

**THIS CIRCULAR IS IMPORTANT AND REQUIRES SHAREHOLDERS' IMMEDIATE ATTENTION.**

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

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, valuation certificate and report, if any, 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.



**INDUSTRONICS BERHAD**

Registration No. 197501001969 (23699-X)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:**

- (I) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 875,060,548 NEW ORDINARY SHARES IN INDUSTRIONICS BERHAD (“INDUSTRONICS” OR THE “COMPANY”) (“SHARE”) (“RIGHTS SHARES”) ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 1 EXISTING SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER, TOGETHER WITH UP TO 656,295,411 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF 3 WARRANTS FOR EVERY 4 RIGHTS SHARES SUBSCRIBED FOR; AND**
- (II) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF INDUSTRIONICS AND ITS SUBSIDIARIES TO INCLUDE TRADING OF PRECISION INSTRUMENTS (WATCHES)**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**ADVISER**

**TA SECURITIES**

AN UNWAVERING COMMITMENT

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

The Extraordinary General Meeting of Industronics Berhad (“EGM”) will be held and conducted on a fully virtual basis through live streaming and online Meeting platform of AI Smartual Learning Sdn Bhd via its website at [www.vpoll.com.my](http://www.vpoll.com.my) on 18 November 2022, Friday at 11:00 a.m.

A member entitled to participate and vote at the EGM is entitled to appoint a proxy/proxies to participate and vote on his/her behalf. The Form of Proxy must be deposited at the office of the Poll Administrator of the Company, AI Smartual Learning Sdn Bhd, at 23-5, Menara Bangkok Bank, Berjaya Central Park, Jalan Ampang, 50450 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof not less than forty-eight (48) hours before the time set for holding the EGM. Alternatively, the duly completed and executed Form of Proxy can also be submitted electronically to [proxy@aismartuallearning.com](mailto:proxy@aismartuallearning.com). The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM if you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : 16 November 2022, Wednesday at 11.00 a.m.  
Date and time of the EGM : 18 November 2022, Friday at 11.00 a.m.

This Circular is dated 3 November 2022

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## DEFINITIONS

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

### COMPANIES:

“Bluemount”	:	Bluemount Investment Fund SPC
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Group”	:	Industronics and its subsidiaries, collectively
“Industronics” or the “Company”	:	Industronics Berhad
“TA Securities”	:	TA Securities Holdings Berhad

### GENERAL:

“5D-VWAP”	:	5-day volume weighted average market price
“6M-FPE”	:	6-month financial period ended
“Act”	:	Companies Act 2016
“Announcement”	:	Announcement in relation to the Proposals dated 8 July 2022
“Announcement LPD”	:	7 July 2022, being the latest practicable date prior to the Announcement
“Board”	:	Board of Directors of the Company
“Circular”	:	This circular to shareholders dated 3 November 2022
“COVID-19”	:	Coronavirus 2019
“Deed Poll”	:	The deed poll constituting the Warrants to be executed by the Company
“Director”	:	A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“EGM”	:	Extraordinary general meeting
“Entitled Shareholders”	:	The shareholders whose names appear on the Record of Depositors of the Company on the Entitlement Date
“Entitlement Date”	:	5.00 p.m. on a date to be determined and announced later by the Board on which the shareholders must appear on the Record of Depositors of the Company in order to be entitled for the Proposed Rights Issue
“EPS”	:	Earnings per share
“FYE”	:	Financial year ended/ending
“HKD”	:	Hong Kong Dollar
“ICT”	:	Information and communication technology
“Issue Date”	:	Date of issuance of the Warrants
“LAT”	:	Loss after tax attributable to the owners of the Company
“LED”	:	Light-emitting diode
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“Loan Agreements”	:	Loan agreements dated 1 October 2021 and 1 November 2021 entered between the Company and Luk Tung Lam
“LPD”	:	26 October 2022, being the latest practicable date prior to the printing of this Circular
“Maximum Scenario”	:	Up to 875,060,548 Rights Shares with up to 656,295,411 Warrants assuming all Entitled Shareholders subscribed in full for their respective entitlements under the Proposed Rights Issue

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**DEFINITIONS (CONT'D)**

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“Minimum Scenario” or “Minimum Subscription Level”	:	Minimum gross proceeds of RM12,000,000 (including the Proposed Set-Off Amount of RM9,000,000) with the issuance of 150,000,000 Rights Shares together with 112,500,000 Warrants based on the indicative issue price of RM0.08 per Rights Share, pursuant to the shareholders’ undertakings by Luk Tung Lam and Datuk Chu Boon Tiong
“NA”	:	Net assets attributable to the owners of the Company
“PAC”	:	Persons acting in concert
“Private Placement”	:	Private placement of new Shares, representing not more than 20% of the enlarged number of issued shares in the Company (excluding treasury shares, if any) pursuant to the general mandate which was completed on 3 February 2022 through the issuance of 37,502,700 new Shares and raised RM5.10 million
“Proposals”	:	Proposed Rights Issue and Proposed Diversification, collectively
“Proposed Diversification”	:	Proposed diversification of the existing business of the Group to include trading of precision instruments (watches)
“Proposed Rights Issue”	:	Proposed renounceable rights issue of up to 875,060,548 Rights Shares on the basis of 2 Rights Shares for every 1 existing Share held on an Entitlement Date, together with up to 656,295,411 Warrants on the basis of 3 Warrants for every 4 Rights Shares subscribed for at an issue price to be determined later
“Proposed Set-Off Amount”	:	At least RM4,666,752 and up to RM9,000,000, being the advances owing by the Company to Luk Tung Lam to be set-off against the rights subscription monies payable by Luk Tung Lam pursuant to the Undertakings
“RCPS”	:	Redeemable convertible preference shares of the Company with a conversion price of RM0.04 each expiring on 6 February 2026 that had been fully converted to new Shares on 15 August 2022
“Rights Shares”	:	Up to 875,060,548 new Shares to be issued pursuant to the Proposed Rights Issue
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Record of Depositors”	:	A record of securities holders established by Bursa Malaysia Depository Sdn Bhd under the rules of Bursa Malaysia Depository Sdn Bhd
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisition issued by the SC
“SC”	:	Securities Commission Malaysia
“Set-off Arrangement”	:	A set-off arrangement to set-off the rights subscription monies of at least RM4,666,752 and up to RM9,000,000 against the advances provided by Luk Tung Lam
“Shares”	:	Ordinary shares in the Company
“TEAP”	:	Theoretical ex-all price
“Undertakings”	:	Separate unconditional and irrevocable written undertakings dated 8 July 2022 from the Undertaking Shareholders to, amongst others, to apply and subscribe in full their entitlements of Rights Shares and excess Rights Shares to the extent such aggregate subscription proceeds amount to RM12,000,000
“Undertaking Shareholders”	:	Luk Tung Lam and Datuk Chu Boon Tiong, collectively
“Warrants”	:	Up to 656,295,411 free detachable warrants to be issued pursuant to the Proposed Rights Issue

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**DEFINITIONS (CONT'D)**

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

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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**TABLE OF CONTENTS**

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<b>LETTER TO THE SHAREHOLDERS CONTAINING:</b>	<b>PAGE</b>
1. INTRODUCTION .....	1
2. PROPOSED RIGHTS ISSUE .....	2
3. PROPOSED DIVERSIFICATION .....	15
4. RATIONALE FOR THE PROPOSALS .....	17
5. PREVIOUS FUND-RAISING EXERCISE IN THE PAST 12 MONTHS .....	19
6. ADDITIONAL INFORMATION .....	21
7. INDUSTRY OUTLOOK AND PROSPECT OF THE GROUP .....	25
8. RISK FACTORS FOR THE PROPOSED DIVERSIFICATION .....	31
9. EFFECTS OF THE PROPOSALS .....	33
10. HISTORICAL PRICES OF THE SHARES .....	39
11. APPROVALS REQUIRED .....	40
12. CONDITIONALITY OF THE PROPOSALS .....	41
13. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED .....	41
14. DIRECTORS' STATEMENT AND RECOMMENDATION .....	41
15. TENTATIVE TIMETABLE FOR IMPLEMENTATION .....	41
16. EGM .....	41
17. FURTHER INFORMATION .....	42
<b>APPENDIX</b>	
I ADDITIONAL INFORMATION	43
<b>NOTICE OF EGM</b>	<b>ENCLOSED</b>
<b>FORM OF PROXY</b>	<b>ENCLOSED</b>

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**EXECUTIVE SUMMARY**

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**THIS EXECUTIVE SUMMARY SETS OUT SALIENT INFORMATION ON THE PROPOSALS. PLEASE READ THIS CIRCULAR AND ITS APPENDIX CAREFULLY FOR FURTHER DETAILS BEFORE VOTING.**

The Board is recommending the shareholders to vote **IN FAVOUR** of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

<b>Proposed Rights Issue</b>
<p style="text-align: center;"><b>Summary</b></p> <p>The Proposed Rights Issue involves the issuance of up to 875,060,548 Rights Shares on the basis of 2 Rights Shares for every 1 existing Share held on the Entitlement Date, together with up to 656,295,411 Warrants on the basis of 3 Warrants for every 4 Rights Shares subscribed for, by the Entitled Shareholders and/or their renouncee(s) or transferee(s) (if applicable).</p> <p>Please refer to <b>Section 2.1</b> of this Circular for further information.</p>
<p style="text-align: center;"><b>Basis of Rights Shares and Warrants to be issued</b></p> <p>The basis of 2 Rights Shares for every 1 existing Share held on the Entitlement Date was arrived at after taking into consideration the following:</p> <ul style="list-style-type: none"><li>(i) the amount of proceeds to be raised as detailed in <b>Section 2.7</b> of this Circular;</li><li>(ii) the indicative issue price of RM0.08 per Rights Share; and</li><li>(iii) the rationale for the Proposed Rights Issue as set out in <b>Section 4.1</b> of this Circular.</li></ul> <p>The basis of 3 Warrants for every 4 Rights Shares subscribed for was arrived at after taking into consideration the following:</p> <ul style="list-style-type: none"><li>(i) such basis shall enhance the attractiveness of the Proposed Rights Issue;</li><li>(ii) Paragraph 6.50 of the Listing Requirements that the number of new Shares which will be issued from the exercise of the Warrants does not exceed 50% of the total number of issued Shares; and</li><li>(iii) the rationale for the Proposed Rights Issue as set out in <b>Section 4.1</b> of this Circular.</li></ul> <p>Please refer to <b>Section 2.1</b> of this Circular for further information.</p>
<p style="text-align: center;"><b>Minimum Subscription Level</b></p> <p>The Board has determined to undertake the Proposed Rights Issue based on the Minimum Subscription Level after taking into consideration the amount of funds that the Company intends to raise from the Proposed Rights Issue amounting to RM12.00 million (including the Proposed Set-Off Amount) under the Minimum Scenario that will be channelled towards the proposed utilisation as set out in <b>Section 2.7</b> of this Circular. Therefore, the Company has procured irrevocable written undertakings from the Undertaking Shareholders to subscribe for their entitlements under the Proposed Rights Issue as well as to apply for additional Rights Shares not subscribed by other Entitled Shareholders by way of excess shares application, to achieve Minimum Subscription Level of approximately RM12.00 million (including the Proposed Set-Off Amount).</p> <p>Please refer to <b>Section 2.3</b> of this Circular for further information.</p>
<p style="text-align: center;"><b>Rationale</b></p> <p>The rationale for the Company's Proposed Rights Issue includes the following:</p> <ul style="list-style-type: none"><li>(a) to obtain funding for the purposes set out in <b>Section 2.7</b> of this Circular;</li><li>(b) the issuance of new Shares without diluting the Entitled Shareholders' shareholdings;</li><li>(c) enhance the liquidity and marketability of the Shares on the Main Market of Bursa Securities;</li><li>(d) the Warrants are expected to enhance the attractiveness of the Proposed Rights Issue;</li><li>(e) the Warrants will also provide the Company with additional funding if and when they are exercised; and</li><li>(f) the Company will be able to settle up to RM15,000,000 that it is owing to Luk Tung Lam.</li></ul> <p>Please refer to <b>Section 4.1</b> of this Circular for further information.</p>

**EXECUTIVE SUMMARY (CONT'D)****Proposed Rights Issue****Utilisation of proceeds**

The Proposed Rights Issue is expected to raise gross proceeds of RM12.00 million (including the Proposed Set-Off Amount) under the Minimum Scenario and up to approximately RM70.00 million (including the Proposed Set-Off Amount) under the Maximum Scenario, intended to be utilised by the Group in the following manner:

<b>Purposes</b>	<b>Minimum Scenario (RM'000)</b>	<b>Maximum Scenario (RM'000)</b>	<b>Utilisation timeframe (from listing date of the Rights Shares)</b>
Gross proceeds	<b>12,000</b>	<b>70,005</b>	Immediately
Less: Set-off Arrangement	9,000	4,667	
Net proceeds	<b>3,000</b>	<b>65,338</b>	
Repayment of advances	-	10,333	Within 6 months
Existing business of trading of precision instruments	2,320	20,000	Within 24 months
Expansion of existing business	-	34,325	Within 24 months
Expenses relating to the Proposed Rights Issue	680	680	Within 1 month

Please refer to **Section 2.7** of this Circular for further information.

**Proposed Diversification****Rationale**

The Group has been in the business of trading of precision instruments (watches) in the past few years. Taken into consideration the growing market demand, including the prospects of the retail industry in Hong Kong as set out in **Section 7.5** of this Circular, the Proposed Diversification will enable the Group to further expand the trading of precision instruments (watches) to improve the Group's future earnings and financial position in the future.

Please refer to **Section 4.2** of this Circular for further information.



**INDUSTRONICS BERHAD**

Registration No. 197501001969 (23699-X)  
(Incorporated in Malaysia)

**Registered Office:**

No. 9A, Jalan Medan Tuanku  
Medan Tuanku  
50300 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia

3 November 2022

**Board of Directors**

Datuk Chu Boon Tiong (*Executive Director*)  
Liu Wing Yee Amy (*Executive Director*)  
Chow Yun Cheung (*Non-Independent Non-Executive Director*)  
Chui Ee Mien (*Independent Non-Executive Director*)  
Sandra Chan Wan Shan (*Independent Non-Executive Director*)

**To: The shareholders**

Dear Sir/Madam,

- (I) PROPOSED RIGHTS ISSUE; AND**
- (II) PROPOSED DIVERSIFICATION**

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**1. INTRODUCTION**

On 8 July 2022, TA Securities announced on behalf of the Board that the Company proposed to undertake the Proposals.

On 21 October 2022, TA Securities announced on behalf of the Board that Bursa Securities, had vide its letter dated 21 October 2022, approved the following:

- (i) listing of and quotation for up to 875,060,548 Rights Shares and 656,295,411 Warrants to be issued on the Main Market of Bursa Securities pursuant to the Proposed Rights Issue;
- (ii) admission of the Warrants to the Official List of the Main Market of Bursa Securities; and
- (iii) listing of and quotation for the new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as stated in **Section 11** of this Circular.

Further details of the Proposals are set out in the ensuing sections in this Circular.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS WITH DETAILS ON THE PROPOSALS, TO SET OUT THE BOARD'S RECOMMENDATION AND TO SEEK THE SHAREHOLDERS APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.**



**THE SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO BE TABLED AT THE FORTHCOMING EGM.**

**2. PROPOSED RIGHTS ISSUE**

**2.1 Basis and number of Rights Shares and Warrants to be issued**

The Company proposed to issue up to 875,060,548 Rights Shares on the basis of 2 Rights Shares for every 1 existing Share held together with up to 656,295,411 Warrants on the basis of 3 Warrants for every 4 Rights Shares subscribed for, by the Entitled Shareholders and/or their renounee(s) or transferee(s) (if applicable).

As at LPD, the Company has an issued share capital of RM22,988,454.94 comprising 437,530,274 issued Shares (no treasury shares).

Based on the above, a total of 875,060,548 Rights Shares together with 656,295,411 Warrants will be issued in the event all the Entitled Shareholders and/or their renounee(s) fully subscribed for their entitlements under the Proposed Rights Issue.

The Proposed Rights Issue will be undertaken on the Minimum Subscription Level, based on the undertakings from the Undertaking Shareholders, details of which are set out in **Section 2.3** of this Circular. The Proposed Rights Issue is expected to raise minimum gross proceeds of RM12,000,000 (including the Proposed Set-Off Amount), based on the indicative issue price of RM0.08 per Rights Share.

For avoidance of doubt, pursuant the Set-off Arrangement, the rights subscription monies will be set-off against the advances made by an undertaking shareholder, namely Luk Tung Lam. Hence, the actual cash inflow to the Company is RM3.00 million under the Minimum Scenario and RM65.34 million under the Maximum Scenario. Further details on the Set-off Arrangement are set out in **Section 2.4** of this Circular.

Assuming all the Entitled Shareholders subscribed in full for their respective entitlements of the Rights Shares, the Proposed Rights Issue would entail the issuance of 875,060,548 Rights Shares, raising total gross proceeds of RM70,004,844 (including the Proposed Set-Off Amount).

The basis of 2 Rights Shares for every 1 existing Share held on the Entitlement Date was arrived at after taking into consideration the following:

- (i) the amount of proceeds to be raised as detailed in **Section 2.7** of this Circular (based on the indicative issue price of RM0.08 per Rights Share). The actual proceeds to be raised are subject to the final issue price of the Rights Shares;
- (ii) the indicative issue price of RM0.08 per Rights Share which in turn determines the total cash outlay by the Entitled Shareholders; and
- (iii) the rationale for the Proposed Rights Issue as set out in **Section 4.1** of this Circular.

The basis of 3 Warrants for every 4 Rights Shares subscribed for was arrived at after taking into consideration the following:

- (i) such basis shall enhance the attractiveness of the Proposed Rights Issue;
- (ii) Paragraph 6.50 of the Listing Requirements states that the number of new shares which will be issued from all outstanding equity convertible securities, when exercised, does not exceed 50% of the total number of issued shares of the listed issuer (excluding treasury shares and before the exercise of the warrants) at all times; and
- (iii) the rationale for the Proposed Rights Issue as set out in **Section 4.1** of this Circular.

The actual number of Rights Shares and Warrants to be issued pursuant to the Proposed Rights Issue would depend on the issued share capital of the Company on the Entitlement Date and eventual subscription level for the Proposed Rights Issue. The Entitlement Date of the Rights Shares shall be determined by the Board and announced at a later date after obtaining the relevant approvals for the Proposed Rights Issue.

The entitlements for the Rights Shares and Warrants are renounceable in full or in part. However, the Rights Shares and the Warrants cannot be renounced separately. If the Entitled Shareholders renounce all of their Rights Shares entitlements, they will not be entitled to any Warrants. If the Entitled Shareholders accept only part of their Rights Shares entitlements, they will be entitled to the Warrants in proportion to their acceptances of their Rights Shares entitlements.

The Warrants are attached to the Rights Shares without any cost to the Entitled Shareholders. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded from the Rights Shares on the Main Market of Bursa Securities. The Warrants will be issued in registered form and constituted by a Deed Poll.

The Rights Shares will be provisionally allotted and issued to the Entitled Shareholders. In determining the Entitled Shareholders' entitlements to the Rights Shares and the Warrants, any fractional entitlements arising from the Proposed Rights Issue (if any), will be disregarded and dealt with by the Board in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit or expedient and in the best interest of the Company.

Any Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable). The Board intends to allocate any excess Rights Shares with Warrants in a fair and equitable manner on a basis to be determined by the Board and announced thereupon by the Company.

## **2.2 Basis of determining and justification for the issue price of the Rights Shares and exercise price of the Warrants**

### Issue price of the Rights Shares

The issue price of the Rights Shares will be determined by the Board after considering the following:

- (i) the historical share prices of the Company;
- (ii) the Group's funding needs as set out in **Section 2.7** of this Circular; and
- (iii) TEAP of the Shares based on the 5D-VWAP immediately preceding the price fixing date.

For illustrative purpose, the indicative issue price of RM0.08 for each Rights Share represents the TEAP of the Shares of approximately RM0.08 per Share, calculated based on the 5D-VWAP of the Shares up to and including the Announcement LPD of RM0.08.

However, it is the intention of the Board to set the final issue price of the Rights Shares with a discount range of between 10.00% to 30.00% to the TEAP of the Shares. The Board believes that such discount is sufficient to encourage subscription by the Entitled Shareholders to minimise the potential dilution to their existing shareholdings.

### Exercise price of the Warrants

The exercise price of the Warrants will be determined by the Board after considering the following:

- (i) the historical share prices of the Company;
- (ii) the 5D-VWAP of the Shares immediately preceding the price-fixing date; and
- (iii) the proceeds that may be raised for future usage by the Group.

An indicative exercise price of RM0.10 for each Warrant represents at a premium of approximately 25.00% to the TEAP of the Shares of approximately RM0.08 per Share, calculated based on the 5D-VWAP of the Shares up to and including the Announcement LPD of RM0.08.

However, it is the intention of the Board to set the final exercise price of the Warrants with a premium range of between 10.00% to 30.00% to the TEAP of the Shares calculated based on the 5D-VWAP of the Shares immediately preceding the price fixing date. This was determined by the Board after taking into consideration the future prospects of the Group as set out in **Section 7.6** of this Circular.

Premised on the above, the Board believes that the indicative exercise price is in line with its intention of setting the exercise price at a level reasonably attractive to increase the potential of the Warrants being exercised and raise additional funds for the Company in the future, as and when the Warrants are exercised, taking into consideration that the prospects of the Group as set out in **Section 7.6** of this Circular. Further, the Warrants are issued to the Entitled Shareholders who subscribed for the Rights Shares at no cost.

### **2.3 Minimum Subscription Level and undertakings**

The Board has determined to undertake the Proposed Rights Issue based on the Minimum Subscription Level after taking into consideration the amount of funds that the Company intends to raise from the Proposed Rights Issue amounting to RM12.00 million (including the Proposed Set-Off Amount of RM9.00 million) under the Minimum Scenario that will be channelled towards the proposed utilisation as set out in **Section 2.7** of this Circular.

In order to meet the Minimum Subscription Level, the Company has procured irrevocable written undertakings from the Undertaking Shareholders to subscribe for their entitlements under the Proposed Rights Issue as well as to apply for additional Rights Shares not subscribed by other Entitled Shareholders by way of excess shares application, to achieve an aggregate subscription value amounting to RM12.00 million (including the Proposed Set-Off Amount of RM9.00 million).

Pursuant to the Undertakings:

- (i) The rights subscription monies payable by Luk Tung Lam amounting to RM9.00 million pursuant to the Undertaking will be set off against the advances owing by the Company to her pursuant to the Letter of Set-Off dated 8 July 2022 between the Company and Luk Tung Lam. No proceeds will accrue to the Company from the subscription of Rights Shares by Luk Tung Lam pursuant to her Undertaking. Further details of the Set-Off Arrangement are set out in **Section 2.4** of this Circular;
- (ii) the Undertaking Shareholders irrevocably and unconditionally undertake that they shall not dispose or otherwise reduce or transfer their existing interests in the Company or any part thereof during the period commencing from the date of the Undertaking up to the Entitlement Date; and
- (iii) Datuk Chu Boon Tiong confirmed that he has sufficient financial resources to subscribe in full for his entitlement and excess shares application amounting to RM3.00 million via his undertaking letter dated 8 July 2022. TA Securities, being the Adviser for the Proposed Rights Issue, has also verified that Datuk Chu Boon Tiong has sufficient financial resources to fulfil his Undertaking.

A summary of the Undertakings is set out as follows:

Undertaking Shareholders	As at the LPD		Rights Shares to be subscribed for pursuant to the Undertaking					Warrants to be issued pursuant to the Undertaking		Funding required <sup>(3)</sup> (RM)	
	No. of Shares	%	Entitlement	% <sup>(1)</sup>	Excess shares application	% <sup>(1)</sup>	Total	% <sup>(1)</sup>	Warrants		% <sup>(2)</sup>
Luk Tung Lam	29,167,200	6.67	58,334,400	38.9	54,165,600	36.1	112,500,000	75.0	84,375,000	75.0	9,000,000 <sup>(4)</sup>
Datuk Chu Boon Tiong	13,406,880	3.06	26,813,760	17.9	10,686,240	7.1	37,500,000	25.0	28,125,000	25.0	3,000,000
<b>TOTAL</b>	<b>42,574,080</b>	<b>9.73</b>	<b>85,148,160</b>	<b>56.8</b>	<b>64,851,840</b>	<b>43.2</b>	<b>150,000,000</b>	<b>100.0</b>	<b>112,500,000</b>	<b>100.0</b>	<b>12,000,000</b>

Notes:

- (1) Based on up to 150,000,000 Rights Shares to be issued under the Minimum Scenario pursuant to the Proposed Rights Issue.
- (2) Based on up to 112,500,000 Warrants to be issued under the Minimum Scenario pursuant to the Proposed Rights Issue.
- (3) Based on the indicative issue price of RM0.08 per Rights Share.
- (4) Pursuant to the Set-off Arrangement.

The final number of Rights Shares and Warrants to be issued under the Minimum Scenario to arrive at the Minimum Subscription Level of RM12.00 million will depend on the final issue price of the Rights Shares.

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As the Company has obtained the Undertakings to achieve the Minimum Subscription Level, the Company does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

The Undertakings would not result in:

- (i) the subscription of Rights Shares and excess Rights Shares by the Undertaking Shareholders to give rise to any consequences of mandatory general offer obligations pursuant to the Malaysian Code on Take-overs and Mergers 2016 (“Code”) and the Rules on Take-overs, Mergers and Compulsory Acquisitions (“Rules”). The Undertaking Shareholders have undertaken to observe and comply at all times with the provisions of the Code and the Rules; and
- (ii) the public shareholding spread of the Company falling below 25% of the Company’s enlarged issued share capital after the completion of the Proposed Rights Issue, in accordance with Paragraph 8.02(1) of the Listing Requirements.

## 2.4 Set-off Arrangement

For information purposes, Luk Tung Lam had advanced in aggregate of RM24,515,940 (based on the exchange rate of HKD1.00 to RM0.534 as at 31 December 2021) to the Company from October 2021 to December 2021 for the purchase of inventories for the trading of precision instruments business (i.e., watches). Pursuant to the Loan Agreements, the advances are subject to a fixed interest rate of 7% per annum and repayable within 1 year from the drawdown date. As at LPD, the total amount owing to Luk Tung Lam is RM26,449,203 (inclusive of interest).

The Company proposed that the rights subscription monies payable by Luk Tung Lam pursuant to the Undertakings to be set-off partially against the advances owing by the Company to Luk Tung Lam of RM9,000,000. The details of the Set-off Arrangement are as set out below:

	Minimum Scenario	Maximum Scenario
<b>Fundings required pursuant to the Undertakings (RM)</b>	9,000,000	4,666,752
<b>Proposed Set-off Amount (RM)</b>	9,000,000	4,666,752
<b>Amount to be re-paid from the proceeds of the Proposed Rights Issue (RM)</b>	-	10,333,248
<b>Balance of amount payable after the Proposed Rights Issue (RM)</b>	<b>17,449,203</b>	<b>11,449,203</b>

Under the Minimum Scenario, assuming the subscription of Rights Shares by Luk Tung Lam is based on her Undertaking of up to RM9,000,000 to be set-off, the balance of the advances amounting up to RM17,449,203 will be settled by the Company via internally generated funds, bank borrowings and/or future fund-raising exercises within 12 months from the LPD with the breakdown to be determined by the Company in the future.

Under the Maximum Scenario, assuming all shareholders subscribed for their own entitlement under the Proposed Rights Issue, Luk Tung Lam will only be able to subscribe for her own entitlement of 58,334,400 Rights Shares resulting in a total rights subscription monies of RM4,666,752 (based on the indicative issue price of RM0.08 per Rights Share). The balance of RM10,333,248 will be repaid by the Company via the proceeds raised from the Proposed Rights Issue. The balance of the advances amounting up to RM11,449,203 will be settled by the Company via internally generated funds, bank borrowings and/or future fund-raising exercises within 12 months from the LPD with the breakdown to be determined by the Company in the future.

If the final issue price of the Rights Shares is fix at a price lower than the indicative issue price of RM0.08 per Rights Share, the total number of Rights Shares to be issued to the Undertaking Shareholders (which is computed based on RM12,000,000 divided by the actual issue price of the Rights Share (and rounded up to nearest whole number)) will be increased accordingly equivalent to RM12,000,000. However, in the event the final issue price of the Rights Shares is fix at a price higher than the indicative issue price of RM0.08 per Rights Share, the total number of Rights Shares to be issued to the Undertaking Shareholders will be decreased accordingly equivalent to RM12,000,000.

## 2.5 Ranking of the Rights Shares and the new Shares to be issued arising from the exercise of the Warrants

The Rights Shares and new Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that the holder of such Right Shares and new Shares arising from the exercise of the Warrants shall not be entitled to any dividend, rights, allotments and/or other distributions which may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment and issuance of such Right Shares and new Shares arising from the exercise of the Warrants.

The holders of the Warrants will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in the Company until they exercise their Warrants into the new Shares.

## 2.6 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are as follows:

<b>Terms</b>	<b>Details</b>
Issue size	: Up to 656,295,411 Warrants
Form and denomination	: The Warrants will be issued in registered form and constituted by the Deed Poll.
Tenure	: 5 years commencing from and inclusive of the Issue Date.
Exercise Rights	: Each Warrant entitles the registered Warrant holder to subscribe for 1 new Share at the Exercise Price at any time during the Exercise Period, subject to the provisions of the Deed Poll.
Exercise Price	: The exercise price of the Warrants shall be determined and fixed by the Board and announced at a later date, after obtaining all relevant approvals but before the Entitlement Date.
Exercise Period	: The Warrants may be exercised at any time during the tenure of the Warrants commencing from and including the Issue Date and ending at the close of business at 5.00 p.m. on the Expiry Date. Any Warrants which have not been exercised will lapse and every Warrant not exercised by then will cease to be valid for any purpose.
Expiry Date	: A date which falls on the day before the 5 <sup>th</sup> anniversary of the Issue Date, provided that if such day falls on a day which is not a market day, then it shall be the market day immediately preceding the said non-market day.
Adjustment in the Exercise Price and/or the number of Warrants	: Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants held by each Warrant holder shall be adjusted by the Board in consultation with an approved adviser appointed by the Company or certified by the auditors of the Company in accordance with the provisions of the Deed Poll.

Terms	Details
Status of the new Shares to be issued arising from the exercise of the Warrants	The new Shares to be issued upon the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, except for any entitlements given on an entitlement date prior to the date of allotment of the said Shares.
Rights of Warrants holders	The Warrants holders are not entitled to any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrants holder are issued with new Shares arising from their exercise of the Warrants.
Modification of rights of Warrant holder	<p>The Company may, from time to time, without the consent of the Warrant holders but in accordance with the Deed Poll, modify the Deed Poll, if such modification made does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or to comply with prevailing laws of Malaysia, Rules of the Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act, 1991 and/or AMLR.</p> <p>Subject to the approval of Bursa Securities (if required), any modifications to the Deed Poll may be effected only by a supplemental Deed Poll, executed by the Company and expressed to be supplemental to the Deed Poll and comply with the requirements of the Deed Poll. The Company must notify the Warrant holders of any modification within 30 days after such modification is effected in accordance with the Deed Poll.</p>
Rights in the event of winding up, liquidation, compromise and/or arrangement	<p>Where a resolution has been passed by the Company for a members' voluntary winding-up or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies then:</p> <p>(a) for the purpose of such a winding-up, compromise or arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders or some persons designated by them for such purposes by special resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrants holders; and</p> <p>(b) in any other case, every Warrant holder shall be entitled at any time within 6 weeks after the passing of such resolution or 6 weeks after the granting of the court order approving the compromise or arrangement, by irrevocable surrender of his Warrants together with payment of the relevant Exercise Price monies, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the Exercise Rights represented by such Warrants, to the extent specified in the exercise notice and be entitled to receive out of the assets of the Company (which would be available in liquidation) if he had on such date been a holder of the Shares, to which he would have become entitled pursuant to such exercise; and the liquidator of the Company shall give effect to such election accordingly.</p>



Terms	Details
	Upon the expiry of the above 6 weeks, all Exercise Rights shall lapse and cease to be valid for any purpose.
	(c) If the Company is wound up (other than by way of a members' voluntary winding up), all Exercise Rights which have not been exercised prior to the date of the commencement of the winding up shall cease to be valid for any purpose.
Board Lot	: The Warrants are tradeable upon listing in board lot of 100 units carrying the right to subscribe for 100 new Shares at any time during the Exercise Period or such other denomination as may be prescribed by Bursa Securities.
Listing status	: The Warrants shall be listed and quoted on the Main Market of Bursa Securities.
Governing law	: The laws of Malaysia.

## 2.7 Utilisation of proceeds

Based on the indicative issue price of RM0.08 per Rights Share, the Proposed Rights Issue is expected to raise gross proceeds of RM12.00 million (including the Proposed Set-Off Amount) under the Minimum Scenario and up to approximately RM70.00 million (including the Proposed Set-Off Amount) under the Maximum Scenario, intended to be utilised by the Group in the following manner:

Purposes	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Utilisation timeframe (from listing date of the Rights Shares)
Gross proceeds		12,000	70,005	
Less: Set-off Arrangement	(i)	9,000	4,667	Immediately
Net proceeds		<b>3,000</b>	<b>65,338</b>	
Repayment of advances	(i)	-	10,333	Within 1 month
Existing business of trading of precision instruments	(ii)	2,320	20,000	Within 24 months
Expansion of existing business	(iii)	-	34,325	Within 24 months
Expenses relating to the Proposed Rights Issue	(iv)	680	680	Within 1 month

Under the Minimum Scenario, the Proposed Rights Issue will raise gross proceeds of RM12.00 million. The subscription of 150,000,000 Rights Shares at the indicative issue price of RM0.08 each will amount to RM12.00 million, of which RM9.00 million will be subject to the Set-off Arrangement, with the balance of RM3.00 million to be received by the Company as net proceeds.

Under the Maximum Scenario, the Proposed Rights Issue will raise gross proceeds of RM70.00 million. The subscription of up to 875,060,548 Rights Shares at the indicative issue price of RM0.08 each will amount to RM70.00 million, of which RM4.67 million will be subject to the Set-off Arrangement, with the balance of RM65.34 million to be received by the Company as net proceeds.



(i) **Set-off Arrangement and repayment of advances**

The Company intends to partially set off up to RM9,000,000 against the amounts owing by the Company to Luk Tung Lam of RM26,449,203 (inclusive of interest) as at the LPD. Under the Maximum Scenario, the Company intends to repay up to RM15,000,000 against the amounts owing by the Company to Luk Tung Lam. Assuming all shareholders subscribed for their own entitlement in the Proposed Rights Issue, Luk Tung Lam will only be able to subscribe for her own entitlement of 58,334,400 Rights Shares for total proceeds of RM4,666,752 rights subscription monies to be set off against the Proposed Set-off Amount. There will be no cash inflow to the Company as the rights subscription monies payable by Luk Tung Lam will be used to set off against the Proposed Set-off Amount by an equivalent amount under the Set-off Arrangement. The balance of RM10,333,248 will be repaid by the Company via the proceeds raised from the Proposed Rights Issue.

Please refer to **Section 2.4** of this Circular for further details on the Set-off Arrangement.

**Luk Tung Lam**

Luk Tung Lam was born in China in the year of 1967, and is currently a Singapore citizen. She is a full-time stock investor, most of her stock investments cover Hong Kong, United State of America, United Kingdom and Malaysia.

In 2018, she invested in the Company through the recommendation of her acquaintance, Ms. Liu Weng Yee Amy, the executive director of the Company. Upon perusing the Company's future prospects in the business of trading luxury watches, and the value of the Company, Luk Tung Lam invested and provided a sum of advances to the Company.

Luk Tung Lam is a substantial shareholder of the Company. As at LPD she holds 29,167,200 Shares, representing 6.67% of issued share capital of the Company. Upon completion of the Proposed Rights Issue and assuming full exercise of the Warrants, Luk Tung Lam will hold 226,042,200 Shares (32.29% equity interest) under the Minimum Scenario and she will hold 131,252,400 Shares (6.67% equity interest) under the Maximum Scenario, without any indirect interest in the Company.

(ii) **Existing business of trading of precision instruments (watches)**

Up to RM20.00 million will be used to fund the Company's existing business of trading of precision instruments, as follows:

<b>Details of utilisation</b>	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
Purchase of inventories for trading of precision instruments <sup>(a)</sup>	2,320	17,000
Upgrade and maintenance of online trading platform <sup>(b)</sup>	-	3,000
<b>Total</b>	<b>2,320</b>	<b>20,000</b>

Notes:

- (a) The Company intends to utilise up to RM17.00 million of the proceeds to purchase additional inventories for the Group's trading of precision instruments segment which involves new and pre-owned luxury watches (such as Seiko, Tag Heuer, Rolex, Patek Phillipe) to ensure that the Group has continuous supply of a wide variety of watches for potential buyers mainly in Hong Kong offered through the Company's e-commerce platform (i.e., www.allbest.com) to improve its competitiveness. The Group expect to incur a total cost of RM17.00 million purchase of inventories for trading of precision instruments. The actual inventories to be purchased in excess of Minimum Scenario will depends on the amount of proceeds to be raised from the Proposed Rights Issue.

- (b) As at the LPD, the Group maintains and uses its e-commerce platform to sell new and pre-owned luxury watches. Under the Maximum Scenario, the Company intends to utilise up to RM3.00 million of the proceeds to upgrade and maintain the online platform (www.allbest.com) to provide potential customers with a better viewing experience while using the Group's trading platform. The Group expects to incur approximately RM3.00 million for the upgrade and maintenance of online platform with the breakdown as follows:

<b>Details of utilisation</b>	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
Upgrade of online trading platform	-	2,000
Maintenance of online trading platform	-	1,000
<b>Total</b>	-	<b>3,000</b>

The upgrade will include system enhancement to increase user-friendliness, with new features such as 360-degree view of items, 3D display of watches, additional language support and others. The maintenance cost includes work to ensure that the platform is compatible with the latest version of operating system, and to cope with higher traffic due to increase in users. The upgrade and maintenance work are expected to commence in the mid 2023 until end of 2024. The Group intends to launch its new upgraded online trading platform to end users by end of 2024.

In the event the Proposed Rights Issue is undertaken under the Minimum Scenario, the Company will not proceed with the upgrade and maintenance of the online trading platform.

**(iii) Expansion of existing business**

Under the Maximum Scenario, the Company proposes to utilise up to RM34.33 million of the proceeds to expand its existing business of electronics and system integration. The existing business of the Group includes supply, installation, commissioning and maintenance of traffic light system, information display system, fire alarm panel, video surveillance systems and audio-visual multimedia system. The Group mainly generates its revenue from the sales of systems (as stated above) to customers and provide continues maintenance of the systems. Clients of the Group includes but not limited to airports, banks, schools and highway operators in Malaysia. The breakdown of the utilisation is as follows:

<b>Details of utilisation</b>	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
Educational equipment <sup>(a)</sup>	-	15,000
LED project <sup>(b)</sup>	-	10,000
Information display project <sup>(c)</sup>	-	9,325
<b>Total</b>	-	<b>34,325</b>

Notes:

- (a) Under the Maximum Scenario, the Company intends to utilise up to RM15.00 million of the proceeds to purchase equipment (i.e., computer equipments), as well as payment to sub-contractors. This is in anticipation of increase in demand for online educational systems and equipment due to the rise in e-learning in education institutions such as private schools, government schools and universities (as stated in **Section 7.3** of this Circular).

The breakdown of the utilisation is as follows:

<b>Details of utilisation</b>	<b>RM'000</b>
Purchase of equipment (i.e., computer equipments) <sup>(aa)</sup>	12,000
Payment of sub-contractors <sup>(bb)</sup>	3,000
<b>Total</b>	<b>15,000</b>

Notes:

- (aa) Equipment consists of interactive board and computers to be used in e-learning. The Company intends to purchase approximately 800 units of interactive boards and 800 units of computers to increase the capacity of their supply to educational sectors. The newly purchased units are expected to supply to approximately 300 schools. As at the LPD, the Company does not hold any inventory on the above equipment as they will only purchase the equipment upon the execution of agreement or receipt of purchase order from their client.
- (bb) Sub-contractors for installation, wiring and site work for the e-learning platform for educational institutions.
- (b) Under the Maximum Scenario, the Company intends to utilise up to RM10.00 million of the proceeds to purchase computer systems, traffic systems and display systems for its LED project. The proceeds are to be allocated towards the supply and installation of LED display boards for buildings, schools as well as tourist hotspots. Demand for advertising and creative LED display boards is expected to increase with the opening of international borders, with more tourist arrivals. The target market for the LED project includes advertising companies, buildings, schools, restaurants and retail outlets in Malaysia.

The breakdown of the utilisation is as follows:

<b>Details of utilisation</b>	<b>RM'000</b>
Purchase of equipment, computers and appliances <sup>(aa)</sup>	8,000
Payment of sub-contractors <sup>(bb)</sup>	2,000
<b>Total</b>	<b>10,000</b>

Notes:

- (aa) LED display panels, media player or video processors, graphics and video contents, audio & visual equipment for proper functioning of LED boards.
- (bb) In relation to the support of structure and wiring necessary for the installations of LED display boards.

As at LPD, the Company do not have any on-going LED projects. However, the Company is presently in discussion with 3 potential clients for the LED projects. The requisite announcement will be made upon finalisation of the contracts if required by the Listing Requirement.

- (c) Under the Maximum Scenario, the Company intends to utilise up to RM9.33 million of the proceeds to purchase computers, servers and display systems to implement its information display projects. This includes the development of digital information systems and audio visuals used in most passenger-related businesses, such as train stations, highways, airports as well as sports stadium in Malaysia as they are the target market for the information display project.

The breakdown of the utilisation is as follows:

<b>Details of utilisation</b>	<b>RM'000</b>
Hardware	1,325
Information display system	4,000
Sub-contractors	4,000
<b>Total</b>	<b>9,325</b>

As at LPD, the Company has 4 on-going contracts for the provision of maintenance services to the existing client with an aggregate contract value of RM0.55 million. Furthermore, the Company is currently negotiating with an airport operator services company for the provision of centralised, cloud base and real time flight information display system with artificial intelligent features (i.e., facial recognition) with an estimated contract value of RM20.00 million. The requisite announcement will be made upon finalisation of the contracts if required by the Listing Requirement.

In the event there is a shortfall in the proceeds raised for the Proposed Rights Issue, the expansion for the existing businesses will be put on hold until sufficient fundings are raised to undertake the expansion. The Company will fund the expansion through internally generated funds, bank borrowings and/or future fund-raising exercises which will be determined in the future.

**(iv) Expenses relating to the Proposals**

The breakdown of estimated expenses for the Proposed Rights Issue is illustrated below:

<b>Details of utilisation</b>	<b>RM'000</b>
Professional fees <sup>(i)</sup>	530
Fees to authorities	96
Miscellaneous charges (printing, meeting expenses and advertising)	54
<b>Total</b>	<b>680</b>

Note:

- (i) Comprise professional fees relating to the Proposals, which include fees payable to the adviser, solicitors, company secretary, share registrar and independent market researcher.

The actual proceeds to be raised from the Proposed Rights Issue will depend on the issue price and the subscription rate of the Rights Shares as well as the exercise price of the Warrants and whether such Warrants will be exercised. Any additional proceeds raised in excess of Minimum Scenario but less than Maximum Scenario will be allocated in the following order of priority up to its maximum amount:

- (i) Existing business of trading of precision instruments;
- (ii) Repayment of advances; and
- (iii) Expansion of existing business.

In the event the Proposed Diversification is not approved, the proceeds raised for the purpose of the trading of precision instrument will be allocated towards the repayment of advances owing by the Company to Luk Tung Lam. Under the Maximum Scenario, the additional proceeds after the repayment of advances owing by the Company to Luk Tung Lam amounting to RM8,550,797 will be utilised for the expansion of the Company's existing business as stated in **Section 2.7(iii)** of this Circular.

For the avoidance of doubt, in the event the proceeds to be raised under the Maximum Scenario is higher than approximately RM70.00 million as a result of the final issue price for the Rights Shares is higher than the indicative issue price of RM0.08 per Rights Share, the additional proceeds raised will be utilised in the following manner:

<b>Purposes</b>	<b>Allocation</b>	<b>Utilisation timeframe (from listing date of the Rights Shares)</b>
Expansion of existing business <sup>(1)</sup>	50%	Within 24 months
Working capital <sup>(2)</sup>	50%	Within 12 months

Notes:

(1) As stated in **Section 2.7(iii)** of this Circular

(2) The working capital of the Company includes salaries, statutory contributions, rental, upkeep of office equipment and professional fees (i.e., audit and tax agent fees). The amount of proceeds to be allocated for each component of working capital will be subject to the Group's operating requirements at the time of utilisation, and such allocation shall be determined at the Board's discretion at a later date.

Pending utilisation of the proceeds from the Proposed Rights Issue for the abovementioned purposes, the proceeds will be placed in deposits with financial institution or short-term money market instruments as the Board may deem fit. The interest derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used for working capital requirements of the Company (i.e., staff salary, office rental and utilities bill), of which the breakdown for the utilisation cannot be determined by the Company at this juncture.

Any excess or shortfall of the actual proceeds allocated for the expenses will be adjusted against the amount allocated for the expansion of existing businesses of the Group as set out in **Note (iii)** above.

For illustrative purposes, the gross proceeds to be raised upon the full exercise of the Warrants based on the indicative exercise price of RM0.10 per Warrant is as follows:

	<b>Minimum Scenario</b>	<b>Maximum Scenario</b>
No. of Warrants	168,750,000	656,295,411
Total gross proceeds raised assuming all of the Warrants are exercised (RM)	16,875,000	65,629,541

The proceeds to be raised from the exercise of Warrants will be utilised as additional working capital to finance the Group's administrative expenses (i.e., rental, upkeep and maintenance of offices, factory and warehouse as well as staff cost (e.g. salaries and statutory contribution)) and will be utilised within 24 months from the receipt of such proceeds. The breakdown of the utilisation of proceeds cannot be determined at this juncture as the exact amount to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of the Warrants and the final exercise price.

Pursuant to Paragraph 8.22 of the Listing Requirements, the Company will seek its shareholder's approval if the Company proposes to make a material change (i.e., 25% or more of the total proceeds raised) to the use of proceeds raised from the Proposed Rights Issue.

### 3. PROPOSED DIVERSIFICATION

The Group is principally involved in the business of providing electronics and system integration related businesses locally which include the supply, installation, commissioning and maintenance of traffic lights aspects, information display system, fire alarm panels, video surveillance systems, audio visual multimedia systems etc as well as the trading of precision instruments (watches) in Hong Kong.

The revenue contribution by each segment of the Group for the past 3 FYE 31 December 2019 to 31 December 2021 are as follows:

	Audited					
	FYE 31 December 2019 RM'000	%	FYE 31 December 2020 RM'000	%	FYE 31 December 2021 RM'000	%
Revenue	15,412	100.00	17,431	100.00	40,368	100.00
<b>Segments:</b>						
Electronics and system integration	8,563	55.56	7,022	40.28	3,003	7.44
Security systems, mechanical and electrical engineering	2,035	13.20	1,206	6.92	1,466	3.63
Other segments						
- Trading of watches	632	4.10	6,117	35.10	26,227	64.97
- Provision of cloud service	4,182	27.14	269	1.54	643	1.59
- General trading	-	-	2,817	16.16	9,029	22.37
<b>Subtotal for other segment</b>	<b>4,814</b>	<b>31.24</b>	<b>9,203</b>	<b>52.80</b>	<b>35,899</b>	<b>88.93</b>
<b>Total</b>	<b>15,412</b>	<b>100.0</b>	<b>17,431</b>	<b>100.0</b>	<b>40,368</b>	<b>100.0</b>

The Group had begun the trading of watches in 2015 physically through business contacts of Liu Wing Yee Amy (key personnel of the Proposed Diversification). Subsequently in 2021, the Group had expanded its business in trading of watches by conducting its trading via its own e-commerce platform.

Currently, the timepieces are sold online through its subsidiary, namely ECGO International Limited. The Group has plans to set up a physical store in the future and is expecting to open its first physical store within the next 12 months. The Group has yet to decide on the location of the physical store at this juncture. As there is an uptrend of the retail industry in Hong Kong especially in luxury goods as set out in **Section 7.5** of this Circular, the Group intends to leverage this opportunity by expanding the trading of precision instruments business (watches).

The Group intends to maintain and grow its other existing businesses after the Proposed Diversification. At this juncture, the Group will use the proceeds from the Proposed Rights Issue to purchase additional inventories and also maintain/upgrade the e-commerce platform to manage higher online traffic, as mentioned in **Section 2.7** of this Circular. However, if opportunity is presented, the Group plans to explore and extend the market of the trading of precision instruments to include more countries in the future.

#### 3.1 Key management personnel

The Group's key management personnel in charge of the business of trading in precision instruments (watches) is as follows:

### **Liu Wing Yee Amy**

Liu Wing Yee Amy, Canadian, aged 34, female, was appointed to the Board as an Independent Non-Executive Director on 19 December 2013 and subsequently redesignated to an Executive Director on 14 February 2014. She completed her secondary school education at Steveston Secondary School in 2005 in Canada. Subsequently in 2010 to 2013, she was with TD Canada Trust, the commercial banking operation of TD Bank Group, in Canada as Financial Advisor. In 2013 to 2015, she was the manager of operations with Elite Team Asia Ltd in Canada, a company specialising in systems and database management and consultancy in driving digital transformation in the Financial Services Industry. She brings together all the creative and technology capabilities, business acumen, and industry insight needed to help transform the clients' businesses. She was pursuing Bachelor of Arts and Business Management from Kwantlen Polytechnic University, Canada in 2006 to 2015 on a part-time basis, and subsequently decided to discontinue the tertiary education.

Since she joined the Company, she started to be involved in the operations in Hong Kong which include provision of mobile entertainment services, general trading and provision of integrated internet marketing services. As at the LPD, the Group is no longer involved in the mobile entertainment services and provision of integrated internet marketing services. The Group started exploring watch business in 2015 and the team lead by Ms Liu Wing Yee Amy started to gain experience and product knowledge related to watches during the course of developing the watch business. With her experience in management and consultancy, she guided the team to build rapport with watch traders and also authorised dealers. With her management and business network, the revenue contribution from the Group's watch segment has been increasing for the past 3 financial years.

### **Datuk Chu Boon Tiong**

Datuk Chu Boon Tiong, Malaysian, aged 51, male, was appointed to the Board as an Executive Director on 8 November 2018. He attended his secondary school education at Pay Fong Middle School Malacca until 1988. Subsequently, he had worked in several companies in different industries (i.e., information technology, interior design and construction) in which he was in charge of the operations and project management until 2003. He has more than 15 years of experience in property development sector, focusing on housing and commercial development, with vast experience in dealing with contractors and bankers. In addition, he is active in investment activities.

He has been an entrepreneur since 2004 and was involved in several businesses across various industries such as property, construction, information technology and banking industry. He was appointed as an Executive Director of Higherway Electronic Co. Ltd on 21 June 2019, a company listed in Taiwan which is principally focused on innovative research and development as the core corporate resource, offering major services in consumer oriented, multimedia, micro-controller integrated circuit application design, solution integration and sales. He left Higherway Electronic Co. Ltd, on 20 June 2022.

He was appointed as an Executive Director of NWP Holdings Berhad on 23 September 2020. NWP Holdings Berhad is listed on the Main Market of Bursa Securities and its businesses includes manufacturing and trading a wide range of quality timber products such as interior and exterior molded timber products, kiln-drying, timber treatment services, sawmilling, and logging. He resigned from the Board of NWP Holdings Berhad on 30 August 2021.

He is an Independent Non-Executive Director of TFP Solutions Berhad since 2 March 2021. TFP Solutions Berhad is listed on the ACE Market of Bursa Securities and its principal activity includes ICT businesses such as provision of software solutions/tools (i.e., Human Resource Management System, Enterprise Resource Planning Application) and mobile data services with e-money and e-wallet functionalities.

Living in this information technology and digital era, other than his involvement within the Group, he also incubates new projects in the e-commerce business, robotics automation, Internet-of things and blockchain technology in China and Southeast Asia.

He began the watch trading business for the Group in 2021. With his past experiences in e-commerce, he is implementing the e-commerce platform and to set the overall direction for the Group's watch trading business.

#### **Lee Chee Cheng**

Lee Chee Cheng, Malaysian, aged 52, male, was appointed as the General Manager of the Group since December 2013. He is involved in the electronics and information system related businesses and the watch trading business of the Group where he is responsible for all communications with watch dealers in Malaysia in relation to the purchase of certain types of watches which will then be shipped over for trading in Hong Kong.

He graduated from Tunku Abdul Rahman University College with a diploma in financial accounting in 1992. He also obtained his professional qualification with the Association of Chartered Certified Accountant in 1997 and is also a member of the Malaysian Institute of Accountants. He has a total of 29 years working experience in audit and commercial sectors specialising in retailing and IT industry in Malaysia.

He began his career with Kassim Chan & Co in 1993 until 1996 and during the tenure with the company, his job scope includes performing audit tests, preparation of audit report, tax computation and review of internal control system. In 1997 until 2004, He joined Premier Shoe Industries Sdn Bhd, a company mainly engaged in footwear manufacturing and retail company as a finance manager and is responsible for the operational accounts work, support planning, budgeting, variance analysis, revenue growth and process efficiency of the company. In 2005 until 2010, He joined Funmobile Group, a company specialise in selling of mobile contents and ringtones as well as development of mobile games where he is involved in the operations, finance, IT, human resource and also managing a customer support team. From 2011 until 2013 before joining the Company, he was an independent business and financial consultant serving mainly IT, manufacturing and construction clients.

## **4. RATIONALE FOR THE PROPOSALS**

### **4.1 Proposed Rights Issue**

The rationale for the Proposed Rights Issue includes the following:

- (a) The proceeds from the issuance of Rights Shares would enable the Company to obtain funding for the purposes set out in **Section 2.7** of this Circular, and strengthen the Group's financial position;
- (b) The Proposed Rights Issue will involve the issuance of new Shares without diluting the Entitled Shareholders' shareholdings, provided that all Entitled Shareholders subscribed in full for their respective entitlements;
- (c) The Proposed Rights Issue will increase the number of Shares in circulation which may potentially enhance the liquidity and marketability of the Shares on the Main Market of Bursa Securities;
- (d) The Warrants attached to the Rights Shares are expected to enhance the attractiveness of the Proposed Rights Issue. It provides the shareholders with the option to further participate in the equity of the Company at a pre-determined price and enables them to benefit from the future growth of the Group and any potential capital appreciation arising thereof;



- (e) The Warrants will also provide the Company with additional funding if and when they are exercised; and
- (f) the Company will be able to settle up to RM15,000,000 that it is owing to Luk Tung Lam by way of the Set-off Arrangement as detailed in **Section 2.4** of this Circular, and at the same time, procure the Minimum Subscription Level for the Proposed Rights Issue. The Set-off Arrangement will reduce the Company's liabilities while preserving the Company's cash reserves.

#### 4.2 Proposed Diversification

The financial results of the Group for the past 3 audited FYE 31 December 2019 to 31 December 2021 as well as the unaudited 6M-FPE 30 June 2021 and 6M-FPE 30 June 2022 are set out below:

Group	Audited			Unaudited	
	FYE 31 December 2019 RM'000	FYE 31 December 2020 RM'000	FYE 31 December 2021 RM'000	6M-FPE 30 June 2021 RM'000	6M-FPE 30 June 2022 RM'000
<b>Revenue</b>					
- Electronics and system integration	8,563	7,022	3,003	1,335	1,769
- Security systems mechanical and electrical engineering	2,035	1,206	1,466	698	1,036
- Other operations	4,814	9,203	35,899	18,955	12,642
<b>Total</b>	<b>15,412</b>	<b>17,431</b>	<b>40,368</b>	<b>20,988</b>	<b>15,447</b>
<b>(LAT)/PAT</b>					
- Electronics and system integration	(2,393)	1,973	(2,618)	60	(1,769)
- Security systems mechanical and electrical engineering	180	(176)	(298)	(139)	(72)
- Other operations	(15)	(2,224)	(1,839)	102	(1,132)
<b>Total</b>	<b>(2,228)</b>	<b>(427)</b>	<b>(4,755)</b>	<b>23</b>	<b>(2,973)</b>

The Group's has been recording LAT for the past 3 years.

As at LPD, the Company is involved in the following activities:

(i) Electronics and system integration

The electronics and system integration segment consists of the following:

- design, manufacturing and installation of electronics and microprocessor-controlled products;
- trading, maintenance and supply of industrial electronic equipment;
- intelligent transportation system and major system integration projects involving ICT; and
- supply and service of telecommunication equipment, audio visual multimedia systems.

The higher revenue in the 6M-FPE 30 June 2022 as compared to the 6M-FPE 30 June 2021 is mainly due to the lockdowns implemented by the Government of Malaysia to curb the spread of COVID-19 pandemic which resulted in fewer projects secured in 6M-FPE 30 June 2021.

(ii) Security systems, mechanical and electrical engineering

The security systems, mechanical and electrical engineering segment consists of the following:

- (a) supply and installation of security systems;
- (b) fire protection system design, installation works and mechanical engineering services;
- (c) industrial maintenance and service works;
- (d) trading of transport equipment and provision of related services; and
- (e) manufacturing of filter inclusive of import and marketing.

The security systems, mechanical and electrical engineering segment of the Group had recorded an increase in 6M-FPE 30 June 2022 as compared to the 6M-FPE 30 June 2021 mainly due to the increase in projects tendered since the lifting of the restrictions due to the COVID-19 pandemic.

(iii) Other operations

The other operations segment includes the trading of precision instruments (watches), provision of cloud service and general trading. The Group had recorded a lower revenue in 6M-FPE 30 June 2022 as one of the Group's Hong Kong subsidiary (namely All Best Group Limited) has become the associate company in August 2021 and therefore the Group is unable to consolidate its revenue.

In view of the growing market demand and prospects of the retail industry in Hong Kong as set out in **Section 7.5** of this Circular, the Group believes that it is a timely opportunity for the Group to further expand the trading of precision instruments (watches) to improve the Group's future earnings and financial position in the future.

Pursuant to Paragraph 10.13(1) of the Listing Requirements, a listed corporation must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:

- (i) the contribution from such operation of 25% or more of the net profit of the listed corporation; or
- (ii) the diversion of 25% or more of the net assets of the listed corporation to an operation which differs widely from those operations previously carried on by the listed corporation.

It is anticipated that the business of trading in precision instruments (watches) will potentially contribute 25% or more of the Group's net profits and/or result in a diversion of 25% or more of the Group's net assets towards the business. As such, in accordance with Paragraph 10.13(1) of the Listing Requirements, the Company is required to obtain its shareholders' approval in an EGM for the Proposed Diversification.

## 5. PREVIOUS FUND-RAISING EXERCISE IN THE PAST 12 MONTHS

On 3 February 2022, the Company completed the Private Placement of 37,502,700 new Shares, and raised approximately RM5.10 million:

Tranche	No. of Shares	Issue price (RM)	Total (RM)	Listing Date
1 <sup>st</sup>	14,258,400	0.158	2,252,827	4 October 2021
2 <sup>nd</sup>	5,494,600	0.182	1,000,017	28 October 2021
3 <sup>rd</sup> (Final)	17,749,700	0.104	1,845,969	3 February 2022
<b>Total</b>	<b>37,502,700</b>		<b>5,098,813</b>	

As at the LPD, the Company has fully utilised the proceeds raised from the Private Placement as follows:

<b>Purposes</b>	<b>Proposed utilisation<sup>(1)</sup> (RM'000)</b>	<b>Proposed utilisation<sup>(2)</sup> (RM'000)</b>	<b>Amount used (RM'000)</b>	<b>Estimated timeframe for utilisation from listing of placement shares</b>
Purchase of inventories for the trading of precision instruments <sup>(4)</sup>	6,000	-	-	Within 24 months
Working capital <sup>(5)</sup>	6,801	5,006	5,006	Within 24 months
Expenses for the Private Placement <sup>(6)</sup>	100	92	92	Immediately
<b>Total</b>	<b>12,901</b>	<b>5,098<sup>(3)</sup></b>	<b>5,098</b>	

Notes:

- (1) As announced on 19 July 2021, the Private Placement is expected to raise gross proceeds of RM12.90 million assuming the Private Placement will be implemented based on 20% general mandate with the issuance of 60,005,500 Shares at an indicative issue price of RM0.215 per Share.
- (2) As stated in the announcement dated 19 July 2021 for the Private Placement, in the event the actual proceeds raised are lower, it will be adjusted against the amount allocated for the working capital of the Group. In this instance, the Group has decided to allocate the actual fund raised from the Private Placement for the expenses for the Private Placement and the balance was fully allocated for the working capital requirement of the Group. Therefore, there is no variation of the intended usage of the proceeds from the Private Placement.
- (3) After the issuance of 37,502,700 Shares and raised approximately RM5.10 million. The Company is not able to fully issue the Shares based on the 20% general mandate as the Company is no longer eligible for the extension of the 20% general mandate provided by Bursa Securities after 31 December 2021 in view that the Company has utilised part of 20% general mandate prior to 31 December 2021 (i.e., the issuance of 19,753,000 Shares). Therefore, the Company is only able to issue the remaining placement shares in 2022 based on the 10% general mandate (i.e., the issuance of 17,749,700 Shares).
- (4) Consist of new watches to be purchased and sold under the e-commerce platform. After completion of the Private Placement, the Board had reallocated the proceeds to be utilised for the purchase of inventories for the trading of precision instruments to working capital purposes in order to address the urgency of the funds required for the working capital as set out in Note (5) below. The Board is of the view that the funding for the purchase of inventories will be raised through future equity fund-raising proposals to be undertaken by the Group (i.e., the subject matter of this Circular).
- (5) Consisting of payment to sub-contractors for electronics and system integration related business amounting RM1.46 million and administrative expenses (e.g. rental, upkeep and maintenance of offices, factory and warehouse as well as staff cost (e.g. salaries and statutory contribution amounting RM3.55 million)).
- (6) Consisting of mainly professional fees, placement fees, fees payable to Bursa Securities and other ancillary expenses.

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## 6. ADDITIONAL INFORMATION

### 6.1 Financial commentaries

The summary of the financial information of the Group for the audited FYE 31 December 2019 to 31 December 2021 as well as unaudited 6M-FPE 30 June 2021 and 30 June 2022 are as follows:

	(Audited) FYE 31 December			(Unaudited)	
	2019 (RM)	2020 (RM)	2021 (RM)	6M-FPE 30 June 2021 (RM)	6M-FPE 30 June 2022 (RM)
Revenue	15,412,102	17,431,268	40,367,887	20,988,151	15,447,098
(Loss)/Profit before tax	(2,219,270)	(437,366)	(4,771,210)	15,815	(2,977,129)
(LAT)/PAT	(2,228,603)	(427,988)	(4,755,506)	23,166	(2,973,313)
Share capital	7,240,905	7,240,905	20,142,486	13,905,905	21,988,454
Shareholders' funds / NA	14,841,986	9,856,347	17,864,511	16,619,662	18,938,355
No. of Shares in issue	133,402,574	133,402,574	394,780,574	300,027,574	412,530,274
Weighted average number of Shares in issue	118,954,799	133,402,574	269,934,066	241,710,907	411,051,132
NA per Share (sen)	11.13	7.39	4.53	5.54	4.59
Basic (loss)/earnings per Share (sen)*	(1.87)	(0.32)	(1.76)	0.01	(0.72)
Current assets	14,249,233	6,511,798	44,666,890	25,530,813	53,595,393
Current liabilities	10,123,242	5,942,276	35,459,330	12,697,170	43,375,189
Current ratio (times)	1.41	1.10	1.26	2.01	1.23
Borrowings	-	429,798	432,257	210,522	281,014
Gearing ratio (times)	-	0.04	0.02	0.01	0.01

Note:

\* Based on the weighted average number of Shares in issue.

#### Commentaries:

##### (i) 6M-FPE 30 June 2022 vs 6M-FPE 30 June 2021

The Group recorded a lower revenue of RM15.45 million in 6M-FPE 30 June 2022 (6M-FPE 30 June 2021: RM20.99 million), representing a decrease of RM5.54 million or 26.39%. The decrease in revenue for the 6M-FPE 30 June 2022 was mainly contributed by the decrease in revenue from the trading and services operations of RM12.64 million in 6M-FPE 30 June 2022 (6M-FPE 30 June 2021: RM18.96 million), representing a decrease of RM6.32 million or 33.33% as one of the Hong Kong subsidiary (i.e., All Best Group Limited) has become the associate company in August 2021 and therefore the Group is unable to consolidate its revenue.

The Group recorded LAT of RM2.97 million in 6M-FPE 30 June 2022 (6M-FPE 30 June 2021: PAT of RM0.02 million). The LAT recorded in 6M-FPE 30 June 2022 was mainly due to higher operating expenses amounting to RM5.43 million which is attributable to the corporate exercises expenses, consultation fee on capital market services and IT expenses incurred by Hong Kong subsidiary during the 6M-FPE 30 June 2022 as well as interest on loan incurred amounting to RM1.26 million in 6M-FPE 30 June 2022 (6M-FPE 30 June 2021: RM4.08 million and Nil, respectively).

**(ii) FYE 31 December 2021 vs FYE 31 December 2020**

The Group recorded a higher revenue of RM40.37 million in FYE 31 December 2021 (FYE 31 December 2020: RM17.43 million), representing an increase of RM22.94 million or 131.61%. The increase in revenue for the FYE 31 December 2021 was mainly due to increase in revenue from trading of watches and provision of cloud service and income from design and renovation of RM35.90 million in FYE 31 December 2021 (FYE 31 December 2020: RM9.20 million) as a result of the economic recovery from the COVID-19 pandemic during the year. However, this was partially offset by the decrease in revenue from the electronics and system integration operations in FYE 31 December 2021 of RM3.00 million (FYE 31 December 2020: RM7.02 million) mainly due to fewer projects secured as a result of various lockdowns implemented by the Government of Malaysia to curb the spread of COVID-19 pandemic.

The Group recorded a higher LAT of RM4.76 million in FYE 31 December 2021 (FYE 31 December 2020: LAT of RM0.43 million), representing an increase of RM4.33 million or 1,006.98%. The higher LAT recorded in FYE 31 December 2021 was mainly due to a lower other operating income of RM1.99 million in FYE 31 December 2021 (FYE 31 December 2020: RM 7.36 million) mainly due to the absence of the one-off gain on disposal of the Group's subsidiaries of RM6.34 million as set out in Note (iii)(a) below. However, the lower other operating income was partially offset by the lower administrative expenses of RM5.79 million in FYE 31 December 2021 (FYE 31 December 2020: RM 7.46 million) as a result of the reduced employee headcount upon the disposal of the Group's subsidiaries as mentioned above.

**(iii) FYE 31 December 2020 vs FYE 31 December 2019**

The Group recorded a higher revenue of RM17.43 million in FYE 31 December 2020 (FYE 31 December 2019: RM15.41 million), representing an increase of RM2.02 million or 13.11%. The increase in revenue for the FYE 31 December 2020 was mainly due to the higher revenue from trading of watches and provision of cloud service and trading of tea leaves of RM9.20 million in FYE 31 December 2020 (FYE 31 December 2019: RM4.81 million) due to the contribution from a newly acquired subsidiary (i.e All Best Group Limited) in September 2020. All Best Group Limited is involved in the e-commerce business in South East Asia.

The Group recorded a lower LAT of RM0.43 million in FYE 31 December 2020 (FYE 31 December 2019: LAT of RM2.23 million), representing a decrease of RM1.80 million or 80.72%. The lower LAT recorded in FYE 31 December 2020 was mainly due to:

- (a) gain on disposal of the Group's subsidiaries (i.e., Industronics (HK) Limited, Industronics Technologies Limited and Great Voyage Berhad) for RM6.34 million, recognised as other income in FYE 31 December 2020 (FYE 31 December 2019: Nil);
- (b) gain on fair value adjustment of other investment of RM0.43 million recognised as other income due to the increase in market value of the quoted shares in Malaysia during the FYE 31 December 2020 (FYE 31 December 2019: Nil);
- (c) lower administrative expenses of RM6.99 million in FYE 31 December 2020 (FYE 31 December 2019: RM9.98 million) due to reclassification of amortisation cost to other operating expenses and lower level of operations due to various lockdowns implemented by the Government of Malaysia to curb the spread of COVID-19 pandemic;

However, the above was partially offset by:

- (a) lower gross profit of RM2.40 million in FYE 31 December 2020 (FYE 31 December 2019: RM9.14 million) due to higher cost of sales relating to trading of watches and provision of cloud service; and

- (b) higher other operating expenses of RM2.65 million in FYE 31 December 2020 (FYE 31 December 2019: RM0.65 million) due to the reclassification of amortisation cost to other operating expenses amounting to RM2.11 million in FYE 31 December 2020.

**(iv) FYE 31 December 2019 vs FYE 31 December 2018**

The Group recorded a lower revenue of RM15.4 million in FYE 31 December 2019 (FYE 31 December 2018: RM38.3 million), representing a decrease of RM22.9 million or 59.7%. The decrease in revenue during the FYE 31 December 2019 is due to the lower revenue contributed from its other operation (i.e., trading of watches and cloud service income by subsidiaries in Hong Kong) of RM4.8 million (FYE 31 December 2018: RM30.2 million) due to competition in the trading of precision instruments in Hong Kong which eroded the Group's market share, resulting in lesser demand from customers.

The Group recorded a lower LAT of RM2.2 million in FYE 31 December 2019 (FYE 31 December 2018: LAT of RM2.7 million), representing a decrease of RM0.5 million or 18.5%, mainly due to:

- (a) lower total administrative expenses of RM10.0 million (FYE 31 December 2018: RM11.4 million) as a result of the reduced employee headcount from its trading of precision instruments in Hong Kong and the disposal of non-performing subsidiaries in the previous financial year namely Sukitronics Sdn Bhd and Industrial Electronics Pte Ltd; and
- (b) lower selling and distribution cost from electronics and systems integration segment of RM0.7 million (FYE 31 December 2018: RM1.0 million) due to the reduced employee headcount in the distribution department and the absence of consultancy contract terminated in June 2018 amounting to RM0.2 million in FYE 31 December 2018.

**6.2 Impact of the Proposed Rights Issue and value creation to the Group**

The increase in the number of Shares pursuant to the issuance of Rights Shares and Shares arising from exercise of Warrants in the Company will have a dilutive impact to the Group's EPS. However, the dilutive effect on the shareholders' shareholdings may be mitigated via subscription by the Entitled Shareholders of the Rights Shares and exercise of Warrants into new Shares assuming all the Entitled Shareholders subscribed for their entitlement in the Proposed Rights Issue. Besides, such dilutive effects are also expected to be mitigated as the proceeds from the Proposed Rights Issue are expected to be used to fund the expansion of existing business and the Proposed Diversification which will in turn improve the financial position of the Group.

The Proposed Rights Issue will assist the Group in meeting its cash flow needs by providing funds for the purposes stated in **Section 2.7** of this Circular without the needs for additional bank borrowings. The potential improvement in the Group's financial performance is expected to create value for its shareholders as any use of debt financing with its associated interest costs would reduce the earnings of the Group. The partial repayment of advances to Luk Tung Lam pursuant to the Set-off Arrangement as set out in **Section 2.4** of this Circular will result in an interest saving of approximately RM1.05 million per annum. As at the LPD, the Group cash and bank balances stood at RM2.92 million. The Proposed Rights Issue will also allow the Group to conserve their current cash balances which can be used immediately for working capital purposes to finance the day-to-day operations whereas the proceeds to be raised can be utilised for the purposes as stated in **Section 2.7** of this Circular.

Further, the Proposed Diversification will enable the Group to further expand its business in trading of precision instruments (watches) and the Group will leverage on the expertise of the key management for this business. Barring any unforeseen circumstances, given the outlook of the retail industry as set out in **Section 7.5** of this Circular, the Board is optimistic that the trading of precision instruments (watches) business will contribute positively to the earnings of the Group moving forward.

The Board believes that the use of proceeds from the Proposed Rights Issue as well as the completion of the Proposed Diversification will generate an overall positive impact to the Group and strengthen the financial position of the Group.

### **6.3 Adequacy of the Proposed Rights Issue in addressing the Group's financial concerns**

The proceeds from the Proposed Rights Issue are expected to provide the Group with funding for the purposes stated in **Section 2.7** of this Circular, which in turn will enhance the Group's financial performance and shareholders' value. The Undertakings provide certainty in respect of the minimum amount of proceeds to be raised.

Further, the utilisation of proceeds will support the Group to grow its income stream pursuant to the Proposed Diversification as the Board anticipates the trading of precision instruments (watches) segment to contribute to the Group's earnings in the future, given the outlook of the retail industry as set out in **Section 7.5** of this Circular.

The successful implementation of the Proposed Rights Issue will enable the Group to improve its financial position towards enhancing its financial performance as well as its shareholders' value. The Board has also been taking various steps to improve the Group's financial conditions, as set out in **Section 6.4** of this Circular. Premised on the efforts to improve the financial position of the Group as set out above, the Board is of the view that the Proposals are in the best interest of the Group after considering all of the aspects of the Proposals and the Group's current financial requirements. The Board is of the view that the Proposals would adequately address the Group's financial concerns.

The Board will continue to evaluate the Group's funding requirements to meet its operational and development requirements over the short, medium and long term. In this regard, the Board will continue to assess the efficacy of various funding alternatives, as and when the needs arise.

### **6.4 Steps undertaken or to be undertaken by the Group to improve its financial position**

The Group had undertaken or intends to undertake the following steps to improve its financial performance and strengthen its financial position:

- (i) ECGO International Ltd (a wholly-owned subsidiary of the Company) had on 13 July 2021 launched its luxury watch e-commerce platform which consists of new and pre-owned luxury watch brands (e.g. Hublot, Patek Philippe, Tag Heuer, Rolex and Breitling). The e-commerce platform allows sellers to sell their watches where the Group would charge a commission on the transaction carried out via its e-commerce platform. The e-commerce platform is expected to contribute positively to the future earnings of the Group after considering the outlook and prospects of the Hong Kong economy and retail industry in Hong Kong as stated in **Sections 7.2** and **7.5** of this Circular.
- (ii) The Group is in the midst of enhancing its information display system which are used to broadcast data to passenger related system such as flight information display system for airport and content management system for LED display by introducing a new upgraded system which is more efficient and user-friendly. The Board is of the view that the new improved system is able to retain its current customer base as well as attract new potential clients once the new system is available. As at LPD, the Group is currently on product design and negotiation stage and is expected to begin the enhancement process in early 2023. The process is expected to be completed within 2 years in early 2025 and the new system is expected to launch in early 2025.
- (iii) The Group's had since January 2020 commenced supplying information products and services (i.e., Smart Interactive Classroom Education Board, Smart Classroom Management solutions and Virtual Meeting System) to the educational industry (i.e., schools, colleges and universities) and business sectors (i.e., airport, private company and legal firm) to cater the needs of businesses and educational sectors pursuant to the rise in tele conferencing/online classes during the COVID-19 pandemic.

- (iv) The Group intends to enhance its e-commerce platform (www.allbest.com) by upgrading the platforms to provide users with better overall experience to include the latest version of operating system, and to cope with higher traffic due to increase in users. The upgrade will also include system enhancement to increase user-friendliness, with new features such as 360-degree view of items, 3D display of watches, additional language support and others. The upgrade and maintenance work are expected to commence in the mid 2023 until the end of 2024. The Group intends to launch its new upgraded online trading platform to end users by end of 2024.

The management of the Group is optimistic of the future prospects of the Group moving forward, after taking into consideration the above and the overview and outlook of the Malaysian economy and Hong Kong economy, ICT industry in Malaysia, outdoor advertising market industry in Malaysia, as well as the retail industry in Hong Kong as set out in **Sections 7.1 to 7.5** of this Circular.

*(Source: Management of the Group)*

## **7. INDUSTRY OUTLOOK AND PROSPECT OF THE GROUP**

### **7.1 Overview and outlook of the Malaysian economy**

Malaysia's economy has recovered from the COVID-19 pandemic thanks to the collaborative whole-of-nation effort by the Government, private sector, and civil society. As the country entered the recovery phase, the economy grew by 3.1% in 2021, supported by the return of domestic demand and the implementation of various assistance and economic stimulus packages.

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 2022. 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 2022 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.

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

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 ("**2Q 2022**") (first quarter of 2022 ("**1Q 2022**"): 5.0%). While growth was sluggish to some extent by the low base from the Full Movement Control Order (FMCO) in June 2021, growth in April and May 2022 was particularly robust, underpinned by the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for electrical and electronics ("**E&E**") products.



In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy increased by 3.5% in 2Q 2022 (1Q 2022: 3.8%).

The Malaysian economy is projected to expand further for the remainder of the year. Economic growth will be underpinned by firm domestic demand as external demand is expected to moderate, weighed by headwinds to global growth. Going forward, growth would continue to benefit from improving labour market conditions and recovery in tourism-related sectors, following the reopening of international borders. Furthermore, investment activities are also projected to improve, supported by the realisation of multi-year projects. However, the balance of risks to Malaysia's growth remains tilted to the downside. This stems mainly from weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions.

Furthermore, investment activities are also projected to improve, supported by the realisation of multi-year projects. However, the balance of risks to Malaysia's growth remains tilted to the downside. This stems mainly from weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions.

*(Source: 2<sup>nd</sup> quarter 2022, Quarterly Bulletin, Bank Negara Malaysia)*

## **7.2 Overview and outlook of the Hong Kong economy**

The Hong Kong economy improved in the second quarter of 2022, but the extent of improvement was weaker than expected. As the local epidemic situation generally improved and social distancing measures were relaxed in tandem, and aided by the Government's various support measures, there was some revival in domestic activities. Yet, the momentum softened in the latter part of the quarter amid the increase in the number of COVID-19 cases and tightened financial conditions. Externally, weakened global demand and continued disruptions to cross-boundary land cargo flows weighed heavily on Hong Kong's exports

In the second quarter, real GDP decreased at a moderated pace of 1.3% year-on-year (revised from the advance estimate of -1.4%), after contracting by 3.9% in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis, real GDP reverted to an increase of 1.0% (revised from the advance estimate of 0.9%), having declined by 2.9% in the preceding quarter

*(Source: Half Year Economic Report 2022, Government of Hong Kong Special Administrative Region)*

The global economy rebounded notably in 2021, despite the challenges from the emergence of more infectious COVID-19 variants, supply disruptions as well as surging energy and commodity prices. While the largely accommodative global monetary environment has contributed to the strong growth, some central banks began to tighten their policies towards the end of the year amid rising inflation

Looking ahead, the global economy should continue to recover in 2022, but probably at a more moderate pace. In late January, the International Monetary Fund (IMF) projected the global economy to grow by 4.4% in 2022 after a 5.9% expansion in 2021, and warned that the balance of risks remains tilted to the downside.

*(Source: 2021 Economic Situation and 2022 Prospects, Government of Hong Kong Special Administrative Region)*

## **7.3 Outlook and prospects of the ICT industry in Malaysia**

ICT has evolved beyond being a mere collection of technological tools, a socio-economic enabler as well as a key driver of business transformation. According to the Information and Communication Technology Satellite Account 2020, the Malaysian ICT industry contributed RM201.6 billion (in terms of gross value added) or 14.2% to Malaysia's gross domestic product in 2020. The ICT services industry dominated with a share of 45.0%, followed by ICT manufacturing at 34.5%, ICT trade at 14.2% and content and media at 6.3%.

The main categories of ICT services are telecommunication services and computer programming, consultancy, information, and related activities. The ICT services industry registered a growth of 6.7% to RM90.72 billion in 2020 supported by telecommunication services. The information and communication, as well as finance and insurance sub-sectors are poised to lead the recovery as demand for digital solutions, especially in e-commerce and e-payment continues to accelerate. In addition, ICT manufacturing industry registered a growth of 5.9% to RM69.55 billion supported by computers and peripheral equipment.

In 2021, the Malaysian ICT industry in terms of gross value added is estimated RM210.86 billion, an increase of 4.6% from its preceding year. In the short term (2022-2023), the Malaysian ICT industry is expected to be influenced by rising demand for equipment for remote working and the digitalisation of businesses could lead to an upswing in the technology cycle. This will benefit manufacturing production, investments, and exports for economies that are part of the electrical and electronics (“**E&E**”) global value chain, particularly the regional economies.

In the medium to long term (2024-2026), the ICT industry is anticipated to be fuelled by factors such as wide usage of ICT, replacement cycle of devices and continuous technological advancement and governmental support. ICT has become an essential part in everyday lives where it is used for communication, social and networking, e-commerce, e-sports and entertainment as well as work and learning purposes. The percentage of individuals using the Internet in Malaysia grew from 81.20% in 2018 to 89.56% in 2020, further accentuating the importance of ICT products and services in supporting businesses and improving business operations.

On the supply side, the ICT industry in Malaysia is expected to be boosted by the rapid development of 5G network connectivity and continued governmental support. According to its Budget 2021, the Malaysian Government allocated RM500 million to implement the National Digital Network initiative (“**JENDELA**”) to ensure the connectivity of 430 schools across all states in Malaysia. The implementation of JENDELA provides greater digital connectivity and address gaps in the digital divide in the country. At the same time, Malaysian Communications and Multimedia Commission (“**MCMC**”) has allocated RM7.4 billion to build and upgrade broadband services which facilitate the transition to the 5G spectrum. The Government had also launched the Malaysian Digital Economy Blueprint (“**MyDigital**”) on 19 February 2021 mainly to accelerate the growth of the digital economy. The blueprint serves as a foundation for Malaysia’s aim for transformation into a “regional digital pulse” by 2030.

The Covid-19 pandemic has caused massive technological and economic shifts; reshaping the way modern society works. Certain aspects of the ICT industry are benefiting from health concerns and social distancing requirement caused by the Covid-19 pandemic. Some of obvious ICT opportunity areas are telemedicine, food delivery and logistics, digital and contactless payments, remote working, and learning. The development of 5G is a unifying force to consolidate these different innovations as higher digital connectivity becomes critical in opening up opportunities for businesses and enterprises. With this development, the ICT industry is anticipated to continue generating positive growth in the medium and long term with the emergence of BDA, artificial intelligence and robotics being the drivers of the Industry 4.0. Going forward, the ICT industry in Malaysia is projected to expand by a compounded annual growth rate (“**CAGR**”) of 6.0% from RM210.86 billion in 2021 to RM282.71 billion in 2026.

*(Source: Independent market overview report of the ICT industry in Malaysia, the outdoor advertising market in Malaysia and the Hong Kong’s retail sector by Protégé Associates Sdn Bhd dated 8 July 2022 (“**IMR Report**”))*

## 7.4 Overview of the outdoor advertising market in Malaysia

The advertising industry in Malaysia can be segmented into traditional and modern platforms, which can then be further divided into segments namely television (“TV”) advertising, newspaper/magazine publishing, radio-broadcasting, outdoor advertising and Internet advertising. The advertising industry today is showing a shift, with digital advertising making new strides and traditional advertising innovating to keep pace with its digital counterpart. The rise of Internet usage, increased use and availability of smartphone and broadband connection had help to promote the growth of digital advertising. As the demand on digital advertising increases, the demand on traditional advertising media such as newspapers/magazines, TV and radio-broadcasting grew lesser over the years.

Despite the challenges, outdoor advertising is one of the traditional advertising platforms that benefits from digitisation and remain vital in the advertising competitive landscape. Outdoor advertising typically involves the placing of advertisements on billboards, wall banners, bus and taxi stops which attracts large amount of pedestrian traffic. Over the years, there is a gradual replacement of static billboards to digital billboards as they are more interactive. Smart billboards that are compatible with near-field communication and quick response code enable data transfer to mobile devices. Advertisements in terms of apps, videos, audio, and graphics can be transferred from these billboards to the consumers’ smartphones and engage consumers in real time.

In 2021, the outdoor advertising market in terms of expenditure stood at RM1.32 billion, an increase of 2.5% from its previous year, when the enforcement of movement control orders caused the rental for outdoor advertising to contract during the year as advertisers pulled back on advertising campaigns. In the short term (2022-2023), the outdoor advertising market in Malaysia is expected to be influenced by developments relating to the COVID-19 and change in consumer behaviour.

In the medium to long term (2024-2026), the outdoor advertising market is anticipated to be fuelled by factors such as increasing urbanisation, rapid expansion of mobile connectivity and property and infrastructure investment. The United Nations Department of Economic and Social Affairs forecasted that Malaysia will reach an urbanisation of between 85% to 90% in the next 30 years. Urbanisation trend shapes consumer behavior and lifestyle which in turns continues to stimulate advertising strategies.

On the supply side, the outdoor advertising market is expected to be boosted from the rapid development of 5G network connectivity, which further fuels advertising industry growth by providing opportunity for real-time advertising solutions such as more engaging and innovative video advertising contents that can be accessed on mobile phones. In addition, property and infrastructure investment is expected create increased and improved outdoor advertising space, While the local property market has been experiencing a slowdown in recent years, attributable to high property prices and home ownership issues, resulting in the Malaysian Government setting various measures and initiatives to curb speculative activities and promote responsible financing practices. In addition, the property market will be supported by efforts from the Malaysian Government to push for more availability of affordable housing. On the infrastructure front, the on-going and upcoming mega infrastructures projects such as the Pan Borneo Highway, the Gemas-Johor Bahru Electrified Double-Tracking, the Mass Rapid Transit 3 will contribute to the creation of more billboard sites and thus drive-up billboard inventory nationwide.

Technological advancement such as augmented reality is a major trend gaining population in the advertising industry. These days, advertisers have adopted augmented reality in their advertising strategies to enhance the user experience. For instance, augmented reality advertisements give consumers the option to display items in a “real-life” environment, increases the interaction of the viewer and create a more memorable user experience. Going forward, the outdoor advertising market in Malaysia is projected to expand by a CAGR of 11.9% from RM1.38 billion in 2022 to RM2.32 billion in 2026.

*(Source: IMR Report)*

## 7.5 Outlook and prospects of the retail industry in Hong Kong

For 2021, the value of total retail sales was provisionally estimated at HKD353.0 billion, an increase of 8.1% in value and 6.5% in volume, respectively from the previous year. This is mainly due to the global economic recovery from the Covid-19 pandemic albeit at a slower pace. The slowdown comes amid an outbreak of the highly contagious omicron virus variant which weakened consumer sentiment. Analysed by broad type of retail outlet, the rise in sales value was driven by a more profound increase in the sales of jewellery and watches, (+27.3%), followed by wearing apparel (+22.6%), sales of other consumer goods (+20.6%) and optical shops (+14.4%).

In particular, the value of retail sales of jewellery and watches in the 2021 totalled HKD38.77 billion, an increase 27.3% from HKD30.46 billion in 2020. For 2022, the value of retail sales of jewellery and watches in 2022 is forecast to contract by 3.7% to HKD37.33 billion in light of global economic slowdown as well as greater focus on essential products and services spending. The Internet has become an essential sales and marketing channel for the sales of watches amid the global pandemic. A growing number of brand owners, retailers and dealers have set up their own websites and e-shops on major online marketplaces such as Alibaba, Tmall and JD.com. Premium delivery services and offline after-sales services are also becoming the industry norm for luxury watch brands sold online. Many brands are adapting to the growing demand for customisation experiences. One trend is to offer personalised DIY design via workshops or online applications.

Nonetheless, the value of retail sales of jewellery and watches in 2021 is pale in comparison with its pre-COVID-19 times. The value of retail sales of jewellery and watches in 2018 were HKD85.33 billion and HKD66.21 billion in 2019. With its tourism-driven sales dented by pro-democracy demonstrations in 2019 and a COVID-19 ban on tourist arrivals in 2020, Hong Kong lost half its jewellery and watches sales between 2018 and 2021. Once a tax-free shopping haven for mainland China's more than 1.4 billion citizens as well as international tourists, Hong Kong has restricted the entry of non-residents since March 2020, forcing its watch market to reorient itself to local buyers. Before the political unrest and the pandemic, the density of stores selling Swiss watches was a large part of the city's appeal to Chinese mainland shoppers who purchased duty-free timepieces for a fraction of prices they would have paid back in China.

In 2020, those same buyers that were unable to leave China, redirected their spending domestically, making China the second leading importer of Swiss watch during the year. For 2020 and 2021, Swiss watch exports to China amounted to 2.39 billion Swiss francs (+20.1%) and 2.97 billion Swiss francs (+48.8%) respectively, compared with 1.99 billion Swiss francs in 2019. In contrast, exports to Hong Kong in 2020 and 2021 amounted to 1.70 billion Swiss francs (-36.9%) and 2.13 billion Swiss francs (-20.7%) respectively, compared with 2.69 billion Swiss francs in 2019.

According to the Hong Kong Tourism Board, there were only about 90,000 tourist arrivals in 2021, a sharp decline of 97.4% from the previous year. Visitors from mainland China fell to 60,000 arrivals in 2021 from 2.7 million arrivals in 2020. The development of local outbreak of the epidemic and the tightened anti-epidemic measures have continued to weigh on consumption sentiment and poses renewed pressures on the retail sector and tourism sectors, which will likely to further suppress private consumption.

In the face of deteriorating retail sales, retailers are looking toward investing in e-commerce that could help improve retail sales. E-commerce retailers in Hong Kong were able to leverage on a highly connected domestic market. Total value of online retail sales in 2021 accounted for 8.1% of total retail sales in Hong Kong, an increase of 39.0% year-on-year. As of October 2020, 92.4% of Hong Kong's 7.5 million people used the Internet and 92.1% of the population owns smartphones. There are about 43.1% of population above 15 years old who uses online purchasing services for personal matter.

As e-commerce users demand more from retailers and expect products to be delivered within days, Hong Kong is strategically placed to meet this need. The Hong Kong–Zhuhai–Macao Bridge officially opened on 24 October 2018, Hong Kong’s proximity to Chinese manufacturing hubs such as Shenzhen and Guangzhou offers a vast pool of products that retailers can source. In addition, the Guangzhou-Shenzhen-Hong Kong rail link puts travelling distance between Hong Kong and Beijing within 9 hours. Hong Kong airport has also taken the boom of Chinese e-commerce. In 2020, Hong Kong’s inward and outward airfreight movement reached 4.5 million tonnes.

To facilitate and promote its e-commerce sector, the HKSAR Government in its 2021/2022 budget allocated a total of HKD375 million to the Hong Kong Trade Development Council (“**TDC**”) over a span of three (3) years from 2021-22 for developing virtual platforms to enhance its capability to organise online activities and to proceed with digitalisation. TDC will also explore the use of its physical and online Business-to-Consumer platforms to assist young business starters in promoting their original products and gauging the preference of consumers. In addition, an allocation of HKD1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (“**BUD Fund**”) to provide funding support to enterprises for upgrading and restructuring their operations and promoting sales, in which its funding scope covers the development of e-commerce and the integration of online-offline modes of sales and marketing.

Protégé Associates forecast Hong Kong retail sales to increase by 6.0% to HK374.2 billion in 2022 as Hong Kong continues to ease its COVID-19 social distancing measures. As the city faces challenging recovery from COVID-19 pandemic, the business environment for retail trade is anticipated to remain challenging as the pandemic had halted inbound tourism, austere labour market conditions and various uncertainties continued to weigh on consumption sentiment. For retailers, embracing digital technologies and innovation would be a sensible strategy to remain competitive, accelerate their pace in offline-to-online integration to serve existing and new customers outside Hong Kong, expanding their consumer base in the rapidly growing Guangdong-Hong Kong-Macao Greater Bay Area.

*(Source: IMR Report)*

## **7.6 Prospects of the Group**

The Group is mainly involved in the business of providing electronics and system integration related businesses locally which include the supply, installation, commissioning and maintenance of traffic lights aspects, information display system, fire alarm panels, video surveillance systems, audio visual multimedia systems and others as well as the trading of precision instruments (watches) in Hong Kong.

Currently, the trading of precision instruments (i.e., watches) of the Group is carried out via e-commerce platforms (i.e., [www.allbest.com](http://www.allbest.com) and [www.watch-exchanges.com](http://www.watch-exchanges.com)). In the 1st quarter of 2021, the Group had entered into a memorandum of understanding with MyWorld Holdings Berhad as well as Bluemount Financial Group Limited and Li Hok Yin to explore the possibility of collaboration in financial technology to, amongst others, enhance the payment gateway system of the Group’s e-commerce platforms for its trading of precision instruments segment. Furthermore, the Group is also looking for more opportunities to expand the trading of precision instruments business, such as the enhancement of its e-commerce platforms to increase the maximum capacity and to include new features as set out in **Section 2.7** of this Circular. As at LPD, the parties are still negotiating on the terms of the collaboration.

The Group remains focused on growing orders from new and existing customers, continuing development of newly designed solutions for clients, as well as managing capacity and spending of the Group for the Group’s core business activities revolving around traffic light system, information display system, fire alarm panels, video surveillance, online video conferencing system, LED displays and trading of precision instruments (namely luxury watches) in Hong Kong via its e-commerce platforms. In addition, the Group is also in the midst of finalising a joint-venture agreement with Eduspec Holdings Berhad to offer electronic gadgets and educational equipment to over 10,000 schools nationwide. As at LPD, the Company and Eduspec Holdings Berhad is finalising on the terms of the agreement and is expected to be finalised by the end of 2022.

Similar to other companies across the globe, fiscal year 2021 had been difficult where the COVID-19 pandemic and related social reactions had impacted the Group's businesses and created an unprecedented and challenging time for the Group. Overall, the Group's revenue improved in FYE 31 December 2021, generating approximately RM40.37 million (FYE 31 December 2020: RM17.43 million). The higher revenue was mainly contributed by the other operation segment, which had seen more than 290.07% growth in revenue in FYE 2021 (FYE 2021: RM35.90 million; FYE 2020: RM9.20 million). This is attributable to the Group's ability to provide a reliable and secure platform that facilitates trading of luxury watches.

Moving forward, the Group will continue to focus and invest in new production system capabilities, information system infrastructure and product development to advance the Group's technology offerings and serve customers efficiently. Furthermore, the Group will continue to focus on developing new value-adding solutions to support the Group's existing customers and promoting business continuity and sustainability.

As the COVID-19 pandemic continues to impact all aspects of our lives, the world had witnessed a digital transformation at a faster pace on interaction and operations of many businesses. Enterprises are beginning to rely more on online meeting rather than physical meeting and schools are also adopting e-learning basis to minimise contact of students. As a result of this, the Group noticed the growing orders and needs for online conferencing system especially from educational sectors.

The adoption of online learning and meeting presents an opportunity to further strengthen the market share in the delivery of information products and services that include Smart Interactive Classroom EDU Board, Smart Classroom Management solutions and Virtual Meeting System on Cloud Infrastructure to the educational industry and business sectors.

With the lifting of movement restrictions and opening of borders in 2022, the Group foresees there will be an increase in demand for products and solutions relevant to transportation segment. The Group is currently supplying LED display information system and services to highway and airport operators, traffic light system and also equipment relevant to building of automation system. The Group foresees there will be an increase in demand for energy management system and equipment which can help companies comply with the environmental, social and governance requirements.

Notwithstanding that the Group recorded losses for the past 3 financial years/ period up to 6M-FPE 30 June 2022, the management of the Group is optimistic of the future prospects of the Group moving forward, after taking into consideration the above and the overview and outlook of the Malaysian economy and Hong Kong economy, Malaysian ICT economy, outdoor advertising in Malaysia as well as the retail industry in Hong Kong as set out in **Sections 7.1 to 7.5** of this Circular.

## **8. RISK FACTORS FOR THE PROPOSED DIVERSIFICATION**

### **8.1 Business diversification risk**

Pursuant to the Proposed Diversification, the Group intends to further expand the business in the trading of precision instruments (watches), as such the Group is subject to risks inherent in the industry which include but not limited to, adverse changes in supply and demand conditions, downturns in the global, regional and/or national economies, inability to anticipate changes in consumer preferences, changes in law and tax regulations, cost and availability of inventories as well as risk of receiving counterfeit products.

Notwithstanding that, the Board will conduct periodic reviews on the performance of the trading of precision instruments (watches) and adopts necessary financial management and operating procedures to limit the impact of the abovementioned risks. However, there can be no assurance that the Group may be able to successfully mitigate the various risks inherent in the trading of precision instruments (watches) business, and if unable to do so, the business operation and financial performance of the Group may be adversely affected.

The Group intends to maintain and grow its other existing businesses after the Proposed Diversification.

## 8.2 Competition risk

The Group will face direct competition from new entrants and established competitors in the trading of precision instruments (watches). To mitigate the above risk, The Group will take proactive measures to remain competitive in this business by, amongst others, constantly keeping abreast with the latest market conditions, preference in customers and making efforts in maintaining a competitive edge in terms of cost efficiency, service quality and reliability.

However, there can be no assurance that the Group will be able to compete effectively with existing and new entrants in the future, with regard to the trading of precision instruments (watches), which may materially affect the Group's financial performance.

## 8.3 Dependence on key personnel

The Group's involvement in the trading of precision instruments (watches) is largely dependent on the abilities, skills and experiences of its key personnel (as set out in **Section 3.1** of this Circular). The sudden departure of the key personnel without suitable and timely replacement, or the inability of the Group to attract and retain other qualified personnel, may adversely affect its operation and consequently, the Group's revenue and profitability.

Recognising the importance of the key personnel involved, the Group will adopt appropriate approaches, including incentives to promote productivity and retain their services. Suitable professionals and/or consultants will be engaged in the areas necessary for the implementation and/or execution of the Group's strategy in the trading of precision instruments (watches) business to manage the risk arising from the dependency of key personnel. However, there is no assurance that the loss of any such key personnel will not adversely affect the Group's ability to succeed and compete in the business. Upon completion of the Proposed Diversification, the key personnel (as set out in **Section 3.1** of this Circular) will continue to oversee the business.

## 8.4 The Group may not achieve the anticipated benefits of the Proposed Diversification

A summary of the financial information of the watch trading segment for the audited FYE 31 December 2019 to 31 December 2021 as well as unaudited 6M-FPE 30 June 2021 and 30 June 2022 are as follows:

	(Audited) FYE 31 December			(Unaudited)	
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	6M-FPE 30 June 2021 (RM'000)	6M-FPE 30 June 2022 (RM'000)
Revenue	632	6,117	26,227	9,959	11,436
Gross profit	5	21	2,381	1,552	1,077

The Board and management of the Group take cognisance of the low gross profit margin recorded by the watch trading segment and accordingly, had undertaken steps to improve the Group's profitability. This includes, amongst others, sourcing for more valuable and higher margin products such as limited-edition watches. The Group also intends to utilise up to RM3.00 million of the proceeds from the Proposed Rights issue to upgrade and maintain the online platforms to provide potential customers with a better overall experience while using the Group's trading platform.

Notwithstanding the foregoing, there is no assurance that the Group's strategies to improve the watch trading segment's earnings can be implemented effectively such that watch trading segment can turn into profitability or achieve the anticipated benefits of the Proposed Diversification. Nonetheless, the Board and management will take reasonable steps in ensuring such risks are adequately mitigated by leveraging on the experience and knowledge of key management personnel in the watch trading segment. In addition, the Group shall continue to keep abreast of the market conditions and latest consumer preferences in watches.

## 8.5 Inadequate insurance coverage

The Group's insurance may not be adequate to cover for all losses or liabilities that might be incurred in the Group's operations as a result of any unforeseen circumstances. Furthermore, the Group's involvement in the trading of precision instruments (i.e., watches) requires the Group to carry physical items which are prone to risk of damage or loss. In such event, this could have a material adverse effect on the financial position of the Group.

In order to mitigate the risk, the office where the watches are kept is under CCTV surveillance 24 hours everyday. Besides, the watches are kept inside a safe and could only be opened with a minimum of 2 personnel. The Group also plans to store the watches in multiple locations to further mitigate the risk towards unforeseen circumstances.

## 8.6 Customer concentration risk

At this juncture, the watches are sold to a small number of regular customers. Any loss of the current customers will affect the Group's revenue. To mitigate the risk, the Group plans to increase its customer base in the future by purchasing additional inventories as well as attracting new customers by upgrading and maintaining the e-commerce platform using the proceeds raised from the Proposed Rights Issue in order to provide customers with more convenience for better user experience as stated in **Section 2.7** of this Circular.

## 8.7 Political, socio-economic and regulatory risks

The Group's financial and business operations may be adversely affected by the developments in political, socio-economic and regulatory conditions in Malaysia and Hong Kong. Political and socio-economic uncertainties include, but are not limited to, risks of war, change of governments, expropriation, nationalisation, renegotiation or nullification of existing contracts and methods of taxation, interest rate environment and currency exchange controls.

Whilst the Group will continue to take measures such as careful planning in its financial management and ensuring efficient operating procedures, there is no assurance that adverse political, socio-economic and regulatory conditions will not materially affect its business.

## 9. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any effect on the share capital, NA, gearing and substantial shareholders' shareholdings in the Company.

### 9.1 Share capital

The pro forma effects of the Proposed Rights Issue on the share capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
As at the LPD	437,530,274	22,988,455	437,530,274	22,988,455
To be issued pursuant to the Proposed Rights Issue	150,000,000	12,000,000 <sup>(1)</sup>	875,060,548	70,004,844 <sup>(1)</sup>
Enlarged share capital after the Proposed Rights Issue	587,530,274	34,988,455	1,312,590,822	92,993,299
To be issued assuming full exercise of Warrants	112,500,000	11,250,000 <sup>(2)</sup>	656,295,411	65,629,541 <sup>(2)</sup>
<b>Enlarged share capital</b>	<b>700,030,274</b>	<b>46,238,455</b>	<b>1,968,886,233</b>	<b>158,622,840</b>



*Notes:*

- (1) Based on the indicative issue price of RM0.08 per Rights Share.*
- (2) Based on the indicative issue price of RM0.10 per Warrant.*

The Company is in compliance with Paragraph 6.50 of the Listing Requirements, whereby the number of new shares which will be issued from all outstanding convertible equity securities, when exercised, does not exceed 50% of the total number of issued shares of the Company (excluding any treasury shares and before the exercise of the convertible equity securities) at all times.

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## 9.2 NA and gearing

The pro forma effects of the Proposed Rights Issue on the NA and gearing of the Group are as follows:

### Minimum Scenario

	(Audited) As at 31 December 2021 RM	(I) After adjustment for subsequent events RM	(II) After (I) and the Proposed Rights Issue with Warrants RM	(III) After (II) and assuming full exercise of all Warrants RM
Share capital	20,142,486	22,988,455 <sup>(1)</sup>	28,683,455 <sup>(2)</sup>	45,558,455 <sup>(3)</sup>
Revaluation reserve	3,819,608	3,819,608	3,819,608	3,819,608
Foreign currency translation reserves	(122,070)	(122,070)	(122,070)	(122,070)
Warrant reserves	-	-	5,625,000 <sup>(2)</sup>	-
Accumulated losses	(5,975,513)	(5,975,513)	(5,975,513)	(5,975,513)
<b>Shareholders' funds/ NA</b>	<b>17,864,511</b>	<b>20,710,480</b>	<b>32,030,480</b>	<b>43,280,480</b>
No. of Shares (including treasury shares) NA per Share	394,780,574 0.05	437,530,274 0.05	587,530,274 0.05	700,030,274 0.06
Total borrowings Gearing (times)	432,257 0.02	432,257 0.02	432,257 0.01	432,257 0.01

Notes:

- (1) After taking into consideration the following:
  - (i) conversion of all 25,000,000 RCPS into Shares by Bluemount on 15 August 2022 at the conversion price of RM0.04 each.
  - (ii) issuance of 17,749,700 new Shares on 3 February 2022 at the issue price of RM0.104 per share pursuant to the Private Placement.
- (2) After taking into consideration the following:
  - (i) issuance of 150,000,000 Rights Shares based on indicative issue price of RM0.08 per Rights Share.
  - (ii) the issuance of 112,500,000 Warrants with each Warrant assumed to have a fair value of RM0.05.
  - (iii) after deducting the estimated expenses in relation to the Proposed Rights Issue of RM680,000.
- (3) Based on indicative exercise price of RM0.10 per Warrant inclusive of the transfer of warrants reserve to share capital account upon exercise of Warrants.

**Maximum Scenario**

	(Audited) As at 31 December 2021 RM	(I) After adjustment for subsequent events RM	(II) After (I) and the Proposed Rights Issue RM	(III) After (II) and assuming full exercise of all Warrants RM
Share capital	20,142,486	22,988,455 <sup>(1)</sup>	59,498,528 <sup>(2)</sup>	157,942,840 <sup>(2)</sup>
Revaluation reserve	3,819,608	3,819,608	3,819,608	3,819,608
Foreign currency translation reserves	(122,070)	(122,070)	(122,070)	(122,070)
Warrant reserves	-	-	32,814,771 <sup>(2)</sup>	-
Accumulated losses	(5,975,513)	(5,975,513)	(5,975,513)	(5,975,513)
<b>Shareholders' funds/ NA</b>	<b>17,864,511</b>	<b>20,710,480</b>	<b>90,035,324</b>	<b>155,664,865</b>
No. of Shares (including treasury shares) NA per Share (RM)	394,780,574 0.05	437,530,274 0.05	1,312,590,822 0.07	1,968,886,233 0.08
Total borrowings Gearing (times)	432,257 0.02	432,257 0.02	432,257 Negligible	432,257 Negligible

Notes:

- (1) After taking into consideration the following:
  - (i) conversion of all 25,000,000 RCPS into Shares by Bluemount on 15 August 2022 at the conversion price of RM0.04 each.
  - (ii) issuance of 17,749,700 new Shares on 3 February 2022 at the issue price of RM0.104 per share pursuant to the Private Placement.
- (2) After taking into consideration the following:
  - (i) issuance of 875,060,548 Rights Shares based on indicative issue price of RM0.08 per Rights Share.
  - (ii) the issuance of 656,295,411 Warrants with each Warrant assumed to have a fair value of RM0.05.
  - (iii) after deducting the estimated expenses in relation to the Proposed Rights Issue of RM680,000.
- (3) Based on indicative exercise price of RM0.10 per Warrant inclusive of the transfer of warrants reserve to share capital account upon exercise of Warrants.

### 9.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Rights Issue on shareholdings of the substantial shareholders based on the indicative issue price of RM0.08 per Rights Share are set out below:

#### Minimum Scenario

Name	As at LPD			(I) After the Proposed Rights Issue		
	Direct		Indirect	Direct		Indirect
	No. of Shares	%		No. of Shares	%	
Bluemount <sup>(1)</sup>	87,286,100	19.95	-	87,286,100	14.86	-
Luk Tung Lam <sup>(1)</sup>	29,167,200	6.67	-	141,667,200	24.11	-
Datuk Chu Boon Tiong	13,406,880	3.06	-	50,906,880	8.66	-

Name	(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect	
	No. of Shares	%		No. of Shares
Bluemount <sup>(1)</sup>	87,286,100	12.47	-	-
Luk Tung Lam <sup>(1)</sup>	226,042,200	32.29	-	-
Datuk Chu Boon Tiong	79,031,880	11.29	-	-

Note:

(1) The shares are held in the nominee account namely, Maybank Securities Nominees (Asing) Sdn Bhd Maybank Securities Pte Ltd.

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**Maximum Scenario**

Name	As at LPD			(I) After the Proposed Rights Issue		
	Direct		Indirect	Direct		Indirect
	No. of Shares	%		No. of Shares	%	
Bluemount <sup>(1)</sup>	87,286,100	19.95	-	261,858,300	19.95	-
Luk Tung Lam <sup>(1)</sup>	29,167,200	6.67	-	87,501,600	6.67	-
Datuk Chu Boon Tiong	13,406,880	3.06	-	40,220,640	3.06	-

Name	(II) After (I) and assuming full exercise of the Warrants		
	Direct		Indirect
	No. of Shares	%	
Bluemount <sup>(1)</sup>	392,787,450	19.95	-
Luk Tung Lam <sup>(1)</sup>	131,252,400	6.67	-
Datuk Chu Boon Tiong	60,330,960	3.06	-

Note:

(1) The shares are held in the nominee account namely, Maybank Securities Nominees (Asing) Sdn Bhd Maybank Securities Pte Ltd.

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#### 9.4 Earnings and EPS

The Proposals are not expected to have a material effect on the earnings and EPS of the Group for the financial year ending 31 December 2022 as the Proposals are only expected to be completed in the first quarter of 2023 and the proceeds to be raised from the Proposed Rights Issue are expected to be utilised within 24 months from the date of completion of the Proposed Rights Issue. However, the EPS of the Group shall be correspondingly diluted as a result of the increase in the number of new Shares arising from the issuance of the Rights Shares and the exercise of the Warrants in the future.

The effect of the Proposals on the earnings and EPS of the Group will depend on, amongst others, the number and issue price of Rights Shares to be issued as well as number and exercise price of Warrants exercised and level of returns generated from the use of proceeds from the Proposed Rights Issue. Nevertheless, the Proposals are expected to contribute positively to the future earnings and EPS of the Group as and when the potential benefits from the utilisation of proceeds are realised.

#### 9.5 Convertible securities

The Company does not have any outstanding options, warrants or convertible securities as at the LPD.

### 10. HISTORICAL PRICES OF THE SHARES

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

	Highest (RM)	Lowest (RM)
<b><u>2021</u></b>		
November	0.195	0.140
December	0.155	0.100
<b><u>2022</u></b>		
January	0.135	0.105
February	0.120	0.095
March	0.100	0.085
April	0.130	0.095
May	0.110	0.090
June	0.095	0.080
July	0.100	0.060
August	0.110	0.080
September	0.090	0.070
October	0.090	0.070

*(Source: Bloomberg Finance L.P.)*

The last transacted market price of the Shares on 7 July 2022 (being the last trading date prior to the Announcement) was RM0.08.

The last transacted market price of the Shares on 26 October 2022 (being the LPD) was RM0.08.

## 11. APPROVALS REQUIRED

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

- (i) Bursa Securities, for the following:
  - (a) listing of and quotation for the Rights Shares and Warrants to be issued on the Main Market of Bursa Securities;
  - (b) admission of the Warrants to the Official List of the Main Market of Bursa Securities; and
  - (c) listing of and quotation for the new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities; and

The approval of Bursa Securities, which was obtained on 21 October 2022, is subject to the following conditions:

	<b>Conditions</b>	<b>Status of compliance</b>
(a)	The Company and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue.	To be complied
(b)	The Company and TA Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue.	To be complied
(c)	The Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed.	To be complied
(d)	The Company to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

- (ii) the shareholder of the Company at the forthcoming EGM to be convened;

Luk Tung Lam, being a party to the Set-Off Arrangement and potentially received the repayment of RM10.33 million under the Maximum Scenario, is also a substantial shareholder of the Company. As at the LPD, she holds 29,167,200 Shares representing 6.67% of the issued capital of the Company.

Accordingly, Luk Tung Lam will abstain from voting in respect of her direct and/or indirect shareholdings on the resolution pertaining to the Proposed Rights Issue to be tabled at the forthcoming EGM. She has undertaken to ensure that the person(s) connected with her will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Rights Issue to be tabled at the EGM.

- (iii) Securities Commission Malaysia, for the registration of the abridged prospectus in relation to the Proposed Rights Issue; and
- (iv) any other relevant authorities, if required.

## 12. CONDITIONALITY OF THE PROPOSALS

The Proposed Rights Issue and Proposed Diversification are not inter-conditional upon each other. The Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by the Company. Save for the Proposals, the Board confirms that there is no other outstanding corporate exercise which has been announced but pending completion by the Company prior to the printing of this Circular.

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

None of the Directors, major shareholders and/or chief executive of the Company and/or persons connected with them has any direct or indirect interest in the Proposals, save for their respective entitlements under the Proposed Rights Issue for which all the existing shareholders of the Company are similarly entitled to, including the rights to apply for additional Rights Shares under the excess applications.

## 14. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposals (including but not limited to the rationale, utilisation of proceeds and effects), is of the opinion that the Proposals are in the best interest of the Company and accordingly recommends you to vote **IN FAVOUR** of the resolutions in respect of the Proposals to be tabled at the forthcoming EGM.

## 15. TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances, the Board expects the Proposals to be completed in the 1st quarter of 2023.

Date	Event
3 November 2022	<ul style="list-style-type: none"><li>EGM for the Proposals</li></ul>
Early December 2022	<ul style="list-style-type: none"><li>Announcement of the price-fixing date for the Proposed Rights Issue</li><li>Announcement of the Entitlement Date for the Proposed Rights Issue</li><li>Issuance of Abridged Prospectus, Rights Subscription Form and Notice of Provisional Allotment for the Proposed Rights Issue</li></ul>
Mid January 2023	<ul style="list-style-type: none"><li>Closing date for the acceptance and application for the Rights Shares</li><li>Listing of and quotation for the Rights Shares on the Main Market of Bursa Securities</li></ul>

Barring any unforeseen circumstances, the implementation of the Proposed Diversification is expected to take effect after obtaining approval from the Company's shareholders at the forthcoming EGM.

## 16. EGM

The EGM, the notice of which is set out in this Circular, will be held and conducted on a fully virtual basis through live streaming and online Meeting platform of AI Smartual Learning Sdn Bhd via its website at [www.vpoll.com.my](http://www.vpoll.com.my) on Friday, 18 November 2022 at 11:00 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you should complete, sign and return the enclosed Form of Proxy in accordance with the instructions provided thereon so as to arrive at office of the Poll Administrator of the Company, AI Smartual Learning Sdn Bhd, at 23-5, Menara Bangkok Bank, Berjaya Central Park, Jalan Ampang, 50450 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Alternatively, the duly completed and executed Form of Proxy can also be submitted electronically to [proxy@aismartuallearning.com](mailto:proxy@aismartuallearning.com).



The lodging of the Form of Proxy 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 attached appendix for further information.

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

**DATUK CHU BOON TIONG**  
Executive Director

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**ADDITIONAL INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

**2. CONSENT****2.1 Adviser**

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

**2.2 Independent market researcher**

Protégé Associates, being the independent market researcher for the Proposed Diversification, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

**3. CONFLICT OF INTEREST****3.1 Adviser**

TA Securities has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Adviser for the Proposals.

**3.2 Independent market researcher**

Protégé Associates has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the independent market researcher for the Proposed Diversification.

**4. MATERIAL COMMITMENT**

As at the LPD, the Board confirms that there is no material commitment incurred or known to be incurred by the Group, which upon becoming enforceable, may have material impact on the financial position of the Group.

**5. CONTINGENT LIABILITIES**

As at the LPD, the Board confirms that there is no contingent liabilities incurred or known to be incurred by the Group and/or the Company, which upon becoming enforceable, may have a material impact on the financial position of the Group and/or the Company.

**6. MATERIAL LITIGATIONS, CLAIMS AND ARBITRATION**

As at the LPD, neither the Company nor its subsidiaries are engaged in any material litigation, claims and/or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings, pending or threatened or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of the Group.

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**ADDITIONAL INFORMATION (CONT'D)**

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**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's Registered Office at No. 9A, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Wilayah Persekutuan during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of the Company's forthcoming EGM:

- (i) the Company's Constitution;
- (ii) the audited financial statements of the Group for the past 2 FYEs 31 December 2020 and 31 December 2021 as well as the latest unaudited results of the Group for the 6M-FPE 30 June 2022;
- (iii) the Letter of Set-Off dated 8 July 2022 between the Company and Luk Tung Lam;
- (iv) the IMR Report;
- (v) the draft Deed Poll; and
- (vi) the letters of consent and declaration of conflict of interest as referred to in **Sections 2 and 3** of this Appendix, respectively.

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**INDUSTRONICS BERHAD**  
Registration No. 197501001969 (23699-X)  
(Incorporated in Malaysia)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Industronics Berhad (“**Industronics**” or “**Company**”) will be held and conducted on a fully virtual basis through live streaming and online Meeting platform of AI Smartual Learning Sdn Bhd via its website at [www.vpoll.com.my](http://www.vpoll.com.my) on Friday, 18 November 2022 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions:

### **ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 875,060,548 NEW ORDINARY SHARES IN INDUSTRONICS (“SHARE”) (“RIGHTS SHARES”) ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 1 EXISTING SHARE HELD ON AN ENTITLEMENT DATE, TOGETHER WITH UP TO 656,295,411 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF 3 WARRANTS FOR EVERY 4 RIGHTS SHARES SUBSCRIBED FOR AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED RIGHTS ISSUE”)**

“THAT subject to the approvals of all relevant authorities and/or parties being obtained (if required), including but not limited to the approval of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), the Board of Directors of the Company (“**Board**”) be and is hereby authorised to undertake the Proposed Rights Issue as follows:

- (i) to provisionally allot and issue by way of a renounceable rights issue of up to 875,060,548 Rights Shares together with up to 656,295,411 Warrants to the shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined by the Board (“**Entitlement Date**”) (“**Entitled Shareholders**”) and/or their renounee(s) or transferee(s) (if applicable), on the basis of 2 Rights Shares for every 1 existing Share held by the Entitled Shareholders on the Entitlement Date at an issue price to be determined by the Board and on such terms and conditions and in such manner as the Board may determine;
- (ii) to enter into and execute the deed poll constituting the Warrants (“**Deed Poll**”) and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll (including, without limitation, the affixing of the Company’s company seal, where necessary);
- (iii) to allot and issue the Warrants in registered form to the Entitled Shareholders (and/or their renounee(s) or transferee(s), as the case may be and Excess Applicants (as defined below), if any, who subscribed for and are allotted Rights Shares, each Warrant conferring the right to subscribe for 1 new Share at an exercise price to be determined by the Board on the Entitlement Date, subject to the provisions for adjustment to the subscription rights attached to the Warrants in accordance with the provisions of the Deed Poll; and
- (iv) to allot and issue such number of new Shares to the holders of the Warrants upon their exercise of the relevant Warrants to subscribe for new Shares during the tenure of the Warrants;

THAT the Board be and is hereby authorised to determine and vary if deemed fit, necessary and/or expedient, the issue price of the Rights Shares and the exercise price of the Warrants to be issued in connection with the Proposed Rights Issue;

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renounee(s) or transferee(s) (if applicable) shall be made available for excess applications in such manner and to such persons (“**Excess Applicants**”) as the Board shall determine at its absolute discretion;

THAT the Rights Shares, Warrants and the new Shares to be issued pursuant to the exercise of the Warrants shall be listed on the Main Market of Bursa Securities;

THAT the proceeds of the Proposed Rights Issue shall be utilised for the purposes as set out in **Section 2.7** of the Circular to Shareholders dated 3 November 2022 and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interests of the Company, subject to the approval of the relevant authorities (where required);

THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Proposed Rights Issue, with full powers to assent to and accept any conditions, modifications, variations, arrangements and/or amendments to the terms of the Proposed Rights Issue as the Board may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue in order to implement and give full effect to the Proposed Rights Issue;

THAT the Rights Shares shall, upon allotment, issuance and full payment of the issue price of the Rights Shares, rank equally in all respects with the then existing issued Shares save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment and issuance of such Rights Shares;

THAT the new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issuance and full payment of the exercise price of the Warrants, rank equally in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of such new Shares to be issued pursuant to the exercise of the Warrants;

THAT the Board be and is hereby entitled to deal with all or any of the fractional entitlements of the Rights Shares and Warrants arising from the Proposed Rights Issue, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner and to such persons as the Board may in its absolute discretion deem fit and in the best interest of the Company (including without limitation to disregard such fractional entitlements altogether);

AND THAT this Ordinary Resolution 1 constitutes specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares, Warrants and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue.”

## **ORDINARY RESOLUTION 2**

### **PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF INDUSTRIONICS AND ITS SUBSIDIARIES TO INCLUDE TRADING OF PRECISION INSTRUMENTS (WATCHES) (“PROPOSED DIVERSIFICATION”).**

“THAT subject to the approval being obtained from the relevant parties (if any), approval be and is hereby given to the Board to diversify its principal activities to include trading of precision instruments.

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

### **By Order of the Board**

**LEONG SUE CHING**

Company Secretary/(MAICSA 7040814)  
(SSM PC NO. 201908001823)

Kuala Lumpur, Wilayah Persekutuan

Dated: 3 November 2022

Notes:

1. *Only members registered in the Record of Depositors as at 10 November 2022 shall be eligible to attend, speak and vote at this meeting or appoint proxy to attend and vote for his/her behalf.*
2. *A member may appoint up to two (2) proxies who need not be members of the Company to participate and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
3. *Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (“omnibus account”), the Exempt Authorised Nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.*
5. *If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorised. The corporation may by its resolution of its Board or a certificate of authorisation by the corporation to appoint a person or persons to act as its representative or representatives to attend and vote on their behalf.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under either its common seal or the hand of its officer or attorney duly authorised. The instrument duly completed shall be deposited at the office of the Company’s Poll Administrator, AI Smartual Learning Sdn Bhd, at 23-5, Menara Bangkok Bank, Berjaya Central Park, Jalan Ampang, 50450 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, i.e., no later than Wednesday, 16 November 2022 at 11.00 a.m. or any adjournment thereof. Alternatively, the duly completed and executed Form of Proxy can also be submitted electronically to proxy@aismartuallearning.com. The completed instrument appointing a proxy once deposited will not preclude the member from participating and voting in person at the general meeting should the member subsequently wish to do so.*

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**INDUSTRONICS BERHAD**  
 Registration No. 197501001969 (23699-X)  
 (Incorporated in Malaysia)

## FORM OF PROXY

No. of shares held	CDS Account No.

I/We \_\_\_\_\_ NRIC/Registration No. \_\_\_\_\_  
 (FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_

# Contact No. \_\_\_\_\_ and # email address \_\_\_\_\_

being a member/members of **INDUSTRONICS BERHAD** (“Company”), hereby appoint:

Full Name (IN BLOCK LETTERS)	NRIC /Passport No.	% of shareholdings
# Contact No.	# Email Address	
Address:		

\*and/or

Full Name (IN BLOCK LETTERS)	NRIC /Passport No.	% of shareholdings
Contact No.	Email Address	
Address:		

# You are required to fill in the contact no. and email address in order to participate the Extraordinary General Meeting (“EGM”), otherwise, we are unable to register you as the participant of the meeting.

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the EGM of the Company will be held and conducted on a fully virtual basis through live streaming and online Meeting platform of AI Smartual Learning Sdn Bhd via its website at [www.vpoll.com.my](http://www.vpoll.com.my) on Friday, 18 November 2022 at 11:00 a.m. or at any adjournment thereof, in the manners as indicated below:

Resolutions	Agenda	First Proxy		Second Proxy	
		For	Against	For	Against
Ordinary Resolution 1	Proposed Rights Issue				
Ordinary Resolution 2	Proposed Diversification				

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

\_\_\_\_\_  
 Signature / Common Seal of Shareholder



Notes:

1. *Only members registered in the Record of Depositors as at 10 November 2022 shall be eligible to attend, speak and vote at this meeting or appoint proxy to attend and vote for his/her behalf.*
2. *A member may appoint up to two (2) proxies who need not be members of the Company to participate and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
3. *Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (“omnibus account”), the Exempt Authorised Nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.*
5. *If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorised. The corporation may by its resolution of its Board or a certificate of authorisation by the corporation to appoint a person or persons to act as its representative or representatives to attend and vote on their behalf.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under either its common seal or the hand of its officer or attorney duly authorised. The instrument duly completed shall be deposited at the office of the Company’s Poll Administrator, AI Smartual Learning Sdn Bhd, at 23-5, Menara Bangkok Bank, Berjaya Central Park, Jalan Ampang, 50450 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, i.e., no later than Wednesday, 16 November 2022 at 11.00 a.m. or any adjournment thereof. Alternatively, the duly completed and executed Form of Proxy can also be submitted electronically to [proxy@aismartuallearning.com](mailto:proxy@aismartuallearning.com) The completed instrument appointing a proxy once deposited will not preclude the member from participating and voting in person at the general meeting should the member subsequently wish to do so.*



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AFFIX  
STAMP

The Poll Administrator of  
**INDUSTRONICS BERHAD**  
c/o AI Smartual Learning Sdn Bhd  
23-5, Menara Bangkok Bank  
Berjaya Central Park, Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

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