

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, solicitor, accountant, bank manager or other professional adviser immediately.

This Circular (as defined herein) has been reviewed by UOB Kay Hian Securities (M) Sdn Bhd as the Principal Adviser to Radiant Globaltech Berhad for the Proposed Acquisition (as defined herein).

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



RADIANT GLOBALTECH BERHAD

Registration No. 200301018877 (621297-A)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PART A

PROPOSED ACQUISITION BY RADIANT GLOBALTECH BERHAD ("RGTECH") OF THE REMAINING 20% EQUITY INTEREST IN GRAND-FLO SPRITVEST SDN BHD, AN 80% OWNED SUBSIDIARY OF RGTECH, FROM JEJAKA 7 CAPITAL SDN BHD, FOR A TOTAL PURCHASE CONSIDERATION OF RM12,605,000 TO BE SATISFIED ENTIRELY IN CASH ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER FROM STRATEGIC CAPITAL ADVISORY SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF RGTECH IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A



UOB Kay Hian Securities (M) Sdn Bhd

Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B



Strategic Capital Advisory Sdn Bhd

Registration No. 199901003253 (478153-U)
(Investment Adviser – Corporate Finance CMSL/A0124/2007)
(Licensed By Securities Commission Malaysia)

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

Date and time of the EGM : Friday, 23 June 2023 at 11.30 a.m. or immediately following the conclusion or adjournment of RGTECH's 20th Annual General Meeting, which will be held on the same day, whichever is later, or at any adjournment thereof.

Last date and time for lodging the Proxy Form for the EGM : Wednesday, 21 June 2023 at 11.30 a.m. or at any adjournment thereof

Venue of the EGM : Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan.

If you are unable to participate in the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or by electronically lodged via TIIH online website at <https://tiih.online>, not less than 48 hours before the time for holding the EGM or adjourned meeting as the case may be. The lodging of the Proxy Form will not, however, preclude you from attending the EGM and voting in person should you subsequently wish to do so.

This Circular is dated 7 June 2023

DEFINITIONS

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

"Act"	: Companies Act 2016
"Board"	: The Board of Directors of RGTECH
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Circular"	: This circular dated 7 June 2023 in relation to the Proposed Acquisition
"Director(s)"	: The director(s) of RGTECH and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- i. a director of the listed issuer, its subsidiary or holding company; or ii. a chief executive of the listed issuer, its subsidiary or holding company
"EDCC"	: Electronic Data Capture and Collation
"EGM"	: Extraordinary General Meeting
"EPS/ (LPS)"	: Earnings/ (loss) per Share
"FPE"	: Financial period ended/ ending
"FYE"	: Financial year ended/ ending
"GFS"	: Grand-Flo Spritvest Sdn Bhd (Registration No. 199501019036 (348239-W))
"GFS Share(s)"	: Ordinary shares in GFS
"GP"	: Gross profit
"IAL"	: Independent advice letter by the Independent Adviser in relation to the Proposed Acquisition
"Interested Chief Executive Officer"	: Cheng Ping Liong
"Jejaka" or the "Vendor"	: Jejaka 7 Capital Sdn Bhd (Registration No. 202001019260 (1375580-X))
"Listing Requirements"	: ACE Market Listing Requirements of Bursa Securities
"LPD"	: 17 May 2023, being the latest practicable date prior to the date of this Circular
"Major Shareholder(s)"	: Any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company (including its subsidiary or holding corporation) who has an interest or interests in one or more voting shares in the Company and the number, or the aggregate number of those shares, is:

DEFINITIONS (CONT'D)

		i.	10% or more of the total number of voting shares in the Company; or
		ii.	5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.
			For the purpose of this definition, "interests in shares" shall have the meaning given in Section 8 of the Act
"NA"	:		Net assets
"PAT/ (LAT)"	:		Profit/ (Loss) after taxation
"PBT/ (LBT)"	:		Profit/ (Loss) before taxation
"PE Multiple"	:		Price-to-earnings multiple
"Proposed Acquisition"	:		Proposed acquisition by RGTECH of 200,000 Sale Shares, representing the remaining 20% equity interest in GFS, from the Vendor at the Purchase Consideration
"Purchase Consideration"	:		RM12,605,000, being the consideration for the remaining 20% equity interest in GFS to be satisfied entirely in cash
"RGTECH" or the "Company" or the "Purchaser"	:		Radiant Globaltech Berhad (Registration No. 200301018877 (621297-A))
"RGTECH Group" or the "Group"	:		Collectively, RGTECH and its subsidiaries
"RGTECH Share(s)" or the "Share(s)"	:		Ordinary share(s) in RGTECH
"RM" and "sen"	:		Ringgit Malaysia and sen, respectively
"Sale Shares"	:		200,000 GFS Shares, representing the remaining 20% equity interest in GFS
"SCA" or the "Independent Adviser"	:		Strategic Capital Advisory Sdn Bhd (Registration No. 199901003253 (478153-U))
"Shareholders Agreement"	:		The shareholders agreement entered into by RGTECH, Jejaka, Cheng Ping Liong and GFS dated 10 September 2020, to amongst others, regulate the rights, obligations and liabilities of the Company and Jejaka as the shareholders of GFS
"SPA"	:		Conditional share purchase agreement dated 2 May 2023 entered into between RGTECH and the Vendor for the Proposed Acquisition
"UOBKH" or the "Principal Adviser"	:		UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))

DEFINITIONS (CONT'D)

All references to "we", "us", "our" and "ourselves" are made to the Company, or where the context requires, shall include our subsidiaries.

All references to "you" and "your" in this Circular are made to our shareholders who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting singular shall, where applicable include the plural and vice versa and words denoting masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any law is a reference to that law as for the time being amended or re-enacted.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group's plans and objectives will be achieved. Shareholders should not place undue reliance on such forward-looking statement, and we do not undertake any obligation to update publicly or revise any forward-looking statements.

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NOTICE OF EGM **ENCLOSED**

PROXY FORM **ENCLOSED**

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EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the “Definitions” Section and context of the Circular, except where the context otherwise requires or where otherwise defined in this Executive Summary.

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

Key information	Description	Reference to Circular
Summary of the Proposed Acquisition	The Proposed Acquisition entails the acquisition of the remaining 200,000 GFS Shares not already owned by RGTECH, representing the 20% equity interest in GFS from the Vendor for a total purchase consideration of RM12,605,000 to be satisfied entirely in cash. As at the LPD, GFS is an 80% owned subsidiary of RGTECH and shall become a wholly-owned subsidiary of RGTECH upon completion of the Proposed Acquisition.	Sections 1 and 2
Rationale and justification of the Proposed Acquisition	<p>Subsequent to the initial acquisition of the 80.0% equity interest in GFS which was completed on 1 November 2020 and its integration into the Group, GFS has been able to provide complementary synergies such as the sharing of technical expertise and resources, cross selling of hardware / software solutions within the Group, and contribute towards greater economies of scale.</p> <p>The Proposed Acquisition is in line with the Group's investment strategy to obtain a 100% controlling stake in GFS, thereby allowing the Group to fully consolidate the financial results of GFS and provide full flexibility for management to drive the efficiency, competitiveness, future strategic direction and growth of GFS and ultimately creating more value for shareholders.</p>	Section 3
Risk factors	<p>The Board does not anticipate that the Proposed Acquisition will result in a material change to the risk profile of RGTECH Group save for the inherent risk associated with the information and communications technology industry of which RGTECH Group is already involved in, and will be addressed as part of RGTECH Group's ordinary course of business.</p> <p>The potential risks that may have an impact on the Group, which may not be exhaustive pertaining to the Proposed Acquisition are as follows:-</p> <ul style="list-style-type: none"> (a) Delay or non-completion of the Proposed Acquisition; (b) Competition risk; (c) Acquisition risk; (d) Business and operational risks; and (e) Dependence on key personnel. 	Section 5

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to Circular
Approvals required	<p>The Proposed Acquisition is subject to the following approvals being obtained:-</p> <p>(i) The approval of the shareholders of RGTECH, at the forthcoming EGM; and</p> <p>(ii) Any other relevant authority and/or third parties, if required.</p> <p>The Proposed Acquisition is not conditional upon any other proposal undertaken or to be undertaken by the Company.</p>	Section 8
Interested party	<p>Save for Cheng Ping Liong, being the group chief executive officer of RGTECH and chief executive officer of GFS, as well as a Major Shareholder and director of Jejaka, none of the directors, chief executives, major shareholders of RGTECH and/or persons connected with them has any interests, whether direct or indirect in the Proposed Acquisition.</p> <p>As at the LPD, Cheng Ping Liong holds approximately 1.81% direct equity interest in RGTECH.</p>	Section 9
Directors' statement and recommendation	<p>The Board, having considered all aspects of the Proposed Acquisition, including the rationale and justification of the Proposed Acquisition, the salient terms of the SPA, the effects of the Proposed Acquisition, the future prospects of GFS and RGTECH Group, and the views of the Independent Adviser, is of the opinion that the Proposed Acquisition is in the best interest of the Company and that the terms and conditions of the SPA are fair and reasonable.</p> <p>Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Acquisition at the EGM.</p>	Section 10

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PART A

**LETTER TO THE SHAREHOLDERS OF RGTECH IN RELATION TO THE
PROPOSED ACQUISITION**



RADIANT GLOBALTECH BERHAD

Registration No. 200301018877 (621297-A)
(Incorporated in Malaysia)

Registered Office

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

7 June 2023

Board of Directors

Dato' Siow Kim Lun (*Independent Non-Executive Chairman*)
Yap Ban Foo (*Vice Chairman and Senior Executive Director*)
Yap Sin Sang (*Senior Executive Director*)
Tevanaigam Randy Chitty (*Independent Non-Executive Director*)
Mashitah Binti Osman (*Independent Non-Executive Director*)

To: The Shareholders of RGTECH

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 2 May 2023, UOBKH had, on behalf of the Board, announced that RGTECH had, on even date, entered into a conditional SPA with Jejaka to acquire the remaining 200,000 Sale Shares not already owned by RGTECH, representing 20% equity interest in GFS for a total purchase consideration of RM12,605,000 which will be satisfied entirely by cash, subject to the terms and conditions contained in the SPA.

In view of the interests of Cheng Ping Liong in the Proposed Acquisition as disclosed in **Part A, Section 9** of this Circular, the Proposed Acquisition is deemed to be a related party transaction under Rule 10.08 of the Listing Requirements of Bursa Securities. Accordingly, SCA had been appointed as the independent adviser to advise the directors and non-interested shareholders of RGTECH on the Proposed Acquisition on 17 April 2023. The IAL in relation to the Proposed Acquisition is set out in **Part B** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF RGTECH WITH RELEVANT INFORMATION ON THE PROPOSED ACQUISITION AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

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

2. DETAILS OF THE PROPOSED ACQUISITION

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, free from all encumbrances and with all attached or accrued rights as at the completion date of the SPA, for a total purchase consideration of RM12,605,000 which will be satisfied entirely by cash, subject to the terms and conditions of the SPA.

As at the LPD, GFS is an 80% owned subsidiary of RGTECH and shall become a wholly-owned subsidiary of RGTECH upon completion of the Proposed Acquisition.

Please refer to the salient terms of the SPA which are set out in **Appendix I** of this Circular.

2.1 Background information on GFS

GFS was incorporated in Malaysia under the Companies Act 1965 on 26 June 1995 and is deemed registered under the Act as a private company limited by shares under the name Spritvest Sdn Bhd. Subsequently, it adopted its current name of Grand-Flo Spritvest Sdn Bhd on 19 March 2009.

As at the LPD, the issued share capital of GFS is RM1,000,000 comprising 1,000,000 GFS Shares.

GFS is principally engaged in the provision of total EDCC solutions focusing on the supply, installation and integration of EDCC hardware and devices, software, technical support and maintenance services. The EDCC solutions include assets tracking, sales force automation, warehouse and inventory control software and barcode devices.

The shareholders of GFS and their respective shareholdings in GFS as at the LPD are set out below:-

Name	Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
RGTECH	Malaysia	800,000	80.00	-	-
Jejaka	Malaysia	200,000	20.00	-	-

The directors of GFS and their respective shareholdings in GFS as at the LPD are set out below:-

Name	Designation	Nationality	Direct		Indirect	
			No. of shares	%	No. of shares	%
Yap Sin Sang	Director	Malaysian	-	-	⁽¹⁾ 800,000	80.00
Yap Ban Foo	Director	Malaysian	-	-	⁽¹⁾ 800,000	80.00
Cheng Ping Liong	Director	Malaysian	-	-	⁽²⁾ 200,000	20.00

Notes:-

(1) Deemed interested by virtue of his shareholdings in RGTECH pursuant to the Act.

(2) Deemed interested by virtue of his shareholdings in Jejaka pursuant to the Act.

As at the LPD, GFS does not have any subsidiaries, associates or joint venture companies.

Please refer to **Appendix II** of this Circular for further details of GFS.

2.2 Background information on the Vendor

Jejaka was incorporated on 17 July 2020 under the Act, as a private company limited by shares. Jejaka is principally an investment holding company. As at the LPD, Jejaka has a total issued share capital of RM1,000 comprising 1,000 ordinary shares.

The substantial shareholders of Jejaka and their respective shareholdings in Jejaka as at the LPD are as follows:-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Cheng Ping Liong	Malaysian	550	55.00	-	-
Au Sheau Yen	Malaysian	50	5.00	-	-
Gan Piak Sim	Malaysian	50	5.00	-	-
Mark Chan Chun Jet	Malaysian	50	5.00	-	-
Ng Joo Heng	Malaysian	50	5.00	-	-
Ong Wei Ling	Malaysian	50	5.00	-	-
Sharifah Nazhatul Shaiha binti Said Zubir	Malaysian	50	5.00	-	-
Tan Bak Leng	Malaysian	50	5.00	-	-
Tan Gim Ling	Malaysian	50	5.00	-	-
Yang Siew Wai	Malaysian	50	5.00	-	-

The directors of Jejaka and their respective shareholdings in Jejaka as at the LPD are as follows:-

Name	Designation	Nationality	Direct		Indirect	
			No. of shares	%	No. of shares	%
Cheng Ping Liong	Director	Malaysian	550	55.00	-	-
Yang Siew Wai	Director	Malaysian	50	5.00	-	-

2.3 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration of RM12,605,000 was arrived at, on a “willing-buyer willing-seller” basis, after taking into consideration the following:-

- The PE Multiple of 8.95 times, derived based on the latest audited PAT of GFS of approximately RM7.04 million for the FYE 31 December 2022;
- The historical financial track record of GFS for the past 3 financial years as set out in **Appendix II** of this Circular;
- future prospects of GFS and RGTECH Group, further details of which are set out in **Part A, Section 4.3** of this Circular; and
- the rationale and justification of the Proposed Acquisition as set out in **Part A, Section 3** of this Circular.

In justifying the Purchase Consideration, the Board has taken into consideration the PE Multiple of comparable public listed companies on Bursa Securities which operate in the similar business as GFS, and whose principal business activities involve the provision of information technology solutions for various industries (“**Comparable Companies**”) with a market capitalisation of approximately RM300 million to RM1.0 billion.

For information purposes, the PE Multiple is the measure of the market price of the company's shares relative to its annual net income per share, and is computed as follows:-

$$\text{PE Multiple} : \frac{\text{Market price of the share}}{\text{Earnings per share}}$$

For shareholders' information, the asset-based method of valuation (i.e. price-to-book multiple) was not adopted by the Board for the purpose of evaluation of the Purchase Consideration in view that GFS is not an asset-based company, and therefore such a method would not accurately reflect the value of GFS.

In respect of the comparable company analysis, please take note that there is no one comparable company that may be identical to GFS in terms of composition of business, scale of operations, geographical spread of activities, track record, asset base, risk profile, future prospects and other criteria. However, the list of comparable companies was mainly selected as their principal activities are similar to GFS' principal activities by virtue of their involvement, to an extent, in the provision of information technology solutions for various industries.

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The principal activities and the PE multiple of the Comparable Companies are set out below:-

Comparable Companies ⁽¹⁾	Principal activities	⁽²⁾ Closing share price as at the LPD (RM)	⁽³⁾ Revenue contribution from IT related activities (%)	Market capitalisation as at the LPD (RM'mil)	⁽⁴⁾ PE Multiple (times)
Infoline Tec Group Berhad ("Infoline")	Infoline is principally involved in investment holding activities while its subsidiaries are principally involved in providing IT infrastructure solutions, cybersecurity solutions, managed IT and other IT services, and trading of ancillary hardware and software.	0.810	77.27	294.216	21.72
Awanbiru Technology Bhd ("Awanbiru")	Awanbiru is principally involved in investment holding activities. Through its subsidiaries, the Company is involved in the Technology division which encompasses an array of Multi-cloud Management Service, which encapsulates Infrastructure as a Service ("IaaS"), Platform as a Service ("PaaS"), Software as a Service ("SaaS") and Anything as a Service ("XaaS").	0.485	84.33	382.188	⁽⁵⁾ 91.51
Kronologi Asia Berhad ("Kronologi")	Kronologi is principally involved in investment holding activities and the provision of business consulting, designing of solutions and research and development relating to new and emerging information technology software, applications, multimedia development, information systems, data management software, data protection solutions and processes, system back-up and disaster recovery systems and related businesses, provision of hybrid and cloud enterprise data management technology and solution.	0.545	100.00	403.488	14.27
Microlink Solutions Berhad ("Microlink")	Microlink is principally involved in the provision of research and development on information technology solutions to the financial services industry.	0.900	100.00	965.157	24.59
GHL Systems Berhad ("GHL")	GHL is principally involved in investment holding activities, developing and selling in-house software programmes, sale and rental of Electronic Data Capture equipment and its related software and services, inclusive of installation, training and maintenance.	0.805	100.00	918.908	32.46
				GFS (valuation multiple)	High Average Low
					32.46 23.26 14.27 8.95

Notes:-

- (1) The Comparable Companies may not be directly comparable to GFS due to, inter-alia, scale of operations, future prospects, asset base and risk profiles.
- (2) Extracted from Bloomberg.
- (3) Based on the latest annual reports of the respective Comparable Companies.
- (4) Computed based on the closing market price as at the LPD over the latest audited EPS.
- (5) Denotes an outlier and excluded from the PE Multiple analysis.

The PE Multiple from the Purchase Consideration of 8.95 times is below the range and the average PE Multiple of Comparable Companies of 23.26 times. Hence, the Board deems the Purchase Consideration to be reasonable as it represents a discount of approximately 37.28% to the low range of the PE Multiple of Comparable Companies of 14.27 times.

2.4 Mode of settlement

Pursuant to the terms of the SPA, the Purchase Consideration will be satisfied entirely by cash in the following manner:-

Payment Term	Timing of settlement	Purchase Consideration RM
50.0% of the Purchase Consideration	On the Completion Date ⁽¹⁾	6,302,500
50.0% of the Purchase Consideration	As a deferred payment within 3 months from the date of the fulfilment of conditions precedent in the SPA are fulfilled	6,302,500
Total		12,605,000

Note:-

(1) The completion date is defined as a business day not later than 14 days after the date of fulfilment of the conditions precedent in the SPA are fulfilled or any other date as mutually agreed in writing by the Purchaser and Vendor.

2.5 Source of funding

The Purchase Consideration will be fully funded through a combination of the Group's internally generated funds, bank borrowings and/or any other fund raising option (i.e. private placement), the exact source and/or proportion of which will be determined at a later date. The Company will make the necessary announcement(s) and seek the relevant approvals in accordance with the Listing Requirements, where applicable, before undertaking any private placement exercise, if required.

For information purposes, the Group's cash and cash equivalents and borrowings comprising lease liabilities and hire purchase payables stood at approximately RM41.31 million and RM0.76 million respectively, based on the latest audited financial statements of RGTECH Group for the FYE 31 December 2022.

2.6 Liabilities to be assumed

Save for the obligations and liabilities of RGTECH arising from, pursuant to or in connection with the SPA, there are no other liabilities, including contingent liabilities and/or guarantees, to be assumed by RGTECH Group pursuant to the Proposed Acquisition.

2.7 Additional financial commitment required

Upon completion of the Proposed Acquisition, there are no additional financial commitment to be assumed by RGTECH to put the assets and/or businesses of GFS on-stream in view that GFS is already an on-going business entity with an established historical profit track record as set out in **Appendix II** of this Circular.

2.8 Original cost and date of investment

The original cost and date of investment by Jejaka in GFS are as follows:-

Date of investment	No. of GFS Shares	Original cost of investment (RM)
1 November 2020	200,000	2,900,000

3. RATIONALE AND JUSTIFICATION OF THE PROPOSED ACQUISITION

RGTECH Group is an integrated technology solutions provider in South East Asia (“**SEA**”) with expertise in the digitalisation of retail and industrial businesses, including those in the fast moving consumer goods (“**FMCG**”), manufacturing, and postal service sectors. GFS provides similar solutions to its customers and also caters to other industries including companies in FMCG, utilities and electronic industries.

Subsequent to the initial acquisition of the 80.0% equity interest in GFS which was completed on 1 November 2020 (“**Initial Acquisition**”) and its integration into the Group, GFS has been able to provide complementary synergies such as the sharing of technical expertise and resources and cross selling of hardware / software solutions within the Group, whilst allowing RGTECH Group to gain immediate access to its existing customers’ base and driving greater economies of scale in sourcing hardware / software products with competitive price via bulk purchase from supplier.

In view of the above, the Proposed Acquisition is in line with RGTECH’s investment strategy to obtain a 100% controlling stake in GFS and fully consolidate its financial results. Upon completion of the Proposed Acquisition, GFS will become a wholly-owned subsidiary of the Group, thus providing the Group full flexibility to improve the efficiency, competitiveness and productivity of the business and drive the future strategic direction and growth of GFS in order to create more value for shareholders.

Premised on the foregoing and GFS’ growing historical profit track record as set out in **Appendix II** of this Circular, the Board is of the opinion that, barring any unforeseen circumstances, the Proposed Acquisition will streamline the Group’s business operations and contribute positively to the Group’s earnings in the long run.

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4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The GDP growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5%-7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to the endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

Notwithstanding the growth, the economy in 2022 experienced several challenges with escalating inflationary pressures due to high commodity and food prices as well as softened global economic growth and trade. Therefore, the Government has taken various holistic and comprehensive measures to help the rakyat and businesses in dealing with inflationary pressures and higher cost of living.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure initiatives as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 ("12MP"). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance Malaysia)

4.2 Overview and outlook of the Information and communications technology and EDCC industry in Malaysia

The information and communication subsector expanded by 5.2% in 2022, backed by telecommunication segment following soaring usage of e-commerce services and subscription to media streaming including entertainment and sport packages. The expansion of the segment was also attributed by the broadband's wider coverage and better internet speed through the National Digital Network (JENDELA) initiative.

The information and communication subsector is anticipated to further expand, mainly led by the wider digital adoption by businesses and individuals particularly the utilisation of Fixed Wireless Access and other fit-for-purpose technologies. In addition, efforts to attract high-quality investment in digital-related infrastructures such as data centres and cloud computing services along with continued surge of online streaming activities will further boost the subsector.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance Malaysia)

The services sector is anticipated to expand by 5% in 2023, benefitting from the sustained domestic demand in spite of a moderate global economic growth. The growth will continue to be mainly driven by wholesale and retail trade; real estate and business services; information and communication; transportation and storage; and food & beverages and accommodation subsectors.

The information and communication subsector is expected to expand by 4.6% in 2023, mainly driven by the increasing digital adoption across all economic sectors. Phase 2 of the Jalanan Digital Negara (JENDELA) is expected to boost the digital connectivity through the utilisation of Fixed Wireless Access and other fit-for-purpose technologies, thus enabling the country to further address the digital divide. In this regard, Digital Nasional Berhad aims to extend the fifth-generation cellular network (5G) coverage to 80% of the nation's populated areas by 2024. In addition, high quality investment in digital-related infrastructures such as data centres and cloud computing services as well as continued surge in the e-commerce and online entertainment activities will further boost the subsector.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

4.3 Prospects of GFS and RGTECH Group

The prospects of the global and domestic economies remain uncertain, as macro-level factors such as the course of the COVID-19 disease and potential new variants, global supply chain disruptions, and geopolitical tensions continue to weigh in. Nevertheless, the demand for the retail and industrial automation segment is expected to remain robust, as businesses are required to digitalise and adopt more technology solutions to enhance competitiveness and resilience in a post-pandemic environment.

In order to capitalise on the growth opportunities of the post pandemic environment, RGTECH intends to strategically integrate and enhance its resources in Malaysia (which includes GFS) and overseas markets, namely Vietnam, Thailand, and Cambodia, to create synergies, enhance innovation, and fast-track development of business digitalisation solutions. This will support the Group's efforts to expand their market share in the retail and industrial sectors in Malaysia and regionally, on the back of recovering economies and borders reopening.

The acquisitions of technology companies by RGTECH in the past 3 years which includes GFS, have also broadened its technology capabilities, such as Online to Offline (O2O) solutions for omnichannel operations and web/smartphone-based management portals. The acquisitions also expanded the Group's customer base to include the industrial sector, enterprises and small-to-medium businesses.

Barring any unforeseen circumstances and premised on the above, our Board is cautiously optimistic of the future prospects of the information and communications technology and EDCC sector underpinned by the surge in digital adoption among businesses and individuals driven by the growth in the usage of technology in the post-pandemic environment. The launching of JENDELA in 2020 witnessed significant development in Malaysia's digital landscape and has attracted the entry of new local and international players into the Malaysian market which drives up competition. Amidst the competitive environment of the EDCC sector, our Group intends to position itself as a regional player through its ongoing expansion plans to expand its market share regionally and enhance its technology capabilities through acquisition of new cutting-edge technology in the market, thus, it is expected to enhance our Group's profile amongst other industry players.

Nevertheless, GFS and the Group will continue to manage the business prudently as the Group has embarked on a series of future plans. The Group's prospects are underpinned by a healthy balance sheet, expanding presence in Malaysia and regionally, as well as the growing market for business digitalisation.

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

- (i) to expand GFS's market footprint to ASEAN countries (i.e. Thailand, Vietnam, Cambodia and Singapore) where the Group has a market presence and existing customer base; and
- (ii) to maintain and retain existing key employees of GFS and to allow minimal disruption in GFS's operations

The Group intends to implement the foregoing plans and strategies within 6 to 12 months from the completion of the Proposed Acquisition. These expansion plans for GFS will be funded by internally generated funds and/or bank borrowings of GFS, the exact proportion of which would be determined at a later date.

(Source: The management of RGTECH)

5. RISK FACTORS

The Board does not anticipate that the Proposed Acquisition will result in a material change to the risk profile of RGTECH Group save for the inherent risk associated with the information and communications technology industry of which RGTECH Group is already involved in, and will be addressed as part of RGTECH Group's ordinary course of business.

5.1 Delay or non-completion of the Proposed Acquisition

The Proposed Acquisition is subject to, amongst others the fulfilment of the conditions precedent as set out in the SPA and the approval of the relevant authorities and the non-interested shareholders of RGTECH. In the event that the conditions precedent are not satisfied and/or waived, or any of the termination events occur, the Proposed Acquisition will not be completed which may result in the failure of RGTECH Group to achieve the objective and benefits of the Proposed Acquisition as disclosed in **Part A, Section 3** of this Circular. The Proposed Acquisition may also be delayed in the event that any of the dates for the fulfilment of the respective conditions precedent under the SPA is extended by mutual agreement of RGTECH and the Vendor.

Nevertheless, RGTECH will take all necessary and reasonable steps to ensure the fulfilment of conditions precedent as set out in the SPA in a timely manner and to perform its obligations in accordance with the terms of the SPA to facilitate the completion of the Proposed Acquisition.

5.2 Competition risk

GFS faces competition from local competitors which may be capable of offering similar types of hardware / software solutions and maintenance services. These competitors may compete in terms of pricing, hardware / software solutions offered and service quality. Stiff competition and an overall decline in the demand for GFS' hardware / software solutions and maintenance services may exert a downward pressure on the prices and profit margins of GFS' hardware / software solutions and maintenance services. Nevertheless, the Board believes that the Group would be able to integrate its existing business operations with those of GFS to gain synergies for the enlarged Group, which will in turn enhance the operating and financial performance of the enlarged Group.

The Group also believes that with GFS' core expertise and track record in information technology solutions specialising in automated data collection processes and mobile computing coupled with the experience of RGTECH's key management in running the existing Group, the enlarged Group would be able to withstand market competition faced by GFS through long-term technological enhancement of GFS' solutions.

5.3 Acquisition risk

Although the Board believes that the RGTECH Group may derive benefits from the Proposed Acquisition, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised in the future or that the RGTECH Group will be able to generate sufficient returns arising from the Proposed Acquisition to offset the associated acquisition costs incurred.

Nevertheless, the Board has exercised due care in considering the potential risks and the benefits associated with the Proposed Acquisition which will be value accretive to the RGTECH Group, after taking into consideration, inter alia, the prospects of GFS and the experience and expertise of the management team of the Group in the information technology business.

5.4 Business and operational risks

The Proposed Acquisition is subject to business and operational risks inherent in the information and communications technology industry which includes and is not limited to the following:-

- i. operational risks such as risk of degradation in the system's performance due to equipment damage or component failures where any unforeseen replacement of equipment or components which are not budgeted or covered by insurance and/or warranty claims may potentially impact the financial performance of the RGTECH Group;
- ii. increase in operational costs such as maintenance costs, labour costs, insurance premiums and administration costs due to exposure to inflationary pressures; and
- iii. changes in general economic and business conditions and the existence and/or development of other alternatives in the information and communications technology industry.

Any adverse changes in these conditions may have an adverse material effect on the information and communications technology industry and our Group. Our Group will adopt prudent management and efficient operating procedures to adapt to any negative changes in the information and communications technology industry. However, no assurance can be given that any changes in these factors will not have any material adverse effect on our Group's business and financial performance.

5.5 Dependence on key personnel

The future success of GFS will to an extent depend upon its ability to attract and retain certain of its key personnel. The loss of these key personnel may have an unfavourable and material impact on the performance of RGTECH Group as the continued success of the business is considerably dependent on the combined efforts of the key personnel team of GFS with the key management and directors of RGTECH. It is in the intention of RGTECH to retain the core management team to maintain leadership continuity to drive the business. Recognising the importance of the key management personnel involved, RGTECH Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and retain their services.

In addition, RGTECH Group will also identify high-performing senior management and/ or employees to take on additional responsibilities and provide appropriate remuneration packages to retain their services in an effort to mitigate RGTECH Group's dependency on key management personnel. However, there is no assurance that the loss of any such key management personnel, high-performing senior management and/ or employees will not adversely affect the success of RGTECH Group's business.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued share capital of RGTECH and the substantial shareholders' shareholdings in RGTECH as the Purchase Consideration does not involve any issuance of new RGTECH Shares.

6.2 Earnings and EPS

As the Proposed Acquisition is expected to be completed in the second half of 2023, the earnings and EPS of the Group for the FYE 31 December 2023 and beyond are expected to improve as the Group will benefit from the full contribution and consolidation of the revenue and earnings from GFS.

For illustrative purposes, assuming the Proposed Acquisition had been completed on 1 January 2022, being the beginning of the latest audited FYE 31 December 2022 of RGTECH, the proforma effects of the Proposed Acquisition on the earnings and EPS of RGTECH are as follows:-

	Audited FYE 31 December 2022	After the Proposed Acquisition
PAT attributable to owners of the Company	7,467,746	⁽¹⁾⁽²⁾ 8,476,157
Total number of Shares in issue	525,200,000	525,200,000
EPS (sen)⁽³⁾	1.42	1.61

Notes:-

- (1) After accounting for the latest audited PAT of GFS of approximately RM7,042,056 for the FYE 31 December 2022, and adjusting for the 20.0% equity interest in GFS acquired pursuant to the Proposed Acquisition.
- (2) After deducting the estimated expenses of RM400,000 in relation to the Proposed Acquisition (which includes professional fees, fees payable to the relevant authorities and miscellaneous expenses) to be incurred.
- (3) Computed based on the PAT attributable to the owners of the Company over the total number of shares in issue.

6.3 NA and gearing

For illustrative purposes, based on the latest audited consolidated financial statements of RGTECH Group as at 31 December 2022 and on the assumption that the Proposed Acquisition has been completed as at that date, the proforma effects of the Proposed Acquisition on the audited consolidated NA per share and gearing of RGTECH Group are set out below:-

	Audited as at 31 December 2022 (RM'000)	Proforma I ⁽¹⁾ Subsequent event adjustments (RM'000)	Proforma II After Proforma I and the Proposed Acquisition (RM'000)
Share capital	48,153	48,153	48,153
Merger deficit	(13,681)	(13,681)	(13,681)
Foreign exchange translation reserve	(155)	(155)	(155)
Retained earnings	43,234	40,608	⁽²⁾ 40,208
Shareholders' equity/ NA	77,551	74,925	74,525
Non-controlling interest	3,478	3,478	3,478
Total equity	81,029	78,403	78,003
No. of shares in issue ('000)	525,200	525,200	525,200
NA per share (RM)	0.15	0.14	0.14

	Audited as at 31 December 2022 (RM'000)	Proforma I (1) Subsequent event adjustments (RM'000)	Proforma II After Proforma I and the Proposed Acquisition (RM'000)
Total borrowings (RM'000)	763	763	763
Cash and cash equivalents (RM'000)	41,310	38,684	(2)(3)25,679
Gearing ratio (times)	(4)_	(4)_	(4)_

Notes:-

- (1) After accounting for the interim dividend of RM0.005 per ordinary share for the FYE 31 December 2023 amounting to RM2,626,000, which was paid on 30 March 2023.
- (2) After deducting the estimated expenses of RM400,000 in relation to the Proposed Acquisition (which includes professional fees, fees payable to the relevant authorities and miscellaneous expenses) to be incurred.
- (3) After deducting the purchase consideration of approximately RM12,605,000 pursuant to the Proposed Acquisition.
- (4) Negligible. Nevertheless, the Company's gearing will increase should the Proposed Acquisition being funded partially or fully via bank borrowings.

7. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the Listing Requirements is approximately 18.86%, calculated based on the RGTECH Group's latest audited financial statements for the FYE 31 December 2022.

8. APPROVALS REQUIRED

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

- the shareholders of RGTECH at the forthcoming EGM; and
- any other relevant authority and/or party, if required.

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

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

Save for Cheng Ping Liong, being the group chief executive officer of RGTECH and chief executive officer of GFS, as well as a Major Shareholder and director of Jejaka, none of the directors, chief executives, major shareholders of RGTECH and/or persons connected with them has any interests, whether direct or indirect in the Proposed Acquisition.

As the LPD, the direct and indirect interests of Cheng Ping Liong in RGETCH are set out as below:-

Name	Direct		Indirect	
	No. of shares	(1)%	No. of shares	(1)%
Cheng Ping Liong	9,500,000	1.81	-	-

Note:-

- (1) Based on 525,200,000 ordinary shares in RGTECH as at the LPD.

In view of the above, Cheng Ping Liong is deemed interested in the Proposed Acquisition. Accordingly, Cheng Ping Liong, who is the Interested Chief Executive Officer has abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant meeting(s).

The Interested Chief Executive Officer will also abstain from voting in respect of his direct and/or indirect shareholdings in RGTECH, if any, and have undertaken to ensure that persons connected with him will abstain from voting in respect of his direct and/or indirect shareholdings in RGTECH, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Acquisition, including but not limited to the rationale and justification of the Proposed Acquisition, the salient terms of the SPA, the effects of the Proposed Acquisition, the future prospects of GFS and RGTECH Group, and the view of the Independent Adviser, is of the opinion that the Proposed Acquisition is:-

- i. in the best interest of the Company;
- ii. fair, reasonable and on normal commercial terms; and
- iii. not detrimental to the interest of the non-interested shareholders of the Company.

Accordingly, the Board recommends that you vote in favour of the resolution in relation to the Proposed Acquisition to be tabled at the forthcoming EGM.

11. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of the Company, after having considered all relevant aspects of the Proposed Acquisition, including but not limited to the rationale and justification of the Proposed Acquisition, basis of arriving at the Purchase Consideration, the financial effects of the Proposed Acquisition as well as the salient terms of the SPA and the views of the Independent Adviser, is of the opinion that the Proposed Acquisition is:-

- i. in the best interest of the Company;
- ii. fair, reasonable and on normal commercial terms; and
- iii. not detrimental to the interest of the non-interested shareholders of the Company.

12. TRANSACTIONS WITH RELATED PARTY(IES) FOR THE PRECEDING 12 MONTHS

Save for the Proposed Acquisition, there were no transactions entered into between RGTECH Group and the Interested Chief Executive Officer, the Vendor and/or the persons connected to them during the 12 months preceding the date of this Circular.

13. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the second half of 2023.

Date	Events
23 June 2023	Convening of the EGM to obtain approval for the Proposed Acquisition
Second half of 2023	<ul style="list-style-type: none">Fulfilment of conditions precedent of the SPACompletion of the Proposed Acquisition

14. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition (being the subject matter of Part A of this Circular), the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

15. ADVISERS

UOBKH has been appointed by the Company to act as the Principal Adviser for the Proposed Acquisition.

As the Proposed Acquisition is deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements, SCA has been appointed to act as the Independent Adviser to undertake the following:-

- i. comment as to:-
 - (a) whether the terms of the Proposed Acquisition are fair and reasonable;
 - (b) whether the Proposed Acquisition is to the detriment of the non-interested shareholders of RGTECH;and such opinion must be set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- ii. advise the non-interested shareholders of RGTECH on whether they should vote in favour of the Proposed Acquisition; and
- iii. take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (i) and (ii) above.

You should read the contents of this Circular (including the IAL, opinion and details of which are set out in **Part B** of this Circular) carefully before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

16. EGM

The Company's forthcoming EGM, the notice of which is enclosed in this Circular, will be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 23 June 2023, at 11.30 a.m., or immediately following the conclusion or adjournment of the Company's 20th Annual General Meeting, which will be held on the same day at the same venue at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, whichever is later, or at any adjournment thereof, for the purpose of considering and, if thought fit, passing, inter alia, the ordinary resolution pertaining to the Proposed Acquisition, with or without modifications, the resolution to give effect to the Proposed Acquisition.

If you are unable to participate in the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or by electronically lodged via Tricor Investor & Issuing House Services Sdn Bhd ("**TIIH**") online website at <https://tiih.online>, not less than 48 hours before the time for holding the EGM or adjourned meeting as the case may be. The lodging of the Proxy Form will not, however, preclude you from attending the EGM and voting in person should you subsequently wish to do so.

17. FURTHER INFORMATION

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

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

DATO' SIOW KIM LUN
Independent Non-Executive Chairman

PART B

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

EXECUTIVE SUMMARY

ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE “DEFINITIONS” SECTION OF THE CIRCULAR, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES OR WHERE OTHERWISE DEFINED IN THIS IAL.

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSED ACQUISITION. NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ CAREFULLY THE CONTENTS OF THIS IAL IN ITS ENTIRETY FOR FURTHER INFORMATION AND THE RECOMMENDATIONS FROM SCA, BEING THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSED ACQUISITION. THIS IAL SHOULD ALSO BE READ IN CONJUNCTION WITH PART A OF THE CIRCULAR, INCLUDING THE APPENDICES THEREIN, FOR ANY OTHER RELEVANT INFORMATION BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM OF RGTECH.

1. INTRODUCTION

On 2 May 2023, UOBKH, on behalf of the Board, announced that RGTECH proposes to undertake the Proposed Acquisition.

In view of the interests of the Interested Chief Executive Officer (“CEO”) as set out in Section 9, Part A of the Circular, the Proposed Acquisition is deemed to be a related party transaction pursuant to Rule 10.08 of the Listing Requirements.

In this respect, the Board (save for the Interested CEO) had on 17 April 2023 appointed SCA as the Independent Adviser to advise the Directors and non-interested shareholders of the Company on the fairness and reasonableness of the terms of the Proposed Acquisition.

The purpose of this IAL is to provide the Directors and non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is to the detriment of the non-interested shareholders as well as to provide a recommendation thereon on the voting of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

2. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our opinion and recommendation on the Proposed Acquisition, we had taken into consideration the following bases and analysis:

Consideration factors	Section	Our evaluation
(a) Rationale and justification of the Proposed Acquisition	5.1	<p>We note that by acquiring the remaining equity interest in GFS, it will allow Mr Cheng Ping Liong, being RGTECH Group CEO, to focus on the overall business and financial performance of RGTECH Group, where the role and responsibility of Mr Cheng Ping Liong now lies on acting in the best interest of RGTECH Group instead of GFS and it is to the benefit to the shareholders of RGTECH Group.</p> <p>Further, despite being able to recognise the entire revenue contribution from GFS, profit attributable to owners of the Company can only be recognised up to 80.0% which was the extent of RGTECH Group’s equity interest in GFS prior to the Proposed Acquisition. The Proposed Acquisition will therefore enable the Company to fully recognise the earnings of GFS in its financial statements.</p>

Consideration factors	Section	Our evaluation
		We are of the opinion that the rationale for the Proposed Acquisition is reasonable and its not detrimental to the non-interested shareholders of RGTECH.
(b) Evaluation of the Proposed Acquisition		
(i) Basis and justification of the Purchase Consideration	5.2.1	<p>The Purchase Consideration was arrived at on a willing buyer and willing seller basis after taking into consideration the following, amongst others:</p> <ul style="list-style-type: none"> (i) the PE Multiple of 8.95 times, derived based on the latest audited PAT of GFS of approximately RM7.04 million for the FYE 2022; (ii) the historical financial track record of GFS for the past three (3) financial years; (iii) the future prospect of RGTECH Group and GFS; and (iv) the rationale and justification of the Proposed Acquisition. <p>In establishing our opinion on the fairness of the Proposed Acquisition, SCA had considered various methodologies, which are commonly used for valuation and took into consideration GFS's future earnings generating capabilities, projected cash flows, its sustainability as well as various business considerations and risk factors affecting its business. The valuation methodologies considered and selected by SCA to determine the fairness of the Purchase Consideration are the Relative Valuation Approach ("RVA") and the Discounted Free Cash Flow to Firm ("FCFF").</p> <p>Based on the above valuation methodologies, the followings were noted:-</p> <ol style="list-style-type: none"> 1. The PE Multiple of 8.95 times is lower than the average, median and range of the PE Multiple of the Comparable Companies; 2. The implied EV/EBITDA Multiple of 5.48 times is lower than the average and the median and within the range of EV/EBITDA Multiple of the Comparable Companies; and 3. the fair value of the 20% equity interest of GFS ranges from RM11.34 million to RM12.79 million based on the movement in FCFF ($\pm 3.0\%$) and the discount rate ($\pm 0.5\%$). The Purchase Consideration falls within the range of value appraised based on the Discounted FCFF. <p>Premised on the above evaluation, we are of the opinion that the Purchase Consideration is fair and reasonable, and not detrimental to the non-interested shareholders of the Company.</p>
(ii) Salient terms of the SPA	5.2.2	We are of the view that the overall terms and conditions of the SPA are fair and reasonable and not detrimental to the non-interested shareholders of the Company.

Consideration factors	Section	Our evaluation
(c) Industry overview and prospects	5.3	<p>The ICT sector is anticipated to further expand, mainly led by the wider digital adoption by businesses and the greater usage of e-commerce and rapid transition to digitalisation. Further, the retail industry, of which GFS' top customer is in, is projected to grow in the near future.</p> <p>Given the positive outlook for the ICT, the retail industries as well as the prospects of GFS and RGTECH Group as set out in Section 4.0, Part A of the Circular, the Proposed Acquisition will allow Mr Cheng Ping Liong to spearhead RGTECH Group and expand its existing business to undertake additional growth opportunities such as the expansion of its clientele to include other international companies; and the expansion of its services offering to clients from other industries.</p> <p>The Proposed Acquisition will pose a lower acquisition risk to RGTECH Group as both entities have been working together on complementary aspects in the past such as sharing of technical expertise and resources. Further, as explained in the Section 4.3, Part A of the Circular, RGTECH Group, by leveraging with the expertise and experiences of its subsidiaries, appears poised to undertake further opportunities to grow its business, which in turn will benefit RGTECH Group's financial performance in the future.</p>
(d) Risk factor relating to the Proposed Acquisition	5.4	<p>RGTECH Group is not expected to be exposed to new business risks as a result of the Proposed Acquisition.</p> <p>As the Company is already the major shareholder of GFS, the Proposed Acquisition represents a lower acquisition risk to the Company due to:-</p> <ul style="list-style-type: none"> (i) awareness of the Company on the operational and administrative aspects of GFS business as both parties have collaborated in terms of sharing of resources and expertise; (ii) integration risks commonly associated with an acquisition will be low, due to the close relationship between both the Company and GFS. Moreover, risks of integration such as culture and working practices, will not be a concern to the Company; and (iii) both parties would be able to build on a synergistic relationship, which bodes well for the future financial performance of GFS, which in turn will improve RGTECH Group's financial performance as well. <p>We also wish highlight that despite efforts and measures taken by the Company to mitigate the risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of risk factors as stated above and in Section 5, Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of RGTECH Group, its financial performance, financial position or prospects thereon.</p>

Consideration factors	Section	Our evaluation
(e) Financial effects of the Proposed Acquisition	5.5	<p>The financial effects of the Proposed Acquisition on RGTECH Group are as follows:</p> <ul style="list-style-type: none"> (i) The Proposed Acquisition will not have any effects on the issued share capital and substantial shareholders' shareholdings of the Company. (ii) The Proposed Acquisition will not have any effect to the gearing of the Company as the Company has no borrowing and assuming that the Proposed Acquisition will be funded via internally generated funds. <p>The Company's gearing will increase should the Proposed Acquisition being funded partially or fully via bank borrowings, of which the exact source and/or proportion of which will be determined at a later date.</p> <p>The Proposed Acquisition will result in the slight decrease of NA per share from RM0.15 per share to RM0.14 per share after the Proposed Acquisition as it involved the use of internally generated funds.</p> <ul style="list-style-type: none"> (iii) The Proposed Acquisition is expected to be earnings accretive as RGTECH Group will benefit from the full contribution and consolidation of the revenue and earnings streams from GFS. <p>The financial effects of the Proposed Acquisition are not detrimental to the interest of the non-interested shareholders of the Company.</p>

3. CONCLUSION AND RECOMMENDATION

Premised on our overall assessment of the Proposed Acquisition, we are of the opinion that the terms of the Proposed Acquisition are **fair and reasonable** and are **not detrimental** to the interests of the non-interested shareholders of the Company.

Accordingly, we recommend that the non-interested shareholders TO VOTE IN FAVOUR of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholders. We recommend that any non-interested shareholders who require advice in relation to the Proposed Acquisition in the context of their individual investment objectives, financial situation or particular needs, consult their respective stockbrokers, bank managers, accountants, solicitors or other professional advisers.

NON-INTERESTED SHAREHOLDERS OF RGTECH ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF RGTECH.

**Strategic Capital Advisory Sdn Bhd**

(Registration No. 199901003253 (478153-U))

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Date: 7 June 2023

To: The Non-Interested Shareholders of Radiant Globaltech Berhad

Dear Sir/Madam,

RADIANT GLOBALTECH BERHAD (“RGTECH” OR “THE COMPANY”)**INDEPENDENT ADVICE LETTER (“IAL”) IN RELATION TO THE PROPOSED ACQUISITION**

This IAL is prepared for inclusion in the Circular and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 2 May 2023, UOBKH, on behalf of the Board, announced that RGTECH proposes to undertake the Proposed Acquisition.

In view of the interests of the Interested Chief Executive Officer (“CEO”) as set out in Section 9, Part A of the Circular, the Proposed Acquisition is deemed to be a related party transaction pursuant to Rule 10.08 of the Listing Requirements.

In this respect, the Board (save for the Interested CEO) had on 17 April 2023 appointed SCA as the Independent Adviser to advise the Directors and non-interested shareholders of the Company on the fairness and reasonableness of the terms of the Proposed Acquisition.

The purpose of this IAL is to provide the Directors and non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is to the detriment of the non-interested shareholders as well as to provide a recommendation thereon on the voting of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Other than for this intended purpose, this IAL should not be used for any other purpose and/or by any other persons and/or reproduced, wholly or partially, without our express written consent.

Non-interested shareholders of the Company are advised to read this IAL and Part A of the Circular together with the appendices thereon, and to carefully consider the recommendations contained herein before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company. If you are in doubt about the course of action to be taken, you should consult your stockbroker, bank manager, accountant, solicitor or other professional advisers immediately.

2. DETAILS OF THE PROPOSED ACQUISITION

The details of the Proposed Acquisition are set out in Section 2, Part A of the Circular and should be read in their entirety.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVES AND/OR PERSONS CONNECTED WITH THEM

The interests of the Interested CEO and/or persons connected to them are set out in Section 9, Part A of the Circular.

The Interested CEO has abstained and will continue to abstain from all deliberations and voting for the Proposed Acquisition at the relevant meetings. The Interested CEO and person connected with them will also abstain from voting in respect of his direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the EGM to be convened.

4. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION

SCA was not involved in the formulation of the Proposed Acquisition or any deliberation and negotiation on the terms and conditions of the Proposed Acquisition.

The terms of reference of our appointment as Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Rule 10.08 of the Listing Requirements and the Best Practice Guide in relation to IAL issued by Bursa Securities.

Our role as an Independent Adviser does not extend to expressing an opinion on the commercial merits of the Proposed Acquisition, which is solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. As such, where comments or points of the consideration are included on matters, which may be commercially oriented, these are incidental to our overall financial evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposed Acquisition. SCA's terms of reference as Independent Adviser is limited to expressing our independent evaluation of the Proposed Acquisition which is based on the sources of information as highlighted below.

In rendering our advice, we have taken note of the pertinent issues which we have considered important in enabling us to assess the implication of the Proposed Acquisition, and therefore of general concern to the non-interested shareholders of the Company, as such:

- (i) the scope of SCA's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the Proposed Acquisition and other implications of the said proposal only. Comments or points of the consideration which may be commercially oriented such as the rationale and potential benefits of the Proposed Acquisition are included in our overall evaluation as we deem it necessary to enable the non-interested shareholders of the Company to consider and form their views thereon;
- (ii) SCA's views and advice as contained in this IAL only caters to the non-interested shareholders of the Company at large and not to any non-interested shareholders individually. Hence, in carrying out our evaluation, we have not given consideration the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders; and

- (iii) we recommend that any individual non-interested shareholder or group of non-interested shareholders of the Company who is in doubt as to the action to be taken or required advice in relation to the Proposed Acquisition in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately. We shall not be liable for any damage or loss sustained or suffered by any individual shareholders or any group of shareholders.

In performing our evaluation, we have relied on the following sources of information:

- (i) The Company's announcement on 2 May 2023 in relation to the Proposed Acquisition;
- (ii) The SPA;
- (iii) The annual report of RGTECH Group and the audited financial statements of GFS for the FYEs 2020, 2021, 2022 and the unaudited FPE 2023;
- (iv) The financial forecast and projection of GFS from the FYE 2023 to the FYE 2025 ("**Future Financials**");
- (v) Information contained in Part A of the Circular and the appendices attached thereto;
- (vi) Other relevant information furnished to us by the management of the Company; and
- (vii) Other publicly available information which we deemed relevant.

We have made all reasonable enquiries and have relied on the Board and management of the Company to exercise due care to ensure that all information, documents as mentioned above and relevant facts, information and representation for our evaluation of the Proposed Acquisition had been disclosed to us and that such information is accurate, reasonable, complete, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate.

We have not undertaken an independent investigation into the business of the Company and GFS and are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. We have also assumed that the Proposed Acquisition will be implemented based on the terms as set out in Appendix I of the Circular, without material waiver or modification.

The Board has, individually and collectively, accepted full responsibility that all material facts, financial and other information essential to our evaluation have been disclosed to us, that they have seen this IAL, and for the accuracy of the information in respect of the Proposed Acquisition (save for those in relation to our evaluation and opinion pertaining to the same) as prepared herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission, of which would make any statement herein incomplete, false and/or misleading.

We are satisfied with the disclosures from the Board and management of the Company and that sufficient information has been obtained, and to the best of our knowledge and belief, the information is accurate, reasonable, complete, valid and there is no omission of material facts. We have also performed our reasonableness check and where possible, corroborating such information with independent sources. Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time.

Accordingly, our evaluation and recommendation expressed herein do not take into account the information, events and conditions arising after the date hereof. After the dispatch of this IAL, should SCA become aware of any significant change affecting the information contained in this IAL or have reasonable grounds to believe that there is material omission in this IAL, we will immediately notify the shareholders. If circumstances require, a supplementary IAL will be sent accordingly to the shareholders.

SCA confirms that it is not aware of any conflict of interest situation or any circumstances which exist or likely to give rise to a possible conflict of interest situation for SCA to carry out the role as the Independent Adviser in connection with the Proposed Acquisition. SCA also confirms that it has not had any professional relationship with the Company, and their related parties in the past two (2) years.

SCA is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. SCA has undertaken the role as an independent adviser for corporate exercises in the past two (2) years before the date of this IAL, which include amongst others:

- (i) the acquisition by Supreme Steelmakers Sdn Bhd, a wholly-owned subsidiary of Leon Fuat Berhad of a parcel of freehold land measuring approximately 9,946 square meters known as lot 60240, Pekan Kajang, Daerah Hulu Langat, Negeri Selangor Darul Ehsan held under GM6958 together with the factory, warehouse and office erected thereon including weighing system, overhead cranes and fittings from Leon Fuat Holdings Sdn Bhd for a total cash consideration of RM28,000,000 via a sale and purchase agreement dated 24 February 2021, as per our independent advice letter dated 11 May 2021;
- (ii) the acquisition by Chin Hin Group Berhad of 176,608,435 ordinary shares and 37,561,700 warrants in Chin Hin Group Property Berhad (“CHGP”) from Datuk Seri Chiau Beng Teik, Chiau Haw Choon and Divine Inventions Sdn Bhd for a total cash consideration of RM88,864,220.75 via a share sale agreement dated 28 December 2020, and supplemental share sale agreement dated 29 December 2020, as per our independent advice letter dated 27 May 2021;
- (iii) the private placement of up to 167,999,993 new ordinary shares in Mieco Chipboard Berhad (“Mieco”) representing approximately 20% of the existing total number of issued shares of Mieco, to independent third party investor(s) and the acquisition of the entire equity interest in Seng Yip Furniture Sdn Bhd, a wholly-owned subsidiary of SYF Resources Berhad, for a total purchase consideration of RM50,000,000 to be satisfied entirely via cash based on a conditional share sale agreement dated 6 October 2021, as per our independent advice letter dated 29 November 2021;
- (iv) the disposal of 3 pieces of vacant freehold lands located at Bandar Baru Enstek, Tempat Bandar Baru Enstek, Daerah Seremban, Negeri Sembilan by Signature Realty Sdn Bhd, a wholly-owned subsidiary of Signature International Berhad to Ace Logistic Sdn Bhd for a total cash consideration of RM54,567,000 via 3 conditional sale and purchase agreements, all dated 13 September 2021, as per our independent advice letter dated 6 December 2021;
- (v) the joint ventures between Amverton Prop Sdn Bhd (formerly known as AMJ Construction Sdn Bhd), a wholly-owned subsidiary of HIL Industries Berhad with Unik Sejati Sdn Bhd, Pembinaan Kesentosaan Sdn Bhd and Amverton Carey Golf & Island Resort Sdn Bhd to undertake residential developments on 5 parcels of land located in Mukim Sungai Buloh, Mukim Klang and Mukim Jugra, via 4 conditional joint venture agreements, all dated 20 April 2021, as per our independent advice letter dated 28 December 2021; and
- (vi) the acquisition by BKG Development Sdn Bhd, a wholly-owned subsidiary of CHGP of the entire equity interest in Quaver Sdn Bhd for a cash consideration of RM1.25 million as well as the acceptance by Kayangan Kemas Sdn Bhd, another subsidiary of CHGP, of the letter of award from Ace Logistic Sdn Bhd for the related party project involving the design, construction and completion of a proposed single-storey factory with 3-storey office and hostel at Mukim Labu, Bandar Baru Enstek, Negeri Sembilan for a contract sum of RM57.09 million, as per our independent advice letter dated 15 December 2022.

Premised on the foregoing, SCA is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders in relation to the Proposed Acquisition.

5. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have considered the following:

- (i) Rationale and justifications of the Proposed Acquisition;
- (ii) Evaluation of the Proposed Acquisition:
 - (a) Basis and justification of the Purchase Consideration; and
 - (b) Salient terms of the SPA;
- (iii) Industry overview and prospect of GFS and the RGTECH Group;
- (iv) Risk factors relating to the Proposed Acquisition; and
- (v) Financial effects of the Proposed Acquisition.

5.1 Rationale and justification of the Proposed Acquisition

The rationale and justification of the Proposed Acquisition is as set out in Section 3, Part A of the Circular.

RGTECH had initially acquired 80% equity interest in GFS (“Initial Acquisition”) (which was completed on 1 November 2020) whilst Jejaka had acquired the remaining 20% equity interest in GFS from NCT Alliance Berhad (*formerly known as Grand-Flo Berhad*). Mr. Cheng Ping Liong, who is the CEO of GFS as well as the major shareholder and director of Jejaka at the point of time, had personally provided an irrevocable and unconditional guarantee to the Company that GFS will achieve a minimum profitability of RM3.20 million for a period commencing from the completion of the Initial Acquisition up to FYE 2022.

The financial performance of GFS from the FYE 2020 to 2022 and the FPE 2023 are analysed as follows:

GFS Description	FYE 2020 (RM' million)	FYE 2021 (RM' million)	FYE 2022 (RM' million)	FPE 2023 (RM' million)
Revenue	47.26	61.44	65.95	14.74
(LAT)/PAT	(0.11)	6.56	7.04	1.18

(Source: GFS's audited financial statements for the FYEs 2020, 2021, 2022 and the management accounts for the FPE 2023)

Based on the financial performances of RGTECH Group and GFS above, we note the followings:

- (i) Following the completion of the Initial Acquisition, GFS has recorded growth in both revenue and earnings for the FYE 2021 and 2022 under the stewardship of Mr. Cheng Ping Liong; and
- (ii) The minimum profit guarantee provided by Mr. Cheng Ping Liong was met in the first financial year following the completion of the Initial Acquisition.

In view of the performance of GFS spearheaded by Mr Cheng Ping Liong after the Initial Acquisition, he was subsequently appointed as RGTECH Group CEO on 1 April 2022 to lead RGTECH Group in terms of business operations, clientele profiles as well as sales and profitability.

By acquiring the remaining equity interest in GFS, it will allow Mr Cheng Ping Liong, being RGTECH Group CEO, to focus on the overall business and financial performance of RGTECH Group, where the role and responsibility of Mr Cheng Ping Liong now lies on acting in the best interest of RGTECH Group instead of GFS and it is to the benefit to the shareholders of RGTECH Group.

Further, despite being able to recognise the entire revenue contribution from GFS, profit attributable to owners of the Company can only be recognised up to 80.0% which was the extent of RGTECH Group's equity interest in GFS prior to the Proposed Acquisition. The Proposed Acquisition will therefore enable the Company to fully recognise the earnings of GFS in its financial statements. For illustration, RGTECH Group's EPS will increase from 1.42 sen to 1.61 sen on the assumption that the Proposed Acquisition was completed on 1 January 2022, as illustrated in Section 6.2, Part A of the Circular.

Notwithstanding the above, based on the Shareholders Agreement dated 10 September 2020 entered between the Company, Jejaka and Mr Cheng Ping Liong, the Proposed Acquisition is implemented in accordance with Clause 7.2.10 of the Shareholders Agreement whereby the Company and Jejaka shall not transfer or otherwise part with the beneficial ownership of all or any of its shares of GFS to any third party without first making an offer in writing through GFS to sell the same to other shareholder of GFS, in proportion to the shareholding ratio at the relevant time.

The Purchase Consideration was also arrived at after taking into consideration, amongst others, PE Multiple of 8.95 times, which is similar to the PE Multiple for the Initial Acquisition. Our discussion, analysis and opinion of the PE Multiple of 8.95 times as compared to its peers are set out in Section 5.2.1 of this IAL.

Premised on the above, we are of the opinion that the rationale for the Proposed Acquisition is reasonable. Nevertheless, the non-interested shareholders of the Company should note that the potential benefits arising from the Proposed Acquisition, are subject to certain risk factors as disclosed in Section 5, Part A of the Circular as well as Section 5.4 of this IAL.

5.2 Evaluation of the Proposed Acquisition

5.2.1 Basis and Justification of the Purchase Consideration

The basis and justification of arriving at the Purchase Consideration is set out in Section 2.3, Part A of the Circular.

In establishing our opinion on the fairness of the Purchase Consideration, SCA had considered various methodologies, which are commonly used for valuation and took into consideration GFS's future earnings generating capabilities, projected cash flows, its sustainability as well as various business considerations and risk factors affecting its business.

The date of our opinion is 17 April 2023 (hereinafter referred to as the "**Date of Opinion**").

The following valuation methodologies were considered and selected by SCA to determine the fairness of the Purchase Consideration:

- (i) Relative Valuation Analysis ("**RVA**") ; and
- (ii) Discounted Free Cash Flow to Firm ("**FCFF**") Methodology.

The primary valuation methodology considered and selected by SCA to evaluate fairness of the Purchase Consideration is based on RVA as it is the process of comparing the value of an asset based on traded multiples of similar assets, based on current sentiment of the market.

Valuation Multiple	General Description
PE multiple	The PE Multiple illustrates the ratio of the market value of a company's shares relative to its historical and forecast earnings per share.

Valuation Multiple	General Description
Enterprise value (“EV”)/ earnings before interest, taxation, depreciation and amortisation (“EBITDA”)	<p>EV is the sum of a company’s market capitalisation, preferred equity, minority interest, short and long-term debt less its cash and cash equivalent. The EV/EBITDA multiple illustrates the market value of a company’s business relative to its historical and forecast pre-tax operational cash flow performance, without taking into consideration the company’s capital structure.</p> <p>The exclusion of non-cash items such as depreciation and amortisation from the calculation of EBITDA will allow this method to be more reflective of a company’s pre-tax operating cash flow. In addition, the exclusion of interest will discount the effect of differing capital structure of the Comparable Companies.</p>

SCA has also taken into consideration the Discounted FCFF as the secondary methodology to evaluate the fairness of the Purchase Consideration.

Further, SCA has also considered other valuation methodologies and found that the following methodologies are not suitable in the assessment of the fairness of the Purchase Consideration based on the following factors:-

Valuation Methodologies	Discussion
Revalued Net Asset Valuation (“RNAV”)	<p>RNAV method seeks to adjust the net asset of a company to take into consideration the valuation of assets of a company to determine the adjusted value of the firm’s financial value. It is generally used for valuation of company that is assets heavy. Based on the audited financial statements of GFS for the FYE 2022, the net book value of its plant and equipment attributed to approximately 0.3% of its total asset.</p> <p>Further, RNAV values a company based on the value of its assets, net of all liabilities at a specific point in time and does not take into consideration the future income stream of a company. Hence, RNAV may not accurately reflect the potential and market value of GFS.</p>
Comparable Transaction Analysis (“CTA”)	<p>CTA is a valuation method which seeks to compare against other recent comparable transactions undertaken by companies listed on the local and/or regional stock exchanges that had entered into proposed acquisitions of similar assets. It also reflects a reasonable estimate of multiples or premiums that others have paid for similar companies in the past.</p> <p>As market condition had changed drastically following the COVID-19 pandemic, CTA, which typically make reference to precedent transactions transacted in the past three (3) years, may not accurately reflect the fairness of the Purchase Consideration. We have conducted our searches on precedent transactions for the past three (3) years from S&P Capital IQ as at Date of Opinion, the criteria that we have selected are (i) business description: EDCC (ii) geographical location: Malaysia. As a result of the above, we noted that there was only one (1) transaction, of which was the Initial Acquisition. Based on the Company’s circular to shareholders dated 8 October 2020, the PE Multiple of 8.95 times was stated as the basis and justification in arriving at the then purchase consideration, which is similar for the Proposed Acquisition.</p> <p>As there was only one (1) precedent transaction for the past three (3) years, we are of the view that CTA is not suitable in the determination of the fairness of the Purchase Consideration.</p>

RVA

RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. Under the RVA, reference was made to the valuation statistics of companies listed on Bursa Securities with principal activities that we consider broadly comparable to GFS, i.e. principally engaged in the provision of EDCC solutions, to get an indication of the current market expectation with regards to the fairness of the Purchase Consideration.

We concur with the Board's selection of the comparable companies, of which operate in the similar business of GFS and whose principal business activities involved in the provision of information technology solutions for various industries with the market capitalisation of approximately RM300.00 million to RM1.00 billion.

It is important to note that the Comparable Companies tabulated herein are by no means exhaustive and may differ from GFS in terms of, inter alia, composition of business activities, scale of operations, geographical location of operations, profit track record, financial profile, risk profile, prospects, capital structure, marketability of their securities and other criteria.

One should also note that any comparisons made with respect to the Comparable Companies are merely to provide a comparison to the implied valuation of GFS and the selection of Comparable Companies and adjustments made are highly subjective and judgmental and the selected companies may not be entirely comparable due to various factors.

The table below sets out the valuation statistics of the Comparable Companies based on the closing market prices as at the Date of Opinion as extracted from S&P Capital IQ:

Comparable Company ^[1]	Market Cap (RM million)	PE Multiple ^[2] (times)		EV/EBITDA Multiple ^[2] (times)	
		^[3]		^{[3][4]}	
Kronologi Asia Berhad ("KAB")	406.99	16.38	12.29	6.44	4.56
Infoline Tec Group Berhad ("Infoline")	317.83	16.15	12.11	17.52	12.55
Microlink Solutions Berhad ("Microlink")	911.54	43.14	32.36	25.19	18.83
GHL Systems Berhad ("GHL")	947.44	33.66	25.25	11.56	8.18
Average		27.33	20.50	15.18	11.03
Median		25.02	18.77	14.54	10.37
Maximum		43.14	32.36	25.19	18.83
Minimum		16.15	12.11	6.44	4.56

Notes:

- [1] We have not included Awanbiru Technology Berhad as Comparable Companies as the company was incurring losses for the 2nd quarter financial period ended 31 December 2022.
- [2] Calculated based on the closing market prices and the trailing twelve (12) months financial results as at the Date of Opinion as extracted from S&P Capital IQ.
- [3] The trading multiples of the Comparable Companies are perceived to be the value of a liquid minority stake as at the Date of Opinion. On the other hand, the Proposed Acquisition involves the valuation of 20% equity interest in a private company, hence it is perceived to be illiquid. For information purposes, the discount for lack of marketability ("DLOM") generally ranging from 20% to 30% (source: Aswath Damodaran). As such, we have applied a discount for DLOM of 25% on the PE Multiple and EV/EBTDA Multiple.
- [4] In arriving at the adjusted EV, a discount of 25% DLOM, being the mid-point of the range as discussed above, was applied to the market capitalisation of the Comparable Companies as at the Date of Opinion.

The PE Multiple and implied EV/EBITDA Multiple based on the Purchase Consideration are as follows:-

	PE Multiple (times)	EV/EBITDA Multiple (times)
Value of 100% equity interest in GFS (RM)		63,025,000 ^[1]
Based on GFS' PAT for the FYE 2022 ^[2]	8.95	
Based on GFS' EBITDA for the FYE 2022 ^[3]		5.48
Average	20.50	11.03
Median	18.77	10.37
Maximum	32.36	18.83
Minimum	12.11	4.56

Notes:

[1] Calculated using the Purchase Consideration divided by 20%

[2] Based on GFS' PAT of RM7.04 million for the FYE 2022

[3]	EV (A)		RM' million
	Equity Value as implied by the Purchase Consideration divided by 20%		63.03
	Less: Short-term investment and cash and bank balances as at 31 December 2022		(11.70)
	Add: Hire purchase and lease liabilities		0.18
			51.51
	EBITDA (B)	Profit Before Taxation for the FYE 2022	9.36
	Add: Depreciation for the FYE 2022		0.16
	Less: Net interest income for the FYE 2022		(0.12)
			9.40
	Implied EV/EBITDA	(A)/ (B)	5.48 times

Based on the above,

- (i) The PE Multiple of 8.95 times is lower than the average, median and range of the PE Multiple of the Comparable Companies; and
- (ii) The implied EV/EBITDA Multiple of 5.48 times is lower than the average and the median and within the range of EV/EBITDA Multiple of the Comparable Companies.

Premised on the above, we are of the opinion that the Purchase Consideration is fair, taking into consideration the results based on RVA as discussed above.

Discounted FCFF Methodology

The Discounted FCFF Methodology is a commonly used investment appraisal technique to evaluate the attractiveness of an investment opportunity which takes into consideration, amongst others, the time value of money as well as future cash flows to be derived from the business over a specific period of time.

Discounted FCFF Methodology is a valuation method which considers both the time value of money and the projected net cash flow generated discounted at a specified discount rate to derive at the valuation of the subject matter, involving the application of an appropriately selected discount rate applied on the projected future cash flows to be earned by the capital contributors of a company, i.e. equity shareholders and debt capital providers.

As the Discounted FCFF methodology entails the discounting of future cash flows to be generated from the business at a specified discount rate to arrive at the fair value of the investment, the risk involved in generating such cash flows will also be taken into consideration.

FCFF is the free cash flows available to be paid to the capital contributors of the company after all expenses and reinvestment cost. The formula used to derive the enterprise value is as follows:

$$\text{Enterprise value} = \text{Present value of Projected FCFF based on the Future Financials} + \text{Terminal value}$$

$$V_0 = \frac{FCFF_1}{(1+DR)^1} + \frac{FCFF_n}{(1+DR)^n} + \frac{FCFF_{TV}}{(DR-g)}$$

Where:

V_0 = Value today

$FCFF_1$ = Expected FCFF in year 1

$FCFF_{TV}$ = Terminal year FCFF

DR = Discount rate derived using the weighted average cost of capital ("WACC")

n = represent time, in years into the future

g = terminal year growth rate

The projected FCFF as determined annually based on the Future Financials shall be discounted using the WACC. The WACC formula is as follows:

$$WACC = [\text{Cost of Equity} \times \text{Equity} / \text{Capital}] + [\text{Cost of Debt} \times \text{Debt} / \text{Capital} \times (1 - \text{Corporate Tax Rate})]$$

The cost of equity takes into account a combination of risk factors associated with the industry in which GFS is involved in, namely, the systematic risk, i.e. the inherent market risk such as the interest rate fluctuation, and the capital structure, i.e. the financing risk. These risks are translated into the cost of equity which is built upon the Capital Asset Pricing Model ("CAPM").

The cost of equity formula is as follows:

$$\text{Cost of equity} = \text{Risk-Free Rate} + [\text{Re-gear Beta} \times (\text{Market Return} - \text{Risk-Free Rate})]$$

In arriving at the appropriate discount rate for GFS, we have applied the prevailing risk-free rate and market risk premium, as well as adopted the betas of available Comparable Companies with relevant adjustments made taking into consideration the gearing and the risk profile as well as other risk factors that may affect GFS.

All information obtained was sourced from S&P Capital IQ as at the Date of Opinion unless stated otherwise.

For the purpose of assessing the fairness of the Purchase Consideration, the Comparable Companies' beta is adjusted (de-gear) for its gearing ratio, and then re-gear based on the median net gearing level of the Comparable Companies.

The details of the Comparable Companies and the input parameters for CAPM at the Date of Opinion are set out as follows:

Comparable Company	Market Cap (RM million)	Levered Beta	Net Debt/Equity	Unlevered Beta
KAB	406.99	1.29	Nil	1.29
Microlink	911.54	0.74	Nil	0.74
GHL	947.44	0.77	Nil	0.77
Median			NIL	0.77

Notes:

Infoline is excluded in the calculation of beta in arriving at the discount rate as Infoline was only recently listed on Bursa Securities on 13 July 2022. Hence, we are of the view that Infoline has insufficient data points to derive at a meaningful beta in our estimation of the discount rate.

Bases and Assumptions for Future Financials

The Future Financials have been prepared based on a set of assumptions made by the Management, which includes assumptions about future events and outlook that may or may not necessarily occur. In particular, the Future Financials are dependent on the achievability of the specific assumptions as set out below.

The FCFF for each financial year in the Future Financials used to derive at the Discounted FCFF valuation are extracted from the estimate, forecast and projections based on the Management's best estimate. The actual results may vary considerably from the Future Financials.

Notwithstanding the above, we wish to highlight that the Discounted FCFF valuation is based on prevailing economic, market and other conditions as at Date of Opinion for valuation parameters, in addition to publicly available information and information provided by GFS and the Company. Such conditions may change significantly over a short period of time. The resultant effect of such changes may materially and/or adversely affect the valuation.

The specific key assumptions used in the preparation of the Future Financials are as follows:-

Major bases and assumption	SCA's commentary
(i) GFS' main source of revenue is generated from the provision of IT solutions, specialising in EDCC solutions and sales are largely contributed from retail and semiconductor sectors, of which the revenue growth rate of 5.0% per annum is estimated for the Future Financials.	<p>The growth of 5.0% per annum is fair as GFS' revenue growth for FYE 2021 and FYE 2022 were approximately 30.0% and 7.3% respectively with a compounded annual growth rate of 18.1%.</p> <p>We also note that the revenue increment of 5.0% per annum is within the range of Malaysia historical gross domestic product ("GDP") growth rate from year 2013 to 2022 (excluded year 2020 due to the impact of COVID-19) of 3.1% to 8.7% with an average of 5.2% as extracted from World Bank.</p>
(ii) The management of GFS has estimated its gross profit margin at 30.5% for the Future Financials.	<p>We noted that after the Initial Acquisition, GFS's gross profit margin increased from 20.2% in the FYE 2020 to 29.8% in the FYE 2021, thereafter increased to 31.1% in the FYE 2022.</p> <p>Further, we have taken into consideration the gross profit margin of the Comparable Companies, which ranges from 19.6% to 36.1%, with a median of 30.9%.</p> <p>As such, we are of the view that the estimated gross profit margin of 30.5% for the Future Financials is reasonable.</p>
(iii) Selling and distribution expenses as well as administrative expenses are estimated to increase by 2.0% and 14.0% per annum respectively for the Future Financials.	<p>Selling and distribution expenses mainly comprises commission, transportation charges, entertainment, exhibition and promotional expenses.</p> <p>Administrative expenses comprise mainly staff cost, directors' remuneration, rental, subscription fees, telephone and fax charges and others.</p> <p>For information, selling and distribution expenses and administrative expenses attributed to approximately 14.9% and 81.3% of the total expenses for the FYE 2022.</p> <p>We noted that the incremental rates per annum used were based on the average historical rate from the FYE 2020 to FYE 2022, are reasonable and can be further supported by Malaysia historical inflation rate from year 2013 to 2022 (excluded year 2020 due to the impact of COVID-19) ranges from 0.7% to 3.40%, with an average of 2.3% based on information extracted from World Bank.</p>

Major bases and assumption	SCA's commentary
(iv) Tax expense for GFS is estimated based on Malaysia corporate tax rate of 24.0%.	We noted that the corporate tax rate of 24% is fair as it follows the statutory corporate tax rate requirement in Malaysia.
(v) GFS' receivables and payable turnover days are estimated to be approximately 78 days and 56 days.	We noted that the receivables and payable turnover days are calculated based on historical average receivables and payable turnover days from FYE 2020 to FYE 2022 and are reasonable assumptions.
(vi) Management of GFS represented that no significant capital expenditure is expected in the Future Financials.	We noted that there is no significant capital expenditure is expected in the Future Financials as the business nature of GFS does not heavily rely on any machinery to operate.

General Assumptions

- (i) There will be no significant changes in the principal activities, key management personnel, operating policies, accounting and business policies presently adopted by GFS;
- (ii) The Future Financials have been prepared based on prevailing economic conditions and information available as at the date of its preparation and does not encompass any assessment of the potential for future changes in the economic conditions in Malaysia and globally;
- (iii) There will be no significant changes to the prevailing economic, political and market conditions in Malaysia and elsewhere that will have direct and indirect effects on the activities and performance of GFS and the business of GFS' customers and suppliers;
- (iv) There will be no material changes to the present legislation and government's regulations and other operation regulations or restrictions affecting GFS's activities or the market in which it operates;
- (v) Other than as set out above, there will be no significant changes in the credit period granted or received by GFS;
- (vi) The statutory income tax rate and other relevant duty and tax rate for GFS will remain at their respective existing rates with no significant changes in the bases of taxation and there will be no significant changes in the structure which would adversely affect the cash flows of GFS;
- (vii) There will be no material adverse effect from service disruptions, equipment or network breakdown or other similar occurrences, wars, epidemic, terrorist attacks and other natural risks, both domestic and foreign, which will adversely affect the operations, income and expenditure of GFS;
- (viii) The rate of inflation will not fluctuate significantly from their projected levels;
- (ix) The exchange rate between RM and the various currencies in which GFS derives its income/expenses in will not fluctuate significantly from their projected levels;
- (x) There will be no substantial impairment to the carrying value of GFS's plant and equipment and other assets;
- (xi) There will be no significant changes in wages, supplies, administration, overhead expenses and other costs other than those forecasted and projected;

- (xii) There will be no termination of any significant agreements or contracts from which the legal rights accruing to GFS, in respect of the principal activities are derived; Such agreements or contracts are assumed to be renewed based on current terms upon expiry;
- (xiii) There will be adequate supply of manpower and other relevant resources to GFS for its business activities; and
- (xiv) There will be no major legal proceedings against GFS which will adversely affect the activities or performance of GFS or give rise to any contingent liability which will materially affect the financial position or business of GFS.

We are of the view that the general assumptions appear to be reasonable as the business of GFS is expected to continue as a going concern.

Evaluation of the fairness of the Purchase Consideration

In determining the fairness of the Purchase Consideration, and based on the Discounted FCFF Methodology using the Future Financials as provided by the management of GFS and the inputs from the Comparable Companies, the following were noted:

WACC Inputs	
Median Net Debt/Equity Ratio of Comparable Companies	0.00%
Risk-Free Rate ^[1]	3.86%
Market Return ^[2]	9.45%
Re-gear Beta ^[3]	0.77
Illiquidity Premium ^[4]	4.00%
Cost of equity derived using CAPM	12.14%
Cost of debt ^[5]	6.51%
WACC	12.14%
Enterprise Value ("EV") of GFS	RM67.22 million

Notes:

- [1] Based on the risk-free rate for Malaysia as extracted from <http://www.bnm.gov.my>. This risk-free rate is based on the yield of ten (10) years Malaysian Government Securities as at Date of Opinion.
- [2] Based on the historical average market return for Malaysia as extracted from Bloomberg. The historical average market return is based on the average return of FTSE Bursa Malaysia Top 100 Index for the past ten years extracted on the Date of Opinion.
- [3] Re-gear beta is arrived at based on the median net debt/equity ratio of Comparable Companies.
- [4] An illiquidity premium of 4.0% had been applied to derive the discount rate using CAPM to account for the lack of marketability and unsystematic risk as extracted from <http://people.stern.nyu.edu/adamodar/pdfiles/country/illiquidity.pdf>.
- [5] Based on the average base lending rate as extracted from Malaysia's banks.

Terminal value is mainly computed via one of the three (3) approaches, which is (a) liquidation value (b) multiple approach or (c) stable growth approach. For the purpose of this valuation, we have used the stable growth model to compute the terminal value as this usually applies to companies that are growing but on a moderate pace.

The terminal value is computed based on the average FCFF from the FYE 2023 to the FYE 2025 at a terminal growth rate of nil taking into consideration the risk of external factors and uncertainties that may directly or indirectly affect the business of GFS. The terminal value computed of approximately RM47.61 million represent 70.8% of GFS' EV of approximately RM67.22 million.

The terminal value of the Target Co adopted in the Discounted FCFF Methodology is computed based on the parameters as stated below:-

$$\text{Terminal Value} = \frac{\text{FCFF}_n \times (1+g)}{\text{WACC}-g}$$

Where;

n = represent time, last year of the Future Financials

WACC = Discount rate derived using WACC

g = terminal growth rate

The EV of GFS is then adjusted for the cash and bank balances and borrowings, surplus of assets and liabilities to arrive the equity value in GFS as shown in the table below:-

Equity Value of GFS	RM'million
EV of GFS	67.22
Adjustment	
Less: Borrowings ^[1]	Nil
Add: Cash and cash equivalents ^[1]	11.70
Value of 100% equity interest in GFS	78.92

Notes:

[1] Based on GFS's audited accounts as at 31 December 2022.

Based on the underlying assumptions of the Future Financials, we have performed a sensitivity analysis on three key parameters, namely the discount rate, terminal value and FCFF as these assumptions have significant impact on the implied valuation of GFS. We have stress tested the Future Financials by varying the values adopted in the discount rate, terminal value and FCFF on a 0.5% and 3.0% upward and downward variance respectively on the midpoint of the valuation to arrive at a reasonable range of equity valuation of GFS.

The variance parameters for the discount rate, terminal value and FCFF are selected after considering the followings:-

- World Bank had projected that Malaysia's GDP to grow by 4.0% in 2023;
- The headline inflation and core inflation is estimated to fall within 2.8% to 3.8% in 2023. (Source: Economic and Monetary Review 2022 Report issued by Bank Negara Malaysia dated 29 March 2023);
- The average annual real GDP growth for Malaysia from year 2011 to 2021 is 4.0% as extracted from the World Bank. Malaysia's GDP growth for 2019, 2020 and 2021 were 4.4%, -5.5% and 3.1% respectively; and
- The average annual inflation rate for Malaysia from year 2011 to 2021 is 1.9% as extracted from World Bank. Malaysia's inflation rate for 2019, 2020 and 2021 were 0.7%, -1.1% and 2.5% respectively.

Based on the above, we are of the opinion that the 0.5% and 3.0% upward and downward variance adopted for the discount rate, terminal value and FCFF is reasonable to take into consideration the range of possible fluctuations in the business to not only take into consideration the potential upsides but also the downturn due to unforeseen circumstances.

Results of the sensitivity test is as shown below:-

Sensitivity test Parameters	Intrinsic value		Adjusted intrinsic value ^[1]	
	Low range RM' million	High range RM' million	Low range RM' million	High range RM' million
Movement in discount rate used ($\pm 0.5\%$)	76.27	81.81	58.12	62.34
Movement in terminal value ($\pm 3.0\%$) and discount rate ($\pm 0.5\%$)	74.92	83.32	57.09	63.49
Movement in FCFF ($\pm 3.0\%$) and discount rate ($\pm 0.5\%$)	74.34	83.91	56.64	63.94

Notes:

[1] In view that the Proposed Acquisition involved the acquisition of minority stake in a company, certain discount such as the discount for lack of control ("DLOC") will need to be considered. Based on the Control Premium Study report issued by Mergerstat for 2020, the median for DLOC from 2011 to 2020 ranges from 20.6% to 27.0% with the median of 23.8%. Hence, we have applied a discount for DLOC of 23.8%.

Based on the above, the fair value of the 20% equity interest of GFS ranges from RM11.34 million to RM12.79 million based on the movement in FCFF ($\pm 3.0\%$) and the discount rate ($\pm 0.5\%$). The Purchase Consideration falls within the range of value appraised based on the Discounted FCFF.

Premised on the above evaluation, we are of the opinion that the Purchase Consideration is fair and reasonable, and not detrimental to the non-interested shareholders of the Company.

5.2.2 Salient terms of the SPA

The salient terms of the SPA are as disclosed in Appendix I of the Circular. Non-interested shareholders of the Company are advised to read Appendix I of the Circular in the entirety.

Our comments on the salient terms of the SPA are as follows:

	Salient terms	SCA Comments
1.	<p><u>Conditions Precedent</u></p> <p>Notwithstanding anything to the contrary herein contained, completion of the sale and purchase of the Sale Shares is conditional upon the following conditions being satisfied within a period of three (3) months from the date of the SPA or within such further period as may be mutually agreed upon by the parties hereto in writing, namely:</p> <ul style="list-style-type: none"> (i) the approval of the shareholders of the Purchaser to be obtained in an EGM to be convened for the acquisition of the Sale Shares from the Vendor in accordance with the terms of the SPA; and (ii) the approval or waiver of any regulatory requirement by any other relevant authorities, if required. 	<p>The Conditions Precedent as set out in the SPA are typical of such transactions and in compliance with the Listing Requirements.</p> <p>Terms (i) and (ii) are reasonable and in compliance with the Listing Requirements and ensure compliance with the relevant regulatory requirements. The Listing Requirements also requires that Interested CEO to abstain from deliberation and voting on the relevant resolution in respect of the Proposed Acquisition at the EGM to be convened.</p>
2.	<p><u>Unconditional Date</u></p> <p>Unless otherwise agreed by the parties hereto in writing, the SPA shall become unconditional upon all the conditions precedent stipulated in the SPA have been satisfied in accordance with the terms hereof ("Unconditional Date")</p>	<p>Such term is common and when the Condition Precedents are met and have been satisfied, the SPA shall become unconditional.</p>
3.	<p><u>Method of Payment</u></p> <p>The Purchase Price shall be satisfied in the following manners:</p> <ul style="list-style-type: none"> (i) the Purchaser shall pay 50% of the Purchase Consideration amounting to Ringgit Malaysia Six Million Three Hundred and Two Thousand Five Hundred (RM6,302,500.00) only ("Initial Payment") by way of banker's cheque or by way of electronic transfer of funds to the bank account designated by the Vendor on the Completion Date; and 	<p>There is no deposit being paid by the Company for the Proposed Acquisition. Further, the Initial Payment will only be paid on the Completion Date, whilst the Deferred Payment will be paid within three (3) months after fulfilment of the Condition Precedents under the SPA.</p> <p>Premised on the above, we are of the opinion that these payment terms are reasonable and not detrimental to the non-interested shareholders of the Company.</p>

	Salient terms	SCA Comments
	(ii) the Purchaser shall pay the balance 50% of the Purchase Consideration amounting to Ringgit Malaysia Six Million Three Hundred and Two Thousand Five Hundred (RM6,302,500.00) only as a deferred payment (“ Deferred Payment ”) by way of banker’s cheque or by way of electronic transfer of fund to the bank account designated by the Vendor within three (3) months from the Unconditional Date.	
4.	<p><u>Completion</u></p> <p>Unless otherwise agreed by the parties hereto in writing, completion of the SPA shall take place on a business day within fourteen (14) days from the Unconditional Date, or on such later date as the parties hereto shall mutually agree in writing when:</p> <p>(i) the Vendor shall deliver or cause to be delivered to the Purchaser:</p> <p>(a) the original share certificates in respect of all of the Sale Shares and the valid and enforceable share transfer documents thereof duly executed by the Vendor in favour of the Purchaser;</p> <p>(b) the undated resolutions of the board of directors of GFS approving the sale and transfer of the Sale Shares by the Vendor to the Purchaser on the terms and subject to the conditions contained herein and issuance of new share certificates in respect of the Sale Shares in favour of the Purchaser;</p> <p>(c) a deed of termination of the Shareholders Agreement to be made among the Vendor, the Purchaser, GFS and Cheng Ping Liong, duly executed by the Vendor, GFS and Cheng Ping Liong;</p> <p>(d) such other documents as may be required to give good title to the Sale Shares and to enable the Purchaser to become the registered holder thereof; and</p> <p>(ii) against the performance of the obligations of the Vendor above, the Purchaser shall effect settlement of the Initial Payment to the Vendor.</p>	<p>We are of the opinion that these terms are fair and reasonable whereby the Company and GFS must fulfil their respective obligations in ensuring the timely completion of the Proposed Acquisition. We also note that these terms are commonly seen in contracts of this nature.</p>
5.	<p><u>Non-Compete</u></p> <p>(i) The Vendor undertakes with the Purchaser that except with the written consent of the Purchaser for the period of 5 years after the Completion Date:</p> <p>(a) it will not in any country or place where GFS has carried on business within 1 year prior to the date hereof, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner or agent or otherwise conducts businesses for provision of information technology solutions specialising in automated data collection processes and mobile computing business;</p>	<p>It is common in nature where its involved the sale of a business, its typically provided that in exchange for payment, the Vendor will promise not to go into a similar type of business within a certain geographic area for a specific period of time.</p> <p>Additionally, this term also states that the Vendor cannot conduct business for provision of information technology solutions specialising in automated data collection processes and mobile computing business, soliciting the employees as well as customers of RGTECH Group and/or GFS, share trade secrets of GFS with its competitors.</p>

	Salient terms	SCA Comments
	<p>(b) it will not either on its own account or in conjunction with or on behalf of any other person, firm or company solicit or entice away or attempt to solicit or entice away from GFS the custom of any person, firm, company or organisation who shall at any time within 1 year prior to the date hereof have been a customer, client, identified prospective customer or client or agent of GFS; and</p> <p>(c) it will not either on its own account or in conjunction with or on behalf of any other person, firm or company employ, solicit or entice away or attempt to employ, solicit or entice away from GFS any person who is at the date hereof or who shall have been at the date of or within 1 year prior to the date of any purported breach of this provision an officer, manager, consultant or employee of GFS whether or not such person would commit a breach of contract by reason of leaving such employment.</p> <p>(ii) The Vendor regards each and every covenant and obligation set out in this Clause as being:</p> <p>(a) fair and reasonable;</p> <p>(b) a separate and independent obligation to be severally enforced; and</p> <p>(c) no greater in duration, extent and application than is necessary for the protection of the existing business of GFS or any of its affiliates,</p> <p>and in the event of any covenant or obligation being or becoming unenforceable in whole or in part, the Parties agree that this provision shall not in any way effected or impaired the remaining provision of the SPA.</p>	<p>It also prohibits the Vendor from working in or being otherwise affiliated with businesses in the same or similar industries arising from the Proposed Acquisition.</p> <p>Moreover, the time frame of five (5) years appears to be reasonable as its typically ranges from two (2) to three (3) years.</p> <p>We are of the opinion that the non-compete clause is reasonable and its not detrimental to the non-interested shareholders of the Company.</p>
6.	<p><u>Termination</u></p> <p>(i) In addition but not in derogation to other provisions of the SPA, on the occurrence of any of the events set out below with respect to a party (“Defaulting Party”), the other party (“Non-Defaulting Party”) may give notice in writing to the Defaulting Party specifying the relevant event or events and requiring the Defaulting Party to remedy the same (if capable of remedy) within fourteen (14) days of the receipt of such notice. The events are:</p> <p>(a) Breach</p> <p>In the opinion of the Non-Defaulting Party, the Defaulting Party has committed a material breach of any term or condition of the SPA or if he/it fails to perform or observe any material undertaking, obligation or agreement expressed or implied in the SPA;</p>	<p>The termination clause are reasonable and will allow the Non-Defaulting Party the avenue to terminate the agreement as well as safeguard the interest of the Non-Defaulting Party in the event that any of the terms and conditions cannot be satisfied or waived.</p>

Salient terms	SCA Comments
<p>(b) Receiver / Special Administrator</p> <p>A receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party or GFS;</p> <p>(c) Insolvency/Bankruptcy</p> <p>The Defaulting Party, where the Defaulting Party is a company, or GFS, is or becomes unable to pay its debts when they are due or becomes unable to pay its debts within the meaning of the Companies Act 2016, or in the case where the Defaulting Party is an individual, the Defaulting Party is declared a bankrupt within the meaning of the Insolvency Act 1967;</p> <p>(d) Arrangements</p> <p>The Defaulting Party or GFS enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;</p> <p>(e) Winding Up</p> <p>An application or order is made for the winding up or dissolution of the Defaulting Party or GFS or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Defaulting Party or GFS otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Non-Defaulting Party;</p> <p>(f) Cessation of Business</p> <p>The Defaulting Party or GFS ceases or threatens to cease carrying on all or a substantial portion of its business.</p> <p>(ii) The Vendor and the Purchaser shall within seven (7) days after notice has been given under the Clause (i) above, meet to discuss the event or events giving rise to the notice with a view to the Defaulting Party or GFS (where appropriate) remedying the event. In the event that the breach is not remedied within fourteen (14) days of the Non-Defaulting Party having given notice under Clause (i) above, the SPA shall be terminated forthwith without any requirement or need for the Non-Defaulting Party to give any further notice or reasons therefor.</p> <p>(iii) Upon the termination of the SPA under Clause (ii) above, the Vendor shall refund all the monies paid by the Purchaser (without interest) to the Vendor within seven (7) days from the expiry of the notice given under Clause (i) above, and the SPA shall be null and void and none of the parties hereto shall have any claim against each other save for any antecedent breach.</p>	

Salient terms	SCA Comments
(iv) In the alternative, any party hereto shall be entitled to the rights of specific performance against the other under the provisions of the SPA and it is hereby mutually agreed that in the event of any party hereto exercising its right to specific performance of the SPA, an alternative remedy of monetary compensation shall not be regarded as sufficient compensation for the other party's default in the performance of the terms and conditions of the SPA.	

Premised on the above, we are of the view that the abovementioned salient terms of the SPA are fair and reasonable and not detrimental to the non-interested shareholders of the Company.

5.3 Industry overview and prospects

We take note of the industry overview and prospects as disclosed in Section 4, Part A of the Circular.

Overview and prospects of the Malaysian Economy

Malaysia's economy expanded by 6.9% in the first half of 2022 underpinned by favourable momentum in the domestic economy and steady expansion in the external sector, as well as continued improvement of the labour market conditions. The strong performance is expected to sustain, backed by an increase in private consumption and business activities as the economy transitions to endemicity phase of COVID-19 with the surging tourist arrivals. Furthermore, the growth momentum was attributed to the Government's consistent policy support, particularly with the implementation of initiatives under the Budget 2022 since the start of the year, as well as the spillover effects from the Budget 2021 measures coupled with various assistance and stimulus packages.

In tandem with continued implementation of development programmes and projects, the economy is expected to expand further in the second half of the year. The growth prospects have been supported by the resumption of economic and social activities and improvement in international travel activities following the relaxation of COVID-19 restrictions regionally. With better prospects as indicated by the Leading Index, the economy is anticipated to gain its growth momentum in the second half of the year attributed to strong domestic demand as the country transitions into endemicity.

For the full year of 2022, the economic growth is expected to register a higher growth within the range of 6.5% - 7%. The domestic economy remains resilient and is forecast to expand between 4% - 5% in 2023 driven by the domestic demand. Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for cost of living and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

Malaysia's economy will remain in a positive growth trajectory in 2023 mainly driven by domestic demand following the transition to the endemic phase and the reopening of international borders. The Government continues to support the economy through implementing policies and measures to ensure a conducive business environment that facilitates economic activities and meet the needs of the rakyat. In enhancing economic resilience and sustainable growth, the Government will prioritise the structural reform agenda to sustain the post-COVID-19 economic recovery momentum, amid the challenges arising from geopolitical uncertainties and climate change.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

The Malaysia economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (3Q 2022: 1.9%). For 2022 as a whole, the economy expanded by 8.7% (2021: 3.1%).

All economic sectors registered growth in the fourth quarter of 2022. The services sector expanded by 8.9% (3Q 2022: 16.7%), supported by consumer-related subsectors amid better labour market conditions and the continued recovery in tourism activities. The sector also benefitted from improvements in real estate and business services activities.

The manufacturing sector grew by 3.9% (3Q 2022: 13.2%). Despite experiencing slower global semiconductor sales, the electrical and electronic (“E&E”) cluster remained in expansion amid fulfilment of existing backlog in orders. Meanwhile, the primary segment continued to grow driven by higher output at a major oil refinery in Johor which resumed operations in the previous quarter.

Sustained production in the consumer segment was driven by the food and beverage segment ahead of the festive season, as well as the motor vehicle and transport equipment segment to meet backlog in orders.

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity. The balance of risks to Malaysia’s growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, tighter financial conditions, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

(Source: BNM Quarterly Bulletin Fourth Quarter 2022)

Information and Communication Technology (“ICT”) Industry overview and outlook

The ICT subsector expanded by 6.1% in the first half of 2022, supported by telecommunication segment following a higher digital usage among businesses and individuals and increased subscription of services offered by telecommunication companies. The subsector is projected to increase by 3.3% in the second half of the year, supported by sustained high usage of the e-commerce services and increased subscriptions to media streaming such as sport packages in conjunction with the 2022 Commonwealth Games and 2022 FIFA World Cup campaign. Therefore, the subsector is anticipated to rise by 4.7% in 2022.

The services sector is anticipated to expand by 5% in 2023, benefitting from the sustained domestic demand in spite of a moderate global economic growth. The growth will continue to be mainly driven by wholesale and retail trade; real estate and business services; information and communication; transportation and storage; and food & beverages and accommodation subsectors.

The information and communication subsector is expected to expand by 4.6% in 2023, mainly driven by the increasing digital adoption across all economic sectors. Phase 2 of the Jalinan Digital Negara (“JENDELA”) is expected to boost the digital connectivity through the utilization of Fixed Wireless Access and other fit-for purpose technologies, thus enabling the country to further address the digital divide. In this regard, Digital National Berhad aims to extend the fifth-generation cellular network (“5G”) coverage to 80% of the nation’s populated areas by 2024. In addition, high quality investment in digital-related infrastructures such as data centres and cloud computing services as well as continued surge in the e-commerce and online entertainment activities will further boost the subsector.

The Government also continues to promote the Fourth Industrial Revolution (“4IR”) through the development of new emerging technology clusters such as drones, robotics and autonomous vehicles. The Malaysian Research Accelerator for Technology & Innovation (“MRANTI”) will spearhead Malaysian Drone Technology Plan as announced in September 2022. These initiatives are expected to benefit and provide exposure to E&E industry leaders, potential entrepreneurs, small and medium enterprises (“SMEs”) and the startup community. The Council of National Digital Economy and the 4IR will govern and monitor the progress of the implementation.

The fast-paced adoption of digitalisation, technologies and cyber security practices have strengthened the digital economy, which is expected to contribute over 23% to Malaysia’s GDP by 2025 (MOSTI, 2022). The digital economy enables SMEs to integrate into global markets through e-commerce and information technology, thus reducing costs associated with transport and border operations.

Private investment is projected to register a growth of 3.7% attributed to an increase in capital spending in technology-intensive manufacturing and services sectors, particularly ICT-related machinery and equipment. As the nation moves towards adoption of digital technologies in line with the National 4IR Policy, investment in catalytic industries will continue to be enhanced to transform Malaysia into a high-income nation. The industries include advanced E&E, aerospace and pharmaceuticals.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

Malaysia’s retail industry outlook

Malaysia’s retail industry sales grew 13.7% year-on-year in the fourth quarter of 2022. After two consecutive years of dismay due to the Covid-19 pandemic, Malaysia retail industry recorded a positive growth rate of 33.3% for the entire year of 2022. This final annual growth figure was based on seasonally adjusted volume sales on each quarter of last year. This historical high annual growth rate was unprecedented, adding that during the first year of the pandemic, Malaysia’s retail industry growth rate fell by 16.3%.

Retail Group Malaysia said that members of the two retailers’ association project an average growth rate of 9.2% for the Malaysia retail industry during the first quarter of 2023. It said the department store cum supermarket operators are hopeful of a sustainable growth rate of 6.4% for the first quarter of this year. After achieving steep growth rates last year, the department store operators will experience normalisation of its business with a growth rate of 15.8% for the first three-month period of this year.

(Source: Malaysia Retail Industry Report dated 14 March 2023, Retail Group Malaysia)

Our Comment

The ICT sector is anticipated to further expand, mainly led by the wider digital adoption by businesses and the greater usage of e-commerce and rapid transition to digitalisation. Further, the retail industry, of which GFS’ top customer is in, is projected to grow in the near future.

Given the positive outlook for the ICT, the retail industries as well as the prospects of GFS and RGTECH Group as set out in Section 4.0, Part A of the Circular, the Proposed Acquisition will allow Mr Cheng Ping Liong to spearhead RGTECH Group and expand its existing business to undertake additional growth opportunities such as the expansion of its clientele to include other international companies; and the expansion of its services offering to clients from other industries.

Prospects of GFS and RGTECH Group

As set out in Section 4.3, Part A of the Circular, the management of the Company is optimistic of the prospects in the ICT industry.

RGTECH Group is an integrated technology solutions provider in SEA with expertise in the digitalisation of retail and industrial businesses, including those in the FMCG, manufacturing, and postal service sectors. GFS provides similar solutions to its customers and also caters to other industries including companies in FMCG, utilities and electronic industries.

As at LPD, the Company holds 80.0% equity interest in GFS and the Group's revenue has shown improvements for the FYE 2021 and 2022. The Proposed Acquisition will pose a lower acquisition risk to RGTECH Group as both entities have been working together on complementary aspects in the past such as sharing of technical expertise and resources. Further, as explained in the Section 4.3, Part A of the Circular, RGTECH Group, by leveraging with the expertise and experiences of its subsidiaries, appears poised to undertake further opportunities to grow its business, which in turn will benefit RGTECH Group's financial performance in the future.

Premised on the above, we are of the view that the prospects of RGTECH Group following the Proposed Acquisition will be favourable and barring unforeseen circumstances, is poised to improve its financial performance in the future.

Nonetheless, we wish to highlight that both the ICT and retail industries are subject to uncertainties which are not within the Board's control such as change in Government policies, pandemic risk, changes in consumers preferences and changes in financing conditions. The occurrence of any of such events may materially impact the businesses and may adversely affect RGTECH Group's revenue and profitability to be derived from the businesses.

5.4 Risk factors relating to the Proposed Acquisition

We take note of the risk factors as disclosed in Section 5, Part A of the Circular.

RGTECH Group is not expected to be exposed to new business risks as a result of the Proposed Acquisition. Additionally, we wish to point out the following risk factors, of which are inherent to the ordinary course of business of the Group:-

Risk of slow recovery of the retail industry

There are risks of prolonged or intermittent restrictions to business and social activities in the markets that GFS operates in, given the lingering uncertainties with COVID-19 and the emergent of new variant(s), i.e. Arcturus or XBB1.16. As a significant portion of GFS' customers are retail industry players comprising departmental stores, supermarkets and hypermarkets, and convenience stores, GFS may be exposed to uncertainties posed by the COVID-19 pandemic and the impact to the sector as a whole.

However, the likelihood of prolonged restrictions or business closures could be cushioned, as the domestic and regional governments gradually take an endemic approach to COVID-19, alongside high vaccination rates.

Change in consumer behaviour towards online retail purchases

Retailers are increasingly facing competition pressures as consumers purchase goods via e-commerce platforms, due to convenience and perceived higher safety levels in light of COVID-19. Therefore, traditional retailers with physical-only store fronts may face greater challenges in future, as consumers increasingly prefer to engage with businesses that provide an omnichannel experience.

To mitigate these risks, RGTECH Group continues to strengthen its software solutions, including integration of e-commerce solutions for enterprises as well as SME to RGTECH Group's solutions portfolio. This allows RGTECH Group to continuously be at the forefront of catering to latest changes in consumer behaviour and support the evolving needs of businesses.

In relation to the risk factors that were disclosed in Section 5, Part A of the Circular, we note that there can be no assurance that the Company will be able to realise the anticipated benefits from the Proposed Acquisition. However, we also note that the Board will endeavour to take all the necessary steps and will monitor GFS closely through its management's expertise and experience.

As the Company is already the major shareholder of GFS, the Proposed Acquisition represents a lower acquisition risk to the Company due to:-

- (i) awareness of the Company on the operational and administrative aspects of GFS business as both parties have collaborated in terms of sharing of resources and expertise;
- (ii) integration risks commonly associated with an acquisition will be low, due to the close relationship between both the Company and GFS. Moreover, risks of integration such as culture and working practices, will not be a concern to the Company; and
- (iii) both parties would be able to build on a synergistic relationship, which bodes well for the future financial performance of GFS, which in turn will improve RGTECH Group's financial performance as well.

Notwithstanding the above, there is no assurance that GFS will continue securing more contracts leading to higher revenue and profitability levels in future, as the business is exposed to various risks inherent in the industry that GFS operates in.

We also wish highlight that despite efforts and measures taken by the Company to mitigate the risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of risk factors as stated above and in Section 5, Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of RGTECH Group, its financial performance, financial position or prospects thereon.

In evaluating the Proposed Acquisition, non-interested shareholders of the Company should carefully consider the said risk factors and their respective mitigating factors before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of the Company. Non-interested shareholders of the Company should also note that the risk factors mentioned therein are not meant to be exhaustive.

5.5 Financial effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition on RGTECH Group as disclosed in Section 6, Part A of the Circular are as follows:-

(i) Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effects on the issued share capital and substantial shareholders' shareholdings of the Company as the Proposed Acquisition does not involve any issuance of new ordinary shares of the Company.

(ii) NA and gearing

The Proposed Acquisition will not have any effect to the gearing of the Company as the Company has no borrowing and the Company intends to fund the Proposed Acquisition via internally generated funds. For information purposes, RGTECH Group's cash and cash equivalents balances stood at approximately RM41.31 million based on the latest audited financial statements of RGTECH Group as at 31 December 2022.

The Proposed Acquisition will result in the slight decrease of NA per share from RM0.15 per share to RM0.14 per share after the Proposed Acquisition as it involved the use of internal generated funds. The Proposed Acquisition may also potentially reduce the NA per share due to charges to the non-controlling interest that may reduce the NA further. However, going forward, the NA may gradually increase through the potential contribution from RGTECH Group's profitability.

(iii) **Earnings and EPS**

The Proposed Acquisition is expected to be earnings accretive as RGTECH Group will benefit from the full contribution and consolidation of the revenue and earnings streams from GFS. As an illustration, on the assumption that the Proposed Acquisition had been completed on 1 January 2022, the EPS of RGTECH will increase from 1.42 sen to 1.61 sen as a result of the consolidation of the earnings of GFS.

Based on the above, we are of the opinion that the effects of the Proposed Acquisition is fair and reasonable and not to the detriment of the non-interested shareholders of the Company.

6 CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and have set out our evaluation in Section 2 through Section 5 of this IAL. We summarised the potential advantages and disadvantages of the Proposed Acquisition as follows:

Potential Advantages	Potential Disadvantages
The Proposed Acquisition will therefore enable the Company to fully recognise the earnings of GFS in its financial statements as well as to allow Mr Cheng Ping Liong, being RGTECH Group CEO to focus on the overall business and financial performance of RGTECH Group instead of GFS. In addition, the role and responsibility of Mr Cheng Ping Liong now lies on acting at the best interest of RGTECH Group instead of just GFS and it is to the benefit of the shareholders of RGTECH Group.	<p>The Proposed Acquisition will result in the decrease in the net cash position of RGTECH Group as the Company intends to fund the Proposed Acquisition via internally generated funds, bank borrowings and/or funds raising options (i.e. private placement), the exact source and/or proportion will be determined at a later date. The available cash could have been used for further business expansion, merger and acquisition of other companies or to be paid as dividend to the shareholders of the Company.</p> <p>Nonetheless, the Company's cash and cash equivalent remains healthy at approximately RM25.68 million after the Proposed Acquisition. For information, the Group's cash and cash equivalents and borrowings comprising lease liabilities and hire purchase payable stood at approximately RM41.31 million and RM0.76 million respectively, based on the latest audited financial statements of RGTECH Group for the FYE 31 December 2022.</p>

We have taken cognisance of the rationale and justification, financial evaluation, effects and risk factors of the Proposed Acquisition. Based on our evaluation and comments on the Proposed Acquisition, we are of the opinion that the Proposed Acquisition is **fair and reasonable** and are **not detrimental** to the non-interested shareholders of the Company.

Accordingly, we recommend that the non-interested shareholders to vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.



Before arriving at the decision to vote on the resolution pertaining to the Proposed Acquisition, it is pertinent that the non-interested shareholders of the Company to consider the issues and implications raised in this IAL as well as other considerations as set out in Part A of the Circular carefully and the Directors' statement and recommendation (save for the Interested CEO) in respect to the Proposed Acquisition as set out in Section 10, Part A of the Circular.

Yours faithfully,
For and on behalf of
STRATEGIC CAPITAL ADVISORY SDN. BHD.

NG WOON LIT
Director
Investment Representative
eCMSRL/B5412/2015

TAN DAI LIANG, CFA
Director
Investment Representative
eCMSRL/B6239/2015

APPENDIX I – SALIENT TERMS OF THE SPA

Conditions Precedent	<p>Notwithstanding anything to the contrary herein contained, completion of the sale and purchase of the Sale Shares is conditional upon the following conditions being satisfied within a period of three (3) months from the date of the SPA or within such further period as may be mutually agreed upon by the parties hereto in writing, namely:</p> <ul style="list-style-type: none"> (i) the approval of the shareholders of the Purchaser to be obtained in an EGM to be convened for the acquisition of the Sale Shares from the Vendor in accordance with the terms of the SPA; and (ii) the approval or waiver of any regulatory requirement by any other relevant authorities, if required.
Unconditional date	<p>Unless otherwise agreed by the parties hereto in writing, the SPA shall become unconditional upon all the conditions precedent stipulated in the SPA have been satisfied in accordance with the terms hereof ("Unconditional Date").</p>
Method of Payment	<p>The Purchase Price shall be satisfied in the following manners:</p> <ul style="list-style-type: none"> (i) the Purchaser shall pay 50% of the Purchase Consideration amounting to Ringgit Malaysia Six Million Three Hundred and Two Thousand Five Hundred (RM6,302,500.00) only ("Initial Payment") by way of banker's cheque or by way of electronic transfer of funds to the bank account designated by the Vendor on the Completion Date; and (ii) the Purchaser shall pay the balance 50% of the Purchase Consideration amounting to Ringgit Malaysia Six Million Three Hundred and Two Thousand Five Hundred (RM6,302,500.00) only as a deferred payment ("Deferred Payment") by way of banker's cheque or by way of electronic transfer of fund to the bank account designated by the Vendor within three (3) months from the Unconditional Date.
Completion	<p>Unless otherwise agreed by the parties hereto in writing, completion of the SPA shall take place on a business day within fourteen (14) days from the Unconditional Date, or on such later date as the parties hereto shall mutually agree in writing when:</p> <ul style="list-style-type: none"> (i) the Vendor shall deliver or cause to be delivered to the Purchaser: <ul style="list-style-type: none"> (a) the original share certificates in respect of all of the Sale Shares and the valid and enforceable share transfer documents thereof duly executed by the Vendor in favour of the Purchaser; (b) the undated resolutions of the board of directors of GFS approving the sale and transfer of the Sale Shares by the Vendor to the Purchaser on the terms and subject to the conditions contained herein and issuance of new share certificates in respect of the Sale Shares in favour of the Purchaser; (c) a deed of termination of the Shareholders Agreement to be made among the Vendor, the Purchaser, GFS and Cheng Ping Liong, duly executed by the Vendor, GFS and Cheng Ping Liong; (d) such other documents as may be required to give good title to the Sale Shares and to enable the Purchaser to become the registered holder thereof; and (ii) against the performance of the obligations of the Vendor above, the Purchaser shall effect settlement of the Initial Payment to the Vendor.

APPENDIX I – SALIENT TERMS OF THE SPA (CONT'D)

Non-Compete	<p>(i) The Vendor undertakes with the Purchaser that except with the written consent of the Purchaser for the period of 5 years after the Completion Date:</p> <p>(a) it will not in any country or place where GFS has carried on business within 1 year prior to the date hereof, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner or agent or otherwise conducts businesses for provision of information technology solutions specialising in automated data collection processes and mobile computing business;</p> <p>(b) it will not either on its own account or in conjunction with or on behalf of any other person, firm or company solicit or entice away or attempt to solicit or entice away from GFS the custom of any person, firm, company or organisation who shall at any time within 1 year prior to the date hereof have been a customer, client, identified prospective customer or client or agent of GFS; and</p> <p>(c) it will not either on its own account or in conjunction with or on behalf of any other person, firm or company employ, solicit or entice away or attempt to employ, solicit or entice away from GFS any person who is at the date hereof or who shall have been at the date of or within 1 year prior to the date of any purported breach of this provision an officer, manager, consultant or employee of GFS whether or not such person would commit a breach of contract by reason of leaving such employment.</p> <p>(ii) The Vendor regards each and every covenant and obligation set out in this Clause as being:</p> <p>(a) fair and reasonable;</p> <p>(b) a separate and independent obligation to be severally enforced; and</p> <p>(c) no greater in duration, extent and application than is necessary for the protection of the existing business of GFS or any of its affiliates,</p> <p>and in the event of any covenant or obligation being or becoming unenforceable in whole or in part, the Parties agree that this provision shall not in any way effected or impaired the remaining provision of the SPA.</p>
Termination	<p>(i) In addition but not in derogation to other provisions of the SPA, on the occurrence of any of the events set out below with respect to a party ("Defaulting Party"), the other party ("Non-Defaulting Party") may give notice in writing to the Defaulting Party specifying the relevant event or events and requiring the Defaulting Party to remedy the same (if capable of remedy) within fourteen (14) days of the receipt of such notice. The events are:</p> <p>(a) Breach</p> <p>In the opinion of the Non-Defaulting Party, the Defaulting Party has committed a material breach of any term or condition of the SPA or if he/it fails to perform or observe any material undertaking, obligation or agreement expressed or implied in the SPA;</p> <p>(b) Receiver / Special Administrator</p> <p>A receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party or GFS;</p>

APPENDIX I – SALIENT TERMS OF THE SPA (CONT'D)

	<p>(c) Insolvency/Bankruptcy</p> <p>The Defaulting Party, where the Defaulting Party is a company, or GFS, is or becomes unable to pay its debts when they are due or becomes unable to pay its debts within the meaning of the Act, or in the case where the Defaulting Party is an individual, the Defaulting Party is declared a bankrupt within the meaning of the Insolvency Act 1967;</p> <p>(d) Arrangements</p> <p>The Defaulting Party or GFS enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;</p> <p>(e) Winding Up</p> <p>An application or order is made for the winding up or dissolution of the Defaulting Party or GFS or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Defaulting Party or GFS otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Non-Defaulting Party;</p> <p>(f) Cessation of Business</p> <p>The Defaulting Party or GFS ceases or threatens to cease carrying on all or a substantial portion of its business.</p> <p>(ii) The Vendor and the Purchaser shall within seven (7) days after notice has been given under Clause (i) above, meet to discuss the event or events giving rise to the notice with a view to the Defaulting Party or GFS (where appropriate) remedying the event. In the event that the breach is not remedied within fourteen (14) days of the Non-Defaulting Party having given notice under Clause (i) above, the SPA shall be terminated forthwith without any requirement or need for the Non-Defaulting Party to give any further notice or reasons therefor.</p> <p>(iii) Upon the termination of the SPA under Clause (ii) above, the Vendor shall refund all the monies paid by the Purchaser (without interest) to the Vendor within seven (7) days from the expiry of the notice given under Clause (i) above, and the SPA shall be null and void and none of the parties hereto shall have any claim against each other save for any antecedent breach.</p> <p>(iv) In the alternative, any party hereto shall be entitled to the rights of specific performance against the other under the provisions of the SPA and it is hereby mutually agreed that in the event of any party hereto exercising its right to specific performance of the SPA, an alternative remedy of monetary compensation shall not be regarded as sufficient compensation for the other party's default in the performance of the terms and conditions of the SPA.</p>
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APPENDIX II – INFORMATION ON GFS

1. HISTORY AND BUSINESS

GFS was incorporated in Malaysia under the Companies Act 1965 on 26 June 1995 and deemed registered under the Act as a private company limited by shares under the name Spritvest Sdn Bhd and commenced operations on 27 June 1995. Subsequently, it adopted the current name of Grand-Flo Spritvest Sdn Bhd on 19 March 2009.

As at the LPD, GFS is an 80% owned subsidiary of RGTECH.

For shareholders information, the acquisition of 80% equity interest in GFS, comprising 800,000 ordinary shares in GFS, from Grand-Flo Berhad (now known as NCT Alliance Berhad) for a total cash consideration of RM11,600,000 was announced on 10 September 2020 by RGTECH and was completed on 1 November 2020 ("**Initial Acquisition**"). On 10 September 2020, Grand-Flo Berhad (now known as NCT Alliance Berhad) had also entered into another conditional share sale agreement with Jejaka for the disposal of the remaining 20% equity interest in GFS. For further information on the Initial Acquisition, kindly refer to the circular issued by the Company dated 8 October 2020.

The principal activities of GFS are the provision of total EDCC solutions focusing on the supply, installation and integration of EDCC hardware and devices, software, technical support and maintenance services. The EDCC solutions include assets tracking, sales force automation, warehouse and inventory control software and barcode devices. GFS' principal market is Malaysia with its customers ranging from companies in fast moving consumer goods, utilities and electronics industries.

As at the LPD, GFS has 91 employees and a total of 5 offices located in Kuala Lumpur, Penang, Seremban, Melaka and Johor Bahru. GFS' revenue for the past 3 years up to the FYE 31 December 2022 were mainly generated from the domestic market.

For the past 3 years up to the FYE 31 December 2022, the breakdown of GFS' audited revenue between its local and international customers are as follows:-

	FYE 31 December 2020		FYE 31 December 2021		FYE 31 December 2022	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	46,169	97.69	61,164	99.55	65,556	99.41
Singapore ⁽¹⁾	1,091	2.31	274	0.45	392	0.59
Total	47,260	100.00	61,438	100.00	65,948	100.00

Note:-

(1) For information purposes, the breakdown of overseas revenue (i.e. Singapore) are set out as below:-

	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022
	RM'000	RM'000	RM'000
Sales of hardware	686	46	186
Sales of software and services	405	228	206

The software sold is developed in-house as well as sourced from off-the-shelf options from the United States of America while its hardware products are mainly sourced from American multinational companies operating in Malaysia and/or Singapore.

For information, based on the latest audited financial statement of GFS as at 31 December 2022, GFS' assets majorly comprise cash and bank balances, short-term investments, trade receivables and inventories as well as the amount owing by related parties, which collectively amounted to approximately RM40.00 million, representing approximately 98.62% of its total assets of approximately RM40.56 million.

APPENDIX II – INFORMATION ON GFS (CONT'D)

2. ISSUED SHARE CAPITAL AND CONVERTIBLE SECURITIES

As at the LPD, the issued share capital of GFS is RM1,000,000 comprising 1,000,000 GFS Shares. As at the LPD, GFS does not have any convertible securities.

3. DIRECTORS AND SHAREHOLDERS

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

Name	Designation	Nationality	Direct		Indirect	
			No. of shares	%	No. of shares	%
Yap Sin Sang	Director	Malaysian	-	-	⁽¹⁾ 800,000	80.00
Yap Ban Foo	Director	Malaysian	-	-	⁽¹⁾ 800,000	80.00
Cheng Ping Liong	Director	Malaysian	-	-	⁽²⁾ 200,000	20.00

Notes:-

(1) Deemed interested by virtue in his shareholdings in RGTECH pursuant to the Act.

(2) Deemed interested by virtue of his shareholdings in Jejaka pursuant to the Act.

As at the LPD, the shareholders of GFS and their respective shareholdings in GFS are set out below:-

Name	Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
RGTECH	Malaysia	800,000	80.00	-	-
Jejaka	Malaysia	200,000	20.00	-	-

4. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, GFS does not have any subsidiaries, associates or joint venture companies.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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

6. MATERIAL CONTRACTS

GFS has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

7. MATERIAL COMMITMENTS

As at the LPD, the board of directors of GFS is not aware of any material commitments incurred or known to be incurred by GFS that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of GFS.

APPENDIX II – INFORMATION ON GFS (CONT'D)

8. CONTINGENT LIABILITIES

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

9. SUMMARY OF FINANCIAL POSITION

A summary of the latest audited financial statements of GFS for the past 3 FYE(s), FYE 31 December 2020 (“**FYE 2020**”), FYE 31 December 2021 (“**FYE 2021**”) and FYE 31 December 2022 (“**FYE 2022**”) as well as the unaudited financial statements of GFS for the 3-month FPE 31 March 2022 (“**FPE 2022**”) and 3-month FPE 31 March 2023 (“**FPE 2023**”) are set out below:-

	Audited			Unaudited	
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2022 RM'000	FPE 2023 RM'000
Revenue	47,260	61,438	65,948	15,467	14,735
GP	9,558	18,326	20,506	5,036	4,891
GP margin (%)	20.23	29.83	31.09	32.56	33.19
PBT / LBT	(92)	8,482	9,356	2,587	1,553
PAT / LAT	(112)	6,564	7,042	1,966	1,180
Share capital	1,000	1,000	1,000	1,000	1,000
Shareholders' fund / NA	5,936	12,500	19,542	14,466	20,722
Cash and cash equivalents	7,381	6,522	11,702	9,239	13,161
Total borrowings	1,153	161	185	140	235
No. of shares in issue ('000)	1,000	1,000	1,000	1,000	1,000
EPS (sen)	(0.11)	6.56	7.04	1.97	1.18
NA per share (RM)	5.94	12.50	19.54	14.47	20.72
Gearing ratio (times) ⁽¹⁾	0.19	0.01	0.01	0.01	0.01
Current ratio (times) ⁽²⁾	1.31	2.63	1.92	2.53	2.44

Notes:-

(1) Computed based on total borrowings over net assets.

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

During the years under review:-

- there were no exceptional and/or extraordinary items in the financial statements of GFS;
- there have been no accounting policies adopted by GFS which are peculiar; and
- there have been no audit qualifications to the financial statements of GFS.

Commentary on past performance:-

(a) FYE 31 December 2020

In FYE 31 December 2020, the revenue of GFS decreased by approximately RM6.09 million or 11.42% to approximately RM47.26 million as compared to the preceding financial year (FYE 31 December 2019: RM53.35 million). The decrease was primarily due to the COVID-19 pandemic which disrupted the operations of most businesses during the financial year and a significant reduction in capital spending from customer which in turn had impacted the revenue of GFS.

APPENDIX II – INFORMATION ON GFS (CONT'D)

The GP of GFS decreased by approximately RM3.88 million or 28.87% to approximately RM9.56 million as compared to the preceding financial year (FYE 31 December 2019: RM13.44 million) whilst the GP margin decreased to 20.23% as compared to the preceding financial year (FYE 31 December 2019: 25.19%). The decrease in GP was in line with the decrease in revenue.

The lower GP margin in FYE 31 December 2020 was mainly due to the more competitive pricing offered by GFS in order to secure a higher level of sales during the COVID-19 pandemic coupled with the weakening of RM against the USD during the financial year.

As a result of a significant reduction in sales in FYE 31 December 2020, GFS has recorded a LAT of approximately RM0.11 million in FYE 31 December 2020 as compared to the PAT of approximately RM1.18 million in FYE 31 December 2019.

(b) FYE 31 December 2021

In FYE 31 December 2021, GFS' revenue increased by approximately RM14.18 million or 30.00% to approximately RM61.44 million as compared to the preceding financial year (FYE 31 December 2020: RM47.26 million). The increase was mainly due to improved market conditions underpinned by pandemic-induced acceleration of digitalisation in the economy and higher revenue recorded by the retail and semiconductor sectors which contributed approximately RM22.97 million or 37.39% and approximately RM7.75 million or 12.61% respectively to GFS' revenue.

The GP of GFS increased by approximately RM8.77 million or 91.74% to approximately RM18.33 million as compared to the preceding financial year (FYE 31 December 2020: RM9.56 million) whilst the GP margin increased to 29.83% as compared to the preceding financial year (FYE 31 December 2020: 20.23%). The increase in GP was in line with the increase in revenue.

The higher GP margin in FYE 31 December 2021 was mainly due to the resuming and recovering of businesses from the COVID-19 pandemic as well as a wider products mix as compared to the FYE 31 December 2020.

In tandem with the increase in sales in FYE 31 December 2021, GFS has recorded a PAT of approximately RM6.56 million in FYE 31 December 2021 as compared to the LAT of approximately RM0.11 million for FYE 31 December 2020.

(c) FYE 31 December 2022

In FYE 31 December 2022, GFS' revenue increased by approximately RM4.51 million or 7.34% to approximately RM65.95 million as compared to the preceding financial year (FYE 31 December 2021: RM61.44 million). The increase was mainly attributed to the momentum carried over from the FYE 31 December 2021, with higher revenue recorded by retail, semiconductor and utilities sectors which contributed approximately RM19.35 million or 29.34%, approximately RM8.27 million or 12.54% and approximately RM6.38 million or 9.68% respectively to GFS' revenue.

The GP of GFS increased by approximately RM2.18 million or 11.90% to approximately RM20.51 million as compared to the preceding financial year (FYE 31 December 2021: RM18.33 million) whilst the GP margin increased to 31.09% as compared to the preceding financial year (FYE 31 December 2021: 29.83%). The increase in GP was in line with the increase in revenue.

The higher GP margin in FYE 31 December 2022 was generally attributed to the increase in sale of product mix for the financial year as compared to the FYE 31 December 2021.

APPENDIX II – INFORMATION ON GFS (CONT'D)

In line with the increase in sales in FYE 31 December 2022, GFS has recorded an increase of PAT of approximately 7.32% to RM7.04 million in FYE 31 December 2022 as compared to the PAT of approximately RM6.56 million for FYE 31 December 2021.

(d) FPE 31 March 2023

In FPE 31 March 2023, GFS' revenue decreased marginally by approximately RM 0.73 million or 4.72% to approximately RM14.74 million as compared to the preceding financial period (FPE 31 March 2022: RM15.47 million). The marginal decrease was due to lower sales of hardware products.

The GP of GFS decreased marginally by approximately RM0.15 million or 2.98% to approximately RM4.89 million as compared to the preceding financial period (FPE 31 March 2022: RM5.04 million) whilst the GP margin increased slightly to 33.19% as compared to the preceding financial period (FPE 31 March 2022: 32.56%).

The higher GP margin in FPE 31 March 2023 was attributed to the decline in cost of sales as compared to the FPE 31 March 2022.

As a result of marginally lower sales and increase in overall operating expenses for the FPE 31 March 2023, GFS has recorded a decreased in PAT of approximately 40.10% to RM1.18 million in FPE 31 March 2023 as compared to the PAT of approximately RM1.97 million in FPE 31 March 2022.

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GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

FINANCIAL REPORT

for the financial year ended 31 December 2022

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022
(CONT'D)**

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Company No: 199501019036 (348239 - W)

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GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of information technology solutions specialising in automated data collection processes and mobile computing.

RESULTS

	RM
Profit after taxation for the financial year	<u>7,042,056</u>

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Company.

CURRENT ASSETS

Before the financial statements of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Cheng Ping Liong
Yap Ban Foo
Yap Sin Sang

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:-

	<----- Number of Ordinary Shares ----->			
	At			At
	1.1.2022	Bought	Sold	31.12.2022
<i>Indirect Interests in Jejaka 7 Capital Sdn. Bhd.</i>				
Cheng Ping Liong*	200,000	-	-	200,000
The Holding Company				
Radiant Globaltech Berhad				
Yap Ban Foo	800,000	-	-	800,000
Yap Sin Sang	800,000	-	-	800,000

* Deemed interested by virtue of his shareholding in Jejaka 7 Capital Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

By virtue of his shareholding in the Company, Cheng Ping Liong is deemed to have interests in shares in the Company and its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

By virtue of their shareholdings in the holding company, Yap Ban Foo and Yap Sin Sang are deemed to have interests in shares in the Company and its related corporations during the financial year to the extent of the holding company's interest, in accordance with Section 8 of the Companies Act 2016.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into the ordinary course of business with companies in which certain directors have substantial financial interest as disclosed in Note 24(b) to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follows:-

	RM
Salaries, bonuses and other benefits	1,375,591
Defined contribution benefits	164,951
	<hr/> 1,540,542 <hr/>

INDEMNITY AND INSURANCE COST

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

HOLDING COMPANY

The holding company is Radiant Globaltech Berhad, a company incorporated in Malaysia.

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

DIRECTORS' REPORT

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The auditors' remuneration of the Company for the financial year was RM42,000.

Signed in accordance with a resolution of the directors dated **28 APR 2023**



Yap Ban Foo



Cheng Ping Liong

GRAND-FLO SPRITVEST SDN. BHD.

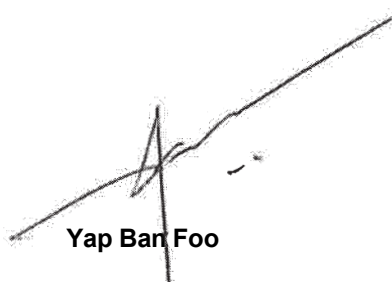
(Incorporated in Malaysia)

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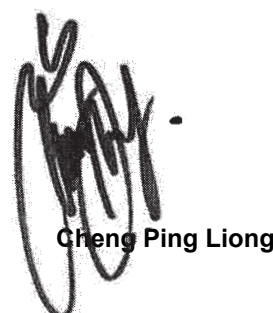
**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Yap Ban Foo and Cheng Ping Liong, being two of the directors of Grand-Flo Spritvest Sdn. Bhd., state that, in the opinion of the directors, the financial statements set out on pages 12 to 59 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2022 and of its financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated **28 APR 2023**



Yap Ban Foo

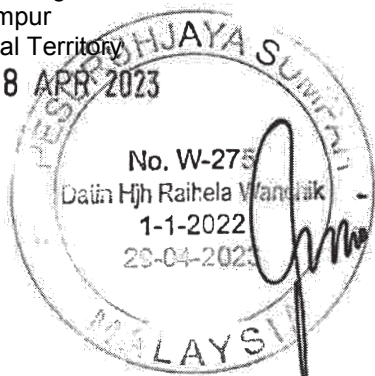


Cheng Ping Liong

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Cheng Ping Liong, being the director primarily responsible for the financial management of Grand-Flo Spritvest Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 12 to 59 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Cheng Ping Liong, NRIC Number: 650704-10-5041
at Kuala Lumpur
in the Federal Territory
on this **28 APR 2023**



Before me

B-1-2, Elok B, Tingkat 1, Unit 2
Megan Avenue II
No 12, Jalan Yap Kwan Seng,
50450, Kuala Lumpur



Cheng Ping Liong



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GRAND-FLO SPRITVEST SDN. BHD.**

(Incorporated in Malaysia)
Registration No: 199501019036 (348239 - W)

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
www.crowe.my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Grand-Flo Spritvest Sdn. Bhd., which comprise the statement of financial position as at 31 December 2022 of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 59.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GRAND-FLO SPRITVEST SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GRAND-FLO SPRITVEST SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GRAND-FLO SPRITVEST SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

OTHER MATTERS

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

A stylized signature of the word "Crowe" in a cursive script.

Crowe Malaysia PLT

201906000005 (LLP0018817-LCA) & AF 1018

Chartered Accountants

Kuala Lumpur

28 APR 2023

A handwritten signature in cursive script, appearing to read "Gerald Lau Beng Tong".

Gerald Lau Beng Tong

03523/08/2024 J

Chartered Accountant

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022
(CONT'D)**

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 RM	2021 RM
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	6	104,628	141,577
Right-of-use assets	7	168,040	137,831
		<u>272,668</u>	<u>279,408</u>
CURRENT ASSETS			
Inventories	8	3,262,542	2,981,952
Trade receivables	9	15,248,677	9,855,972
Other receivables, deposits and prepayments	10	283,733	392,106
Amount owing by a related company	11	9,788,240	-
Tax recoverable		-	101,746
Short-term investment	12	4,171,463	4,052,440
Cash and bank balances		7,530,931	2,469,482
		<u>40,285,586</u>	<u>19,853,698</u>
TOTAL ASSETS		<u>40,558,254</u>	<u>20,133,106</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	1,000,000	1,000,000
Retained profits		18,542,392	11,500,336
TOTAL EQUITY		<u>19,542,392</u>	<u>12,500,336</u>
NON-CURRENT LIABILITIES			
Leases liabilities	14	86,398	66,941
Hire purchase payables	15	1,305	9,185
		<u>87,703</u>	<u>76,126</u>
CURRENT LIABILITIES			
Trade payables	16	6,496,238	4,801,809
Other payables and accruals	17	13,993,600	2,238,056
Amount owing to holding company	18	-	340,000
Amount owing to a related company	11	-	92,098
Leases liabilities	14	89,308	76,799
Hire purchase payables	15	7,881	7,882
Current tax liabilities		341,132	-
		<u>20,928,159</u>	<u>7,556,644</u>
TOTAL LIABILITIES		<u>21,015,862</u>	<u>7,632,770</u>
TOTAL EQUITY AND LIABILITIES		<u>40,558,254</u>	<u>20,133,106</u>

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022
(CONT'D)**

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Note	2022 RM	2021 RM
REVENUE	19	65,948,338	61,437,702
COST OF SALES		(45,441,843)	(43,112,009)
GROSS PROFIT		20,506,495	18,325,693
OTHER INCOME		141,207	262,569
SELLING AND DISTRIBUTION EXPENSES		(1,681,107)	(1,311,968)
ADMINISTRATIVE EXPENSES		(9,179,577)	(8,358,998)
OTHER EXPENSES		(207,068)	(427,664)
FINANCE COSTS		(20,845)	(40,931)
(NET IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS	20	(203,034)	33,511
PROFIT BEFORE TAXATION	21	9,356,071	8,482,212
INCOME TAX EXPENSE	22	(2,314,015)	(1,918,284)
PROFIT AFTER TAXATION/TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		7,042,056	6,563,928
PROFIT AFTER TAXATION/TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-			
Owners of the Company		7,042,056	6,563,928

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022
(CONT'D)**

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Share Capital RM	Retained Profits RM	Total Equity RM
Balance at 1.1.2021	1,000,000	4,936,408	5,936,408
Profit after taxation/Total comprehensive income for the financial year	-	6,563,928	6,563,928
Balance at 31.12.2021/1.1.2022	1,000,000	11,500,336	12,500,336
Profit after taxation/Total comprehensive income for the financial year		7,042,056	7,042,056
Balance at 31.12.2022	1,000,000	18,542,392	19,542,392

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022
(CONT'D)**

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	2022 RM	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,356,071	8,482,212
Adjustments for:-		
Bad debts written off	-	10,523
Plant and equipment written off	9,347	-
Depreciation of plant and equipment	63,245	73,422
Depreciation of right-of-use assets	94,791	251,715
Inventories written down	145,420	192,583
Interest expenses	5,000	19,194
Interest on lease liabilities	14,667	20,559
Interest on hire purchase payables	1,178	1,178
Impairment losses on trade receivables	203,034	-
Unrealised loss on foreign exchange	21,193	14,558
Gain on disposal of plant and equipment	-	(4,500)
Reversal of impairment losses on trade receivables	-	(33,511)
Interest income	(141,207)	(78,069)
Operating profit before working capital changes	9,772,739	8,949,864
(Increase)/Decrease in trade and other receivables	(5,487,366)	2,390,834
Increase in inventories	(426,010)	(544,807)
Increase/(Decrease) in trade and other payables	13,428,780	(7,470,997)
Increase in amount owing by related companies	(9,788,240)	-
(Decrease)/Increase in amount owing to holding company	(340,000)	340,000
Decrease in amount owing to related companies	(92,098)	(2,239,440)
CASH FLOWS FROM OPERATIONS	7,067,805	1,425,454
Income tax paid	(1,871,137)	(1,325,000)
Interest paid	(5,000)	(5,146)
NET CASH FROM OPERATING ACTIVITIES	5,191,668	95,308

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022
(CONT'D)**

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D)

	Note	2022 RM	2021 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(35,643)	(8,590)
Proceed from disposal of plant and equipment		-	4,500
Interest income received		141,207	78,069
NET CASH FROM INVESTING ACTIVITIES		105,564	73,979
CASH FLOWS FOR FINANCING ACTIVITIES			
Interest paid	23(b)	(15,845)	(35,785)
Repayment of bankers' acceptance	23(b)	-	(728,000)
Repayment of lease liabilities	23(b)	(93,034)	(256,441)
Repayment of hire purchase	23(b)	(7,881)	(7,882)
NET CASH FOR FINANCING ACTIVITIES		(116,760)	(1,028,108)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,180,472	(858,821)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		6,521,922	7,380,743
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23(c)	11,702,394	6,521,922

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Third Floor, No. 77, 79, & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	L1-1, Wisma Ehsan Bina, Jalan Kuchai Maju 12 (Jalan 1/116C), Kuchai Entrepreneur Park, 58200 Kuala Lumpur, Wilayah Persekutuan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 April 2023.

2. HOLDING COMPANY

The holding company is Radiant Globaltech Berhad, a company incorporated in Malaysia.

3. PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of information technology solutions specialising in automated data collection processes and mobile computing.

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

4. BASIS OF PREPARATION

The financial statements of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- 4.1 During the current financial year, the Company has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendment to MFRS 16: Covid-19 Related Rent Concessions beyond 30 June 2021

Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before intended Use

Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 – 2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Company's financial statements.

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

4. BASIS OF PREPARATION (CONT'D)

- 4.1 The Company has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendment to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application.

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**NOTES TO THE FINANCIAL STATEMENTS
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5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Plant and Equipment and Right-of-Use Assets

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Company anticipates that the residual values of its plant and equipment and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 6 and 7 to the financial statements respectively.

(b) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 8 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(c) Impairment of Trade Receivables and Amount Owing By A Related Company

The Company uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and amount owing by a related company. The Company develops the expected loss rates based on payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and amount owing by a related company. The carrying amount of trade receivables and amount owing by a related company as at the reporting date are disclosed in Notes 9 and 11 to the financial statements respectively.

(d) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Company to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Company uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amount of other receivables as at the reporting date is disclosed in Note 10 to the financial statements.

(e) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax (liabilities)/ assets as at the reporting date is (RM341,132) (2021 - RM101,746).

(f) Discount Rates used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Company uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Company would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Company's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

Lease Terms

Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

5.2 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

5.3 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movement in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Company reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Company has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability, or, a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

5.4 PLANT AND EQUIPMENT

All items of plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 PLANT AND EQUIPMENT (CONT'D)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation on plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

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

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the plant and equipment. Any changes are accounted for as a change in estimate.

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 LEASES

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Company recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statement of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

5.6 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and demand deposits, and short-term, highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

5.8 IMPAIRMENT

(a) Impairment of Financial Assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

5.9 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries and paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Company.

(b) Defined Contribution Plans

The Company's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 BORROWING COSTS

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

5.12 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5.13 DEFERRED REVENUE

Deferred revenue represents cash received/receivable from customers for services not yet rendered at the end of the reporting period.

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**NOTES TO THE FINANCIAL STATEMENTS
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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

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

(a) Sale of Goods

Revenue from sale of hardware is recognised when the Company has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Rendering of Services

Revenue from providing services is recognised over time in the period in which the services are rendered. For fixed-priced contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As a practical expedient, the Company recognises revenue on a straight-line method over the period of service.

5.15 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

Interest Income

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

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6. PLANT AND EQUIPMENT

	At 1.1.2022 RM	Additions RM	Write Off RM	Depreciation Charges RM	At 31.12.2022 RM
2022					
<i>Carrying Amount</i>					
Computers	45,445	-	(375)	(20,712)	24,358
Office equipment	23,161	8,456	(6,669)	(6,516)	18,432
Furniture and fittings	12,138	1,787	-	(2,333)	11,592
Motor vehicles	42,074	-	-	(26,520)	15,554
Renovation	18,759	25,400	(2,303)	(7,164)	34,692
	141,577	35,643	(9,347)	(63,245)	104,628

	At 1.1.2021 RM	Additions RM	Write Off RM	Depreciation Charges RM	At 31.12.2021 RM
2021					
<i>Carrying Amount</i>					
Computers	64,366	8,590	-	(27,511)	45,445
Office equipment	30,092	-	-	(6,931)	23,161
Furniture and fittings	14,434	-	-	(2,296)	12,138
Motor vehicles	72,532	-	-	(30,458)	42,074
Renovation	24,985	-	-	(6,226)	18,759
	206,409	8,590	-	(73,422)	141,577

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022
(CONT'D)**

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6. PLANT AND EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
2022			
Computers	420,791	(396,433)	24,358
Office equipment	57,106	(38,674)	18,432
Furniture and fittings	30,500	(18,908)	11,592
Motor vehicles	191,662	(176,108)	15,554
Renovation	89,070	(54,378)	34,692
	789,129	(684,501)	104,628
2021			
Computers	453,456	(408,011)	45,445
Office equipment	72,898	(49,737)	23,161
Furniture and fittings	28,713	(16,575)	12,138
Motor vehicles	191,662	(149,588)	42,074
Renovation	77,833	(59,074)	18,759
	824,562	(682,985)	141,577

7. RIGHT-OF-USE ASSETS

	At 1.1.2022 RM	Addition RM	Depreciation Charge RM	At 31.12.2022 RM
2022				
<i>Carrying Amount</i>				
Offices	137,831	125,000	(94,791)	168,040
2021				
<i>Carrying Amount</i>				
Offices	389,546	-	(251,715)	137,831

- (a) The Company has leased a number of offices that run between 1 to 5 years (2021 - 1 to 3), with an option to renew the lease after that date. The Company is not allowed to sublease the offices.
- (b) The Company also has leases with lease terms of 12 months or less and leases of office equipment with low value. The Company has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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8. INVENTORIES

	2022 RM	2021 RM
Finished goods	3,262,542	2,981,952
Recognised in profit or loss:-		
Inventories recognised as cost of sales	44,813,127	42,529,678
Inventories written off	145,420	192,583

9. TRADE RECEIVABLES

	2022 RM	2021 RM
Trade receivables	15,230,799	8,756,176
Unbilled receivables	280,845	1,159,729
	15,511,644	9,915,905
Allowance for impairment losses	(262,967)	(59,933)
	15,248,677	9,855,972
Allowance for impairment losses:-		
At 1 January	(59,933)	(93,444)
Addition during the financial year (Note 20)	(203,034)	-
Reversal during the financial year (Note 20)	-	33,511
At 31 December	(262,967)	(59,933)

(a) The Company's normal trade credit terms range from 30 to 90 (2021 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Unbilled receivables represent services provided but not yet billed.

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10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 RM	2021 RM
Other receivables:-		
Third parties	6,735	-
Advances to suppliers	-	262,246
	6,735	262,246
Deposits	257,900	125,667
Prepayments	19,098	4,193
	283,733	392,106

In the previous year, the advances to suppliers were unsecured and interest-free. The amount owing was offset against future purchases from the suppliers.

11. AMOUNTS OWING BY/(TO) A RELATED COMPANY

- (a) The amounts owing is trade in nature and subject to the normal trade credit term of 30 days (2021 - 30 days).
- (b) Included in amount owing by a related company were advance payment made to a related company amounting to RM8,172,000.

12. SHORT-TERM INVESTMENT

The money market fund represents investment in highly liquid money market instruments and deposits with financial institutions in Malaysia which are redeemable with one (1) day notice at known amounts of cash, and was subject to an insignificant risk of changes in value.

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13. SHARE CAPITAL

	2022 Number Of Shares	2021 Number Of Shares	2022 RM	2021 RM
Issued and Fully Paid Up				
Ordinary Shares				
At 1 January/31 December	1,000,000	1,000,000	1,000,000	1,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

14. LEASES LIABILITIES

	2022 RM	2021 RM
At 1 January	143,740	400,181
Addition	125,000	-
Interest expense recognised in profit or loss (Note 21)	14,667	20,559
Repayment of principal	(93,034)	(256,441)
Repayment of interest expense	(14,667)	(20,559)
At 31 December	175,706	143,740
Analysed by:-		
Current liabilities	89,308	76,799
Non-current liabilities	86,398	66,941
	175,706	143,740

15. HIRE PURCHASE PAYABLES

	2022 RM	2021 RM
Current liabilities	7,881	7,882
Non-current liabilities	1,305	9,185
	9,186	17,067

The hire purchase payables of the Company at the end of the reporting period bore an effective interest rate of 5.62% (2021 - 5.62%). The interest rate is fixed at the inception of the hire purchase agreement.

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16. TRADE PAYABLES

The normal trade credit term granted to the Company range from 30 to 60 days (2021 - 30 to 60 days).

17. OTHER PAYABLES AND ACCRUALS

	2022 RM	2021 RM
Other payables:-		
Third parties	10,721,127	67,974
Sales and service tax payable	121,049	94,984
	10,842,176	162,958
Accruals	3,134,330	1,964,779
Deferred revenue	17,094	110,319
	<u>13,993,600</u>	<u>2,238,056</u>

(a) The amount of unearned income from services to be rendered in future financial years is shown as deferred revenue.

(b) The changes to deferred revenue balances during the financial year are summarised below:

	2022 RM	2021 RM
At 1 January	110,319	2,878
Deferred revenue at the beginning of financial year recognised as revenue	(110,319)	(2,878)
Performance obligations performed	(14,313,481)	(13,022,080)
Amounts billed for unfulfilled performance obligations	14,330,575	13,132,399
At 31 December	<u>17,094</u>	<u>110,319</u>

(c) No information is provided for remaining performance obligations that have original expected durations of 1 year or less, as allowed by MFRS 15.121(a).

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18. AMOUNT OWING TO HOLDING COMPANY

In the previous year, the amount owing was trade in nature and subject to the normal trade credit term of 30 days.

19. REVENUE

	2022 RM	2021 RM
<u>Recognised at a point in time</u>		
Sale of hardware	51,524,538	48,412,744
<u>Recognised over time</u>		
Sales of maintenance and technical support services	14,423,800	13,024,958
	<u>65,948,338</u>	<u>61,437,702</u>
	2022 RM	2021 RM
Represented by geographical market:-		
Malaysia	65,556,212	61,163,719
Singapore	392,126	273,983
	<u>65,948,338</u>	<u>61,437,702</u>

The information on the unsatisfied performance obligations is disclosed in Note 17(c) to the financial statements.

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022
(CONT'D)**

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20. (NET IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2022 RM	2021 RM
Impairment losses on trade receivables	(203,034)	-
Reversal of impairment losses on trade receivables	-	33,511
	<u>(203,034)</u>	<u>33,511</u>

21. PROFIT BEFORE TAXATION

	2022 RM	2021 RM
Profit before taxation is arrived at after charging/(crediting):-		
Audit fee	42,000	42,000
Directors' non-fee emoluments:		
- salaries, bonuses and other benefits	1,375,591	1,365,923
- defined contribution benefits	164,951	163,800
Material Expenses/(Income)		
Bad debts written off	-	10,523
Commission expense	1,012,786	821,516
Depreciation of plant and equipment	63,245	73,422
Depreciation of right-of-use asset	94,791	251,715
Staff costs:-		
- salaries, bonuses and other benefits	5,760,804	5,293,347
- defined contribution benefits	830,563	762,112
Inventories written down	145,420	192,583
Interest expense on lease liabilities (Note 14)	14,667	20,559
Interest expenses on financial liabilities that are not at fair value through profit or loss:-		
- bankers' acceptance	-	14,048
- bank overdraft	5,000	5,146
- hire purchase payables	1,178	1,178
Lease expenses:		
- short-term leases	259,000	81,200
- low-value assets	17,340	675
Loss on foreign exchange:-		
- realised	18,492	77,446
- unrealised	21,193	14,558
Gain on disposal of plant and equipment	-	(4,500)
Plant and equipment written off	9,347	-
Interest income	<u>(141,207)</u>	<u>(78,069)</u>

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22. INCOME TAX EXPENSE

	2022 RM	2021 RM
Current tax expense	2,246,133	1,918,284
Underprovision in the previous financial year	67,882	-
	<u>2,314,015</u>	<u>1,918,284</u>

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

	2022 RM	2021 RM
Profit before taxation	9,356,071	8,482,212
Tax at the statutory tax rate of 24% (2021 - 24%)	2,245,457	2,035,731
Tax effects of:-		
Non-deductible expenses	47,482	64,579
Utilisation of deferred tax assets previously not recognised	(18,240)	(126,240)
Non-taxable income	(28,566)	(55,786)
Underprovision of current tax in the previous financial year	67,882	-
	<u>2,314,015</u>	<u>1,918,284</u>

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22. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021 - 24%) of the estimated assessable profit for the financial year.

At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	2022 RM	2021 RM
Impairment losses on trade receivables	263,000	60,000
Inventories written down	2,147,000	2,390,000
Others	2,000	38,000
	<u>2,412,000</u>	<u>2,488,000</u>

No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

23. CASH FLOW INFORMATION

(a) The cash disbursed for the addition of right-of-use assets is as follows:-

	2022 RM	2021 RM
Right-of-use assets		
Cost of right-of-use assets acquired (Note 7)	125,000	-
Less: Addition of new lease liabilities	(125,000)	-
	<u>-</u>	<u>-</u>

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23. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Bankers' acceptances RM	Lease liabilities RM	Hire purchase payables RM	Total RM
2022				
At 1 January	-	143,740	17,067	160,807
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	-	(93,034)	(7,881)	(100,915)
Repayment of interests	-	(14,667)	(1,178)	(15,845)
		(107,701)	(9,059)	(116,760)
<u>Other Changes</u>				
Acquisition of new lease	-	125,000	-	125,000
Interest expense recognised in profit or loss (Note 21)	-	14,667	1,178	15,845
At 31 December	-	175,706	9,186	184,892
	Bankers' acceptances RM	Lease liabilities RM	Hire purchase payables RM	Total RM
2021				
At 1 January	728,000	400,181	24,949	1,153,130
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(728,000)	(256,441)	(7,882)	(992,323)
Repayment of interests	(14,048)	(20,559)	(1,178)	(35,785)
	(742,048)	(277,000)	(9,060)	(1,028,108)
<u>Other Changes</u>				
Interest expense recognised in profit or loss (Note 21)	14,048	20,559	1,178	35,785
At 31 December	-	143,740	17,067	160,807

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23. CASH FLOW INFORMATION (CONT'D)

(c) The cash and cash equivalents comprise the following:-

	2022 RM	2021 RM
Short-term investment	4,171,463	4,052,440
Cash and bank balances	7,530,931	2,469,482
	11,702,394	6,521,922

(d) The total cash outflows for leases as a lessee are as follows:-

	2022 RM	2021 RM
Payment of short-term leases	259,000	81,200
Payment of low-value assets	17,340	675
Interest paid on lease liabilities	14,667	20,559
Payment of lease liabilities	93,034	256,441
	384,041	358,875

24. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Company has related party relationships with its directors, holding company and entities within the same group of companies.

(b) Significant Related Party Transactions

Other than those disclosed elsewhere in the financial statements, the Company also carried out the following significant transactions with the related parties during the financial year:-

	2022 RM	2021 RM
Sales to related companies	1,886,120	3,800
Purchases from holding company	-	340,000
Purchases from related companies	370,275	4,654,954
Outsourcing service fee paid to a related company	84,454	-

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25. CAPITAL COMMITMENT

	2022 RM	2021 RM
Purchase of motor vehicle	76,538	-

26. FINANCIAL INSTRUMENTS

The Company's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

26.1 FINANCIAL RISK MANAGEMENT POLICIES

The Company's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Company. The currencies giving rise to this risk are primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Company's exposure to foreign currency risk (a currency which is other than the functional currency of the Company) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	USD RM
2022	
<u>Financial Assets</u>	
Trade receivables	1,328,302
Cash and bank balances	55,518
	<u>1,383,820</u>
<u>Financial Liability</u>	
Trade payables	121,190
	<u>121,190</u>
Net financial assets/Currency exposure	<u>1,262,630</u>

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) **Market Risk (Cont'd)**

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	USD RM
2021	
<u>Financial Assets</u>	
Trade receivables	689,809
Cash and bank balances	55,189
	<u>744,998</u>
<u>Financial Liability</u>	
Trade payables	318,410
	<u>318,410</u>
Net financial assets/Currency exposure	<u>426,588</u>

Foreign Exchange Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	2022 RM	2021 RM
Effects on Profit After Taxation		
USD/RM:		
- strengthened by 10%	126,263	42,659
- weakened by 10%	<u>(126,263)</u>	<u>(42,659)</u>

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Company's policy is to obtain the most favourable interest rates available.

The Company's hire purchase payables and fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The sensitivity analysis for fixed rate hire purchase payables at the end of the reporting period is not presented as change in interest rate would not have impact to the profit or loss and equity.

(iii) Equity Price Risk

The Company does not have any quoted investments and hence is not exposed to equity price risk.

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

The Company's major concentration of credit risk relates to the trade receivables at the end of the reporting period is as follows:-

	2022	2021
Major concentration of credit risk	18%	-
Number of customers	1	-

In addition, the Company also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables and amount owing by a related company at the end of reporting period is as follows:-

	2022 RM	2021 RM
Malaysia	25,036,917	9,844,395
Singapore	-	11,577
	25,036,917	9,855,972

(ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Company after deducting any allowance for impairment losses (where applicable).

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses

The Company has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Company closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Company assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Company considers a receivable to be in default when the receivable is unlikely to repay its debt to the Company in full or is more than 90 days past due. The Company uses a more lagging past due criterion for trade receivables when it is more appropriate to reflect their loss patterns.

Trade Receivables and Amount Owing by a Related Company

The Company applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables and amount owing by a related company have been grouped based on shared credit risk characteristics and the days past due.

The Company measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Amount Owing by a Related Company (Cont'd)

The expected loss rates are based on the payment profiles of sales over 12 months (2021 - 12 months) before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables and amount owing by a related company to settle their debts. The Company has identified the unemployment rate, Gross Domestic Product ("GDP") and inflation rate as the key macroeconomic factors of the forward-looking information.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

Allowance for Impairment Losses

	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2022				
Not past due	18,435,992	-	-	18,435,992
Past due:				
- less than 3 months	5,636,201	-	-	5,636,201
- 3 to 6 months	485,742	-	-	485,742
- over 6 months	360,928	-	(162,791)	198,137
Credit impaired	100,176	-	(100,176)	-
Trade receivables	25,019,039	-	(262,967)	24,756,072
Unbilled receivables	280,845	-	-	280,845
	25,299,884	-	(262,967)	25,036,917

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Amount Owing by a Related Company (Cont'd)

Allowance for Impairment Losses (Cont'd)

	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2021				
Not past due	8,293,194	-	-	8,293,194
Past due:				
- less than 3 months	377,882	-	-	377,882
- 3 to 6 months	27,034	-	(1,867)	25,167
- over 6 months	-	-	-	-
Credit impaired	58,066	(58,066)	-	-
Trade receivables	8,756,176	(58,066)	(1,867)	8,696,243
Unbilled receivables	1,159,729	-	-	1,159,729
	9,915,905	(58,066)	(1,867)	9,855,972

The movements in the loss allowances in respect of trade receivables is disclosed in Note 9 to the financial statements.

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26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

The Company applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Company considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivables as it is negligible.

Short-term Investment and Cash and Bank Balances

The Company considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Company is of the view that the loss allowance is immaterial and hence, it is not provided for.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022 (CONT'D)

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the rate at the end of the reporting period):-

2022	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
<u>Non-derivative Financial Liabilities</u>					
Trade payables	-	6,496,238	6,496,238	6,496,238	-
Other payables and accruals	-	13,855,457	13,855,457	13,855,457	-
Leases liabilities	7.42	175,706	196,700	99,200	97,500
Hire purchase payables	5.62	9,186	10,560	9,060	1,500
		20,536,587	20,558,955	20,459,955	99,000

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022 (CONT'D)

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)
Registration No: 199501019036 (348239 - W)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the rate at the end of the reporting period) (Cont'd):-

2021	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
<u>Non-derivative Financial Liabilities</u>					
Trade payables	-	4,801,809	4,801,809	4,801,809	-
Other payables and accruals	-	2,032,753	2,032,753	2,032,753	-
Amount owing to holding company	-	340,000	340,000	340,000	-
Amount owing to a related company	-	92,098	92,098	92,098	-
Leases liabilities	7.42	143,740	154,400	89,400	65,000
Hire purchase payable	5.62	17,067	19,620	9,060	10,560
		7,427,467	7,440,680	7,365,120	75,560

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

26. FINANCIAL INSTRUMENTS (CONT'D)

26.2 CAPITAL RISK MANAGEMENT

The Company defines capital as the total equity and debt of the Company. The objective of the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its businesses and related shareholder(s) value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Company monitors and maintains a prudent level of total debt to total equity to optimise shareholders value and to ensure compliance with the debt covenants and regulatory, if any.

There was no change in the Company's approach to capital management during the financial year.

The Company is also required to comply with certain loan covenants, failing which, the banks may call an event of default. The Company has complied with this requirement.

26.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2022 RM	2021 RM
Financial Assets		
<u>Fair Value Through Profit or Loss</u>		
Short-term investment	4,171,463	4,052,440
<u>Amortised Cost</u>		
Trade receivables	15,248,677	9,855,972
Other receivables	6,735	-
Amount owing by a related company	1,616,240	-
Cash and bank balances	7,530,931	2,469,482
	<u>24,402,583</u>	<u>12,325,454</u>

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

26. FINANCIAL INSTRUMENTS (CONT'D)

26.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	2022 RM	2021 RM
Financial Liability		
<u>Amortised Cost</u>		
Trade payables	6,496,238	4,801,809
Other payables and accruals	13,855,457	2,032,753
Amount owing to holding company	-	340,000
Amount owing to a related company	-	92,098
Hire purchase payables	9,186	17,067
	<u>20,360,881</u>	<u>7,283,727</u>

26.4 (GAINS) OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2022 RM	2021 RM
Financial Assets		
<u>Fair Value Through Profit or Loss</u>		
Net gains recognised in profit or loss	(119,023)	(52,441)
	<u></u>	<u></u>
<u>Amortised Cost</u>		
Net losses recognised in profit or loss	199,342	18,307
	<u></u>	<u></u>
Financial Liability		
<u>Amortised Cost</u>		
Net losses recognised in profit or loss	27,371	34,930
	<u></u>	<u></u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF GFS FOR THE FYE 31 DECEMBER 2022 (CONT'D)

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	RM	RM
	RM	RM	RM	RM	RM	RM		
2022								
<u>Financial Asset</u>								
Short-term investment	-	4,171,463	-	-	-	-	4,171,463	4,171,463
<u>Financial Liability</u>								
Hire purchase payables	-	-	-	-	12,417	-	12,417	9,186
2021								
<u>Financial Asset</u>								
Short-term investment	-	4,052,440	-	-	-	-	4,052,440	4,052,440
<u>Financial Liability</u>								
Hire purchase payables	-	-	-	-	22,766	-	22,766	17,067

GRAND-FLO SPRITVEST SDN. BHD.

(Incorporated in Malaysia)

Registration No: 199501019036 (348239 - W)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 FAIR VALUE INFORMATION (CONT'D)

(a) **Fair Value of Financial Instruments Carried at Fair Value**

The fair value of short-term investment is determined by reference to statement provided by the financial institution, with which the investments were entered into.

(b) **Fair Value of Financial Instruments Not Carried at Fair Value**

The fair value of hire purchase payables that carry fixed interest rates is determined by discounting the relevant future contractual cash flow using current market interest rate for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2022 %	2021 %
Hire purchase payables	6.54	6.00

27. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As Previously Reported RM	As Restated RM
Statement of Financial Position (Extract):-		
Non-current liabilities		
Lease liabilities	76,126	66,941
Hire purchase payables	-	9,185
Current liabilities		
Lease liabilities	84,681	76,799
Hire purchase payables	-	7,882

APPENDIX IV – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT

UOBKH, being the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

SCA, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the independent advice letter and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that there is no situation of conflict of interests that exists nor is likely to exist in relation to its role as the Principal Adviser for the Proposed Acquisition.

SCA has given its written confirmation that there is no situation of conflict of interests that exists nor is likely to exist in relation to its role as the Independent Adviser for the Proposed Acquisition.

4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group that has not been provided for which, may have a material impact on the financial results/ position of the Group.

5. CONTINGENT LIABILITIES

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

6. OTHER MATTERS

As at the LPD, the Group is not involved in any other matters, which may have a material adverse impact on the financial position or business of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of RGTECH at Third Floor, No. 77, 79 and 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to the date of the forthcoming EGM:-

- i. Constitution of RGTECH and GFS;
- ii. Audited consolidated financial statements of the Group for the past 2 financial years up to the FYE 31 December 2022 and the unaudited consolidated financial statements of the Group for the 3-month FPE 31 March 2023;
- iii. Audited financial statements of GFS for the past 2 financial years up to FYE 31 December 2022 and the unaudited financial statements of GFS for the 3-month FPE 31 March 2023;
- iv. The letter of consent and declaration of conflict of interest referred to in **Sections 2** and **3** of Appendix IV, respectively; and
- v. The SPA.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**Meeting**") of Radiant Globaltech Berhad ("**RGTECH**" or the "**Company**") will be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on **Friday, 23 June 2023** at 11.30 a.m. or immediately following the conclusion or adjournment of the Company's 20th Annual General Meeting, which will be held on the same day at the same venue at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, whichever is later, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY RGTECH OF THE REMAINING 20% EQUITY INTEREST IN GRAND-FLO SPRITVEST SDN BHD, AN 80% OWNED SUBSIDIARY OF RGTECH, FROM JEJAKA 7 CAPITAL SDN BHD, FOR A TOTAL PURCHASE CONSIDERATION OF RM12,605,000 TO BE SATISFIED ENTIRELY IN CASH ("PROPOSED ACQUISITION")

"**THAT** subject to the fulfilment of conditions precedent as stipulated in the conditional share purchase agreement dated 2 May 2023 entered into between RGTECH and Jejaka 7 Capital Sdn Bhd for the Proposed Acquisition being met or waived (as the case may be), and the approvals of the relevant authorities being obtained, where required, approval is hereby given for RGTECH to undertake the Proposed Acquisition.

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

By Order of the Board
RADIANT GLOBALTECH BERHAD

TEA SOR HUA (MACS 01324) (SSM PC No. 201908001272)
LEE SIEW FUN (MAICSA 7063623) (SSM PC No. 202008000735)
Company Secretaries

Petaling Jaya, Selangor Darul Ehsan
7 June 2023

Notes:-

- 1 A member who is entitled to present, participate, speak and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- 2 A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.
- 3 The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or signed by an officer or attorney duly authorised.
- 4 Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 5 Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- 6 To be valid, the instrument appointing a proxy may be made in a hard copy form or by an electronic form in the following manner and must be received by the Company not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting: -
 - a In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
 - b By electronic form
The proxy form can be electronically lodged via TIIH Online website at <https://tiih.online>.
- 7 For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 15 June 2023. Only members whose names appear in the General Meeting Record of Depositors as at 15 June 2023 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- 8 The resolution set out in this Notice of Meeting will be put to vote by poll.
- 9 Kindly check Bursa Securities' website and the Company's website at www.rgtech.com.my for the latest updates on the status of the Meeting.

**RADIANT GLOBALTECH BERHAD**

Registration No. 200301018877 (621297-A)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	No. of Shares Held

I/We* _____
(Full name in block)

NRIC/Passport/Registration No.* _____

of _____
(Full address)

with email address _____ mobile phone no. _____

being a member/members* of RADIANT GLOBALTECH BERHAD ("the Company"), hereby appoint(s):

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Mobile Phone No.			

and / or*

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Mobile Phone No.			

or failing him/her*, the Chairman of the Meeting as my/our* proxy to vote for me/us* and on my/our* behalf at the Extraordinary General Meeting ("Meeting") of the Company to be conducted physically on Friday, 23 June 2023 at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan at 11.30 a.m. or immediately following the conclusion or adjournment of the Company's 20th Annual General Meeting, which will be held on the same day at the same venue at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, whichever is later, or at any adjournment thereof.

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

RESOLUTION RELATING TO:	FOR	AGAINST
PROPOSED ACQUISITION		

*delete whichever is not applicable

Dated this _____ day of _____ 2023

Signature of Member(s) / Common Seal



Notes:-

- 1 A member who is entitled to present, participate, speak and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- 2 A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.
- 3 The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or signed by an officer or attorney duly authorised.
- 4 Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 5 Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- 6 To be valid, the instrument appointing a proxy may be made in a hard copy form or by an electronic form in the following manner and must be received by the Company not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting: -
 - a In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
 - b By electronic form
The proxy form can be electronically lodged via TIIH Online website at <https://tiih.online>.
- 7 For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 15 June 2023. Only members whose names appear in the General Meeting Record of Depositors as at 15 June 2023 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- 8 The resolution set out in this Notice of Meeting will be put to vote by poll.
- 9 Kindly check Bursa Securities' website and the Company's website at www.rgtech.com.my for the latest updates on the status of the Meeting.

Fold this flap for sealing

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AFFIX
STAMP

The Share Registrar
RADIANT GLOBALTECH BERHAD
Registration No. 200301018877 (621297-A)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Wilayah Persekutuan

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