited accounts of the QCL Group for FYE 31 January 2022 or such other date as the Parties may mutually agree in writing.

Notwithstanding the foregoing, the 2nd Payment Consideration Amount shall be adjusted downwards proportionately in accordance with **Section 3(ii) of Appendix I** of this Circular in the event that QCL Group fails to achieve the Profit Warranty 2022 based on the consolidated audited accounts for FYE 31 January 2022.

- (iii) **3rd Payment Tranche:** Payment of RM13,600,000 (“**3rd Payment Consideration Amount**”), which shall be fully satisfied by the allotment and issuance of 20,000,000 Consideration Shares by our Company to the Vendor (and/or its nominee) at the Issue Price, upon the QCL Group achieving the Profit Warranty 2023 based on the consolidated audited accounts of the QCL Group for FYE 31 January 2023 subject always to Completion having taken place. The 3rd Payment Tranche shall be payable within 14 days after the issuance of the consolidated audited accounts of the QCL Group for FYE 31 January 2023 or such other date as the Parties may mutually agree in writing.

Notwithstanding the foregoing, the 3rd Payment Consideration Amount shall be adjusted downwards proportionately in accordance with **Sections 3(ii) and 3(iii) of Appendix I** of this Circular in the event that QCL Group fails to achieve the Profit Warranty 2023 based on the consolidated audited accounts for FYE 31 January 2023.

The salient terms of the Agreements in relation to the Proposed Acquisition are set out in **Appendix I** of this Circular.

After completion of the Proposed Acquisition and assuming all Consideration Shares are fully issued to the Vendor (and/or its nominee), the Vendor’s (and/or its nominee’s) shareholding in our Company will increase from nil as at the LPD to 110,294,117 KAB Shares (equivalent to 14.94% of the enlarged share capital of KAB upon completion of the Proposed Acquisition) and QCL will become a wholly-owned subsidiary of our Company.

The Proposed Acquisition will not result in non-compliance with the Public Shareholding Spread Requirement. The effects of the Proposed Acquisition on the substantial shareholders’ shareholdings in our Company are set out in **Section 8.4** of this Circular.

Further information on QCL Group is set out in **Appendix II** of this Circular.

2.1 Ranking of the Consideration Shares

The Consideration Shares, when allotted and issued, shall rank in all respects equally with the existing issued KAB Shares as at the date they are being allotted and issued, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to the shareholders of our Company, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

2.2 Source of funding

Our Company intends to fund the Cash Consideration of RM75,000,000 which forms part of the Purchase Consideration via internally-generated funds of RM25,000,000 and RM50,000,000 from the proceeds raised from the Private Placement. As stated in the announcements dated 22 March 2021 and 30 March 2021 in relation to the Private Placement, the Group had allocated RM50,000,000 for its future business expansion.

2.3 Liabilities to be assumed by our Company

Save for the liabilities arising from the ordinary course of business of QCL Group, our Company will not be assuming any liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisition.

2.4 Additional financial commitment

Our Company is not required to make any additional financial commitment to put the business of QCL Group on-stream as QCL Group is already in operation.

2.5 Information on the Vendor

Lavender Blooms was incorporated in the BVI on 9 July 2019 under the BVI Business Companies Act as a private limited company.

Lavender Blooms is an investment holding company.

As at the LPD, the issued share capital of Lavender Blooms is USD100, comprising 100 ordinary shares in Lavender Blooms with a par value of USD1.00 each.

The directors of Lavender Blooms as at the LPD are as follows:

Name of Director	Nationality
Tan Chiaw Tzee (Chen Qiaozhi)	Singaporean
Thiam Boon Siong	Singaporean

The shareholders of Lavender Blooms and their shareholdings as at the LPD are as follows:

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Chiaw Tzee (Chen Qiaozhi)	75	75	-	-
Thiam Boon Siong	25	25	-	-

[The rest of this page has been intentionally left blank]

3. BASIS OF AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

3.1 Basis of and justification in arriving at the Purchase Consideration and issue price of the Consideration Shares

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

- (i) the Profit Warranty 2022 and Profit Warranty 2023 as detailed in the Profit Warranties clause in **Section 3 of Appendix I** this Circular; and
- (ii) the future prospects of the QCL Group and our enlarged Group as set out in **Section 5.3** of this Circular.

For information purpose, the Purchase Consideration represents the PE Multiple of:

- (i) 21.73 times based on the Profit Warranty 2022 of USD2.0 million (equivalent to approximately RM8.28 million) as illustrated below:

$$\begin{aligned}
 \text{PE Multiple} &= \frac{\text{Purchase Consideration}}{83.33\% \text{ of Profit Warranty 2022}} \\
 &= \frac{\text{RM150,000,000}}{83.33\% \times \text{RM8,284,000}} \\
 &= \mathbf{21.73} \text{ (rounded to 2 decimal places)}
 \end{aligned}$$

- (ii) 17.38 times based on the Profit Warranty 2023 of USD2.5 million (equivalent to approximately RM10.36 million) as illustrated below:

$$\begin{aligned}
 \text{PE Multiple} &= \frac{\text{Purchase Consideration}}{83.33\% \text{ of Profit Warranty 2023}} \\
 &= \frac{\text{RM150,000,000}}{83.33\% \times \text{RM10,355,000}} \\
 &= \mathbf{17.38} \text{ (rounded to 2 decimal places)}
 \end{aligned}$$

Our Board is of the view that the business activities of QCL Group are broadly comparable to the business activities of the following comparable companies:

Selected comparable companies	Principal activities	Market capitalisation as at the Announcement LPD (million)	Trailing PAT for the past 12 months up to the Announcement LPD (million)	PE Multiple ⁽⁴⁾ (times)
KAB (listed on Bursa Securities)	EDM infrastructure technology business providing hardware and software solutions to enterprises for data storage and protection as well as EDM managed services, enabling organisations to unlock the potential of their digital data by managing, preserving and protecting data over its entire lifecycle	RM379.97 ⁽¹⁾	RM12.15 ⁽³⁾	31.28

Selected comparable companies	Principal activities	Market capitalisation as at the Announcement LPD (million)	Trailing PAT for the past 12 months up to the Announcement LPD (million)	PE Multiple⁽⁴⁾ (times)
Microware Group Limited (listed on the Hong Kong Stock Exchange)	Designs, integrates, and maintains IT infrastructure solutions such as virtualisation, cloud computing, collaboration tools, and cyber security system.	HKD279.00 ⁽¹⁾	HKD49.81	5.60
Expert Systems Holdings Limited (listed on the Hong Kong Stock Exchange)	Provision of a variety of services for enterprise management, networking, information security, high performance computing, cloud services, and more.	HKD133.60 ⁽¹⁾	HKD19.37	6.90
Premier Technology PCL (listed on the Stock Exchange of Thailand)	Through its subsidiaries, provides enterprise IT solutions and services. The company distributes, installs, and services hardware IT products such as servers, network infrastructure, and multimedia products, as well as offers system, data management, and application software.	THB1,674.94 ⁽¹⁾	THB176.15	9.51
NetApp Inc (listed on the Nasdaq Stock Market)	Provision of storage and data management solutions. The company's storage solutions include specialised hardware, software, and services that provide storage management for open network environments.	USD17,249.36 ⁽²⁾	USD592.00	29.14
			High	31.28
			Low	5.60

(Source: Annual and/or financial reports of the respective companies and Bloomberg)

Notes:

- (1) Based on the closing price of the respective share as at the Announcement LPD.
- (2) Based on the closing price as at 5pm on 20 May 2021 (New York time).
- (3) Annualised based on our unaudited financial statements for the 13M-FPE 31 January 2021 after adjusting for the property, plant and equipment written off during the financial period.
- (4) The PE Multiple was computed by dividing the market capitalisation of the respective company as at the Announcement LPD with the trailing PAT for the past 12 months of the respective company up to the Announcement LPD.

As there is no company that is exactly similar or directly comparable to the QCL Group in terms of composition of business, scale of operations, track record, shareholders' profile, marketability, liquidity and future prospects, the above comparable companies were selected based on the basis of:

- (i) being currently listed on stock exchanges; and
- (ii) being profitable, based on their latest trailing 12 months PAT prior to the Announcement LPD with majority of their consolidated revenue from IT infrastructure, solutions and services related business.

Premised on the above, the PE Multiple for the Proposed Acquisition which ranges from 17.38 times and 21.73 times is within the PE Multiples of the above comparable companies of between 5.60 times and 31.28 times.

Our Board has also taken into cognisance the Expert's Report by BDO, whereby the indicative values of 83.33% equity interest in QCL Shares as contained therein for the purpose of their opinion on the fairness of the total Purchase Consideration for the Proposed Acquisition ranges from USD33.4 million to USD37.4 million (equivalent to approximately RM134.9 million to RM151.0 million translated based on the exchange rate of USD1.00:RM4.040 as at 29 January 2021, being the last business day prior to the date of evaluation by BDO). The details of the Expert's Report are set out in **Appendix V** of this Circular.

The issue price was fixed at RM0.68 per Consideration Share, representing a premium of RM0.0649 or approximately 10.55% to the 5D-VWAP of KAB Shares up to and including 12 May 2021 (being the last trading date immediately preceding the execution of the SPA) of RM0.6151.

Our Board is of the view that the Issue Price is fair after taking into consideration the historical share prices of KAB Shares up to and including the Announcement LPD as follows:

VWAP up to and including the Announcement LPD	Price per Share (RM)
5-day	0.6151
1-month	0.6827
3-month	0.7474
6-month	0.7559
1-year	0.6673

3.2 Reasonableness of the Profit Warranties

Our Board is of the opinion that the Profit Warranties of USD2.0 million (equivalent to approximately RM8.28 million) for the FYE 31 January 2022 and USD2.5 million (equivalent to approximately RM10.36 million) for the FYE 31 January 2023 is reasonable and realistic after taking into consideration the following:

- (i) the audited PAT of QCL Group of USD0.39 million for the FYE 31 December 2019;
- (ii) the audited PAT of QCL Group of USD1.52 million for the 13M-FPE 31 January 2021; and
- (iii) the prospects of QCL Group and our enlarged Group as set out in **Section 5.3** of this Circular.

As stated in **Section 3(ii) of Appendix I** of this Circular, in the event of any shortfall in the Profit Warranties, the consideration payable for the 2nd and/or 3rd tranche payment for the Purchase Consideration, and the number of Consideration Shares shall be accordingly reduced.

As stated in **Section 3(v) of Appendix I** of this Circular, if the audited PAT for FYE 31 January 2022 exceeds the amount of the Profit Warranty 2022, such excess amount (being the difference between the audited PAT for FYE 31 January 2022 and the Profit Warranty 2022) shall be added to the audited PAT for FYE 31 January 2023, to determine whether the Profit Warranty 2023 has been achieved.

4. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

Currently, our Group specialises in the provision of EDM infrastructure technology (i.e., EDM hardware refers to computer components used to record, store and retain digital data while EDM software supports the process of data backup, storage, recovery and restoration) and EDM managed services (i.e., comprehensive services provided for data assurance and operational continuity comprising backup, storage, recovery and restoration of enterprise data, health checks, capacity planning, remote monitoring and disaster recovery services). Our Group currently has business operations in the Philippines, Singapore, China, Hong Kong, Taiwan, Malaysia, India, Indonesia, and Thailand.

Our Group's revenue breakdown by country based on our audited financial statements for the FYE 31 December 2019 and for the 13M-FPE 31 January 2021 are as follows:

Country	FYE 31 December 2019		13M-FPE 31 January 2021	
	RM'000	%	RM'000	%
Philippines	75,751	32.17	84,962	32.00
Singapore	71,900	30.53	143,088	53.90
China	28,913	12.28	24	~
Hong Kong and Taiwan	27,784	11.80	17,115	6.45
India	17,111	7.27	13,826	5.21
Malaysia	2,313	0.97	1,731	0.65
Others	11,728	4.98	4,748	1.79
Total	235,500	100.00	265,494	100.00

Note:

~ Negligible.

QCL Group is principally involved in the EDM infrastructure technology business providing data storage, protection and archival solutions to enterprises. QCL Group is based in the PRC and provide their products and services to customers in the PRC.

As at the LPD, our Company holds 16.67% of the equity interest in QCL, which has remained unchanged since our Company's subscription to equity in QCL on 21 November 2018. QCL is deemed as our associate company. Our Group's share of results of equity-accounted associate for the FYE 31 December 2018, FYE 31 December 2019 and 13M-FPE 31 January 2021 are as follows:

	Audited		
	FYE 31 December 2018 RM'000	FYE 31 December 2019 RM'000	13M-FPE 31 January 2021 RM'000
Share of results	66	309	1,057

With the Proposed Acquisition, our Group will be able to further expand our marketing, distribution and customer coverage footprint to an EDM market with growth opportunities that are potentially larger than the market geographies currently served by our Group, spurred by the rapid pace of technology advancements and adoption of EDM solutions in China.

According to the IMR Report, the EDM industry in China grew at a robust CAGR of 23.3% from about USD26.3 billion in 2018 to about USD40.2 billion in 2020. The growth of the EDM industry in China is forecasted to further accelerate at a CAGR of 29.8% from approximately USD51.9 billion in 2021 to approximately USD87.5 billion in 2023. The strong growth trend exhibited by the EDM industry in China has been, and is expected to continue to be driven by the move towards digitalisation of businesses, increased use of cloud technology, increasing volume of digital data and initiatives from the government of China to encourage digitalisation among businesses. (Source: IMR Report)

Premised on the above industry statistics and in line with our Group's ongoing business plan to expand our presence in a market with growth opportunities, our Board is of the view that it is beneficial for our Group to acquire the remaining QCL Shares not already owned by our Company in order to further support and develop QCL's existing customer base to expand our Group's overall market presence in China, thereby enabling our Group to tap into the growing EDM industry in the country. In addition, the Proposed Acquisition will enable our Group to have control over the strategic direction and management of QCL Group and to consolidate QCL Group's operating profits, which is expected to contribute positively to our Group's financial performance in the future. Further details on the prospects of QCL Group and our enlarged Group is set out in **Section 5.3** of this Circular.

Our Board is of the view that the issuance of the Consideration Shares to partially satisfy the Purchase Consideration will enable our Company to conserve cash of up to RM75,000,000, which can be used as working capital to finance the day-to-day operations and other business expansion plans of our Group.

5. INDUSTRY OUTLOOK AND PROSPECTS

As QCL Group's revenue is only derived from China, the overview and outlook of China's economy and the EDM industry are set out below.

5.1 Overview and outlook of China's economy

According to preliminary estimates, China's GDP in 2020 was 101,598.6 billion yuan, grew 2.3% over the previous year (2019: 98,651.5 billion yuan; 6.0% YoY). Of this, total value added by the primary industry's value added was 7,775.4 billion yuan, up by 3.0%, that of the secondary industry was 38,425.5 billion yuan, up by 2.6% and that of the tertiary industry was 55,397.7 billion yuan, up by 2.1%. Value added by the primary industry accounted for 7.7% of the GDP; that of the secondary industry accounted for 37.8%; and that of the tertiary industry accounted for 54.5%.

(Source: *Press Release on 28 February 2021 – "Statistical Communiqué of the People's Republic of China on the 2020 National Economic and Social Development"*, National Bureau of Statistics of China)

According to preliminary estimates, the GDP in the first quarter of 2021 reached 24,931.0 billion yuan, up by 18.3% YoY, or up by 0.6% over that in the fourth quarter of 2020 and 10.3% over that in the first quarter of 2019, with an average two-year growth of 5.0% at comparable prices. By industry, the value added by the primary industry was 1,133.2 billion yuan, up by 8.1% YoY, or an average two-year growth of 2.3%; that of the secondary industry was 9,262.3 billion yuan, up by 24.4% percent YoY, or an average two-year growth of 6.0%; and that of the tertiary industry was 14,535.5 billion yuan, up by 15.6% YoY, or an average two-year growth of 4.7%. On the one hand, the YoY GDP growth of 18.3% in the first quarter of 2021 was affected by such incomparable factors as the low base figure of last year and increase of working days due to staff staying put during the Spring Festival. On the other hand, the quarter-on-quarter growth of 0.6% in the first quarter of 2021 with the average two-year growth reaching 5.0% demonstrated a steady recovery of the national economy.

(Source: *Press Release on 16 April 2021 – "National Economy Made a Good Start in the First Quarter"*, National Bureau of Statistics of China)

As the pandemic was brought under control early, economic activity rebounded strongly in the second and third quarters of 2020. Despite weaker activity in services, real GDP growth of 8.0% is expected in 2021.

(Source: *Economic Outlook for Southeast Asia, China and India 2021*, published in February 2021)

5.2 Overview and outlook of China's EDM industry

Digital data in enterprises are stored in two categories of storage devices, i.e., primary storage and secondary storage. Primary storage refers to first tier storage where data is stored and immediately used by server applications. Primary storage may be internal or external and may include traditional hard disc drives as well as newer solid state disc drives or flash arrays. Secondary storage, also known as backup storage, complements primary storage by providing backup copies of data in primary storage. Secondary storage typically consists of higher capacity external disc-based and tape-based storage systems utilised for the purposes of data backup and secondary storage and includes software and server node engines to perform data backup and replication using technologies such as deduplication, compression, encryption, remote replication and support interfaces.

The existence of storage technology alone holds no guarantees that EDM has been performed appropriately and continuously backed up on an on-going basis. The realisation amongst enterprises of the importance in ensuring proper protocols and procedures are set for data assurance and protection against critical data loss resulted in the birth of EDM.

The EDM industry can be segmented into EDM solution developers, distributors and resellers, and EDM managed service providers. EDM solution developers develop data management hardware such as physical tape infrastructure and optical storage devices, and the solutions or software which enable data management to take place.

EDM solution developers are generally large industry players which dominate the industry and can either distribute directly to the clients or end-users, or through a distributor which would have their own network of resellers. Generally, in cases where the solution developers sell directly to the clients or end-users, the value-added services provided such as installation, implementation, technical support, annual maintenance and other after-sales services are directly managed by these solution developers. These solution developers will typically also integrate their solutions with other third party IT supporting solutions which are necessary in the implementation of the enterprise data management solutions. Alternatively, distributors and/or resellers may undertake the provision of most of these value-added services in cases where the sales of hardware and solutions were generated by them and there is less complexity in the value-added services carried out.

The industry size for EDM can be measured in terms of revenues from major global industry players which manufactures and develops EDM solutions. As highlighted in **Section 4** of this Circular, the EDM industry in China grew at a robust CAGR of 23.3% from about USD26.3 billion in 2018 to about USD40.2 billion in 2020. The growth of the EDM industry in China is forecast to further accelerate at a CAGR of 29.8% from approximately USD51.9 billion in 2021 to approximately USD87.5 billion in 2023.

Key Demand Conditions: Growth Drivers

The move towards digitalisation of businesses, leading to an increased need for EDM solutions

Among factors which have contributed to the evolving business environment are the recent COVID-19 pandemic and globalisation. The onset of the pandemic has accelerated the pace of digitalisation across most economic sectors and enterprises as it allows businesses to keep operating while staying relevant in the current business environment. As a result, technologies relating to data consumption and management have been critical in facilitating the digitalisation of these enterprises.

During the recent COVID-19 pandemic, lockdown measures were imposed in many countries, including China, to prevent the spread of the disease. This forced businesses to adapt by coming up with work from home arrangements for their employees. In order to ensure continued productivity, businesses had to make use of technologies which could facilitate collaboration, such as file sharing, messaging platforms, video conferencing and project management tools. The use of such technologies creates digital data, which require supporting EDM solutions such as servers and data storage space. It is likely that even after the COVID-19 restrictions are eased, businesses may continue to offer the option of working from home as an on-going safety measure as well as for cost efficiency purposes.

Globalisation has created more opportunities for businesses as they are no longer restricted to operating within their own countries. Digitalisation has allowed businesses to lower their costs and gain larger market share as they are able to explore new opportunities in other countries.

Businesses need to take advantage of digitalisation to maintain competitiveness and explore new opportunities in today's evolving business environment. As more businesses make the move towards digitalisation, they will require EDM solutions to store and backup the mission critical digital data that is increasingly being generated.

Increased use of cloud technology giving rise to hyperscale cloud services

In recent years, there is an evolving shift in trend towards paying for data storage solutions on a subscription basis, otherwise termed as cloud storage services to achieve cost savings. These cloud storage services allow for reductions in upfront costs incurred by businesses and avoid the need to invest heavily in capital expenditure. With the lower upfront capital expenditure, businesses are able to divert the capital to other income-generating activities. Further, cloud storage systems offer other benefits to its users as it increases mobility of users through remote file and data sharing as well as offer improved security and better data protection compared to self-managed environments.

The increased use of cloud services has led to the emergence of hyperscale cloud. Hyperscale cloud refers to scalable cloud computing systems where a large number of servers are interconnected. Hyperscale servers are small systems that are networked together "horizontally" to achieve scalability. In other words, additional server capacities can be added to increase computing power of an IT infrastructure system. Hyperscale cloud also allows end-user customers to choose a hybrid solution, where hyperscale cloud is used to store and backup data that is not required often. This frees up storage space for their in-house servers. Hyperscale cloud operators are generally data centre providers that offer hyperscale cloud computing services. Examples of hyperscale cloud operators in China include Baidu, Alibaba and Tencent.

In 2018, China had 18.3% of the world's 5.0ZB installed base for storage capacity. The world's installed base for storage capacity increased to 6.7ZB in 2020 and is expected to increase to 16.5ZB in 2025, of which 19.8% is expected to be contributed by China in 2025. The expected increase in installed base for storage capacity in China illustrates the growing capacity for storage of digital data in the future, which is expected to be partially attributed to hyperscale cloud services.

As hyperscale cloud operators scale their data storage requirements, so too will their demand for EDM solutions to facilitate their services – leading to increase in the volume of digital data stored using cloud technology.

Increasing volume of digital data signifies continuous need for enterprises to obtain EDM solutions with larger capacities

In 2018, the volume of digital data stored in China was 23.4% of the digital data stored worldwide, or 7.6ZB. China's volume of digital data is estimated to grow at an average growth rate of 30.0% annually and reach 48.6ZB in 2025.

The increasing use of video surveillance in China is a major driver for growth in digital data and storage, as video surveillance is used to facilitate security and business intelligence in the country "Project Dazzling Snow", a national project aimed at the implementation of a comprehensive video surveillance network, is expected to bring new levels of intelligence and security to China's northwest and other rural communities, and has now expanded across the country under the banner of infrastructure modernisation, improved security and intelligence, and supporting a nationwide strategy for the construction of smart cities across the country.

Thus, the growth of digital data volume, coupled with affordability of storage costs, is expected to contribute to higher demand for EDM solutions.

Government initiatives to encourage digitalisation among businesses, which will drive demand for EDM solutions

The Government of China has recognised the need for digital transformation in the 13th Five-Year Programme that comprises initiatives aimed at supporting digital transformation in various industries. The two key plans outlined in the 13th Five-Year Programme are “Made in China 2025” and “Internet Plus”. The Made in China 2025 plan is aimed to shift the focus of the manufacturing sector from quantity to quality through adoption of digital technologies to enhance operational efficiency, maximising asset allocation and adapting to change in consumer preferences.

“Internet Plus” is aimed at facilitating the application of digital technologies in various industries such as finance, medical and agriculture industries. The Government of China also aims to foster digital interactions within itself and with the citizen population by establishing a national platform for sharing and exchanging government data.

As digital transformation occurs in China, the demand for EDM will increase in tandem with the volume of electronic data generated from the Government of China and various industries in the country.

(Source: IMR Report)

5.3 Prospects of QCL Group and our enlarged Group

Under the Strategic Marketing Agreement between Quantum and QCL entered into in 2018, QCL Group offers Quantum branded EDM infrastructure technology solutions – namely data backup, storage and recovery solutions, as well as complementary value-added solutions and professional services, and annual maintenance and technical support – to customers in China. Further details on the Strategic Marketing Agreement are set out in **Section 1 of Appendix II** of this Circular.

QCL Group works primarily with channel partners that include distributors and resellers to sell their products, solutions and services to end-user from various industries including financial, manufacturing, internet, media and entertainment as well as to government agencies.

QCL Group is principally involved in the provision of EDM infrastructure technology solutions comprising hardware and software, EDM value-added solutions and professional services as well as annual maintenance and technical support in EDM solutions. Further details on the principal activities of QCL Group is set out in **Section 1 of Appendix II** of this Circular.

QCL Group’s prospects are expected to be favourable in view of QCL Group’s competitive strengths as set out below:

(i) QCL Group markets and sells a strong and comprehensive portfolio of products and services, enabling it to keep up with market needs

QCL Group is involved in the provision of EDM infrastructure technology and complementary value-added solutions and professional services, as well as annual maintenance and technical support to their End-User Customers. Data is generally critical to the business and operations of End-User Customers, hence it is crucial that enterprise data is systematically stored and protected using EDM solutions.

In addition, QCL Group’s products are powered by StorNext® Scalable File System, which is a powerful data management software used to collate, process and retain vast amounts of data based on user-defined policies. This is especially useful for organisations wherein workflows involve large volumes of data such as geospatial, video surveillance as well as media and entertainment industries.

QCL Group also emphasises on implementing a tiered data management system, whereby data is automatically sorted into different storage tiers. End-User Customers define the tiering policies based on factors such as importance, age and value of data. Further, QCL Group's products can be easily scaled to meet future demands as End-User Customers' storage requirements change. QCL's products are flexible as it can be customised to fit with the end-user customers' IT infrastructure, thus allowing them to continue to use their prior investments in IT infrastructure.

(ii) QCL Group has a network of channel partners in China

QCL Group's EDM solutions are primarily distributed through channel partners which comprise distributors and resellers. Distributors are primarily regional IT distributors which carry multiple brands of products and sell to the end-user customers via their reseller networks. Meanwhile, resellers are typically IT service providers who promote, resell and integrate multiple products and solutions as part of their services.

These working relationships allow QCL Group to leverage on the channel partners' existing network of End-User Customers and resellers while incurring minimal distribution costs. QCL Group also provides ongoing support to their distributors and resellers through product training and technical support for the resolution of complex customer issues.

QCL Group strives to constantly foster, nurture and strengthen their relationship with their network of channel partners.

(iii) Direct engagement with end-user customers

QCL Group's business model entails a direct engagement with End-User Customers, from the generation of sales leads to customer relationship management. QCL Group further secures retainer-based contracts with its End-User Customers, which is a source of recurring revenue for QCL Group. As such, this has allowed QCL Group to build strong and lasting relationships with End-User Customers, for the long-term sustainability of its business.

QCL Group recognises that this business model has enabled it to build a resilient market presence over the years, and which will continue to be fundamental for its future sustainability in the industry.

(iv) QCL Group has an experienced and committed management and technical team

QCL Group is led by an experienced and committed management team. Its key management team has extensive experience in the IT, data storage and backup solutions industries. Their experiences, drive and passion for the business have been instrumental to QCL Group's vision and growth strategies. The management team has a comprehensive understanding of its customers' business and industry requirements, thus facilitating in adding value to its customers. In addition, QCL Group has also benefited from the professional network of channel partners they have built over the years.

The profile of the abovementioned key management personnel are as follows:

**(a) Yang Lanjiang (Ann), Chinese, aged 57
General Manager of QCL Group**

She is responsible for the sales and marketing as well as general management of QCL Group. She graduated with a College Degree in Journalism from Shanxi Boarding Casting University in 1984 and subsequently with a Master's in Business Administration from the University of Illinois, Chicago, the US in 2003.

She began her career with Exide Electronics Group Inc. in 1994 as a Major Account Manager and subsequently a Sales Supervisor. She was responsible for the sales of products and management of 6 distributors. She later moved to Computer Associates China in 1998 as an Account Manager and was responsible for sales of enterprise management software. In year 2000, she worked with American Power Conversion as the Sales Director, leading a team of 12 enterprise sales personnel across 6 offices in China. In year 2004, she became the General Manager of Energy & Government with NetApp Inc., developing NetApp Inc.'s business in the energy and government sectors.

She became the Country Manager (Greater China) of Isilon Systems Inc. (known as EMC Isilon after its acquisition by EMC Corporation in 2010) in 2007 where she was responsible for the setting up and business development of the company's office in Beijing, China, and subsequently the General Manager of Isilon Storage Solutions in EMC Isilon in 2010, managing the sales team and partner channels.

She joined Quantum (China office) and QCL Group in 2017 and 2018, respectively, and assumed her present role as General Manager.

With over 23 years of sales experience in the Greater China IT market, including over 17 years of experience with people management, marketing, Channel and Business development, she has built good business relationships with enterprise accounts in the Chinese government, finance, oil and gas, media and entertainment as well as life science industries.

(b) Zhu Jun (Mike), Chinese, aged 53
Team Manager, Post Sales Services of QCL Group

He is responsible for the technical support and services of QCL Group. He graduated with a Bachelor's Degree from Zhengzhou University in Computer Application in 1990.

He began his career in Zhengzhou Fabric Machine Plant in 1990 as a system administrator and was responsible for the system administration and programming of the plant. He later moved to Guangzhou Development (GDB) Bank in 1994 as a System Administrator and Development Team Leader and was responsible for the system administration and project management of the bank. He was with NCR Guangzhou Co. Ltd in 1999 as a Senior Customer Engineer before joining Sun Microsystems China Co., Ltd, Guangzhou in 2000 as a Service Support Engineer where he was responsible for system and customer support in both companies. He moved on to Storage Technology Corporation, Guangzhou office, in 2004 and subsequently to Hitachi Data Systems, Guangzhou office, in 2006, as a Customer Engineer responsible for the technical and support services in both companies.

He joined Quantum (China office) and QCL Group in 2008 and 2018, respectively, and assumed his present role as Team Manager for Post Sales Services of QCL Group.

With 20 years IT working experience, including 15 years of post-sales services experience and equipped with in-depth understanding of IT's application in finance and telecommunication industries, especially in data storage technology. He also possesses strong communication skills which enables him to manage project timelines efficiently.

**(c) Liu Songtao (Sean), Chinese, aged 46
Manager, Advanced Solutions Group of QCL Group**

He is responsible for the professional consultancy and services of QCL Group. He graduated with a Bachelor's Degree with Merit Honour in Electronics Engineering from Beijing Institute of Technology in 1997 and subsequently with a Master of Science from the University of Birmingham, the United Kingdom in 2004.

He began his career in Beijing Nantian Information Engineering Limited Company in 1997 as a systems engineer and was responsible for the implementation of financial systems. He later moved to Computer Associates International Inc. in 1999 as a quality assurance engineer and was responsible for the quality assurance testing of the company. In year 2000, he was a channel system engineer with Veritas Software, Beijing Representative Office, handling the design and demonstrations of various solutions provided by the company.

He joined Quantum (China office) as a Solutions Architect / Sales Engineer in 2005 and then QCL Group in 2018 assuming his present role as Manager of the Advanced Solutions Group of QCL Group.

Throughout his 15 years of experience as a solutions and sales engineer, he has been working closely with customers and partners to achieve their business goals with his extensive knowledge of data storage management and architecture.

QCL Group intends to expand its market presence as an EDM infrastructure solutions provider in China. QCL Group has identified several key areas in China to target for further expansion:

(i) Leveraging on the growing hyperscale cloud industry

Hyperscale cloud refers to scalable cloud computing systems where a large number of servers are interconnected. Hyperscale servers are small systems that are networked together "horizontally" to achieve scalability. In other words, additional server capacities can be added to increase computing power of an IT infrastructure system. Hyperscale cloud operators are generally data centre providers that offer hyperscale cloud computing services. Examples of hyperscale cloud operators in China include Baidu, Alibaba and Tencent.

Hyperscale cloud also allows end-user customers to choose a hybrid solution, where hyperscale cloud is used to store and backup data that is not required often. This frees up storage space for their in-house servers.

QCL Group has the capability to deliver EDM solutions for such contracts. In 2020, QCL Group was awarded an exabyte-size cloud hyperscale supply and value-added services contract from one of the world's largest technology firms in web search, online community and market intelligence services based in China for a contract value of approximately RM23.0 million. Upon completion of the deployment and implementation, as part of the contract terms, QCL Group will continue to provide a further 6 years of maintenance support till June 2027.

Moving forward, QCL Group intends to seek similar contracts to serve the hyperscale cloud operators and capitalise on the growth of hyperscale cloud services.

(ii) Tapping into the growth of unstructured data from the video surveillance as well as media and entertainment industries

Increasingly, large volumes of digital data are being stored in many forms including audio, sensor data, text data and imaging, to enable big data and subsequently artificial intelligence or business intelligence. Digital data of this nature is primarily 'unstructured' data where it is not stored in a structured database format. Unstructured data has an internal structure, but it is not predefined through data models.

Technology advancements have also resulted in devices capturing videos, images and data to gain more features such as higher resolutions, multiple sensors, night vision and facial or behavioural recognition. These developments have led to digital data captured by these devices taking up significantly more storage space.

QCL Group is able to meet these demands with its powerful infrastructure that can ingest, process, store and retrieve large amounts of unstructured data swiftly and efficiently. It provides a seamless platform to facilitate collaborative work for users in multiple locations.

(Source: *Management of QCL Group*)

Upon completion of the Proposed Acquisition, our Group intends to work with the key personnel of QCL Group to support and develop QCL Group's future plans to seek similar contracts as stated above to serve the hyperscale cloud operators and capitalise on the growth of hyperscale cloud services and tap into the growth of unstructured data from the video surveillance as well as media and entertainment industries to expand our Group's overall market presence in China. Further, our Group intends to set up proof-of-concept solution centre(s) to better support sales opportunities and are exploring setting up satellite offices to have a broader reach to customers. In addition, our Group intends to build QCL Group's staff strength as and when required. The abovementioned plans will be funded via internally generated funds. However, no financial resources have been committed by our Group to realise the abovementioned plans as at this juncture as QCL Group is already in operation and has sufficient financial resources for its short-term future plans.

Premised on the overview and outlook of the EDM industry in China as set out in **Section 5.2** of this Circular as well as the competitive strengths and future plans of QCL Group as set out above, our Board is of the opinion that QCL Group's prospects are expected to be favourable and the Proposed Acquisition is expected to contribute positively to the future earnings of our enlarged Group.

6. RISK FACTORS

The risk factors which may be inherent to our Group in relation to the Proposed Acquisition, which are by no means exhaustive, are as follows:

6.1 Acquisition risk

The Proposed Acquisition is expected to contribute positively to our Group as stated in **Section 5.3** of this Circular. However, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that our Group will be able to generate sufficient revenue and earnings therefrom to offset the associated acquisition costs incurred. There is also no assurance that our existing Group is able to maintain or improve the quality of services and/or products currently offered by QCL Group.

In mitigating such risks, in addition to the Profit Warranties, our management will oversee the daily operations and be involved in the decision making of strategic matters of QCL Group.

6.2 Non-completion of the Agreements

In the event any of the conditions precedent of the Agreements is not fulfilled or waived (as the case may be), the Proposed Acquisition may be delayed or terminated, and the potential benefits arising therefrom may not materialise. In this respect, our Board seeks to limit such risk and will take all reasonable steps to comply with the relevant conditions precedent so as to be able to complete the Proposed Acquisition.

6.3 Investment risks in respect of our shareholdings in QCL

Both our Group and QCL Group are principally involved in the same industry whereby both are involved in the EDM infrastructure technology business providing data storage, protection and archival solutions to enterprises. QCL is currently our associate company wherein our Company holds 16.67% of the equity interest in QCL. As such, the risks of the Proposed Acquisition will not materially differ from the existing risks inherent in the EDM industry that our Group is exposed to as these risks will be addressed as part of our Group's ordinary course of business. Notwithstanding this, our Group will be exposed to the existing risks associated with QCL Group, such as business, operational and financial risks, upon completion of the Proposed Acquisition as QCL will then become our wholly-owned subsidiary.

Our Group seeks to mitigate such risks by adopting prudent operations and customer management policies, staying abreast with the development, trends and direction of the industry and continue to review the processes and operations to improve efficiency and quality. However, there can be no assurance that any changes to these risks will not have material adverse effect on our Group's business and financial performance.

6.4 Non-fulfilment of Profit Warranties

The Profit Warranties are based on various bases and assumptions which are deemed reasonable, but nevertheless subject to certain uncertainties and contingencies, which may be outside QCL's control. While our Board has taken reasonable steps to assess the achievability of the Profit Warranties which include assessing QCL Group's past financial performance since inception in 2018 up to 13M-FPE 2021 as well as its prospects as set out in **Section 5.3** of this Circular, there can be no assurance that the Profit Warranties will be met.

To mitigate the risk of not fulfilling the Profit Warranties (or any of them), the 2nd and/or 3rd payment tranche shall be adjusted downward proportionately by a ratio of 1% of the 2nd or 3rd payment tranche (where applicable) for every USD20,000 shortfall and in the event QCL Group incurs losses for FYEs 31 January 2022 and/or 31 January 2023, the respective payment tranche shall not be payable to the Vendor.

6.5 Political, economic and regulatory risk

Our Group's financial and business prospects may be materially affected by any changes in the economic, political and regulatory environment in the BVI, China and Singapore. Such risks include, but are not limited to, changes in political leadership, expropriation, nationalisation, war, riots, economic uncertainties, adverse changes in tax laws and controls of foreign ownership, repatriation of profits and dividends and foreign exchange regulations. There can be no certainty that any adverse developments in the economic, political and regulatory requirement of the BVI, China and/or Singapore will not have a material adverse effect on the consolidated financial results of our Group.

While acknowledging that our Company may not be able to prevent some of the abovementioned events from occurring, our Group has adopted and will continue to adopt a proactive approach in keeping abreast of political, economic and regulatory developments of the BVI, China and Singapore.

[The rest of this page has been intentionally left blank]

7. POLICIES ON FOREIGN INVESTMENTS, REPATRIATION OF PROFITS AND TAXATION

7.1 BVI

There is no exchange control legislation under BVI law and accordingly, (i) there are no exchange control regulations imposed under BVI law that would prevent QCL from paying dividends to shareholders in any currency, and all such dividends may be freely transferred out of the BVI, clear of any income or other tax of the BVI imposed by withholding or otherwise without the necessity of obtaining any consent of any government or authority of the BVI, and (ii) there are no exchange control restrictions or sanctions currently in effect in the BVI that would, in the ordinary circumstances, prevent the repatriation of funds (regardless whether they are profits or capital in nature) in a foreign currency from the BVI to any country by QCL.

There are no restrictions under BVI law against a foreign party investing or holding shares in QCL.

There is no income tax, corporation tax, or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by QCL or its shareholders (in respect of payments including but not limited to interest, dividends and profits) in the BVI, other than shareholders ordinarily resident in the BVI.

7.2 China

Foreign persons, entities, enterprises or other organisations are permitted to invest directly or indirectly within the territory of the PRC according to the Foreign Investment Law of the PRC ("**Foreign Investment Law**").

Under the Company Law of the PRC ("**Company Law**"), the Foreign Investment Law and the Implementation of the Foreign Investment Law of the PRC, foreign investors (being foreign natural persons, enterprises or other organisations) may freely remit into or out of the PRC, RMB or any other foreign currency, the capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on generated within the territory of the PRC.

Wholly owned foreign enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with the PRC accounting standards and regulations. In addition, according to the Company Law, these wholly owned foreign enterprises are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital. Save as set out above, there are no other restrictions on the payment of dividends to foreign shareholders under the PRC laws.

Under the Foreign Exchange Control Regulations of the PRC, international payments in foreign currencies and transfer of foreign currencies under the current account items, including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions shall not be restricted. Foreign currency transactions under the capital account items, such as direct investment, loans, securities investment and repatriation of investment require approvals from or registration with State Administration of Foreign Exchange of the PRC ("**SAFE**") or its local counterpart and other relevant PRC governmental authorities.

Under the existing PRC foreign exchange regulations, payments of current account items, including the distributions of dividends, interest and royalties payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements, where QST is able to pay dividends in foreign currencies to the shareholders without prior approval from SAFE. However, the approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

According to the Enterprise Income Tax Law of the PRC (“**EIT Law**”) and the Implementing Regulations of the Law of the PRC on Enterprise Income (“**IREI**”), payment of income, dividends or profits made by QST to (i) a non-resident enterprise which has no office or premises established in the PRC, or (ii) a non-resident enterprise which has an office or premises established in the PRC and QST has no de facto relationship with the PRC office or premises of such non-resident enterprise, is subject to withholding tax at a rate of 10%. According to the IREI, if a resident enterprise has a “de facto relationship” with the PRC office or premises of its shareholder which is a non-resident enterprise, it means that such office or premises established in the PRC by the non-resident enterprise owns equity and creditor’s rights which derives income in such resident enterprise, and owns, manages or controls property which derives income held by such resident enterprise.

The EIT Law provides that enterprises incorporated in accordance with the PRC laws within the PRC will be deemed a “PRC resident enterprise” for tax purposes, or if an enterprise incorporated outside the PRC has its “de facto management bodies” within the PRC, such enterprise may be deemed a “PRC resident enterprise” for tax purposes as well. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. Criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. QST is considered as a tax resident since it is lawfully incorporated in PRC.

According to the EIT Law, enterprise income from dividends paid to a non-resident enterprise with an office or premises established in the PRC by a resident enterprise which has a de facto relationship with the aforesaid office or premises established in the PRC, shall be tax-exempt income. Accordingly, the dividends paid by QST to its shareholder(s) (including foreign shareholders not based in the PRC) is exempted from PRC tax in the hands of such shareholder(s).

7.3 Singapore

Singapore has no significant exchange controls. Funds, including profits and dividends may be repatriated freely from Singapore.

Pursuant to the Companies Act (Chapter 50) of Singapore (“**Singapore Companies Act**”), no dividend (which includes bonus and payment by way of bonus) shall be payable to the shareholders of any company except out of profits. Any profits of a company applied towards the purchase or acquisition of its own shares in accordance with the Singapore Companies Act shall not be payable as dividends to the shareholders of the company. Any gains derived by the company from the sale or disposal of treasury shares shall not be payable as dividends to the shareholders of the company.

There are no exchange controls under Singapore law in respect of the dividend payments to parties in jurisdictions outside Singapore, pursuant to the notice issued by the Monetary Authority of Singapore (“**MAS**”) on 25 May 1978 (MAS 1103, Reference: ID Circular 6/78 dd 25.5.78) (“**MAS Notice 1103**”). MAS Notice 1103 provides, amongst other, that “With effect from 1 June 1978, all persons are exempted from the provisions, obligations, etc, imposed under the various sections of the Exchange Control Act (Chapter 245). Therefore, no exchange control formalities or approvals are required for all forms of payments or capital transfers”.

Capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Singapore Companies Act and the company’s constitution. There are no restrictions on payment of capital from a capital reduction exercise to foreign shareholders.

A company may, if so authorised by its constitution and subject to the limits imposed by the Singapore Companies Act, buy back its own shares. Similarly, there are no restrictions on payment of the purchase price in respect of such purchase to foreign shareholders.

A Singapore corporate tax payer is subject to Singapore income tax on income accrued in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore. The corporate tax rate for the year of assessment 2020 is 17%.

A Singapore-incorporated company has to withhold tax when it makes payments of the following nature to a non-resident person:

- (i) Interest, commission, fee in connection with any loan or indebtedness;
- (ii) Royalty or other payments for the use of or the right to use any movable property;
- (iii) Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information;
- (iv) Payments of management fees;
- (v) Rent or other payments for the use of any movable property;
- (vi) Payments for the purchase of real property from a non-resident property trader;
- (vii) Structured products (other than payments which qualify for tax exemption under section 13(1)(zj) of the Income Tax Act (Chapter 134) of Singapore (“**Singapore Income Tax Act**”)); and
- (viii) Distribution of real estate investment trust.

Withholding tax is waived for all payments under section 12(6) and 12(7) of the Singapore Income Tax Act, such as interest, commission, royalties and management fees, which are made to Singapore branches of non-resident companies on or after 21 February 2014.

There is no need to withhold tax on dividend payments. Singapore currently does not impose withholding tax on dividends even though withholding tax rates on dividends are provided under some of Singapore’s tax treaties.

Foreign-sourced dividends, foreign branch profits and foreign-sourced service income (“**Specified Foreign Income**”) received in Singapore by a Singapore tax resident company are exempt from tax if (i) the Specified Foreign Income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which such income is received; (ii) at the time the Specified Foreign Income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%; and (iii) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore. Normally, control and management of a company is vested in the board of directors and the company is resident in the country where the directors meet.

Singapore adopts the One-Tier Corporate Taxation System. The tax collected from corporate profits is a final tax and the distributable profits of the company resident in Singapore which can be distributed to the shareholders, which are tax exempt in the hands of such shareholders.

8. EFFECTS OF THE PROPOSED ACQUISITION

8.1 Share capital

The pro forma effects of the Proposed Acquisition on the share capital of our Company are as follows:

	No. of KAB Shares	RM
Share capital as at the LPD	628,050,300	270,447,150
Consideration Shares to be issued	110,294,117	75,000,000
Enlarged share capital	738,344,417	345,447,150

8.2 NA and gearing

The pro forma effects of the Proposed Acquisition on the NA and gearing of our Group based on the audited consolidated financial statements of our Company as at 31 January 2021 are as follows:

	(Audited) As at 31 January 2021 RM	(I) Subsequent events up to the LPD ⁽¹⁾ RM	(II) After (I) and the Proposed Acquisition RM
Share capital	201,120,898	270,447,150	345,447,150
Merger deficit	(17,406,096)	(17,406,096)	(17,406,096)
Exchange translation reserve	1,719,608	1,719,608	1,719,608
Retirement benefit obligations	(369,143)	(369,143)	(369,143)
Retained earnings	57,328,658	56,327,605	55,717,605 ⁽²⁾
Shareholders' funds / NA	242,393,925	310,719,124	385,109,124
No. of shares in issue	523,375,300	628,050,300	738,344,417
NA per Share (RM)	0.46	0.49	0.52
Total borrowings (RM)	37,972,612	37,972,612	37,972,612
Gearing (times)	0.16	0.12	0.10

Notes:

(1) After accounting for the following:

- (i) issuance of 104,675,000 Placement Shares at an issue price of RM0.6623 each pursuant to the Private Placement; and
- (ii) after deducting expenses of approximately RM1.0 million in relation to the Private Placement.

(2) After deducting estimated expenses of approximately RM0.61 million in relation to the Proposed Acquisition.

8.3 Earnings and EPS

The Proposed Acquisition is expected to contribute positively to the future earnings of our Group after taking into consideration the historical earnings of QCL Group and prospects of the Proposed Acquisition.

The EPS may be diluted accordingly consequent to the issuance of Consideration Shares pursuant to the 1st tranche payment in relation to the Proposed Acquisition on the Completion Date and the 2nd and 3rd tranche payments in the event the Profit Warranties are achieved during the respective financial years ending 31 January, as set out in the Purchase Consideration clause in **Section 2 of Appendix I** of this Circular.

The pro forma effects of the Proposed Acquisition on our Group's earnings and EPS based on:

- (i) our audited financial statements for the FYE 31 December 2019 (i.e., the latest audited financial statements available prior to the Announcement LPD) (*which does not include any growth projection from our Group's existing operations*), assuming that QCL had achieved the Profit Warranties and the Proposed Acquisition had been completed with the issuance of all the Consideration Shares to the Vendor on 1 January 2019 are as follows:

	(Audited) FYE 31 December 2019 RM	After the Profit Warranty 2023 RM
PAT attributable to the owners of our Company	18,596,394	18,596,394
PAT of QCL attributable to KAB Group pursuant to the Proposed Acquisition	-	10,355,000 ⁽¹⁾
Pro forma PAT of the enlarged Group	18,596,394	28,951,394
No. of KAB Shares in issue	489,277,330	738,344,417 ⁽²⁾⁽³⁾
EPS (sen)	3.80	3.92

- (ii) our audited financial statements for the 13M-FPE 31 January 2021 (*which does not include any growth projection from our Group's existing operations*), assuming that QCL had achieved the Profit Warranties and the Proposed Acquisition had been completed with the issuance of all the Consideration Shares to the Vendor on 1 January 2020 are as follows:

	(Audited) 13M-FPE 31 January 2021 RM	After the Profit Warranty 2023 RM
PAT attributable to the owners of our Company	1,419,876	1,419,876
PAT of QCL attributable to KAB Group pursuant to the Proposed Acquisition	-	10,355,000 ⁽¹⁾
Pro forma PAT of the enlarged Group	1,419,876	11,774,876
No. of KAB Shares in issue	523,375,300 ⁽²⁾	738,344,417 ⁽³⁾
EPS (sen)	0.27	1.59

Notes:

- (1) Assuming QCL achieved the Profit Warranty 2023 of USD2.5 million (equivalent to RM10,355,000).
- (2) After accounting for the following:
- (i) issuance of 33,097,970 new KAB Shares on 24 March 2020 at an issue price of RM0.5665 each pursuant to the 2nd payment tranche to partially satisfy the purchase consideration of Sandz Solutions (Singapore) Pte Ltd; and
 - (ii) issuance of 1,000,000 new KAB Shares to an eligible director on 12 June 2020 at an issue price of RM0.52 each pursuant to the Company's share grant plan.
- (3) After accounting for the following:
- (i) issuance of 104,675,000 Placement Shares at an issue price of RM0.6623 each pursuant to the Private Placement; and
 - (ii) issuance of 110,294,117 Consideration Shares pursuant to the Proposed Acquisition.

8.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisition on the shareholdings of the substantial shareholders of our Company based on our Company's Register of Substantial Shareholders as at the LPD are as follows:

	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of KAB Shares	%	No. of KAB Shares	%	No. of KAB Shares	%	No. of KAB Shares	%
Tan Jeck Min	55,129,768	8.78	-	-	55,129,768	7.47	-	-
Desert Streams Investments Limited	115,565,754	18.40	-	-	115,565,754	15.65	-	-
Vendor	-	-	-	-	110,294,117	14.94	-	-

The Vendor (and/or its nominee) will not be a controlling shareholder (as defined in Rule 1.01 of the Listing Requirements) upon the completion of the Proposed Acquisition.

The Proposed Acquisition will not result in non-compliance with the Public Shareholding Spread Requirement. The public shareholding spread before the Proposed Acquisition was 64.80% (as at the LPD) and the proforma effects of the public shareholding spread after the Proposed Acquisition, assuming 110,294,117 Consideration Shares are issued to the Vendor upon completion of the Proposed Acquisition and achieving the Profit Warranties is expected to be 61.36%, 56.66% and 55.12% after the issuance of Consideration Shares pursuant to the 1st Payment Tranche, 2nd Payment Tranche and 3rd Payment Tranche, respectively.

8.5 Convertible securities

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

9. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted prices of KAB Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
<u>2020</u>		
July	0.610	0.535
August	0.735	0.555
September	0.685	0.540
October	0.595	0.510
November	0.640	0.495
December	0.720	0.585
<u>2021</u>		
January	0.885	0.645
February	0.945	0.755
March	0.805	0.660
April	0.745	0.680
May	0.710	0.580
June	0.725	0.605

Last transacted market price on 21 May 2021 (being the last trading date prior to the Announcement) was RM0.605 per KAB Share.

Last transacted market price on 22 June 2021 (being the LPD) was RM0.70 per KAB Share.

(Source: Bloomberg)

10. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained from:

- (i) Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities;
- (ii) our shareholders for the Proposed Acquisition at our forthcoming EGM; and

Pursuant to Rule 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Acquisition is 67.26%, derived from the Purchase Consideration of RM150.0 million against our Group's audited NA of approximately RM223.02 million for the FYE 31 December 2019.

- (iii) any other relevant authorities, if required.

The approval of Bursa Securities is subject to the following conditions:

	Conditions imposed	Status of compliance
(a)	KAB and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied
(b)	KAB and TA Securities to inform Bursa Securities upon the completion of the Proposed Acquisition;	To be complied
(c)	KAB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed; and	To be complied
(d)	Compliance by KAB with the public shareholding spread upon completion of the Proposed Acquisition. In this connection, TA Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities upon the issuance of the Consideration Shares for each of the 1st Payment Tranche, the 2nd Payment Tranche and 3rd Payment Tranche respectively.	To be complied

The Proposed Acquisition is not subject to any approval from relevant government authorities.

11. CONDITIONALITY OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

Save for the Proposed Acquisition, our Board is not aware of any corporate exercise which we have announced but not yet completed prior to the printing of this Circular.

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

None of the Directors, major shareholders and/or chief executive of our Company and/or persons connected with them (as defined in the Listing Requirements) has any direct or indirect interest in the Proposed Acquisition.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Acquisition including but not limited to the rationale, salient terms of the Agreements, risk factors and effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of our Company and accordingly recommend you to vote **IN FAVOUR** of the resolution in respect of the Proposed Acquisition to be tabled at our forthcoming EGM.

14. TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to receipt of all relevant approvals, our Board expects the Proposed Acquisition to be completed in the 3rd quarter of 2021.

The indicative timetable of events in relation to the Proposed Acquisition is set out below:

Tentative dates	Events
23 July 2021	<ul style="list-style-type: none">• EGM
End July 2021	<ul style="list-style-type: none">• Fulfilment of all conditions precedent in the SPA• Listing of and quotation for 35,294,117 Consideration Shares and payment of the Cash Consideration pursuant to the 1st Payment Tranche as set out in the Purchase Consideration clause in Section 2 of Appendix I of this Circular• Completion of the Proposed Acquisition
March 2022	<ul style="list-style-type: none">• Listing of and quotation for up to 55,000,000 Consideration Shares pursuant to the 2nd Payment Tranche as set out in the Purchase Consideration clause in Section 2 of Appendix I of this Circular
March 2023	<ul style="list-style-type: none">• Listing of and quotation for up to 20,000,000 Consideration Shares pursuant to the 3rd Payment Tranche as set out in the Purchase Consideration clause in Section 2 of Appendix I of this Circular

15. EGM

Our EGM, the notice of which is set out in this Circular, will be conducted on a fully virtual basis via remote participation and electronic voting via online meeting platform at TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd on Friday, 23 July 2021 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at our EGM, you should complete, sign and return the enclosed Proxy Form in accordance with the instructions provided thereon so as to arrive at our Share Registrar Office at Unit 32-01, Level 32 Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or alternatively, in the case of an appointment made via TIIH Online, the electronic proxy form must be submitted at <https://tiih.online> not less than 48 hours before the time set for holding our EGM or any adjournment thereof.

The lodging of the Proxy Form will not, however, preclude you from attending our EGM and voting in person should you subsequently wish to do so.

Shareholders are advised to refer to the Administrative Guide for the EGM on the registration and voting process for the EGM.

16. FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of our Board
KRONOLOGI ASIA BERHAD

TAN JECK MIN
Executive Director/ Chief Operating Officer

SALIENT TERMS OF THE AGREEMENTS

The salient terms of the Agreements in relation to the Proposed Acquisition are set out as follows:

1. Conditions Precedent

The sale and purchase of the Sale Shares is conditional upon:

- (i) the completion of a legal and financial due diligence exercise by our Company and its advisers on QCL Group, which shall include without limitation, (i) the review of the QCL Group's business and operations; (ii) the review of historical figures; (iii) the review of directors, employees and staff; and (iv) the review of any and all documents relating to legal matters, and the results of such exercise being satisfactory to our Company in its sole and absolute discretion;
- (ii) the approval being granted by Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities, and such approval not having been revoked or amended, and if the approval is granted subject to conditions, (i) such conditions being reasonably acceptable to the Parties, and if any such condition shall be required to be fulfilled on or before Completion, the fulfilment of such condition on or before Completion and (ii) such conditions being satisfied or waived by Bursa Securities, and Bursa Securities not having made any ruling, the effect of which is to restrict or impede the listing of and quotation for the Consideration Shares;
- (iii) all approvals, consents and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated under the SPA or to the entry into and completion of the SPA by the Parties or whose consent is required, being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such approvals, consents and/or waivers are granted or obtained subject to any conditions, and where such condition(s) affect any of the Parties, such condition(s) being acceptable to the Party concerned and if such condition(s) are required to be fulfilled before Completion, such condition(s) being fulfilled on or before Completion;
- (iv) the approval of our Board and the shareholders of our Company for the transactions contemplated in the SPA upon the terms and conditions set out in the SPA (or upon such other terms and conditions as may be agreed between the Parties) having been obtained; and
- (v) the execution and performance of the SPA by the Parties hereto not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive, or regulation promulgated by any legislative, executive or regulatory body or authority.

2. Purchase Consideration

- (i) The acquisition price for the sale of the Sale Shares by the Vendor to our Company shall be the aggregate of RM150,000,000, which was agreed at after arms' length negotiations and based on a willing-buyer willing-seller basis, to be settled on a staggered payment basis.
- (ii) The Purchase Consideration shall be fully satisfied through the allotment and issuance of the Consideration Shares to the Vendor (and/or its nominee) ("**Allotment and Issuance**") and the payment of a Cash Consideration which shall be apportioned as follows:
 - (a) **1st Payment Tranche:** Payment of RM99,000,000, which shall be fully satisfied by RM75,000,000 in cash and the allotment and issuance of 35,294,117 Consideration Shares by our Company to the Vendor (and/or its nominee) at the Issue Price on the Completion Date.

SALIENT TERMS OF THE AGREEMENTS (CONT'D)

- (b) **2nd Payment Tranche:** Payment of RM37,400,000, which shall be fully satisfied by the allotment and issuance of 55,000,000 Consideration Shares by our Company to the Vendor (and/or its nominee) at the Issue Price, upon the QCL Group achieving the Profit Warranty 2022 based on the consolidated audited accounts of the QCL Group for FYE 31 January 2022 subject always to Completion having taken place. The 2nd Payment Tranche shall be payable within 14 days after the issuance of the consolidated audited accounts of the QCL Group for FYE 31 January 2022 or such other date as the Parties may mutually agree in writing.

Notwithstanding the foregoing, the 2nd Payment Consideration Amount shall be adjusted downwards proportionately in accordance with **Section 3(ii) of Appendix I** of this Circular in the event that QCL Group fails to achieve the Profit Warranty 2022 based on the consolidated audited accounts for FYE 31 January 2022.

- (c) **3rd Payment Tranche:** Payment of RM13,600,000, which shall be fully satisfied by the allotment and issuance of 20,000,000 Consideration Shares by our Company to the Vendor (and/or its nominee) at the Issue Price, upon the QCL Group achieving the Profit Warranty 2023 based on the consolidated audited accounts of the QCL Group for FYE 31 January 2023 subject always to Completion having taken place. The 3rd Payment Tranche shall be payable within 14 days after the issuance of the consolidated audited accounts of the QCL Group for FYE 31 January 2023 or such other date as the Parties may mutually agree in writing.

Notwithstanding the foregoing, the 3rd Payment Consideration Amount shall be adjusted downwards proportionately in accordance with **Sections 3(ii) and 3(iii) of Appendix I** of this Circular in the event that QCL Group fails to achieve the Profit Warranty 2023 based on the consolidated audited accounts for FYE 31 January 2023.

For the avoidance of doubt, the number of new KAB Shares to be allotted and issued to the Vendor pursuant to **Section 2(ii) of Appendix I** of this Circular shall be rounded down to the nearest 1 unit of share, and fractional entitlements shall be disregarded. For illustration purposes only, based on the Issue Price, the number of Consideration Shares to be allotted and issued to the Vendor under the 1st Payment Tranche shall be 35,294,117 Consideration Shares (rounded down from 35,294,117.65 Consideration Shares), notwithstanding that the value of 35,294,117 Consideration Shares is RM23,999,999.56 (which is below the value of RM24,000,000).

- (iii) The issue price for the Consideration Shares shall be RM0.68 per Consideration Share, representing a premium of RM0.0649 or approximately 10.55% to the VWAP of the Shares traded on the ACE Market of Bursa Securities for the 5 market days prior to the execution of the SPA.
- (iv) The Parties acknowledge and agree that the Allotment and Issuance is subject to our Company having obtained all necessary approvals from Bursa Securities and all conditions (if any) imposed by Bursa Securities in respect of the Allotment and Issuance having been satisfied ("**Bursa Securities Allotment Related Conditions**"). Our Company shall use all reasonable endeavours to ensure compliance with the applicable rules of the Listing Requirements (including submitting through our Company's adviser, TA Securities, to Bursa Securities an additional listing application in respect of the Allotment and Issuance) and satisfaction of the Bursa Securities Allotment Related Conditions prior to the Allotment and Issuance.
- (v) Upon the Allotment and Issuance, such Consideration Shares shall rank *pari passu* in all respects with all other Shares then in issue (save for any dividends, rights, allotments and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of the Allotment and Issuance).

SALIENT TERMS OF THE AGREEMENTS (CONT'D)

- (vi) The Parties further agree that in the event that our Company undertakes a bonus issue of Shares on a pro-rata basis to all existing shareholders of our Company, sub-division or consolidation of capital (“**Corporate Action**”) during FYE 31 January 2022 and FYE 31 January 2023, the Vendor’s entitlement to the remaining Consideration Shares that have not been issued to it under the SPA (“**Remaining Consideration Shares**”) shall be adjusted accordingly to take into account such Corporate Action so that it will not be unnecessarily diluted or otherwise. In the event of such Corporate Action, the Issue Price shall be adjusted accordingly such that the Remaining Consideration Shares issued shall represent the same percentage of shareholding in the enlarged and fully diluted or reduced share capital (as the case may be) of our Company following the Corporate Action as if the Remaining Consideration Shares had been issued on the market day immediately preceding the effective date of such Corporate Action by our Company, provided always that the issuance of any additional Shares will be subject to the approval of our Company’s shareholders, Bursa Securities and other regulatory authorities (where applicable). Our Company shall also consult our Company’s auditors in relation to such adjustment (if any) and the adjustment (if any) shall be certified by the auditors in writing.

In the event that our Company’s auditors are unable to agree on any adjustment required above, our Company shall refer the adjustment to the decision of an adviser acting as expert and not as arbitrator and whose decision as to such adjustment as shall be appropriate in terms of the conditions shall be final and conclusive and no certification by the auditors shall be necessary.

For illustration purposes only, assuming our Company implements the Corporate Action of which its entitlement date (“**Entitlement Date**”) is after the Completion but prior to the allotment and issuance date of the Remaining Consideration Shares pursuant to the 2nd Payment Tranche and/or 3rd Payment Tranche, the adjustments to the number of the Remaining Consideration Shares and Issue Price are as follows:

	Before the Corporate Action	Corporate Action		
		Bonus issue of Shares	Sub-division of capital	Consolidation of capital
		1 bonus Share for every 2 existing Shares held on the Entitlement Date	Subdivision of every 1 existing Share held on the Entitlement Date into 2 Shares	Consolidation of every 2 existing Shares held on the Entitlement Date into 1 Share
Assumed basis	-			
Remaining Consideration Shares to be issued pursuant to the 2nd and 3rd Payment Tranches	75,000,000 [A]	112,500,000 [A + (A / 2)]	150,000,000 [A x 2]	37,500,000 [A / 2]
Issue Price per Remaining Consideration Share (RM)	0.6800 [B]	0.4533 [(B x 2) / 3]	0.3400 [B / 2]	1.3600 [B x 2]
Resultant enlarged share capital after the issuance of all Consideration Shares	738,344,417 [C]	1,107,516,625 [C + (C / 2)]	1,476,688,834 [C x 2]	369,172,209 [C / 2]
Vendor’s shareholding in KAB after the issuance of all Consideration Shares	14.94%	14.94%	14.94%	14.94%

- (vii) In the event that our Company undertakes a rights issue of Shares on a pro-rata basis to all existing shareholders of our Company during FYE 31 January 2022 and FYE 31 January 2023, our Company may, in its absolute discretion, decide to issue additional Shares to the Vendor at an issue price equivalent to the issue price of the rights issue of Shares to be determined later so that it will not be unnecessarily diluted or otherwise, provided always that the issuance of any additional Shares will be subject to the approval of the shareholders of our Company, Bursa Securities and other regulatory authorities (where applicable). Our Company shall also consult the auditors of our Company in relation to such adjustment (if any) and such number shall be certified by the auditors in writing.

SALIENT TERMS OF THE AGREEMENTS (CONT'D)

In the event that our Company's auditors are unable to agree on the number of additional Shares to be issued in relation to the above, our Company shall refer the number of additional Shares to be issued to the decision of an adviser acting as expert and not as arbitrator and whose decision as to such number as shall be appropriate in terms of the conditions shall be final and conclusive and no certification by the auditors shall be necessary.

For the avoidance of doubt, no adjustment will be made to the number and issue price of the Remaining Consideration Shares in the event that our Company undertakes a rights issue during FYE 31 January 2022 and FYE 31 January 2023.

3. Profit Warranties

- (i) The Vendor warrants to our Company that QCL Group shall achieve the following:
 - (a) a PAT of USD2,000,000 based on the consolidated audited accounts of QCL Group for FYE 31 January 2022; and
 - (b) a PAT of USD2,500,000 based on the consolidated audited accounts of QCL Group for FYE 31 January 2023.

For the avoidance of doubt, once the QCL Group achieves the Profit Warranty 2022 or Profit Warranty 2023 (as the case may be), to be determined after the issuance of the consolidated audited accounts of the QCL Group for FYE 31 January 2022 or FYE 31 January 2023 (as the case may be), it shall be deemed that the Vendor has discharged its obligations in relation to Profit Warranty 2022 or Profit Warranty 2023 (as the case may be).

- (ii) In the event that QCL Group fails to achieve the Profit Warranty 2022 based on the audited PAT for FYE 31 January 2022, the consideration payable shall accordingly be adjusted downwards proportionately by a ratio of 1% of the 2nd Payment Consideration Amount for every USD20,000 shortfall of the Profit Warranty 2022, and the number of Consideration Shares to be issued at the 2nd Payment Tranche shall be accordingly reduced.

By way of illustration only, if QCL Group only managed to achieve a PAT of USD1,820,000 for FYE 31 January 2022 (i.e., a shortfall of USD180,000) based on the consolidated audited accounts of QCL Group, then the Consideration Shares to be allotted and issued under the 2nd Payment Tranche shall accordingly be reduced by value of RM3,366,000, representing 9% of the 2nd Payment Consideration Amount for FYE 31 January 2022.

For the avoidance of doubt, if the shortfall is less than USD20,000 or any multiple of USD20,000 (as the case may be), such shortfall shall be rounded up to the nearest USD20,000 or multiple of USD20,000 (as the case may be). By way of illustration only, if QCL Group only managed to achieve a PAT of USD1,825,000 for FYE 31 January 2022 (i.e., a shortfall of USD175,000) based on the consolidated audited accounts of QCL Group for FYE 31 January 2022, then the shortfall shall be rounded up to USD180,000 and the Consideration Shares allotted and issued under the 2nd Payment Tranche shall accordingly be reduced by value of RM3,366,000, representing 9% of the 2nd Payment Consideration Amount.

- (iii) For the avoidance of doubt, the Parties agree that in the event that the QCL Group incurs a net loss in FYE 31 January 2022:
 - (a) our Company shall not be required to make payment of the 2nd Payment Consideration Amount in accordance with **Section 2(ii)(b) of Appendix I**; and
 - (b) the Vendor specifically waives, releases and relinquishes any and all claims in respect of the 2nd Payment Consideration Amount.

SALIENT TERMS OF THE AGREEMENTS (CONT'D)

- (iv) The clauses in **Sections 3(ii) and 3(iii)** above shall *mutatis mutandis* apply in respect of the Profit Warranty 2023, where references to the Profit Warranty 2022 shall refer to the Profit Warranty 2023, FYE 31 January 2022 shall refer to FYE 31 January 2023, and references to the 2nd Payment Consideration Amount shall refer to the 3rd Payment Consideration Amount.
- (v) In the event that the audited PAT for FYE 31 January 2022 as reflected in the consolidated audited accounts of QCL Group for FYE 31 January 2022 exceeds the amount of the Profit Warranty 2022, such excess amount (being the differential between the audited PAT value for FYE 31 January 2022 and the amount of the Profit Warranty 2022) shall be cumulatively added to the audited PAT for FYE 31 January 2023, for the purpose of the determination of whether the Profit Warranty 2023 has been achieved.

For illustration purposes only, if QCL Group achieves an audited PAT of USD2,500,000 for FYE 31 January 2022 (i.e., an excess of USD500,000), the Profit Warranty 2022 would be achieved, and the excess amount shall be added to the audited PAT value for FYE 31 January 2023. This means that if QCL Group only managed to achieve an audited PAT of USD2,000,000 for FYE 31 January 2023 (i.e., a shortfall of USD500,000), the Profit Warranty 2023 would nevertheless be deemed to have been achieved, due to the addition of USD500,000 brought forward from FYE 31 January 2022 to the audited PAT value for FYE 31 January 2023 of USD2,000,000.

4. Termination

- (i) The SPA may be terminated by the following Party by written notice to the other Party prior to Completion as follows:
 - (a) at the election of the Vendor or our Company, in accordance with the SPA (i.e., if any Party fails to comply with its obligations under the Completion clause of the SPA by the day falling 6 months after the date of the SPA or such other date as the Parties may mutually agree in writing, the other Party shall be entitled (in addition to and without prejudice to any other rights or remedies available at law, in equity, under contract or otherwise) to terminate the SPA (other than the surviving provisions as set out in the SPA) without liability on its part and no Party shall have any claim against the other Party for costs, damages, compensation or otherwise, save for any claim by a Party against the other arising from antecedent breaches of the terms of the SPA);
 - (b) at the election of our Company, if the Vendor has breached any material representation, warranty, covenant or agreement given by it in the SPA, which breach cannot be or is not cured by the Completion Date;
 - (c) at the election of the Vendor, if our Company has breached any material representation, warranty, covenant or agreement given by it in the SPA, which breach cannot be or is not cured by the Completion Date; or
 - (d) at any time on or prior to the Completion Date, by mutual written consent of the Parties.
- (ii) Upon termination of the SPA howsoever arising, all rights and obligations of the Parties under the SPA shall automatically terminate except for such rights as shall have accrued prior to such termination and any obligations which expressly or by implication are intended to come into or continue in force on or after such termination.

5. Governing Law

The Agreements shall be governed by, and construed in accordance with, the laws of Singapore.

INFORMATION ON QCL GROUP

1. HISTORY AND BUSINESS

QCL was incorporated in the BVI on 24 May 2018 under the BVI Business Companies Act as a company limited by shares.

QCL Group is principally engaged in EDM infrastructure technology business providing data storage, protection and archival solutions to enterprises.

The history of the QCL Group can be traced back to 2018 when QCL commenced its business in the same year following its incorporation whereas QST commenced its business in the following year.

QCL signed the Strategic Marketing Agreement and Service Partner Agreement with Quantum on 20 July 2018 that gives QCL Group exclusive rights to offer Quantum branded EDM infrastructure technology solutions, namely data backup, storage and recovery solutions, as well as complementary value-added solutions and services, and maintenance and technical support, to customers in the PRC. Quantum is a company principally involved in scale-out tiered storage, archive and data protection, and providing solutions for capturing, sharing and preserve digital assets. Quantum is based in the US and is listed on the Nasdaq Stock Market.

The Strategic Marketing Agreement and the Service Partner Agreement are effective from 20 July 2018 up to an agreed initial period, and thereafter shall be extended for successive 1-year period, unless otherwise terminated.

During the term of the Strategic Marketing Agreement, Quantum appoints QCL as Quantum's exclusive partner and marketer of Quantum branded products in the PRC. In the PRC, the following shall be the exceptions to the exclusivity granted by Quantum to QCL:

- (i) Quantum and Quantum's reseller partners may sell Quantum branded products directly to established and high-volume purchase global customers;
- (ii) Quantum's international original equipment manufacturer ("**OEM**") partners may sell OEM branded products to customers within the PRC without restriction; and
- (iii) Quantum and QCL will jointly work on the go-to-market strategy to determine best sales engagement, service delivery and fulfilment methods with regard to hyper-scale data center partners in the PRC.

All terms of the Strategic Marketing Agreement shall apply to sales in the PRC. QCL may elect to subcontract with resellers and distributors so long as such other parties agree to abide by terms and conditions consistent with those contained in the Strategic Marketing Agreement. During the term of the Strategic Marketing Agreement, and upon execution of the Service Partner Agreement specifying the terms and conditions for providing services to the Quantum products, Quantum appoints QCL as a Quantum Service Partner for all products sold by QCL in the PRC excluding the following:

- (i) Quantum may sell Quantum branded services directly to its established global customers within the PRC; and
- (ii) Quantum's international OEM customers may sell OEM branded services in conjunction with sales of OEM branded products to customers within the PRC without restriction.

As at the LPD, QCL Group has more than 1,000 End-User Customers from various industries including financial services, insurance, cloud computing, transportation as well as media and broadcasting that are mainly located in the Beijing, Shanghai and Shenzhen.

The business of QCL Group has not been materially affected by the on-going trade war between China and the US, as well as the outbreak of the COVID-19 pandemic since 2020 as evidenced by the recent award of a major cloud infrastructure contract from a leading Beijing-based cloud computing technology company.

INFORMATION ON QCL GROUP (CONT'D)

QCL Group does not have a formal research and development team and has not incurred any expenditure on research and development since inception.

QCL Group's breakdown of the principal activities is as detailed below:

(i) Provision of EDM infrastructure technology solutions comprising of hardware and software

QCL Group is involved in the provision of EDM infrastructure technology solutions which comprises both hardware and software. EDM hardware refers to data storage systems used to record and store digital data while EDM software supports the process of data backup, storage, retrieval, and restoration.

QCL Group specialises in high-performance data management which is workflow-driven, enabling it to store, share and preserve enterprise data. This infrastructure is scalable as bandwidth and capacity can expand to fit the organisation's growth in future data requirements. The infrastructure also offers flexibility to complement the organisation's existing IT infrastructure and is highly configurable to suit organisational needs.

(ii) Provision of EDM value-added solutions and professional services

QCL Group's EDM infrastructure technology solutions need to be integrated to the End-User Customers' existing IT infrastructure such as servers, network equipment and storage devices. To achieve this, QCL Group provides value added solutions and professional services to design, install, configure and implement its EDM infrastructure technology solutions in the End-User Customers' IT environment.

QCL Group provides professional consultancy in the EDM design and configuration to meet each End-User Customers' unique requirements and demands, while complementing any existing IT infrastructure. Value-added solutions and professional services provided also include after-sales service to End-User Customers such as capacity planning which assists End-User Customers in planning for data growth and anticipating future capacity increase requirements.

(iii) Provision of annual maintenance and technical support in EDM solutions

QCL Group has a team of professionals to provide maintenance and technical support services to its EDM infrastructure technology End-User Customers. Technical support is provided to existing End-User Customers in instances such as storage device failures with scheduled and unscheduled maintenance when problems are encountered. QCL Group also provides periodic equipment maintenance and health check services to their End-User Customers as part of their annual maintenance programme.

QCL Group also provides on-site technical support and product training to its End-User Customers. Depending on the customers' service level agreement, QCL Group is able to provide up to 24-hours, 7 days, helpdesk support to its End-User Customers in which the End-User Customers can use to report faults and request assistance for ad-hoc system breakdowns.

QCL Group provides support for fast resolution, priority response and delivery, and installation of replacement parts to ensure End-User Customers are able to maximise the performance of their backup, storage and recovery capabilities.

2. SHARE CAPITAL

As at the LPD, QCL has an issued share capital of USD120 comprising 120 QCL Shares. QCL is authorised to issue a maximum of 50,000 shares of a single class with a par value of USD1.00 each.

INFORMATION ON QCL GROUP (CONT'D)
3. DIRECTORS AND DIRECTORS' SHAREHOLDINGS

The directors of QCL and their shareholdings in QCL as at the LPD are as follows:

Name	Nationality	Designation	Direct		Indirect	
			No. of QCL Shares	%	No. of QCL Shares	%
Wong Gang ⁽¹⁾	Singaporean	Director	-	-	-	-
Tan Jeck Min ⁽²⁾	Singaporean	Director	-	-	-	-

Note:

- (1) Being a nominee director appointed by QCL on 24 May 2018 as part of the corporate secretarial services provided to QCL. The nominee director is not and will not be involved in any financial or operational matters or management of QCL.

For information purposes only, Wong Gang is a partner in Messrs. Shook Lin & Bok LLP which is responsible for, amongst others, co-ordinating the Legal Opinion and the legal due diligence of QCL and QST which were conducted by the respective local legal counsels in the BVI and China.

- (2) Representative of KAB subsequent to the subscription of 16.67% equity interest in QCL by KAB.

4. SHAREHOLDERS AND SHAREHOLDERS' SHAREHOLDINGS

The shareholders of QCL and their shareholdings in QCL as at the LPD are as follows:

Name	Place of incorporation	Direct		Indirect	
		No. of QCL Shares	%	No. of QCL Shares	%
Lavender Blooms	BVI	100	83.33	-	-
KAB	Malaysia	20	16.67	-	-
Total		120	100.00	-	-

5. SUBSIDIARIES AND ASSOCIATED COMPANY

As at the LPD, QCL has the following subsidiaries:

Name	Date and place of incorporation	Share capital (USD)	Equity interest (%)	Principal activity
QST	26 September 2018, PRC	2,500,000 ⁽¹⁾	100	EDM infrastructure technology business providing data storage, protection and archival solutions to enterprises
Quantum Storage (China) Pte. Ltd.	29 March 2021, Singapore	100,000 ⁽²⁾	100	Dormant ⁽³⁾

Notes:

- (1) The share capital consists of registered capital of USD2.50 million which shall be paid up within 30 years from the date of obtaining the business license on 15 July 2019.

- (2) The share capital consists of registered capital of USD100,000 which shall be fully paid up upon opening of the company's bank account.

INFORMATION ON QCL GROUP (CONT'D)

- (3) *The company intends to engage in other IT and computer service activities including disaster recovery services.*

QCL does not have any associated company as at the LPD.

6. MATERIAL COMMITMENT

As at the LPD, there is no material commitment incurred or known to be incurred by QCL Group that is likely to have a material adverse effect on QCL Group's financial position.

7. CONTINGENT LIABILITIES

As at the LPD, the board of directors of QCL is not aware of any contingent liability incurred or known to be incurred by QCL or QCL Group, which upon becoming enforceable, may have a material impact on the financial position of QCL Group.

8. MATERIAL CONTRACT

QCL Group has not entered into any material contract (being a contract entered into out of the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

9. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

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

10. SUMMARY AND COMMENTARIES OF FINANCIAL INFORMATION

The summary of the audited financial information of QCL Group since incorporation up to the 13M-FPE 31 January 2021 is disclosed below:

	Audited					
	FPE 2018⁽¹⁾		FYE 31 December 2019		13M-FPE 31 January 2021⁽³⁾	
	USD	RM⁽²⁾	USD	RM⁽²⁾	USD	RM⁽²⁾
Revenue	4,348,666	17,556,000	11,620,126	48,104,998	16,488,837	69,025,569
PBT	8,520	34,396	495,648	2,051,884	1,728,054	7,233,980
PAT	3,510	14,170	393,448	1,628,796	1,515,241	6,343,102
Shareholders' funds / NA	3,003,327	12,124,731	3,398,109	14,067,492	4,940,899	20,683,591
Share capital	3,000,100	12,111,704	3,000,100	12,419,814	3,000,100	12,559,019
Borrowings	210,454	849,624	111,089	459,886	95,434	399,506
Net earnings per QCL Share	29	117	3,279	13,574	12,627	52,859
NA per QCL Share	25,028	101,041	28,318	117,231	41,174	172,363
No. of QCL Shares in issue	120	120	120	120	120	120
Current ratio (times)	2.24	2.24	1.83	1.83	1.61	1.61
Gearing ratio (times)	0.07	0.07	0.03	0.03	0.02	0.02

INFORMATION ON QCL GROUP (CONT'D)

Notes:

- (1) From 24 May 2018, being the date of incorporation of QCL, up to 31 December 2018.
- (2) Based on the following exchange rates used by our auditor to consolidate the share of results of associate into our respective financial statements:

FPE 2018: USD1.00:RM4.0371

FYE 31 December 2019: USD1.00:RM4.1398

13M-FPE 31 January 2021: USD1.00:RM4.1862

- (3) QCL changed its financial year end from 31 December to 31 January.
- (4) Annualised revenue, PBT and PAT for the 13M-FPE 31 January 2021:

	13M-FPE 31 January 2021	
	USD	RM
<i>Annualised revenue</i>	<i>15,220,465</i>	<i>63,715,911</i>
<i>Annualised PBT</i>	<i>1,595,127</i>	<i>6,677,521</i>
<i>Annualised PAT</i>	<i>1,398,684</i>	<i>5,855,171</i>

13M-FPE 31 January 2021 vs. FYE 31 December 2019

QCL Group's revenue for 13M-FPE 31 January 2021 increased by USD3.60 million or 30.98% to an annualised USD15.22 million (FYE 31 December 2019: USD11.62 million) due to the following:

- (i) annualised increase in sales of goods of USD3.04 million for 13M-FPE 31 January 2021 (FYE 31 December 2019: USD8.65 million) attributable to the increase in major key project wins in 13M-FPE 31 January 2021;
- (ii) annualised increase in services rendered of USD0.36 million for 13M-FPE 31 January 2021 (FYE 31 December 2019: USD2.00 million) attributable to the increase in professional consultancy and deployment services; and
- (iii) annualised increase in the provision of maintenance services of USD0.15 million for 13M-FPE 31 January 2021 (FYE 31 December 2019: USD0.97 million) corresponds to the increase in sales of goods for the 13M-FPE 31 January 2021.

QCL Group's PAT for 13M-FPE 31 January 2021 increased by USD1.01 million or 255.51% to an annualised USD1.40 million (FYE 31 December 2019: USD0.39 million) mainly due to the following:

- (i) higher revenue recorded for the 13M-FPE 31 January 2021 as detailed above; and
- (ii) lower annualised selling and distribution expenses of USD1.00 million for 13M-FPE 31 January 2021 (FYE 31 December 2019: USD1.28 million) attributable to lower travelling-related expenses for the period.

FYE 31 December 2019 vs. FPE 2018

QCL Group's revenue for FYE 31 December 2019 increased by USD7.27 million or 167.21% to USD11.62 million (FPE 2018: USD4.35 million) mainly due to the following:

- (i) increase in sales of goods of USD4.81 million for FYE 31 December 2019 (FPE 2018: USD 3.84 million) attributable to the increase in the momentum of partner channels and End-User Customers' engagement during FYE 31 December 2019;
- (ii) increase in services rendered of USD1.60 million for FYE 31 December 2019 (FPE 2018: USD0.40 million) attributable to the increase in professional consultancy and deployment services provided in FYE 31 December 2019; and

INFORMATION ON QCL GROUP (*CONT'D*)

- (iii) increase in the provision of maintenance services of USD0.86 million for FYE 31 December 2019 (FPE 2018: USD0.11 million) attributable to the increase in customers' renewed demand for strong maintenance support.

QCL Group's PAT for FYE 31 December 2019 increased by USD0.39 million or 11,109.34% to USD0.39 million (FPE 2018: USD3,510) mainly due to the higher revenue recorded in the FYE 31 December 2019 as stated above.

For the FPE 2018 and FYE 31 December 2019 under review:

- (i) there were no exceptional or extraordinary items;
- (ii) there were no accounting policies adopted by QCL Group which are peculiar to QCL Group because of the nature of its business or industry in which it is involved in; and
- (iii) there were no audit qualifications of the financial statements of QCL Group.

[The rest of this page has been intentionally left blank]

AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021

QUANTUM CHINA LIMITED
AND ITS SUBSIDIARY
(Company Registration No.: 1980361)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD
FROM 01 JANUARY 2020 TO 31 JANUARY 2021

Audited by:

oneASIA⁺

OneAsia Corporate Assurance PAC
Public Accountants and Chartered Accountants
(Registration No. 201526492K)

AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
(Company Registration No.: 1980361)

C O N T E N T S

	<u>PAGE(S)</u>
Directors' Statement	1 – 2
Independent Auditor's Report	3 – 5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10 – 36

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**DIRECTORS' STATEMENT
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Quantum China Limited (the "Company") and its subsidiary (the "Group") for the financial period from 01 January 2020 to 31 January 2021.

1. Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group as at 31 January 2021 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial period then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors in office at the date of this statement are:

Wong Gang
Tan Jeck Min

3. Arrangement to enable directors to acquire shares or debentures

Neither at the end of the financial period nor at any time during the financial period was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the 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.

4. Directors' interest in shares or debentures

According to the register of directors' shareholdings kept by the Company, the directors of the Company who held office at the end of financial period had no interests in the shares or debentures of the Company and its related corporations.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**DIRECTORS' STATEMENT****FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

5. Share options

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

There were no shares issued during the financial period by virtue of the exercise of an option to take up unissued shares of the Company.

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

6. Auditor

OneAsia Corporate Assurance PAC has expressed its willingness to accept re-appointment as auditor.

The Board of Directors,



Wong Gang
Director



Tan Jeck Min
Director

Date: 31 MAR 2021

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**



OneAsia Corporate Assurance PAC
Public Accountants and Chartered Accountants
(Registration No. 201526492K)
133 New Bridge Road,
#08-03 Chinatown Point,
Singapore 059413.
Tel: (65) 6273 2711 Fax: (65) 6273 0592
Email: audit@oneasiaca.com

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF
QUANTUM CHINA LIMITED**
Report on the Audit of the Consolidated Financial Statements

We have audited the consolidated financial statements of Quantum China Limited (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position of the Group as at 31 January 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group are properly drawn up in accordance with Financial Reporting Standards in Singapore (FRSs) so as to present fairly, in all material respects, the consolidated financial position of the Group as at 31 January 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the period then ended on that date.

Basis of Opinion

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

Other information

Management is responsible for the other information. The other information comprises the Directors' Statement.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

OneAsia Corporate Assurance PAC
Public Accountants and Chartered Accountants
(Registration No. 201526492K)

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF
QUANTUM CHINA LIMITED**

Report on the Audit of the Consolidated Financial Statements (cont'd)

Responsibilities of Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FRSs and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

OneAsia Corporate Assurance PAC
Public Accountants and Chartered Accountants
(Registration No. 201526492K)

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF
QUANTUM CHINA LIMITED**

Report on the Audit of the Consolidated Financial Statements (cont'd)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



OneAsia Corporate Assurance PAC
Public Accountants and
Chartered Accountants

Singapore

Date: 31 March 2021

AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021

	Note	01.01.2020 to 31.01.2021 US\$	01.01.2019 to 31.12.2019 US\$
Revenue	4	16,488,837	11,620,126
Cost of sales		<u>(13,126,996)</u>	<u>(9,358,748)</u>
Gross profit		3,361,841	2,261,378
Other income	5	8,796	22,027
Selling and distribution expenses		<u>(1,073,292)</u>	<u>(1,276,782)</u>
Administrative expenses		<u>(569,291)</u>	<u>(510,975)</u>
Profit before tax	6	1,728,054	495,648
Income tax expense	7	<u>(212,813)</u>	<u>(102,200)</u>
Profit for the financial period/ year		1,515,241	393,448
Other comprehensive income, net of tax			
Currency translation differences arising from consolidation		27,549	1,334
Total comprehensive income for the financial period/ year		<u>1,542,790</u>	<u>394,782</u>

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

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2021**

	Note	31.01.2021 US\$	31.12.2019 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	8	746,102	597,063
Right-of-use assets	9	92,165	111,891
Deferred costs	10	511,300	445,408
		<u>1,349,567</u>	<u>1,154,362</u>
Current assets			
Inventories	11	-	61,119
Trade and other receivables	12	8,248,944	3,162,986
Deferred costs	10	546,822	367,452
Cash and cash equivalents	13	3,866,702	3,182,122
		<u>12,662,468</u>	<u>6,773,679</u>
Total assets		<u>14,012,035</u>	<u>7,928,041</u>
LIABILITIES AND EQUITY			
Non-current liability			
Contract liabilities	14	1,041,539	705,964
Lease liabilities	15	20,284	17,750
Deferred tax liabilities	16	123,100	98,000
		<u>1,184,923</u>	<u>821,714</u>
Current liabilities			
Trade and other payables	17	6,648,017	2,906,618
Contract liabilities	14	969,846	699,051
Lease liabilities	15	75,150	93,339
Income tax payable		193,200	9,210
		<u>7,886,213</u>	<u>3,708,218</u>
Total liabilities		<u>9,071,136</u>	<u>4,529,932</u>
Equity			
Share capital	18	3,000,100	3,000,100
Currency translation reserve	19	28,600	1,051
Retained earnings		1,912,199	396,958
Total equity		<u>4,940,899</u>	<u>3,398,109</u>
Total liabilities and equity		<u>14,012,035</u>	<u>7,928,041</u>

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

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

	Share capital US\$	Currency translation reserve US\$	Retained earnings US\$	Total equity US\$
At 01 January 2019	3,000,100	(283)	3,510	3,003,327
Profit for the financial year	-	-	393,448	393,448
<i>Other comprehensive income for the financial year, net of tax</i>				
Currency translation differences arising from consolidation	-	1,334	-	1,334
Total comprehensive income for the financial year	-	1,334	393,448	394,782
At 31 December 2019	3,000,100	1,051	396,958	3,398,109
Profit for the financial period	-	-	1,515,241	1,515,241
<i>Other comprehensive loss for the financial period, net of tax</i>				
Currency translation differences arising from consolidation	-	27,549	-	27,549
Total comprehensive income for the financial period	-	27,549		1,542,790
At 31 January 2021	3,000,100	28,600	1,912,199	4,940,899

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

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

	01.01.2020 to 31.01.2021 US\$	01.01.2019 to 31.12.2019 US\$
Cash flows from operating activities		
Profit before income tax	1,728,054	495,648
Adjustments for:		
Interest income	(8,746)	(22,027)
Depreciation of property, plant and equipment	180,216	88,907
Depreciation of right-of-use assets	128,734	167,247
Property, plant and equipment written off	6,252	-
Lease interests	5,612	8,026
Currency translation adjustments	29,488	1,558
Operating cash flow before movements in working capital	<u>2,069,610</u>	<u>739,359</u>
Inventories	61,119	21,113
Trade and other receivables	(5,085,958)	(863,000)
Deferred costs	(245,262)	(532,818)
Trade and other payables	3,741,399	975,711
Contract liabilities	606,370	853,872
Cash generated from operations	<u>1,147,278</u>	<u>1,194,237</u>
Interest received	8,746	22,027
Tax paid	(5,944)	-
Net cash generated from operating activities	<u>1,150,080</u>	<u>1,216,264</u>
Cash flows from investing activity		
Acquisition of property, plant and equipment	(335,225)	(623,668)
Net cash used in investing activity	<u>(335,225)</u>	<u>(623,668)</u>
Cash flows from financing activities		
Advances from a shareholder	-	100
Repayment of lease liabilities	(124,663)	(168,487)
Lease interests	(5,612)	(8,026)
Net cash used in financing activities	<u>(130,275)</u>	<u>(176,413)</u>
Net increase in cash and cash equivalents	684,580	416,183
Cash and cash equivalents at beginning of the period/ year	3,182,122	2,765,939
Cash and cash equivalents at end of the period/ year	<u>3,866,702</u>	<u>3,182,122</u>

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

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

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

1. Corporate information

The Company (Company Reg. No.: 1980361) was incorporated in the British Virgin Islands with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its principal place of business at 51 Changi Business Park Central 2, #09-12 The Signature, Singapore 486066.

The Company is in the business of selling Enterprise Data Management (“EDM”) hardware and software licenses and provision of EDM support and maintenance services. There have been no significant changes in the nature of these activities during the financial period.

The Company currently has a wholly-owned subsidiary in People’s Republic of China, known as Quantum Storage Technology (Shenzhen) Co., Ltd. and the principal activities of its subsidiary are sale of Enterprise Data Management (“EDM”) hardware and software licenses and provision of EDM support and maintenance services.

2. Summary of significant accounting policies**(a) Basis of preparation**

The consolidated financial statements, expressed in United States Dollars (“US\$”), which is the Company’s functional currency, have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”). The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the following accounting policies.

The preparation of consolidated financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 to the consolidated financial statements.

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021****2. Summary of significant accounting policies (cont'd)****(a) Basis of preparation (cont'd)**

The carrying amounts of cash and cash equivalents, receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not have any materials effect on the financial performance or position of the Group.

New standards, amendments to standards and interpretations that have been issued at the reporting date but are not yet effective for the financial period ended 31 January 2021 have not been applied in preparing these financial statements.

(b) Revenue recognition

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

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

Sale of goods

Revenue is recognised when the goods are delivered to the customers and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the transaction price, which comprises the contractual price, net of the estimated volume rebates and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Provision of support and maintenance services

Revenue from rendering of services is recognised when the services have been performed and rendered and all criteria for acceptance have been satisfied.

Revenue from maintenance service is measured on a straight-line basis over the contract period.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

2. Summary of significant accounting policies (cont'd)

(c) Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Short-term employee benefits

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

(d) Income taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is provided using the liability method, on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the reporting date.

Deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021****2. Summary of significant accounting policies (cont'd)****(c) Basis of consolidation (cont'd)**

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for using the acquisition. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance, unless the obligations of the non-controlling interests are restricted to their capital contributed.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

2. Summary of significant accounting policies (cont'd)**(c) Basis of consolidation (cont'd)**

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to revenue reserve if required by a specific FRS.

(f) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the property, plant and equipment's depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Computers	3 years
Furniture and fittings	5 years
Infrastructure equipment	5 years
Renovation	5 years

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

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

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition is accounted for on first-in first-out method.

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

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021****2. Summary of significant accounting policies (cont'd)****(g) Inventories (cont'd)**

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(i) Impairment of non-financial assets

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

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in surplus or deficit unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(j) Financial instruments**(i) Financial assets****Initial recognition and measurement**

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

AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

2. Summary of significant accounting policies (cont'd)

(j) Financial instruments (cont'd)

(i) Financial assets (cont'd)

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

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

Subsequent measurement

Investments in debt instruments

Debt instruments of the Group mainly comprise of trade and other receivables, amount due from a shareholder and cash and cash equivalents.

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

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

Derecognition

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

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

2. Summary of significant accounting policies (cont'd)**(j) Financial instruments (cont'd)****(ii) Financial liabilities****Initial recognition and measurement**

Financial liabilities comprise of trade and other payables and leased liabilities. Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

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

Derecognition

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

(k) Impairment of financial assets

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

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

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021****2. Summary of significant accounting policies (cont'd)****(k) Impairment of financial assets (cont'd)**

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks which are subject to an insignificant risk of changes in value.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(o) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021****2. Summary of significant accounting policies (cont'd)****(o) Leases (cont'd)***The Group as a lessee (cont'd)***Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2 (i).

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021****2. Summary of significant accounting policies (cont'd)****(p) Related parties**

Entities and individuals that directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the entity, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals, also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

(q) Foreign currencies*Functional and presentation currency*

Items included in the financial statement of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States Dollars ("US\$"), which is the functional currency of the Company.

Transactions and balances

Transactions in a currency other than the functional currency (the "foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the end of the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021****2. Summary of significant accounting policies (cont'd)****(q) Foreign currencies (cont'd)**

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

3. Significant accounting judgements and estimates

In the application of the accounting policies, which are describe in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements made in applying accounting policies

The management is of the opinion that any instances of applications of judgement are not expected to have a significant effect on the amounts recognised in the financial statements apart from those involving estimations which are dealt with below. Actual results may differ from these estimates.

Key sources of estimation uncertainty

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

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021****3. Significant accounting judgements and estimates (cont'd)***Calculation of loss allowance (cont'd)*

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.

As the calculation of loss allowance on trade receivables and contract assets is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade receivables and contract assets. Details of ECL measurement and carrying value of trade receivables at reporting date are disclosed in Note 21.

The carrying amount of the Group's trade and other receivables at the end of the reporting period are disclosed in Note 12.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, management determined that the estimated useful lives of property, plant and equipment are appropriate and no revision is required.

The carrying amounts of the property, plant and equipment are disclosed in Note 8.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. If there is indication of impairment, the recoverable amounts of property, plant and equipment are determined based on value-in-use calculations. These calculations require the use of judgement and estimates. The management have assessed the indications of impairment and concluded no such indications as at the end of the financial year and hence no computation of the recoverable amounts is required.

Income taxes

Significant judgement is involved in determining the capital allowance and deductibility of certain expenses during the estimation of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

4. Revenue

	01.01.2020 to 31.01.2021 US\$	01.01.2019 to 31.12.2019 US\$
<i><u>Revenue recognised at a point in time</u></i>		
- Sales of goods	12,716,866	8,648,970
- Rendering of services	2,558,530	1,999,575
<i><u>Revenue recognised over time</u></i>		
- Maintenance services	1,213,441	971,581
	<u>16,488,837</u>	<u>11,620,126</u>

(a) Contract liabilities

Contract liabilities relate to the Group's obligation to provide maintenance services to customers for which the Group has received advances from customers. Contract liabilities are recognised as revenue over the period the maintenance services are provided. Revenue recognised for the financial period from 01 January 2020 to 31 January 2021 which was included in the contract liabilities balance at the beginning of the financial period was US\$655,295.

(b) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied performance obligations as at 31 January 2021 is US\$2,011,385. The Group expected to recognise US\$969,846 as revenue relating to the transaction price allocated to the unsatisfied performance obligation as at 31 January 2021 in the financial year ended 2022 and US\$1,041,539 in the financial year 2023 onwards.

5. Other income

	01.01.2020 to 31.01.2021 US\$	01.01.2019 to 31.12.2019 US\$
Interest income	8,746	22,027
Sundry income	50	-
	<u>8,796</u>	<u>22,027</u>

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

6. Profit before tax

Profit before tax has been arrived at after (crediting)/ charging:

	01.01.2020 to 31.01.2021 US\$	01.01.2019 to 31.12.2019 US\$
Depreciation of right-of-use assets	128,734	167,247
Depreciation of property, plant and equipment	180,216	88,907
Lease interests	5,612	8,026
Lease payments (short-term leases)	1,746	12,705
(Gain)/ loss on foreign exchange	(256,436)	51,298
Staff costs (other than directors):		
- Salaries and wages	1,140,738	1,052,883
- Employer's contribution to defined contribution plans	235,454	302,389
- Commissions	404,571	243,656

7. Income tax expense

	01.01.2020 to 31.01.2021 US\$	01.01.2019 to 31.12.2019 US\$
Current income tax		
- Current tax	190,971	4,200
- Overprovision in prior year	(3,258)	-
Deferred tax		
- Origination and reversal of temporary differences (Note 16)	25,100	98,000
	<u>212,813</u>	<u>102,200</u>

Relationship between tax expense and accounting profit

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	01.01.2020 to 31.01.2021 US\$	01.01.2019 to 31.12.2019 US\$
Profit before tax	1,728,054	495,648
Tax calculated at Singapore statutory tax rate of 17%	293,769	84,260
Different tax rate in other country	(68,697)	-
Income not taxable	(989)	-
Tax effects on non-deductible expenses	3,458	7,980
Income tax rebates and exemption	(12,652)	(8,114)
Deferred tax asset not recognised	-	11,487
Overprovision of current tax in prior year	(3,258)	-
Others	1,182	6,587
	<u>212,813</u>	<u>102,200</u>

AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021

8. Property, plant and equipment

	Computers US\$	Furniture and fittings US\$	Infrastructure equipment US\$	Renovations US\$	Total US\$
<u>Costs</u>					
At 01 January 2019	11,827	13,018	31,100	9,871	65,816
Additions	4,669	-	618,999	-	623,668
Currency translation differences	(212)	-	(13)	-	(225)
At 31 December 2019	16,284	13,018	650,086	9,871	689,259
Additions	-	-	330,263	4,962	335,225
Written off	-	-	-	(9,871)	(9,871)
Currency translation differences	1,316	-	103	-	1,419
At 31 January 2021	17,600	13,018	980,452	4,962	1,016,032
<u>Accumulated depreciation</u>					
At 01 January 2019	1,314	868	518	658	3,358
Depreciation	5,024	2,604	79,305	1,974	88,907
Currency translation differences	(69)	-	-	-	(69)
At 31 December 2018	6,269	3,472	79,823	2,632	92,196
Depreciation	5,975	2,820	169,074	2,347	180,216
Written off	-	-	-	(3,619)	(3,619)
Currency translation differences	887	-	163	87	1,137
At 31 January 2021	13,131	6,292	249,060	1,447	269,930
<u>Net carrying value</u>					
At 31 January 2021	4,469	6,726	731,392	3,515	746,102
At 31 December 2019	10,015	9,546	570,263	7,239	597,063

AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021

9. Right-of-use assets

	Office premises US\$
<u>Costs</u>	
At 01 January 2019	270,985
Additions	69,455
Currency translation differences	(535)
At 31 December 2019	339,905
Additions	109,592
Derecognition of assets	(270,985)
Currency translation differences	4,214
At 31 January 2021	182,726
<u>Accumulated depreciation</u>	
At 01 January 2019	60,901
Depreciation	167,247
Currency translation differences	(134)
At 31 December 2019	228,014
Depreciation	128,734
Derecognition of assets	(270,985)
Currency translation differences	4,798
At 31 January 2021	90,561
<u>Net carrying value</u>	
At 31 January 2021	92,165
At 31 December 2019	111,891

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

10. Deferred costs

	31.01.2021	31.12.2019
	US\$	US\$
Current portion	546,822	367,452
Non-current portion	511,300	445,408
	<u>1,058,122</u>	<u>812,860</u>

Deferred costs are prepaid maintenance services not recognised in the current financial period.

11. Inventories

	31.01.2021	31.12.2019
	US\$	US\$
Data storage systems, at cost	<u>-</u>	<u>61,119</u>

The cost of inventories recognised as expense and included in cost of sales amounted to US\$ 11,025,471 (31.12.2019: US\$7,604,727).

12. Trade and other receivables

	31.01.2021	31.12.2019
	US\$	US\$
Trade receivables		
- third parties	8,067,486	2,357,168
- related party	-	355,584
	<u>8,067,486</u>	<u>2,712,752</u>
Deposits	39,596	45,398
Prepaid operating expenses	13,713	46,290
Other receivables	-	15,971
GST/ VAT receivable	128,149	342,575
	<u>181,458</u>	<u>450,234</u>
	<u>8,248,944</u>	<u>3,162,986</u>

Trade and other receivables are non-interest bearing and are generally on 30 days' credit terms. They are recognised at their original amounts which represent their fair value on initial recognition.

Included in the Group's other receivables that are denominated in the currency other than the functional currencies of the Group entities are as follows:

	31.01.2021	31.12.2019
	US\$	US\$
Singapore dollars ("S\$")	<u>128,149</u>	<u>337,511</u>

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

13. Cash and cash equivalents

	31.01.2021	31.12.2019
	US\$	US\$
Cash in hand	32,358	17,293
Bank balances	3,834,344	3,164,829
	<u>3,866,702</u>	<u>3,182,122</u>

Cash and cash equivalents that are denominated in the currency other than the functional currencies of the Group entities are as follows:

	31.01.2021	31.12.2019
	US\$	US\$
Singapore dollars ("S\$")	<u>37,203</u>	<u>32,401</u>

14. Contract liabilities

	31.01.2021	31.12.2019
	US\$	US\$
Current portion	969,846	699,051
Non-current portion	1,041,539	705,964
	<u>2,011,385</u>	<u>1,405,015</u>

Contract liabilities relate to the Group's obligation to provide services to customers for which the Group has received advances from. Contract liabilities are recognised as revenue as the Group performs under the contract.

15. LeasesThe Group as a lessee

The Group has lease contract for office premises. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension options which are further discussed below.

The Group also has certain leases of office premises with lease terms of 12 months or less. The Group applies the "short-term lease" and "lease of low-value-assets" recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are disclosed in Note 9.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

15. Leases (cont'd)

The Group as a lease (cont'd)

(b) Lease liabilities

	31.01.2021 US\$	31.12.2019 US\$
Current portion	75,150	93,339
Non-current portion	20,284	17,750
	<u>95,434</u>	<u>111,089</u>

Movement of lease liabilities arising from financing activities is as follows:

	At 01.01.2020 US\$	Acquisition US\$	Cash flows US\$	Lease interests US\$	At 31.01.2021 US\$
Current	93,339	83,112	(106,913)	5,612	75,150
Non-current	17,750	20,284	(17,750)	-	20,284
	<u>111,089</u>	<u>103,396</u>	<u>(124,663)</u>	<u>5,612</u>	<u>95,434</u>

	At 01.01.2019 US\$	Acquisition US\$	Cash flows US\$	Lease interests US\$	At 31.12.2019 US\$
Current	148,831	43,346	(106,864)	8,026	93,339
Non-current	61,623	17,750	(61,623)	-	17,750
	<u>210,454</u>	<u>61,096</u>	<u>(168,487)</u>	<u>8,026</u>	<u>111,089</u>

(c) Amounts recognised in profit or loss

	31.01.2021 US\$	31.12.2019 US\$
Depreciation of right-of-use assets	128,734	167,247
Interest expense on lease liabilities (Note 6)	5,612	8,026
Lease expenses not capitalised in lease liabilities:		
- Expense relating to short-term leases	1,746	12,705
Total amount recognised in profit or loss	<u>136,092</u>	<u>187,978</u>

(d) Total cash outflows

The Group had total cash outflows for leases of US\$126,409 in 2021 (31.12.2019: US\$181,192).

(e) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

16. Deferred tax liabilities

Movements in deferred tax liabilities during the financial year were as follows:

	At 01.01.2019 US\$	Recognised in profit or loss (Note 7) US\$	At 31.12.2019 US\$	Recognised in profit or loss (Note 7) US\$	At 31.01.2021 US\$
Differences in depreciation for tax purposes	-	98,000	98,000	25,100	123,100
	-	98,000	98,000	25,100	123,100

17. Trade and other payables

	31.01.2021 US\$	31.12.2019 US\$
Trade payables		
- third parties	229,500	1,016,883
- related party	5,804,328	1,642,015
- VAT payables	84,568	-
	<u>6,118,396</u>	<u>2,658,898</u>
Other payables		
- third parties	5,934	1,896
- related party	95,611	9,136
Accrued operating expenses	428,076	236,688
	<u>529,621</u>	<u>247,720</u>
	<u>6,648,017</u>	<u>2,906,618</u>

Trade payables are non-interest bearing and are generally on 30 days' to 60 days' credit terms. They are recognised at their original amounts which represent their fair value on initial recognition.

Included in the Group's trade and other payables that are denominated in the currency other than the functional currencies of the Group entities are as follows:

	31.01.2021 US\$	31.12.2019 US\$
Singapore dollars ("S\$")	<u>65,158</u>	<u>31,585</u>

18. Share capital

	Number of shares issued Units	31.01.2021 US\$	Number of shares issued Units	31.12.2019 US\$
<u>Issued and paid up share capital</u>				
At beginning and end of period/ year	<u>120</u>	<u>3,000,100</u>	<u>120</u>	<u>3,000,100</u>

The total authorised ordinary shares of the Company are 50,000 shares. The holders of the shares are entitled to one vote per share on all matters submitted to a vote of shareholders and to receive all dividends, of any.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

19. Currency translation reserve

The currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

20. Related party transactions

Other than disclosed elsewhere in the financial statements, transactions by the Group with related parties on terms agreed between the parties concerned are as follows:

	01.01.2020 to 31.01.2021 US\$	01.01.2019 to 31.12.2019 US\$
<i>With related parties</i>		
Sales to related parties	499,413	2,531,495
Services rendered from related parties	(118,410)	-
Purchases from related parties		
- Hardware and services	(10,764,804)	(7,243,866)
- Infrastructure equipment	(250,681)	-
Expenses paid on behalf by related parties	<u>(55,963)</u>	<u>-</u>

21. Financial instruments**(a) Categories of financial instruments**

Financial instruments as at reporting date are as follows:

	31.01.2021 US\$	31.12.2019 US\$
<u>Financial assets measured at amortised cost</u>		
Trade and other receivables	8,107,082	2,774,121
Cash and cash equivalents	<u>3,866,702</u>	<u>3,182,122</u>
	<u>11,973,784</u>	<u>5,956,243</u>
<u>Financial liabilities measured at amortised cost</u>		
Trade and other payables	6,563,449	2,906,618
Lease liabilities	<u>95,434</u>	<u>111,089</u>
	<u>6,658,883</u>	<u>3,017,707</u>

(b) Financial risk management

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk, interest rate risk and liquidity and cash flow risk. The Group's overall risk management is determined and carried out by the directors on an informal basis and the Group does not hold or issue derivative financial instruments for speculative purposes.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

21. Financial instruments (cont'd)**(b) Financial risk management (cont'd)***Foreign currency risk*

The Group exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the Group entities.

Exposures to foreign currency risk are monitored on an ongoing basis by the Group to ensure that the net exposure is at an acceptable level. The Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

At the end of the reporting period, the Group has the following financial assets and financial liabilities denominated in S\$:

	31.01.2021	31.12.2019
	US\$	US\$
Trade and other receivables	128,149	-
Cash and cash equivalents	37,203	32,401
Trade and other payables	(65,158)	(31,585)
Net currency exposure	<u>100,194</u>	<u>816</u>

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ exchange rate against the functional currencies of the Group entities, with all other variables held constant, on the Group's profit before tax:

	Increase/ (decrease) in profit before tax 31.01.2021 US\$	Increase/ (decrease) in profit before tax 31.12.2019 US\$
S\$ strengthened by 5%	(5,010)	(41)
S\$ weakened by 5%	<u>5,010</u>	<u>41</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing with high credit quality counterparties.

As reporting date, Group has a significant concentration of credit risk for 4 (31.12.2019: 3) major customers which accounts for about 98% (31.12.2019: 88%) of its trade receivables balance at period end. The maximum exposure to credit risk is represented by the carrying value of each class of financial assets recognised in the statement of financial position.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

21. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (control)

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

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received.

To minimise credit risk, the Group has developed and maintained its credit risk grading to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
<u>31 January 2021</u>						
Trade receivables	12	Note 1	Lifetime ECL (simplified approach)	8,067,486	-	8,067,486
Other receivables	12	Performing	12-month ECL	39,596	-	39,596
					<u>-</u>	
	Note	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
<u>31 December 2019</u>						
Trade receivables	12	Note 1	Lifetime ECL (simplified approach)	2,712,752	-	2,712,752
Other receivables	12	Performing	12-month ECL	61,369	-	61,369
					<u>-</u>	

Trade receivables (Note 1)

For trade receivables, the Group has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Group determines the ECL based on historical credit loss experience, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

21. Financial instruments (cont'd)**(b) Financial risk management (cont'd)***Credit risk control (cont'd)***Other receivables**

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Bank balances are placed with reputable financial institutions.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The Group's trade receivables comprise the following:

	31.01.2021	31.12.2019
	US\$	US\$
Not past due and not impaired	5,391,239	2,706,330
Past due but not impaired	<u>2,676,247</u>	<u>6,422</u>
	<u>8,067,486</u>	<u>2,712,752</u>
	31.01.2021	31.12.2019
	US\$	US\$
Past due 0 to 30 days	760,403	-
Past due 31 to 60 days	11,244	-
Past due over 60 days	<u>1,904,600</u>	<u>6,422</u>
	<u>2,676,247</u>	<u>6,422</u>

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of the Group's financial instruments will fluctuate because of changes in market interest rate. Apart from the bank balances, the Group has no significant interest-bearing financial assets and liabilities.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

21. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Liquidity and cash flow risk

The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable them to meet their normal operating commitments.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	31.01.2021			
	1 year or less US\$	2 to 5 years US\$	Over 5 years US\$	Total US\$
Trade and other payables	6,563,449	-	-	6,563,449
Lease liabilities	77,984	20,973	-	98,957
	<u>6,641,433</u>	<u>20,973</u>	<u>-</u>	<u>6,662,406</u>

	31.12.2019			
	1 year or less US\$	2 to 5 years US\$	Over 5 years US\$	Total US\$
Trade and other payables	2,906,618	-	-	2,906,618
Lease liabilities	97,065	18,336	-	115,401
	<u>3,003,683</u>	<u>18,336</u>	<u>-</u>	<u>3,022,019</u>

(c) Fair values of financial instruments

The carrying amounts of the financial assets and financial liabilities recorded in the consolidated financial statements of the Group approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

22. Capital management

The Group's objectives when managing capital are:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Capital of the Group comprises share capital and retained earnings. The Group is not subject to externally imposed capital requirements. The Group's overall capital management strategy remains unchanged from prior year.

**AUDITED FINANCIAL STATEMENTS OF QCL GROUP FOR THE 13M-FPE 31 JANUARY 2021
(CONT'D)**

QUANTUM CHINA LIMITED AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2020 TO 31 JANUARY 2021**

23. Change of financial year end and comparative figures

Pursuant to members' resolution passed on 16 July 2020, the Company has changed its financial year end from 31 December to 31 January and the next accounting year end is on 31 January 2021.

The consolidated financial statements for current period cover the financial period from 01 January 2020 to 31 January 2021. The comparative figures of the consolidated financial statements cover the financial period from 01 January 2019 to 31 December 2019.

24. Authorisation of financial statements

The consolidated financial statements of the Group for the financial period from 01 January 2020 to 31 January 2021 were authorised for issue in accordance with a resolution of the Board of Directors dated 31 March 2021.

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021

ShookLin & Bok

Writer's Name: Wong Gang
Secretary: Angela Leow

Tel: (65) 6439 4833
E-Mail: gang.wong@shooklin.com

Our ref: WOG/NFQ/2210432
Your ref:

By Email and Hand

5 July 2021

Kronologi Asia Berhad
Third Floor, No. 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Attention: The Board of Directors

Dear Sirs,

KRONOLOGI ASIA BERHAD ("KAB") – PROPOSED ACQUISITION BY KAB OF 100 ORDINARY SHARES IN THE CAPITAL OF QUANTUM CHINA LIMITED (THE "TARGET") CURRENTLY HELD BY LAVENDER BLOOMS INVESTMENTS LIMITED (THE "VENDOR"), REPRESENTING 83.33% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF THE TARGET, FOR A TOTAL PURCHASE CONSIDERATION OF UP TO RM150,000,000 TO BE SATISFIED VIDE THE ISSUANCE OF NEW ORDINARY SHARES IN KAB AND THE PAYMENT OF A CASH CONSIDERATION COMPONENT ("PROPOSED ACQUISITION")

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY THE TARGET, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS

We have been instructed by KAB, a company duly incorporated in Malaysia, to issue a legal opinion on the matters set out below in connection with the issuance of the circular to shareholders of KAB in relation to the Proposed Acquisition.

The Target currently owns (i) the entire registered capital of Quantum Storage Technology (SHENZHEN) Co., Ltd (昆騰存儲科技(深圳)有限公司) (Unified Social Credit Code No. 91440300MA5FB6FA3G) ("Quantum Shenzhen"), a company incorporated in the People's Republic of China ("PRC"), which in turn has incorporated a branch office in Beijing, PRC (the "Branch"); and (ii) the entire issued capital of Quantum Storage (China) Pte. Ltd. (Company Registration No. 202111043K), a company incorporated in the Republic of Singapore ("QSCPL"). The Target, QSCPL and Quantum Shenzhen shall hereinafter be referred to collectively as the "Target Group", and each a "Target Group Entity".

This opinion is limited to the laws of the Republic of Singapore as applied by the Singapore courts and is given on the basis that it will be governed by and construed in accordance with Singapore law. We do not purport to be experts on, or generally familiar with, any laws other than the laws of the Republic of Singapore. Accordingly, we have made no investigation of, and do not express or imply any views on the laws of any territory or country other than Singapore. In particular, we have made no investigation of the respective laws of Malaysia, the British Virgin Islands ("BVI") and PRC, and do not express or imply any views on such laws.

Shook Lin & Bok LLP

施齡及權律師事務所

1 Robinson Road #18-00 AIA Tower Singapore 048542 Tel: +65 6535 1944 Fax: +65 6535 8577 Email: slb@shooklin.com Website: www.shooklin.com

Shook Lin & Bok LLP (Unique Entity No. T07LL0624K) is registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A) with limited liability.

THE INFORMATION CONTAINED IN THIS TRANSMISSION IS CONFIDENTIAL AND ONLY FOR THE INTENDED RECIPIENT IDENTIFIED ABOVE. IF YOU ARE NOT THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION OR USE OF THIS COMMUNICATION IS PROHIBITED. IF YOU HAVE RECEIVED THIS TRANSMISSION IN ERROR, PLEASE IMMEDIATELY NOTIFY US BY TELEPHONE, RETURN THE ORIGINAL MESSAGE TO US, AND RETAIN NO COPY.

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

A. Documents

We have examined the following documents ("Documents") for the purpose of giving this legal opinion:

1. the Sale and Purchase Agreement dated 24 May 2021 between the Vendor and KAB (collectively, the "SPA Parties" and each, a "SPA Party"), as supplemented by the Supplemental Deed dated 2 July 2021 (the "Supplemental Deed") between the SPA Parties (the "SPA");
2. the legal opinion dated 5 July 2021 from BVI legal counsel (Conyers Dill & Pearman Pte. Ltd.) ("BVI Legal Opinion") in relation to the Target;
3. the legal opinion dated 5 July 2021 from PRC legal counsel (Beijing Dacheng Law Offices LLP, Shanghai) ("PRC Legal Opinion") in relation to Quantum Shenzhen and the Branch (together with the due diligence report on Quantum Shenzhen and the Branch as annexed to the PRC Legal Opinion ("PRC LDDR"));
4. the confirmation letter dated 5 July 2021 executed by Tan Jeck Min, a director signing for and on behalf of QSCPL, in relation to the affairs of QSCPL ("QSCPL Confirmation Letter");
5. the confirmation letter dated 5 July 2021 executed by Tan Jeck Min, a director signing for and on behalf of the Target and Quantum Shenzhen respectively;
6. the certificate of incorporation of QSCPL issued by the Accounting and Corporate Regulatory Authority ("ACRA") on 19 April 2021;
7. the ACRA filing dated 29 March 2021 in relation to the incorporation of QSCPL;
8. an email confirming the incorporation of QSCPL dated 29 March 2021 issued by ACRA;
9. the constitution of QSCPL ("Constitution");
10. the electronic register of members of QSCPL dated 5 July 2021; and
11. the electronic register of directors of QSCPL dated 5 July 2021.

Searches conducted by us

We have also carried out the following searches on the Target Group:

1. an electronic and computerised search of instant information (business profile) on QSCPL conducted with ACRA on 5 July 2021 ("ACRA Search");
2. composite litigation searches made on 19 April 2021, 10 May 2021 and 5 July 2021 of the computerised search index of actions filed by and against each Target Group Entity in the State Courts and the High Court of the Republic of Singapore for the years 2018, 2019, 2020 and 2021 ("Cause Book Searches");
3. searches made on 10 May 2021 and 5 July 2021 of the computerised search index of the High Court of the Republic of Singapore in respect of winding-up application(s) of QSCPL for the year 2021 ("Winding-Up Search");
4. searches made on 19 April 2021, 10 May 2021 and 5 July 2021 of the computerised search index of the High Court of the Republic of Singapore in respect of bankruptcy application(s) of Wong Gang and Tan Jeck Min for the years 2018, 2019, 2020 and 2021 ("Bankruptcy Searches");

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

(collectively, the "Searches").

The Searches conducted have not shown any adverse information on the Target Group in Singapore.

B. Assumptions

We have assumed that:

1. there are no material facts in respect of the affairs of each Target Group Entity of which we are unaware and have not been disclosed to us by the directors and management of each Target Group Entity, or by their respective company secretaries and other corporate advisers, whether deliberately or inadvertently;
2. all the information furnished to us by each Target Group Entity through its respective directors, managers, employees, agents or advisers is true, correct, accurate, not misleading, and represents a complete and up-to-date account of the information given;
3. all documents submitted or made available to us as copies conform to the authentic original documents which such copies purport to represent and all original documents, whether or not submitted or made available to us, are existing, as the case may be, and have not been varied, cancelled or superseded by some other document or agreement or action of which we are not aware;
4. the SPA and the Supplemental Deed had been duly and validly executed by the SPA Parties in accordance with their respective laws of incorporation;
5. the accuracy and completeness of all Searches conducted by our agents and that the Searches continue to be true, accurate and complete from the date of the relevant search until the date hereof and that such Searches did not fail to disclose any information which had been delivered for registration but did not appear on the public records at the date of our Searches; and
6. all of the contents set out in the BVI Legal Opinion and the PRC Legal Opinion (including the PRC LDDR) are true and accurate and such contents remain to be true and accurate from the date thereof till the date of this legal opinion.

C. Opinion

Subject to the assumptions and qualifications made in this legal opinion and based on our review of the Documents, the information provided to us by the Target Group, and the Searches, we set out below our opinion on the matters requested as follows:

1. Due incorporation

1.1 Target, Quantum Shenzhen and QSCPL

- 1.1.1 Each of the Target, Quantum Shenzhen and QSCPL was duly incorporated and is validly existing under its respective applicable laws of incorporation.
- 1.1.2 Based on the PRC LDDR, the business term of Quantum Shenzhen is from 26 September 2018 to 26 September 2048.
- 1.1.3 Each of the Target, Quantum Shenzhen and QSCPL has the capacity and the corporate powers to enter into valid and binding agreements, make representations and commit to undertakings in its own name, subject to its constitutive documents and applicable laws and regulations.
- 1.1.4 There are no pre-emption rights set out in the constitutive documents of each of

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

the Target and Quantum Shenzhen.

- 1.1.5 Pursuant to Regulation 42 of the Constitution of QSCPL, any person proposing to transfer a share in the capital of QSCPL (hereinafter called "the proposing transferor") shall give notice in writing (hereinafter called "a transfer notice") to QSCPL that he desires to transfer the same. If QSCPL shall within 28 days after being served with a transfer notice find a purchasing member willing to purchase any of the shares as aforesaid and shall give notice thereof to the proposing transferor, the proposing transferor shall be bound upon payment of the fair value as fixed in accordance with paragraph (1) or (4) of Regulation 42 to transfer the relevant shares to the purchasing member. If QSCPL shall not within the 28-day period referred to above find a purchasing member or give notice in the manner aforesaid in respect of any shares comprised in the transfer notice, the proposing transferor shall at any time within three (3) months after the expiration of such period be at liberty to sell and transfer the shares to any person at a price which is not less than that specified by him in the transfer notice.

1.2 The Branch

- 1.2.1 Based on the PRC Legal Opinion, the Branch was duly incorporated under the *Company Law of the People's Republic of China* (《中华人民共和国公司法》) ("PRC Company Law") and the *Foreign Invested Enterprise Law of the People's Republic of China* (《中华人民共和国外资企业法》), and is validly existing under the laws of the PRC.
- 1.2.2 Based on the PRC Legal Opinion, under the PRC Company Law, the Branch shall not be deemed an independent legal person and its civil liability shall be fully borne by Quantum Shenzhen. Notwithstanding that the Branch shall not be deemed an independent legal person under the PRC Company Law, the Branch has full power and authority to own, use, lease and operate its properties and other assets and to conduct its business as it is now being conducted and as the same described in its business license.

2. Contracts

2.1 Target

The Target has taken all corporate action required to authorise its execution, delivery and performance of the documents set out in Schedule 1. These documents have been duly executed and delivered by or on behalf of the Target, and constitute the valid and binding obligations of the Target enforceable in accordance with the terms thereof.

2.2 Quantum Shenzhen and the Branch

- 2.2.1 Each of Quantum Shenzhen and the Branch has the necessary power and authority for the valid execution and delivery of the contracts and agreements set out in Schedule 2, to which it is a party and for the performance of its obligations thereunder.
- 2.2.2 The execution and delivery by Quantum Shenzhen or the Branch (as the case may be) of each of the agreements set out in Schedule 2 to which it is a party and the performance by Quantum Shenzhen or the Branch (as the case may be) of its obligations thereunder have been duly authorized by all requisite corporate actions (corporate or otherwise, if necessary), and each of the agreements set out in Schedule 2 constitutes legal, valid and binding obligations of Quantum Shenzhen or the Branch (as the case may be) enforceable against it in accordance with the terms thereof. The execution and delivery by Quantum Shenzhen or the Branch (as the case may be) of the agreements set out in Schedule 2, and the performance of its obligations thereunder, do not and will not result in (i) any violation of the provisions of the articles of association of Quantum Shenzhen, their respective business licenses

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

or other constitutive documents of Quantum Shenzhen and the Branch, or (ii) any violation of any applicable PRC laws.

- 2.2.3 In the case that Quantum Shenzhen or the Branch (as the case may be) enters into any agreements, representations or undertakings not in violation of applicable PRC laws and the articles of association of Quantum Shenzhen (if any), such agreements, representations or undertakings are enforceable against Quantum Shenzhen or the Branch (as the case may be) under applicable PRC laws.

2.3 QSCPL

Any agreement, representation or undertaking (each a "Contract") entered into by QSCPL is generally enforceable against QSCPL under Singapore law, subject to the following without limitation:

- (a) a contractual provision providing for the payment of additional amounts upon a default may not be enforceable if construed by a Singapore court as a penalty;
- (b) where any obligation is to be performed in a jurisdiction outside Singapore or is subject to the laws of a jurisdiction outside Singapore, such obligation may not be enforceable in Singapore in the event and to the extent that such performance would be unenforceable, unlawful or contrary to public policy under the laws of that jurisdiction;
- (c) in some circumstances, a Singapore court would not give effect to a provision in a Contract providing for the severance of any provision which is illegal, invalid or unenforceable, if to do so would not accord with public policy or would involve the court in making a new contract for the parties;
- (d) the enforceability of a Contract may be limited by time bars or lapse of time, court schemes, applicable bankruptcy, reorganisation, receivership, liquidation or other similar laws affecting creditor's rights generally and by equitable principles (regardless of whether the issue of enforceability is considered in a proceeding in equity or at law), or may be or become subject to a defence of set-off or counterclaim. In particular, transactions entered into in the period before the bankruptcy starts may be set aside in certain circumstances;
- (e) as regards jurisdiction, a court in Singapore may in its discretion stay proceedings in certain circumstances, for example, if the public policy of Singapore so requires, if concurrent proceedings are brought elsewhere, if the matter concerned is *res judicata*, if litigation is pending in another forum on the same matter or if another forum is more convenient;
- (f) a Contract may be varied, amended or discharged by a further agreement or affected by a collateral agreement which may be effected by an oral agreement or implied by a course of dealing;
- (g) although the Singapore courts will award damages in currencies other than Singapore Dollars, it should not necessarily be assumed that the courts would in every case award damages for any breach of the documents in any other currency other than Singapore Dollars and they may not enforce the benefit of any currency conversion and indemnity provisions;
- (h) enforcement may be restricted by the principles relating to the frustration of contracts by events occurring after their execution;
- (i) interest on overdue amounts may not be recoverable if it amounts to a penalty under Singapore law;
- (j) the enforcement of a Contract may be affected if any of them has been entered into

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

for the purpose of or in connection with (i) money laundering, or (ii) any other unlawful activity.

2.4 SPA

With reference to the SPA:

- (a) the execution and delivery by the SPA Parties of the SPA and the performance by each SPA Party of its obligations in the SPA do not and will not:
 - (i) violate or contravene any law of Singapore;
 - (ii) violate any court order or official decree of Singapore;
- (b) the SPA, including the representations and undertakings given thereunder by the SPA Parties are enforceable under Singapore laws;
- (c) no authorisation, approval, consent, licence or exemption is required from any governmental, judicial or public body or authority in Singapore in connection with the execution and delivery by the SPA Parties of the SPA or the performance by each SPA Party of its obligations thereunder;
- (d) it is not necessary, in order to ensure the legality, validity or enforceability of the SPA that the SPA (or any particulars of it) should be registered, filed, recorded, notarised or delivered with or to any governmental or official or regulatory body of or in Singapore;
- (e) no stamp duty is required to be paid in Singapore in connection with the sale of shares contemplated by the SPA;
- (f) no fees, costs or deposits are payable to any governmental or official or regulatory body in Singapore in connection with the transaction(s) contemplated in the SPA;
- (g) in the event that a judgment of the Malaysian courts is obtained in respect of the SPA, the judgment would be recognised and enforced by the courts of Singapore without retrial or further review of the merits of the case, provided that the conditions set out in paragraph 2.7 below are satisfied.

2.5 Whilst a claimant may issue a writ of summons against a defendant, which is resident or has assets in Singapore as a matter of right, the defendant will not be precluded from applying and obtaining an order for a stay of the proceedings in Singapore on the basis of ***forum non conveniens***.

2.6 Generally, a judgment obtained in another jurisdiction (other than judgments of a superior court in a Commonwealth jurisdiction or Hong Kong SAR) cannot be registered and enforced in Singapore. However, a foreign judgment creditor may sue as a plaintiff in the Singapore courts for enforcement of its rights against a foreign judgment debtor under a contract. Access to the Singapore courts by foreign judgment creditors to enforce the foreign judgment will not be subject to any conditions which are not applicable to residents of Singapore or a company incorporated in Singapore except:

- (a) that the Singapore courts have power to stay the proceedings as set out above;
- (b) a Singapore court may, at its discretion, order a plaintiff not ordinarily resident in Singapore to provide security for costs of the proceedings.

2.7 A final and conclusive foreign judgment properly obtained for a fixed sum of money against a defendant in respect of any legal suit or proceedings arising out of or relating to a contract, which has not been stayed or satisfied may be sued upon as a debt due from the defendant. A Singapore court will render a fresh judgment without re-examination of

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

or a review of the merits of the cause of action in respect of which the original judgment was given if:

- (a) the relevant court had jurisdiction over the defendant in that it was, at the time of commencement of proceedings, resident in the jurisdiction of the foreign country where judgment was obtained or had submitted to the jurisdiction of the relevant court;
- (b) the judgement was not obtained by fraud;
- (c) the enforcement of the judgment would not be contrary to public policy in Singapore;
- (d) that judgment had not been obtained in contravention of the principles of natural justice; and
- (e) the judgment of the relevant court did not include the payment of taxes, a fine or a penalty.

Enforcement of Commonwealth Judgments

- 2.8 In the event of a breach or non-performance of any obligation or undertaking given by QSCPL in a contract and legal proceedings are commenced and a judgment is obtained in a Commonwealth jurisdiction against QSCPL in respect of the same, a judgment creditor of a judgment obtained in the Commonwealth jurisdiction may apply to the High Court of Singapore at any time within 12 months (or such longer period as the High Court may allow) after the judgment, to have the judgment registered in the High Court. The High Court may register the judgment if it in all the circumstances of the case thinks it just and convenient to do so. Upon registration, the judgment shall, with effect from the date of registration, be of the same force and effect as if it had been a judgment obtained in Singapore.
- 2.9 No judgment shall, however, be registered in Singapore if:
- (a) the original court acted without jurisdiction;
 - (b) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the original court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court;
 - (c) the judgment debtor, being the defendant in the proceedings, was not duly served with the process of the original court and did not enter any appearance, notwithstanding that it was ordinarily resident or was carrying on business within the jurisdiction of that court or agreed to submit to the jurisdiction of that court;
 - (d) the judgment was obtained by fraud;
 - (e) the judgment debtor satisfies the High Court either that an appeal is pending, or that it is entitled and intends to appeal against the judgment; or
 - (f) the judgment was in respect of a cause of action which for public policy or similar reasons, the High Court could not entertain.
- 2.10 A Singapore court will not necessarily grant any remedy, the availability of which is subject to equitable considerations or which is otherwise at the discretion of the court. In particular, orders for specific performance and injunctions are, in general, discretionary remedies under Singapore law and specific performance is not available where damages are considered by the court to be an adequate alternative remedy.

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

3. Foreign Investment Policies

3.1 BVI

- 3.1.1 The Target may, purchase, redeem or otherwise acquire its own shares in such manner and upon such other terms as the directors may agree with the relevant shareholder(s) save that the Target may not repurchase, redeem or otherwise acquire its own shares without the consent of shareholders whose shares are to be purchased, redeemed or otherwise acquired unless the Target is permitted by the BVI Business Companies Act, 2004 of the BVI ("**BVI Companies Act**") or any other provision in the Memorandum of Association or the Articles of Association of the Target to purchase, redeem or otherwise acquire the shares without their consent. There is no other provision in the Target's Memorandum of Association or the Articles of Association that provides for any purchase, redemption or other acquisition of the Target's shares without the consent of the shareholder(s) whose shares are to be purchased, redeemed or otherwise acquired.
- 3.1.2 No purchase, redemption or other acquisition of its own shares may be made by a BVI business company unless the directors are satisfied on reasonable grounds, that the company will, immediately after the purchase, redemption or acquisition, satisfy the solvency test. A company satisfies the solvency test if (i) the value of the company's assets exceeds its liability, and (ii) the company is able to pay its debts as they fall due. The BVI Companies Act provides for certain situations where this solvency test is not mandatory prior to purchase, redemption or acquisition. These are where: (a) the company redeems the shares under and in accordance with Section 62 of the BVI Companies Act (which section does not apply to the Target pursuant to its Articles of Association); (b) the company redeems the shares pursuant to a right of a shareholder to have his shares redeemed or to have his shares exchanged for money or other property of the company; (c) the company purchases, redeems or otherwise acquires the share or shares by virtue of the provisions of Section 179 of the BVI Companies Act in relation to the rights of dissenters under a redemption of minority shareholders, merger, consolidation, a disposition of assets, a compulsory redemption or an arrangement; or (d) the company acquires its own fully paid shares pursuant to a surrender of such shares by the person holding the shares. Save for the above, there are no other restrictions under the BVI Companies Act, the Target's Memorandum of Association or the Articles of Association on the payment made by the Target for the repurchase, redemption or other acquisition of its own shares.
- 3.1.3 The Target may make a distribution (which term includes a dividend), whether to a foreign shareholder or otherwise, provided that the directors are satisfied, on reasonable grounds, that the Target will, immediately after the distribution, satisfy the solvency test set out in the immediately preceding paragraph.
- 3.1.4 There is no concept of authorised capital under the BVI Companies Act, hence there is no concept of authorised capital reduction.
- 3.1.5 The Target is free to acquire, hold and sell foreign currency and securities without restriction. There is no exchange control legislation under BVI law and accordingly, (i) there are no exchange control regulations imposed under BVI law that would prevent the Target from paying dividends to shareholders in any currency, and all such dividends may be freely transferred out of the BVI, clear of any income or other tax of the BVI imposed by withholding or otherwise without the necessity of obtaining any consent of any government or authority of the BVI, and (ii) there are no exchange control restrictions or sanctions currently in effect in the BVI that would, in the ordinary circumstances, prevent the repatriation of funds (regardless whether they are profits or capital in nature) in a foreign currency from the BVI to any country by the Target.

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

- 3.1.6 There are no restrictions under BVI law against a foreign party investing or holding shares in the Target.

3.2 PRC

- 3.2.1 Foreign persons, entities, enterprises or other organizations are permitted to invest directly or indirectly within the territory of the PRC according to the *Foreign Investment Law of the People's Republic of China* (《中华人民共和国外商投资法》) (the "PRC Foreign Investment Law").

- 3.2.2 Unless otherwise prescribed by the PRC laws, any industries not falling into any of the restricted or prohibited industries set out in the *Special Administrative Measures (Negative List) for the Access of Foreign Investment* (外商投资准入特别管理措施(负面清单)) (the "Negative List") is a permitted industry for foreign investment and for a company operating in such industries, there is no requirement under the PRC laws for any proportion of the equity interests in the registered capital of such company to be held by PRC residents (whether individual or corporate).

According to the business scope of Quantum Shenzhen, the business conducted by Quantum Shenzhen and the Branch does not fall into the Negative List. Accordingly, there is no restriction on a foreign entity from investing in or owning equity interest in the registered capital of Quantum Shenzhen under the PRC laws.

- 3.2.3 Under the PRC Company Law, the PRC Foreign Investment Law and the *Implementation of the Foreign Investment Law of the People's Republic of China* (《中华人民共和国外商投资法实施条例》), foreign investors¹ may freely remit into or out of the PRC, in Renminbi ("RMB") or any other foreign currency, the capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on generated within the territory of the PRC.

Wholly-owned foreign enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with the PRC accounting standards and regulations. In addition, according to the PRC Company Law, these wholly-owned foreign enterprises are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital. Save as set out above, there are no other restrictions on the payment of dividends to foreign shareholders under the PRC laws.

Under the *Foreign Exchange Control Regulations of the People's Republic of China* (《中华人民共和国外汇管理条例》), international payments in foreign currencies and transfer of foreign currencies under the current account items, including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions shall not be restricted. Foreign currency transactions under the capital account items, such as direct investment, loans, securities investment and repatriation of investment require approvals from or registration with State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局) ("SAFE") or its local counterpart and other relevant PRC governmental authorities.

- 3.2.4 Under the existing PRC foreign exchange regulations, payments of current account items, including the distributions of dividends, interest and royalties payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements, where Quantum Shenzhen is able to pay

¹ According to the PRC Foreign Investment Law, foreign investors means foreign natural persons, enterprises or other organizations.

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

dividends in foreign currencies to the shareholders without prior approval from SAFE. However, the approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

- 3.2.5 According to the PRC Company Law, upon the incorporation of a company, the shareholders shall not withdraw their capital contribution except in situations where Quantum Shenzhen reduces its registered capital or enters into liquidation procedure. There are no restrictions on payment of the registered capital from a registered capital reduction exercise or liquidation or winding up procedure to a foreign shareholder. However, if there is a premium at the time of investment and the premium has been included in the capital reserve, only the registered capital can be reduced.
- 3.2.6 Under the PRC Company Law, a company shall not make a share buyback, except under any of the following circumstances:
- (a) reduction of its registered capital;
 - (b) merger with another company which holds its shares;
 - (c) use of its shares for implementing an employee stock ownership plan or equity incentive plan;
 - (d) in the event of a request from shareholders, who object to a resolution of a shareholders' general meeting on merger or division of the company, to the company to acquire their shares;
 - (e) use of shares for conversion of convertible corporate bonds issued by a listed company; and
 - (f) where the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

In the event of an occurrence of any of the events listed in (a) to (f) above, Quantum Shenzhen may buy back its own shares, and there are no restrictions on payment of the purchase price in respect of such share buyback to foreign shareholders. With respect to (a) above, the purchase price shall be equivalent to the amount of reduced registered capital. If there is a premium at the time of investment and the premium has been calculated into the capital reserve, such premium cannot be paid out of the PRC by way of capital decrease.

3.3 Singapore

- 3.3.1 Singapore has no significant exchange controls. Funds, including profits and dividends may be repatriated freely from Singapore.
- 3.3.2 Pursuant to the Companies Act (Chapter 50) of Singapore ("Singapore Companies Act"), no dividend (which includes bonus and payment by way of bonus) shall be payable to the shareholders of any company except out of profits. Any profits of a company applied towards the purchase or acquisition of its own shares in accordance with the Singapore Companies Act shall not be payable as dividends to the shareholders of the company. Any gains derived by the company from the sale or disposal of treasury shares shall not be payable as dividends to the shareholders of the company. Subject to the foregoing, QSCPL has the power and authority to effect dividend payments (whether in cash or in kind) to its shareholder under its Constitution.
- 3.3.3 Pursuant to the Constitution of QSCPL, the company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

directors of the company. The director(s) of QSCPL may also from time to time pay to the members of QSCPL such interim dividends as appear to the directors to be justified by the profits of QSCPL.

- 3.3.4 There are no exchange controls under Singapore law in respect of the dividend payments to parties in jurisdictions outside Singapore, pursuant to the notice issued by the Monetary Authority of Singapore ("MAS") on 25 May 1978 (MAS 1103, Reference: ID Circular 6/78 dd 25.5.78) ("MAS Notice 1103"). MAS Notice 1103 provides *inter alia* that "With effect from 1 June 1978, all persons are exempted from the provisions, obligations, etc, imposed under the various sections of the Exchange Control Act (Chapter 245). Therefore, no exchange control formalities or approvals are required for all forms of payments or capital transfers".
- 3.3.5 Capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Singapore Companies Act and the company's constitution. There are no restrictions on payment of capital from a capital reduction exercise to foreign shareholders.
- 3.3.6 A company may, if so authorised by its constitution and subject to the limits imposed by the Singapore Companies Act, buy back its own shares. Similarly, there are no restrictions on payment of the purchase price in respect of such purchase to foreign shareholders.

4. Licensing Requirements

4.1 Target

No order, consent, approval, license, authorisation or validation of or exemption by any government or public body or authority of the BVI or any sub-division thereof is required to authorise or is required in connection with the carrying on of the principal business of the Target, being investment holding and information data storage products and solutions provider.

4.2 Quantum Shenzhen and the Branch

- 4.2.1 Based on the PRC Legal Opinion, Quantum Shenzhen's scope of business as set out in its business licence is as follows: Engage in the technical development of computer storage software, and provide technical advice; Provide door-to-door installation and maintenance services of computer hardware equipment; Wholesale and retail of computer software and hardware; Import and export trade (the above scope of business does not involve items within the special management measures for foreign investment access). (从事计算机存储软件的技术开发、并提供技术咨询；计算机硬件设备上门安装和维修服务；计算机软、硬件批发零售；进出口贸易(以上经营范围不涉及外资准入特别管理措施内项目) in Chinese)
- 4.2.2 Based on the PRC Legal Opinion, the Branch's scope of business as set out in its business licence is as follows: Engage in the technical development of computer storage software; Provide technical advice (market entities independently select business projects and carry out business activities in accordance with the law; Projects that are subject to approval in accordance with the law shall carry out business activities in accordance with the approved content after approval by relevant departments; Business activities of projects prohibited or restricted by the industrial policies of PRC and Beijing shall not be engaged in). (从事计算机存储软件的技术开发、提供技术咨询(市场主体依法自主选择经营项目,开展经营活动;依法须经批准的项目,经相关部门批准后依批准的内容开展经营活动;不得从事国家和本市产业政策禁止和限制类项目的经营活动) in Chinese)

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

4.2.3 Quantum Shenzhen and the Branch have obtained all necessary approvals and/or licenses from all relevant government and/or regulatory authorities for the conduct of their business, and such approvals and/or licenses are valid and subsisting.

4.3 QSCPL

There are no licensing requirements in Singapore for the business being carried on by QSCPL, being the provision of other information technology and computer service activities.

5. Ownership of Title to Securities or Assets in each Target Group Entity

5.1 Target

5.1.1 The Target is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00, and has issued 120 shares that are fully-paid.

5.1.2 The registered shareholders of the Target are as follows:

<u>Name</u>	<u>Number of shares</u>
Kronologi Asia Berhad	20
Lavender Blooms Investments Limited	100

5.1.3 There is no record that any or all of the issued shares of the Target are mortgaged or charged.

5.1.4 There are no restrictions on the transfer of shares of the Target, save that the Target must receive an instrument of transfer complying with Sub-Regulation 6.1 of the Articles of Association of the Target and the directors may resolve to refuse or delay the registration of the transfer for reasons that shall be specified in a resolution of directors. In addition, the Memorandum of Association of the Target provides that the directors may not resolve to refuse or delay the transfer of a share unless the shareholder has failed to pay an amount due in respect of the share.

5.1.5 There are no limitations, either under BVI law or the Memorandum of Association and the Articles of Association of the Target, on the rights of owners of the shares of the Target to hold or vote their shares solely by reason that they are non-residents, or non-citizens, of the BVI.

5.1.6 There is no record of the Target owning any real property.

5.2 Quantum Shenzhen and the Branch

5.2.1 The existing registered capital of Quantum Shenzhen is USD 2,500,000.

5.2.2 The existing shareholder of Quantum Shenzhen and its equity interest in Quantum Shenzhen are as follows:

Name of Shareholder	Class of shares	Registered capital		Paid-up capital	
		Amount	Percentage	Amount	Percentage
Quantum China Limited	Ordinary	USD 2,500,000	100%	USD 0.00	0%
Total		USD 2,500,000	100%	USD 0.00	0%

According to the articles of association of Quantum Shenzhen (which were amended on 6 November 2019), the registered capital shall be paid up within 30 years from the date of obtaining the business license.

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

Pursuant to the PRC Company Law, shareholders shall be entitled to receive dividends in accordance with the ratio of the paid-up capital they have contributed. Accordingly, as the registered capital in the name of Quantum China Limited has not been paid up, Quantum China Limited shall not be entitled to dividend or any other form of profit distribution pursuant to the PRC Company Law.

- 5.2.3 All of the registered capital of Quantum Shenzhen is and has been legally owned by its sole shareholder, and free and clear of any liens, charges, mortgages and other form of encumbrances.
- 5.2.4 There are no provisions in the articles of association of Quantum Shenzhen which restrict the transfer of any equity interests in the registered capital of Quantum Shenzhen, and as of the date of the PRC Legal Opinion, there are no such restrictions under PRC laws.
- 5.2.5 According to the PRC Company Law and the articles of association of Quantum Shenzhen, there is no limitation applicable to the right of a foreign shareholder to own equity interests in the registered capital of Quantum Shenzhen nor are there any restrictions on such shareholder in exercising the right to vote held by it in Quantum Shenzhen pursuant to its equity interests in the registered capital of Quantum Shenzhen.
- 5.2.6 Quantum Shenzhen does not own any real property as of the date of the PRC Legal Opinion.

5.3 QSCPL

- 5.3.1 Based on the electronic register of members of QSCPL dated 5 July 2021, there are 100,000 ordinary shares in the capital of QSCPL, all of which have not been fully paid-up.
- 5.3.2 We note from the Constitution of QSCPL that, amongst others:
 - (a) pursuant to Regulation 19, QSCPL shall have a first and paramount lien on shares registered in the name of a member (not being a fully paid share) and on dividends from time to time declared in respect of such shares for all moneys due to QSCPL from him or his estate either alone or jointly with any other person whether a member or not and whether such moneys are presently payable or not;
 - (b) pursuant to Regulation 20, QSCPL may sell, in such manner as the directors think fit, any shares on which QSCPL has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy;
 - (c) pursuant to Regulation 22, the proceeds of the sale under Regulation 20 shall be received by QSCPL and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and accrued interest and expenses, and the residue, if any, shall (subject to any lien for sums not presently payable as existed upon the shares before the sale but which have become presently payable) be paid to the person entitled to the shares at the date of the sale, or, his executors, administrators or assignees or as he may direct;
 - (d) pursuant to Regulation 23, the directors may from time to time make calls upon the members in respect of any money unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times,

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

provided that no call shall be payable at less than one month from the date fixed for the payment of the last preceding call, and each member shall (subject to receiving at least 14 days' notice specifying the time or times and place of payment) pay to QSCPL at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the directors may determine;

- (e) pursuant to Regulation 27, no member shall be entitled to receive any dividend or to be present or vote at any meeting or upon a poll, or to exercise any privilege as a member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any);
- (f) pursuant to Regulation 30, if a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued;
- (g) pursuant to Regulation 32, if the requirements of any such notice under Regulation 30 are not complied with, any share in respect of which the notice has been given may, at any time thereafter but before the payment required by the notice has been made, be made forfeit by a resolution of the directors passed to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture; and
- (h) pursuant to Regulation 77, subject to any rights or restrictions for the time being attached to any class or classes of shares, every member shall be entitled to be present and to vote at any general meeting either personally or by proxy in respect of any shares upon which all calls or other sums presently payable by the member in respect of shares in the Company have been paid.

The full rights of QSCPL in respect of unpaid shares are set out in the Constitution of QSCPL. In sum, no member shall be entitled to receive any dividend or to be present or vote at any meeting or upon a poll, or to exercise any privilege as a member until he shall have paid all calls for the time being due and payable on every share held by him.

- 5.3.3 The registered shareholder of QSCPL as at the date of this legal opinion is as follows:

<u>Name</u>	<u>Number of shares</u>
Quantum China Limited	100,000

- 5.3.4 Based on the QSCPL Confirmation Letter, the shares held by Quantum China Limited, the sole shareholder of QSCPL, are not subject to any liens, charges, mortgages and other form of encumbrances.

- 5.3.5 The transfer of ownership of shares in the capital of QSCPL is subject to the following restrictions:

- (a) Pursuant to Regulation 42 of the Constitution of QSCPL, any person proposing to transfer a share in the capital of QSCPL shall give notice in writing to QSCPL that he desires to transfer the same. If QSCPL shall within 28 days after being served with a transfer notice find a purchasing member willing to purchase any of the shares as aforesaid and shall give

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

notice thereof to the proposing transferor, the proposing transferor shall be bound upon payment of the fair value as fixed in accordance with paragraph (1) or (4) of Regulation 42 to transfer the relevant shares to the purchasing member. If QSCPL shall not within the 28-day period referred to above find a purchasing member or give notice in the manner aforesaid in respect of any shares comprised in the transfer notice, the proposing transferor shall at any time within three (3) months after the expiration of such period be at liberty to sell and transfer the shares to any person at a price which is not less than that specified by him in the transfer notice.

- (b) Pursuant to Regulation 40 of the Constitution of QSCPL, the directors of QSCPL may decline to accept any instrument of transfer.
- (c) Pursuant to Regulation 43 of the Constitution of QSCPL, the directors of QSCPL may decline to lodge a notice of transfer of shares with the Registrar of Companies if (a) the share has not been fully paid or is subject to a lien; or (b) the provisions of the Constitution of QSCPL relating to the transfer of shares have not been complied with.

5.3.6 There is no limitation applicable to the right of a shareholder, being a foreign shareholder, to own shares in QSCPL nor are there any restrictions on such shareholder, exercising the right to vote the ordinary shares held by it in QSCPL.

5.3.7 QSCPL does not own any real property as at the date of this legal opinion.

6. Material Contracts

For the two (2)-year period before the date hereof, each Target Group Entity did not enter into any material contract out of the ordinary course of their respective business and which is equal or more than Ringgit Malaysia 300,000.00 in value.

7. Litigation Matters

7.1 Target

7.1.1 Based on the searches conducted by BVI legal counsel on 2 July 2021 as set out in the BVI Legal Opinion:

- (i) there are no judgments against the Target, nor any legal proceedings pending in the BVI to which the Target is subject;
- (ii) no details have been registered of any steps taken in the BVI for the appointment of a receiver, administrator or liquidator to, or for the winding-up, dissolution, reconstruction or reorganisation of the Target (however, it should be noted that (i) failure to file notice of appointment of a receiver does not invalidate the receivership but only gives rise to penalties on the part of the receiver and (ii) in the case of the appointment of a liquidator, notice of the appointment of a liquidator may be filed up to 14 days after the actual appointment); and
- (iii) there are no judgments (including bankruptcy proceedings) against the current directors of the Target, nor any legal proceedings (including bankruptcy proceedings) pending in the BVI to which any current director of the Target is a subject.

7.1.2 Based on the Searches, the present directors of the Target, being Wong Gang and Tan Jeck Min, are each not the subject of or involved in any bankruptcy proceedings in Singapore, as at 4 July 2021.

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

7.2 Quantum Shenzhen and the Branch

Based on the PRC Legal Opinion, to the best knowledge of the PRC legal counsel after due inquiry and searches conducted on 5 July 2021:

- 7.2.1 there are no current, pending or threatened legal or arbitration proceedings (whether as plaintiff or defendant), compulsory winding-up proceedings, administrative proceedings, claims or other governmental decisions, rulings, orders, demands, actions, proceedings, investigations, inquiries or initiatives (including without limitation disciplinary proceedings and prosecution) in the PRC instituted by or against Quantum Shenzhen and the Branch; and
- 7.2.2 the present director of Quantum Shenzhen, being Tan Jeck Min, and the person in charge of the Branch, being Zheng Nanxiong, are not the subject of or involved in any proceedings or restricted of high-level consumption.

According to *Several Provisions of the Supreme People's Court on Restriction of High-level Consumption of Enforcees* (《最高人民法院关于限制被执行人高消费及有关消费的若干规定》), where an enforcee has failed to perform payment obligations determined by valid legal documents within the period stipulated in the notice of enforcement, a People's Court may adopt measures on restriction of consumption, to restrict the enforcee from carrying out high-level consumption and consumption which are not essential for living or business necessities. Where an enforcee is a natural person and subject to restriction of high-level consumption, he/she shall not carry out the following high-level consumption and consumption that is not essential for living and working necessities:

- (a) When taking public transport, opt for second-class seat or above for airline, railway carriage with cushioned berth, cruise, etc;
- (b) Carry out high-level consumption in premises such as star-rated hotels, night clubs and golf courses;
- (c) Purchase real estate, build new housing property, expand housing property, or carry out extravagant housing renovation;
- (d) Lease premises such as high-grade offices, hotels and apartments, etc to be used as office premises;
- (e) Purchase automobile not essential for business operation;
- (f) Travelling and vacationing;
- (g) Enrol his/her child(ren) in private schools which charge high fees;
- (h) Pay high insurance premiums to purchase insurance and wealth management products; or
- (i) Take any class of seat for G-prefix express train service or first class seat of other express train service, or carry out any other high-level consumption which is not essential for his/her lifestyle and work.

7.3 QSCPL

Based on the Searches and the QSCPL Confirmation Letter, as at 5 July 2021:

- 7.3.1 QSCPL is not the subject of or involved in any legal or arbitration (whether as plaintiff or defendant) or winding-up proceedings instituted against QSCPL (including litigation, arbitration, governmental investigations or inquiries, disciplinary proceedings, prosecution, claims etc.) in Singapore; and
- 7.3.2 the present director of QSCPL, being Tan Jeck Min, is also not the subject of or

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

involved in any bankruptcy proceedings in Singapore.

8. Applicable Tax Policies

8.1 Target

As at the date of the BVI Legal Opinion, there is no income tax, corporation tax, or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Target or its shareholders (in respect of payments including but not limited to interest, dividends and profits) in the BVI, other than shareholders ordinarily resident in the BVI. The Target is not subject to stamp duty on the issue, transfer or redemption of its shares.

8.2 Quantum Shenzhen and the Branch

8.2.1 The tax categories and tax rates applicable to Quantum Shenzhen and the Branch under the applicable PRC laws are set out in Schedule 3.

8.2.2 According to the *Enterprise Income Tax Law of the People's Republic of China* (《中华人民共和国企业所得税法》) ("EIT Law") and the *Implementing Regulations of the Law of the People's Republic of China on Enterprise Income* (《中华人民共和国企业所得税法实施条例》) ("IREI"), payment of income, dividends or profits made by Quantum Shenzhen to (i) a non-resident enterprise which has no office or premises established in the PRC, or (ii) a non-resident enterprise which has an office or premises established in the PRC and Quantum Shenzhen has no de facto relationship with the PRC office or premises of such non-resident enterprise, is subject to withholding tax at a rate of 10%.

According to the IREI, if a resident enterprise has a "de facto relationship" with the PRC office or premises of its shareholder which is a non-resident enterprise, it means that such office or premises established in the PRC by the non-resident enterprise owns equity and creditor's rights which derives income in such resident enterprise, and owns, manages or controls property which derives income held by such resident enterprise.

8.2.3 The EIT Law provides that enterprises incorporated in accordance with the PRC laws within the PRC will be deemed a "PRC resident enterprise" for tax purposes, or if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise may be deemed a "PRC resident enterprise" for tax purposes as well. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation (国家税务总局) promulgated a circular to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. Criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Quantum Shenzhen is considered as a tax resident since it is lawfully incorporated in PRC.

8.2.4 According to the EIT Law, enterprise income from dividends paid to a non-resident enterprise with an office or premises established in the PRC by a resident enterprise which has a de facto relationship with the aforesaid office or premises established in the PRC, shall be tax-exempt income. Accordingly, the dividends paid by Quantum Shenzhen to its shareholder(s) (including foreign

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

shareholders not based in the PRC) is exempted from PRC tax in the hands of such shareholder(s).

8.3 QSCPL

As at the date hereof, the applicable tax policies in Singapore are as follows:

- 8.3.1 A Singapore corporate tax payer is subject to Singapore income tax on income accrued in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore from outside Singapore. The corporate tax rate for the year of assessment 2020 is 17%.
- 8.3.2 A Singapore-incorporated company has to withhold tax when it makes payments of the following nature to a non-resident person:
- (a) Interest, commission, fee in connection with any loan or indebtedness;
 - (b) Royalty or other payments for the use of or the right to use any movable property;
 - (c) Payments for the use of or the right to use scientific, technical, industrial or commercial knowledge or information or for the rendering of assistance or service in connection with the application or use of such knowledge or information;
 - (d) Payments of management fees;
 - (e) Rent or other payments for the use of any movable property;
 - (f) Payments for the purchase of real property from a non-resident property trader;
 - (g) Structured products (other than payments which qualify for tax exemption under section 13(1)(zj) of the Income Tax Act (Chapter 134) of Singapore ("Income Tax Act")); and
 - (h) Distribution of real estate investment trust (REIT).

Withholding tax is waived for all payments under section 12(6) and 12(7) of the Income Tax Act which are made to Singapore branches of non-resident companies on or after 21 February 2014. Examples of such payments include interest, commission, royalties and management fees.

There is no need to withhold tax on dividend payments. Singapore currently does not have withholding tax on dividends even though withholding tax rates on dividends are provided under some of Singapore's tax treaties.

- 8.3.3 Foreign-sourced dividends, foreign branch profits and foreign-sourced service income ("Specified Foreign Income") received in Singapore by a Singapore tax resident company are exempt from tax if (a) such income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which such income is received; (b) at the time such income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%; and (c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the person resident in Singapore.
- 8.3.4 A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore. Normally, control and

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

management of a company is vested in the board of directors and the company is resident in the country where the directors meet.

- 8.3.5 Singapore adopts the One-Tier Corporate Taxation System ("One-Tier System"). Under the One-Tier System, the tax collected from corporate profits is a final tax. Distributable profits of the company resident in Singapore can be distributed to the shareholders as tax exempt (One-Tier) dividends. Such dividends are tax exempt in the hands of the shareholders.

D. Qualifications

This legal opinion is qualified as follows:-

1. This legal opinion furnished by us is in relation to the specific issues for which a legal opinion is sought as set out in the first paragraph of this letter.
2. This legal opinion merely covers matters considered by us from a legal perspective and save for the section on "Applicable Tax Policies" set out in sub-section 8 above, is not intended to contain any advice of a tax, financial, commercial or accounting nature. We do not take responsibility for or make any representations with regard to any matters or transactions other than those set out in this legal opinion.
3. We are not responsible for any inadequacy or failing in the documents provided to us by the Target Group.
4. Certain parts of this legal opinion are based on the BVI Legal Opinion and the PRC Legal Opinion (including the PRC LDDR), and information and documents given to us by the Target Group and their officers and directors, and that such information and documents are true and correct.
5. We have conducted no independent verification of the information provided to us by the Target Group, except on the basis of the information publicly available from the searches we have conducted, as set out in section A above.
6. A person or entity who is not a party to this letter may not enforce or rely on any of its terms.
7. The term "enforceable" as used in this opinion means that the obligations assumed by QSCPL under any agreement are of a type which in general terms are capable of being enforced by the Singapore courts. It does not mean that the obligations under any agreement will necessarily be enforced exactly in accordance with their terms, in particular:
 - (a) the validity, performance and enforcement of the relevant agreement may be limited by statutes of limitation, lapse of time, waiver and by laws relating to bankruptcy, insolvency, merger, consolidation, liquidation, possessory liens, rights of set off, moratorium arrangements or similar laws affecting creditors' rights generally and claims may be or become subject to set off or counter claim of third-parties as well as applicable international sanctions;
 - (b) where obligations are required to be performed in a jurisdiction outside Singapore, they may not be enforceable in Singapore to the extent that performance would be illegal or contrary to public policy under the laws of that jurisdiction;
 - (c) enforcement may be limited by general principles of equity, for instance, equitable remedies such as injunction and specific performance are, in general, discretionary remedies under Singapore law and may not be available where damages are considered to be an adequate and appropriate remedy;
 - (d) the enforcement of the obligations of the parties may be limited by the provisions of

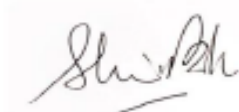
LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

Singapore law applicable to agreements held to have been frustrated by events happening after their execution;

- (e) enforcement proceedings are subject to the general jurisdiction of the court in regard to awards of costs, even as against a successful party;
- (f) any provision in any of the relevant agreements providing for the severance of any provision which is illegal, invalid or unenforceable may not be binding under the laws of Singapore as it depends on the nature of the illegality, invalidity or unenforceability in question which issue would be determined by a Singapore court at its discretion;
- (g) a Singapore court may refuse to give effect to clauses in any of the relevant agreements in respect of the costs of unsuccessful litigation brought in a Singapore court or where the court itself made an order for costs;
- (h) in appropriate circumstances and at the court's discretion, the courts of Singapore may render judgments in foreign currencies (such judgments may, however, have to be converted into local currencies for enforcement purposes);
- (i) the courts of Singapore may refuse to accept jurisdiction or stay proceedings in certain circumstances (for example, if the matter concerned is *res judicata*, if litigation is pending in another forum on the same matter or if another forum is more convenient);
- (j) where a party to any of the agreements is vested with a discretion or may determine a matter in its opinion, Singapore law may require such discretion to be exercised reasonably or that such an opinion is based upon reasonable grounds;
- (k) an obligation to pay an amount may be unenforceable if the amount is held to constitute a penalty;
- (l) we have assumed that the choice of the laws of Singapore in the respective agreements (where applicable) is *bona fide* and not in contravention of public policy. The choice of law governing any agreement will only be recognised and upheld by the Singapore courts provided that the same is *bona fide* and there being no reasons for avoiding it for reason of contravention of public policy. A choice of law clause may also not be upheld if it was made with the express purpose of avoiding the law of a jurisdiction with which the relevant agreement has the most substantial connection and which, if in the absence of the stated choice of law would have invalidated the relevant agreement or been inconsistent with it;
- (m) the failure to exercise a right may be held by a Singapore court to operate as a waiver of that right notwithstanding any provision to the contrary in any agreement;
- (n) the effectiveness of any provisions exculpating a party from liability or duty otherwise owed may be limited by law; and
- (o) the terms and conditions of the relevant agreements may be amended, revised, varied and/or supplemented orally or by course of conduct notwithstanding any provisions to the contrary.

Yours faithfully



SHOOK LIN & BOK LLP

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

SCHEDULE 1

List of contracts reviewed by the BVI legal counsel:

1. Strategic Marketing Agreement (Greater China) executed by Chris Willis on behalf of Quantum Corporation on 18 July 2018 and by Wong Gang on behalf of the Company on 20 July 2018
2. Quantum Service Partner Agreement (with Addendums No. 1 to No. 4) executed by Chris Willis on behalf of Quantum Corporation on 18 July 2018 and by Wong Gang on behalf of the Company on 20 July 2018

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

SCHEDULE 2

List of contracts and agreements reviewed by the PRC legal counsel in respect of Quantum Shenzhen:

1. Purchase order issued by Beijing Baidu Netcom Science and Technology Co., Ltd. on 15 October 2020
2. Service Purchase Order/Maintenance service contract with Changhong IT Information Products Co., Ltd. dated 3 July 2020
3. Service Purchase Order/Maintenance service contract with Polystor Software (Beijing) Co., Ltd. dated 19 October 2020
4. Tax invoice issued by Quantum China Limited on 30 November 2020

List of contracts and agreements reviewed by the PRC legal counsel in respect of the Branch: Nil.

LEGAL OPINION IN RELATION TO *INTER ALIA* OWNERSHIP OF TITLE TO SECURITIES OR ASSETS AND THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY QCL GROUP, LICENSING, GOVERNMENT REGULATION AND OTHER RELEVANT LEGAL MATTERS AS WELL AS POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS DATED 5 JULY 2021 (*CONT'D*)

ShookLin & Bok

SCHEDULE 3

Taxes applicable to Quantum Shenzhen and the Branch:

Description of Tax	Tax Rate	When Payable	Name of relevant tax authority
VAT	6% or 13%	Monthly	State Administration of Taxation (国家税务总局) ("SAT")
Urban Maintenance & Construction Tax	2%	Monthly, when there is VAT payable	SAT
Education Surcharge	3%	Monthly, when there is VAT payable	SAT
Local Education Surcharge	7%	Monthly, when there is VAT payable	SAT
Corporate Income Tax	25%	Yearly	SAT