

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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You should rely on your own evaluation to assess the merits and risks of the Proposals (as defined herein).

This Circular has been reviewed by Malacca Securities Sdn. Bhd., being the Principal Adviser to Systech Bhd for the Proposals.

Systech<sup>201001012883
(897114-T)</sup>**Bhd**
Smarter Solutions

Registration No.: 201001012883 (897114-T)
Incorporated in Malaysia

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PART A

- (I) PROPOSED SHARES ISSUANCE;**
- (II) PROPOSED ACQUISITION;**
- (III) PROPOSED BONUS ISSUE OF WARRANTS; AND**
- (IV) PROPOSED ESS**

(as defined in the ensuing page)

(COLLECTIVELY, REFERRED TO AS THE “PROPOSALS”)

PART B

INDEPENDENT ADVICE LETTER FROM TA SECURITIES HOLDINGS BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF SYSTECH IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

*Principal Adviser for Part A and Placement Agent for
Proposed Shares Issuance*



MALACCA SECURITIES SDN. BHD.
Registration No: 197301002760 (16121-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B



TA SECURITIES HOLDINGS BERHAD
Registration No: 197301001467 (14948-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting (“**EGM**”) will be conducted on a fully virtual basis through remote participation and electronic voting via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC – D6A357657) on Thursday, 18 April 2024, at 10.00 a.m. or at any adjournment thereof. The Notice of EGM of the Company together with the Proxy Form are enclosed in this Circular.

A shareholder who is entitled but unable attend, participate and vote remotely at the EGM is entitled to appoint a proxy or proxies to attend, participate and vote on his/her behalf. The completed Proxy Form should be lodged in accordance with the instructions thereon to the office of Systech Bhd’s Share Registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or lodged electronically with the Company’s Share Registrar through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> or email to bsr.helpdesk@boardroomlimited.com not less than 48 hours before the time set for convening the EGM or at any adjournment thereof. The Proxy Form once deposited will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Date and time of the EGM : Thursday, 18 April 2024, at 10.00 a.m. or at any adjournment thereof

Last date and time for lodging the Proxy Form : Tuesday, 16 April 2024, at 10.00 a.m.

This Circular is dated 3 April 2024

PART A

- (I) **PROPOSED SHARES ISSUANCE OF UP TO 144,000,000 NEW ORDINARY SHARES IN SYSTECH BHD (“SYSTECH”) (“SYSTECH SHARES” OR “SHARES”), REPRESENTING APPROXIMATELY 29.4% OF THE ENLARGED TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES) AFTER THE SHARES ISSUANCE (“PROPOSED SHARES ISSUANCE”);**
- (II) **PROPOSED ACQUISITION OF 552,255 ORDINARY SHARES IN WILSTECH SDN. BHD. (“WILSTECH”), REPRESENTING THE ENTIRE EQUITY INTEREST OF WILSTECH, FOR A TOTAL PURCHASE CONSIDERATION OF RM75,000,000, TO BE SATISFIED VIA CASH CONSIDERATION OF RM20,000,000 AND THE REMAINING RM55,000,000 TO BE SETTLED VIA THE ISSUANCE OF 152,777,777 SYSTECH SHARES (“CONSIDERATION SHARES”) AT AN ISSUE PRICE OF RM0.36 PER CONSIDERATION SHARE (“PROPOSED ACQUISITION”);**
- (III) **PROPOSED BONUS ISSUE OF UP TO 160,656,399 NEW WARRANTS IN SYSTECH (“WARRANTS”) ON THE BASIS OF 1 WARRANT FOR EVERY 4 EXISTING SYSTECH SHARES HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“PROPOSED BONUS ISSUE OF WARRANTS”); AND**
- (IV) **PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE SCHEME OF UP TO 15.0% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES) (“SCHEME”) AT ANY POINT IN TIME DURING THE TENURE OF THE SCHEME FOR ELIGIBLE DIRECTORS AND EMPLOYEES OF SYSTECH AND ITS SUBSIDIARIES (EXCLUDING DORMANT SUBSIDIARIES, IF ANY) (“PROPOSED ESS”)**

(COLLECTIVELY, REFERRED TO AS THE “PROPOSALS”)

PART B

INDEPENDENT ADVICE LETTER FROM TA SECURITIES HOLDINGS BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF SYSTECH IN RELATION TO THE PROPOSED ACQUISITION

DEFINITIONS

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

12M FPE2025	:	The 12-month period commencing from 1 April 2024 to 31 March 2025, being the period for Wilstech to achieve the Profit Guarantee
Act	:	Companies Act, 2016 of Malaysia, as amended from time to time including any re-enactment thereof
Announcement	:	The announcement dated 22 December 2023 in relation to the Proposals
Awards	:	Shares Grant and/or ESS Options to be granted to the Selected Persons
Board	:	The Board of Directors of Systech
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	The by-laws governing the Proposed ESS, the draft of which is set out in Appendix VIII of this Circular
Cash Consideration	:	RM20,000,000 in cash to be paid to LMY and MTB, as part of the Purchase Consideration for the Proposed Acquisition
Certified Account	:	The audited financial statements for the 12M FPE2025 of Wilstech, as may be verified, approved and certified by the external auditors, as may be agreed upon by Systech and LMY
Circular	:	This circular dated 3 April 2024 in relation to the Proposals
Consideration Shares	:	152,777,777 new Systech Shares to be issued to LMY and SeaCap at the Issue Price (equivalent to RM55,000,000 in value), as part of the Purchase Consideration for the Proposed Acquisition
Date of Offer	:	The date on which the Offer is made by the ESS Committee in writing
Deed Poll	:	Deed poll constituting the Warrants, to be executed by the Company at a later date
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, and includes any person who is or was within the preceding 6 months of the date on which the terms of the Subscription Agreements and SSA were agreed upon, a director or chief executive officer of Systech, its subsidiaries or holding company
Effective Date	:	The date on which the Proposed ESS becomes effective in accordance with the By-Laws
EGM	:	Extraordinary general meeting
Eligible Person(s)	:	Eligible Directors (including non-executive Directors but shall not include alternate and/or substitute Directors) and/or eligible employees of Systech Group (excluding dormant subsidiaries), who meet the criteria of eligibility for participation in the Proposed ESS as set out in the By-Laws

DEFINITIONS (CONT'D)

Entitled Shareholders	: Shareholders of Systech whose names appear in the Company's Record of Depositors on an entitlement date for the Proposed Bonus Issue of Warrants, which shall be determined and announced later
EPS	: Earnings per share
ESS or Scheme	: Employees' shares scheme
ESS Committee	: The committee comprising Director(s) and/or senior management of the Group to be approved by the Board to implement and administer the Proposed ESS in accordance with the By-Laws
ESS Options	: The right granted to the Participant to exercise and receive a number of Systech Shares at the Option Exercise Price, subject to the terms and conditions of the By-Laws
FPE	: Financial period ended / ending, as the case may be
FYE	: Financial year ended / ending, as the case may be
HCM	: Human capital management
HJH	: Hooi Jia Hao, an existing shareholder of Wilstech (via his direct interest in SeaCap) and a Major Shareholder of Systech (via his indirect interest in SCSB) as at LPD
IoT	: Internet-of-Things
Issue Price	: RM0.36 per Consideration Share
IT	: Information technology
JCap	: JCap Sdn. Bhd., a Major Shareholder of Systech (via its interest in SCSB) as at LPD
LAT	: Loss after tax
LBT	: Loss before tax
LCL	: Liew Choon Lian, a Major Shareholder of Systech (via his direct interest in SCSB) as at LPD
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities
LMY	: Low Min Yew, an existing shareholder and the sole director of Wilstech as well as one of the Vendors for the Sale Shares
LPD	: 22 March 2024, being the latest practicable date prior to the printing of this Circular
LPS	: Loss per share
LTD	: 21 December 2023, being the last trading day prior to the Announcement

DEFINITIONS (CONT'D)

Major Shareholder	:	A person who has an interest or interests in one or more voting shares in Systech and the aggregate number of those shares, is: <ul style="list-style-type: none">(i) 10% or more of the total number of voting shares in Systech; or(ii) 5% or more of the total number of voting shares in Systech where such person is the largest shareholder of Systech. <p>For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act and a major shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the Subscription Agreements and SSA were agreed upon, a major shareholder of Systech or any other corporation which is its subsidiaries or holding company.</p>
Malacca Securities Principal Adviser	or :	Malacca Securities Sdn. Bhd.
Maximum Awards	:	The maximum number of Awards to be allotted and issued under the Proposed ESS shall not exceed 15.0% of the Company’s total number of issued Shares (excluding treasury shares) at any point in time during the duration of the Scheme
MGO	:	Unconditional mandatory take-over offer by SCSB, through Malacca Securities, to acquire all the remaining Systech Shares not already owned by the ultimate offeror (LCL), offeror (SCSB) and persons acting in concert with them (JCap, SJW and LMY). For information, the offer had closed on 18 October 2023
MTB	:	Maybank Trustees Berhad (for Securities Commission MYCIF), an existing shareholder of Wilstech and one of the Vendors for the Sale Shares
NA	:	Net assets
Offer	:	An offer made in writing to the Selected Persons in relation to the Proposed ESS
Option Exercise Price	:	The exercise price of the ESS Options
P/B	:	Price-to-book
P/E	:	Price-to-earnings
Participants	:	Selected Persons who have accepted the Offer in relation to the Proposed ESS
PAT	:	Profit after tax
PBT	:	Profit before tax
Pledged Cash	:	RM5.0 million from the Cash Consideration payable to LMY, to be placed with the Stakeholder as the security for the performance of the Profit Guarantee
Pledged Shares	:	69,444,445 Consideration Shares from the Consideration Shares to be issued to LMY, to be placed with the Stakeholder as the security for the performance of the Profit Guarantee

DEFINITIONS (CONT'D)

Profit Guarantee	:	Audited PAT of Wilstech for the 12M FPE2025 of not less than RM5.0 million, being agreed, undertaken and guaranteed by LMY
Proposals	:	Collectively, the Proposed Shares Issuance, Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed ESS
Proposed Acquisition	:	Proposed acquisition 552,255 Sale Shares, representing the entire equity interest of Wilstech from the Vendors, for the Purchase Consideration, subject to the terms of the SSA
Proposed Allocation to HJH	:	The subscription of 72,222,600 Subscription Shares by HJH, pursuant to the Proposed Shares Issuance
Proposed Allocations of Awards	:	Proposed specific allocations of Awards to the selected Directors, and/or persons connected to Directors and/or Major Shareholders who are employees of Systech Group as disclosed in Section 5.15 of this Circular
Proposed Bonus Issue of Warrants	:	Proposed bonus issue of up to 160,656,399 Warrants on the basis of 1 Warrant for every 4 existing Systech Shares held by the Entitled Shareholders on an entitlement date to be determined and announced later
Proposed ESS	:	Proposed establishment of an employees' share scheme of up to 15.0% of the total number of issued Shares (excluding treasury shares) at any point in time during the tenure of the Scheme for Eligible Directors and employees of Systech Group (excluding dormant subsidiaries, if any)
Proposed Issuance	Shares :	Proposed shares issuance of up to 144,000,000 Subscription Shares, representing approximately 29.4% of the enlarged total number of issued Shares (excluding treasury shares) after the shares issuance, for the Subscription Consideration, subject to the terms of the Subscription Agreements
Purchase Consideration	:	Total consideration of RM75,000,000 in relation to the Proposed Acquisition, to be settled via the Cash Consideration and issuance of Consideration Shares
Record of Depositors	:	A record of depositors established by Bursa Malaysia Depository Sdn. Bhd. under the rules of by Bursa Malaysia Depository Sdn. Bhd., as amended from time to time
RM and sen	:	Ringgit Malaysia and sen, respectively
Sale Shares	:	552,255 ordinary shares in Wilstech, representing the entire equity interest of Wilstech, to be acquired by Systech from the Vendors pursuant to the SSA, for the Purchase Consideration
SCSB	:	Smartpro Capital Sdn Bhd, the Major Shareholder of Systech
SeaCap	:	Sea Capital LP, an existing shareholder of Wilstech and one of the Vendors for the Sale Shares
Security Amount	:	Collectively, the Pledged Cash and Pledged Shares to be placed with the Stakeholder as the security for the performance of the Profit Guarantee
Selected Persons	:	Eligible Persons to whom an Offer has been made under the Proposed ESS

DEFINITIONS (CONT'D)

Shares Grant	:	The rights granted to the Participants at no cost to have a number of Shares vested by the Participants on the vesting date(s) specified in the Offer, subject to the terms and conditions in the By-Laws and the Offer
SJW	:	Sun Jianwei, the Major Shareholder of Systech (via his indirect interest in SCSB)
SME	:	Small-medium enterprise
SSA	:	The conditional share sale agreement dated 22 December 2023 entered into between Systech and the Vendors in relation to the Proposed Acquisition, as supplemented by the supplemental agreement dated 11 March 2024
Stakeholder	:	Messrs. Julius Leonie Chai, being the stakeholder for the Security Amount
Subscribers	:	The subscribers who had entered into the Subscription Agreements for the subscription of Subscription Shares pursuant to the Proposed Shares Issuance, as set out in Section 2.2 of this Circular
Subscription Agreements	:	The subscription agreements dated 22 December 2023 entered into between the Subscribers and Systech, to subscribe for the Subscription Shares
Subscription Consideration	:	Proceeds of up to RM51,840,000 to be raised from the Proposed Shares Issuance, which shall be settled in cash by the Subscribers
Subscription Price	:	RM0.36 per Subscription Share
Subscription Shares	:	Up to 144,000,000 new Systech Shares to be issued at the Subscription Price pursuant to the Proposed Shares Issuance
Systech or the Company	:	Systech Bhd
Systech Group or Group	:	Collectively, Systech and its subsidiaries
Systech Share(s) or Share(s)	:	Ordinary share(s) in Systech
TA Securities Independent Adviser or	:	TA Securities Holdings Berhad
TCAI	:	TalentCloud AI Sdn. Bhd., an 80%-owned subsidiary of Systech
Vendors	:	Collectively, LMY, SeaCap and MTB, being the vendors in relation to the Sale Shares
VWAP	:	Volume weighted average market price
Warrants	:	Up to 160,656,399 new warrants in Systech, to be issued pursuant to the Proposed Bonus Issue of Warrants
Warrants Exercise Price	:	RM0.50, being the exercise price of the Warrants
Wilstech	:	Wilstech Sdn. Bhd.

DEFINITIONS (CONT'D)

Any reference to “we”, “us”, “our” and “ourselves” are to the Company, and where the context otherwise requires, our subsidiaries. All references to “you” are to the shareholders of the Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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

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PART A

**LETTER FROM THE BOARD TO THE SHAREHOLDERS OF
SYSTECH IN RELATION TO THE PROPOSALS**

EXECUTIVE SUMMARY

The Executive Summary highlights only the salient information of the Proposals. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposals before voting at the Company's forthcoming EGM.

Key information	Description
Details of the Proposals Sections 2, 3, 4 and 5 of Part A of this Circular)	<p><u>Proposed Shares Issuance</u></p> <p>The Proposed Shares Issuance entails the issuance of up to 144,000,000 Subscription Shares, represent approximately 29.4% of the enlarged issued shares of Systech upon completion of the Proposed Shares Issuance. For information, the Subscription Shares represent approximately 22.4% of the enlarged issued shares of Systech upon completion of the Proposed Shares Issuance and Proposed Acquisition.</p> <p><u>Proposed Acquisition</u></p> <p>The Proposed Acquisition entails the acquisition by Systech from the Vendors of 552,255 Sale Shares, representing the entire equity interest of Wilstech, for the Purchase Consideration of RM75.0 million, to be satisfied via Cash Consideration of RM20.0 million and the remaining RM55.0 million to be settled via issuance of 152,777,777 Consideration Shares at the Issue Price of RM0.36 each.</p> <p>Wilstech will become a wholly-owned subsidiary of Systech upon completion of the Proposed Acquisition.</p> <p><u>Proposed Bonus Issue of Warrants</u></p> <p>The Proposed Bonus Issue of Warrants entails the issuance of up to 160,656,399 Warrants on the basis of 1 Warrant for every 4 existing Systech Shares held by the Entitled Shareholders whose names appear on the Company's Record of Depositors on an entitlement date to be determined and announced later.</p> <p>It is the intention of the Company to implement the Proposed Bonus Issue of Warrants after the Proposed Shares Issuance and Proposed Acquisition but prior to the Proposed ESS.</p> <p><u>Proposed ESS</u></p> <p>The Proposed ESS entails the granting to Eligible Persons the Shares Grants and/or ESS Options, provided that prior to such specified future date or vesting or exercise of the Awards, as the case may be, the relevant service condition(s) of the Selected Persons and/or the relevant condition(s) as may be stipulated by the ESS Committee in the Offer to the Selected Persons, are duly fulfilled unless the ESS Committee otherwise determines.</p>
Basis and justification for the Purchase Consideration of the Proposed Acquisition Section 3.4 of Part A of this Circular	<p>The Purchase Consideration of RM75.0 million was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration, amongst others, the following:</p> <ol style="list-style-type: none">(i) the audited NA of Wilstech of RM10.8 million as at 31 August 2022 (which was subsequently being adjusted to RM6.5 million upon completion of the audit for the FYE 31 August 2023 (after announcement of the Proposals) due to the adjustments as explained in Section 7 of Appendix III of this Circular) and the unaudited NA of Wilstech of RM9.2 million as at 31 August 2023 (NA of RM5.6 million based on the audited FYE 31 August 2023, whereby the audit was completed after announcement of the Proposals);

Key information	Description
	(ii) the Profit Guarantee of RM5.0 million for the 12M FPE2025; and
	(iii) the rationale and potential benefits to be accrued by the Group through the Proposed Acquisition.

Basis and justification for the Subscription Price, Issue Price and Warrants Exercise Price **Subscription Price of the Subscription Shares and Issue Price of the Consideration Shares**

Sections 2.4, 3.5 and 4.1 of Part A of this Circular The Subscription Price and Issue Price was determined after taking into consideration, amongst others, the following:

- (i) Systech Group has been recording losses for the past 4 consecutive FYEs 31 March 2020 to 31 March 2023. For the 9-month FPE 31 December 2023, Systech Group recorded a loss after tax and minority interest of RM1.7 million;
- (ii) the unaudited consolidated NA per Share of Systech of 5.86 sen as at 30 September 2023. For information, the audited consolidated NA per Share of Systech as at 31 March 2023 is 5.87 sen and the unaudited consolidated NA per Share of Systech as at 31 December 2023 is 5.49 sen; and
- (iii) the historical trading prices of Systech Shares for the past 12-months up to 21 December 2023, being the date immediately prior to the Announcement, of RM0.21 to RM0.62.

The Issue Price of the Consideration Shares is same as the Subscription Price of the Subscription Shares.

Warrants Exercise Price

The Warrants will be issued at no cost to the Entitled Shareholders.

The Warrants Exercise Price had been fixed at RM0.50 after taking into consideration, amongst others, the following basis:

- (i) the 5-day VWAP of the Shares up to and including LTD, of RM0.4337;
- (ii) the Warrants will be issued at no cost to the Entitled Shareholders;
- (iii) the prevailing market conditions; and
- (iv) the anticipated potential financial performance of the enlarged Group moving forward.

Rationale for the Proposals **Proposed Shares Issuance**

Section 7 of Part A of this Circular The Proposed Shares Issuance is undertaken for the Group to primarily raise fund for the settlement of the Cash Consideration for the Proposed Acquisition, part settlement of the consideration for the acquisition of TCAI and for its working capital purpose.

Proposed Acquisition

The Proposed Acquisition represents an opportunity for the Group to further improve its financial performance by consolidating the financial results of Wilstech after taking into consideration, amongst others, the Profit Guarantee provided and the existing projects secured and potential projects to be secured by Wilstech.

Key information	Description
	<p><u>Proposed Bonus Issue of Warrants</u></p> <p>The Proposed Bonus Issue of Warrants is to reward the Company's shareholders for their continuous support and provide the Company's shareholders with an opportunity to increase their equity participation in the Company at a pre-determined Warrants Exercise Price over the tenure of the Warrants as well as benefit from any potential capital appreciation of the Warrants and further participate in the future growth of the Company when the Warrants are exercised.</p>
	<p><u>Proposed ESS</u></p> <p>The Proposed ESS is to motivate, incentivise and reward its employees and also to align the interests of the Eligible Persons with the corporate goals of Systech Group.</p>
Risk factors Section 9 of Part A of this Circular	<p>The Proposed Acquisition is not expected to materially change the risk profile of the business of the Group as Wilstech is in similar business as Systech Group, which is in the provision of IT solutions.</p> <p>The Proposed Acquisition will result in the Group being subject to certain transaction risks, including amongst others, completion risk that the Proposed Acquisition cannot be completed in time, acquisition risk that the anticipated benefits of the Proposed Acquisition will not be realised, risk of Profit Guarantee is not achieved, business integration risks arising from workforce redundancy and overlapping job functions and impairment risk.</p>
Approvals required and conditionality Section 12 of Part A of this Circular	<p>The Proposals are subject to the following approvals being obtained:</p> <ul style="list-style-type: none">(i) the approval of Bursa Securities for:<ul style="list-style-type: none">(a) the listing and quotation of the Subscription Shares to be issued pursuant to the Proposed Shares Issuance, Consideration Shares to be issued pursuant to the Proposed Acquisition and new Shares to be issued pursuant to the exercise of the Warrants, on the ACE Market of Bursa Securities;(b) admission to the Official List of Bursa Securities and the initial listing and quotation of up to 160,656,399 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and(c) listing and quotation of up to 15% of the total number of issued Shares, to be issued and allotted under the Proposed ESS;(ii) the approvals of the shareholders of the Company for the Proposals, Proposed Allocation to HJH and Proposed Allocations of Awards at the Company's forthcoming EGM; and(iii) the approval of any other relevant authorities and/or parties, if any. <p>The Proposed Acquisition is conditional upon the Proposed Shares Issuance but not vice versa.</p> <p>Save for the aforementioned, the Proposals are not conditional upon each other. The Proposals are also not conditional upon any other corporate exercises/schemes or proposals undertaken or to be undertaken by Systech.</p>

EXECUTIVE SUMMARY (CONT'D)

Key information	Description
Interests of Directors, major shareholders and/or persons connected Section 13 of Part A of this Circular	<p>Save as disclosed below and save for their respective entitlements as shareholders of Systech (the rights of which are also available to all other shareholders of Systech on a pro-rata basis), none of the directors, major shareholders, chief executive and persons connected to them has any interest, direct and indirect in the Proposals:</p> <p>(i) HJH is a Subscriber for the Proposed Shares Issuance and the controlling shareholder of SeaCap, a Vendor of the Proposed Acquisition as well as a person connected to SCSB by virtue of HJH being an indirect shareholder of SCSB (via his interest in JCap).</p> <p>LMY is a Vendor of the Proposed Acquisition and a person connected to SCSB by virtue that LMY is a director of SCSB.</p> <p>As such, SCSB is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition;</p> <p>(ii) Chan Soon Tat, the Non-Independent and Non-Executive Chairman of Systech, being the representative of SCSB on the Board, is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition;</p> <p>(iii) Lee Choon Teng, the Group Chief Executive Officer of Systech, being the representative of SCSB on the Board, is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition;</p> <p>(iv) Teoh Keng Chang, an Executive Director of Systech, being a person connected to HJH, is deemed interest in the Proposed Shares Issuance Proposed Allocation to HJH and Proposed Acquisition;</p> <p>(v) LMY is a Vendor of the Proposed Acquisition and a person connected to SCSB by virtue that LMY is a director of SCSB, is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition;</p> <p>(vi) HJH is a Subscriber for the Proposed Shares Issuance and the controlling shareholder of SeaCap, a Vendor of the Proposed Acquisition as well as a person connected to SCSB by virtue of HJH being an indirect shareholder of SCSB (via his interest in JCap).</p> <p>As such, HJH is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition; and</p> <p>(vii) The Directors, chief executive and employee who is a major shareholder of the Company are only deemed interested in respect of their respective allocation, as well as allocations to persons connected with them, if any, under the Proposed ESS.</p>

EXECUTIVE SUMMARY (CONT'D)

Key information	Description
Audit and Risk Committee's statement Section 17 of Part A of this Circular	<p>The Audit and Risk Management Committee of the Company, after having considered all relevant aspects of the Proposed Acquisition, including but not limited to the rationale, terms and conditions of the Proposed Acquisition, the basis and justification for the Purchase Consideration as well as the evaluation of the Independent Adviser, is of the opinion that the Proposed Acquisition is:</p> <ul style="list-style-type: none">(i) in the best interest of the Company;(ii) fair, reasonable and on normal commercial terms; and(iii) not detrimental to the interest of the non-interested shareholders of the Company.
Directors' statement and recommendation Section 18 of Part A of this Circular	<p>The Board (save for interested directors for the Proposed Allocation to HJH and Proposed Acquisition and all directors in respect of their respective Proposed Allocations of Awards) after having considered all aspects of the Proposals, including the terms and conditions of the Subscription Agreements for the Proposed Shares Issuance, terms and conditions of the SSA for the Proposed Acquisition, rationale, financial effects of the Proposals and risk factors for the Proposed Acquisition, is of the opinion that the Proposals are in the best interest of the Company.</p> <p>Accordingly, the Board (save for interested directors for the Proposed Allocation to HJH and Proposed Acquisition and all directors in respect of their respective Proposed Allocations of Awards) recommends the shareholders of Systech vote in favour of the resolutions pertaining to the Proposals, Proposed Allocation to HJH and Proposed Allocations of Awards to be tabled at the Company's forthcoming EGM.</p>

Systech^{201001012883 (897114-T)}**Bhd**

Smarter Solutions

Registration No.: 201001012883 (897114-T)
Incorporated in Malaysia

Registered Office:

Level 5, Tower 8
Avenue 5, Horizon 2
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan

3 April 2024

Board of Directors:

Chan Soon Tat (*Non-Independent Non-Executive Chairman*)
Lee Choon Teng (*Executive Director / Group Chief Executive Officer*)
Teoh Keng Chang (*Executive Director*)
Hong Boon Toh (*Senior Independent Non-Executive Director*)
Fong Sheng Nie (*Independent Non-Executive Director*)
Ooi Gin Hui (*Independent Non-Executive Director*)

To: The Shareholders of Systech Bhd

Dear Sir/Madam,

- (I) PROPOSED SHARES ISSUANCE;**
- (II) PROPOSED ACQUISITION;**
- (III) PROPOSED BONUS ISSUE OF WARRANTS; AND**
- (IV) PROPOSED ESS**

(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 22 December 2023, Malacca Securities had on behalf the Board, announced the following:

- (i) Systech had on 22 December 2023 entered into the Subscription Agreements with the Subscribers, for the proposed shares issuance of up to 144,000,000 Subscription Shares, representing approximately 29.4% of the enlarged total number of issued Shares (excluding treasury shares) after the shares issuance, for the Subscription Consideration of RM51,840,000, subject to the terms and conditions of the Subscription Agreements;
- (ii) Systech (as the Purchaser) had on 22 December 2023 entered into a conditional share sale agreement with the Vendors for the proposed acquisition of 552,255 Sale Shares, representing the entire equity interest of Wilstech, for the Purchase Consideration of RM75,000,000, to be satisfied via the Cash Consideration of RM20,000,000 and the remaining RM55,000,000 to be settled via the issuance of 152,777,777 Consideration Shares at the Issue Price of RM0.36 per Consideration Share, subject to the terms and conditions of the SSA;

- (iii) Systech proposed to undertake a bonus issue of up to 160,656,399 Warrants on the basis of 1 Warrant for every 4 existing Systech Shares held by the Entitled Shareholders on an entitlement date to be determined and announced later; and
- (iv) Systech proposed to establish a Scheme of up to 15.0% of the total number of issued Shares (excluding treasury shares) at any point in time during the tenure of the Scheme for Eligible Persons (excluding dormant subsidiaries, if any).

On 11 March 2024, Malacca Securities had on behalf of the Board, announced that Systech and the Vendors had entered into a supplemental agreement to vary the terms of the SSA entered into between Systech and the Vendors on 22 December 2023 to provide clarity on the Profit Guarantee mechanism as follows:

Existing clauses	Post amendments
<p><u>Clause 5.2(b)</u></p> <p>If Wilstech fails to achieve the Profit Guarantee and the actual PAT for FPE 31 March 2025 is below RM3,000,000.00 only, there will not be any release of Security Amount to LMY and the Security Amount shall be <u>forfeited and to be returned</u> to the Purchaser (in the form of cash or shares at the election of the Purchaser).</p> <p>In addition to the foregoing, LMY shall cause and procure himself and SeaCap to refund (<u>in the form of cash or shares at the election of the Purchaser</u>) the Purchase Consideration received by said parties to the Purchaser which shall be computed and determined in accordance with the following:-</p> <p><u>For LMY</u></p> <p>$((RM3,000,000.00 - \text{Actual PAT for FPE 31 March 2025}) / RM3,000,000.00) \times (431,719 / 542,170) \% \times RM45,000,000.00$</p> <p><u>For SeaCap</u></p> <p>$((RM3,000,000.00 - \text{Actual PAT for FPE 31 March 2025}) / RM3,000,000.00) \times (110,451 / 542,170) \% \times RM45,000,000.00$</p>	<p><u>Clause 5.2(b)</u></p> <p>If Wilstech fails to achieve the Profit Guarantee and the actual PAT for FPE 31 March 2025 is below RM3,000,000.00 only, there will not be any release of Security Amount to LMY and the Security Amount shall be <u>refunded</u> to the Purchaser.</p> <p>In addition to the foregoing, LMY shall cause and procure himself and SeaCap to refund (<u>in the form of cash</u>) the Purchase Consideration received by said parties to Purchaser which shall be computed and determined in accordance with the following:</p> <p><u>For LMY</u></p> <p>$((RM3,000,000.00 - \text{Actual PAT for FPE 31 March 2025}) / RM3,000,000.00) \times (431,719 / 542,170) \% \times RM45,000,000.00$</p> <p><u>For SeaCap</u></p> <p>$((RM3,000,000.00 - \text{Actual PAT for FPE 31 March 2025}) / RM3,000,000.00) \times (110,451 / 542,170) \% \times RM45,000,000.00$</p>
<p><u>Clause 5.2(c)</u></p> <p>If Wilstech fails to achieve the Profit Guarantee but the actual PAT for FPE 31 March 2025 is above RM3,000,000.00 (Ringgit Malaysia Three Million) only, the Security Amount to be released to LMY shall be computed and determined by the cumulative amount of the following:-</p> <p>(i) $(\text{Actual PAT for FPE 31 March 2025} - RM3,000,000.00) / RM2,000,000.00 \times RM5,000,000.00$; and</p>	<p><u>Clause 5.2(c)</u></p> <p>If Wilstech fails to achieve the Profit Guarantee but the actual PAT for FPE 31 March 2025 is above RM3,000,000.00 (Ringgit Malaysia Three Million) only, the Security Amount to be released to LMY shall be computed and determined by the cumulative amount of the following:-</p> <p>(i) $(\text{Actual PAT for FPE 31 March 2025} - RM3,000,000.00) / RM2,000,000.00 \times RM5,000,000.00$; and</p>

Existing clauses	Post amendments
<p>(ii) (Actual PAT for FPE 31 March 2025 - RM3,000,000.00) / RM2,000,000.00 x 69,444,445 Systech Shares,</p> <p>of which balance thereof shall be <u>forfeited and to be returned</u> to the Purchaser <u>(in the form of cash or shares at the election of the Purchaser)</u>.</p>	<p>(ii) (Actual PAT for FPE 31 March 2025 - RM3,000,000.00) / RM2,000,000.00 x 69,444,445 Systech Shares,</p> <p>of which balance thereof shall be <u>refunded</u> to the Purchaser.</p>
<p><u>Clause 5.2(d)</u></p> <p>In the event Wilstech records an audited loss after tax for FPE 31 March 2025, there will not be any release of Security Amount to LMY and the Security Amount shall be <u>forfeited and to be returned</u> to the Purchaser <u>(in the form of cash or shares at the election of the Purchaser)</u>.</p> <p>In addition to the foregoing, LMY shall cause and procure himself and SeaCap to refund <u>(in the form of cash or shares at the election of the Purchaser)</u> the Purchase Consideration received by said parties to the Purchaser which shall be computed and determined in accordance with the following:-</p> <p><u>For LMY</u> (431,719 / 542,170) % x RM45,000,000.00</p> <p><u>For SeaCap</u> (110,451 / 542,170) % x RM45,000,000.00</p>	<p><u>Clause 5.2(d)</u></p> <p>In the event Wilstech records an audited loss after tax for FPE 31 March 2025, there will not be any release of Security Amount to LMY and the Security Amount shall be <u>refunded</u> to Purchaser.</p> <p>In addition to the foregoing, LMY shall cause and procure himself and SeaCap to refund <u>(in the form of cash)</u> the Purchase Consideration received by said parties to Purchaser which shall be computed and determined in accordance with the following:-</p> <p><u>For LMY</u> (431,719 / 542,170) % x RM45,000,000.00</p> <p><u>For SeaCap</u> (110,451 / 542,170) % x RM45,000,000.00</p>
<p><u>Clause 5.2(f)</u></p> <p>Security Amount (in the form of Systech Shares) to be <u>forfeited, returned and refunded</u> to the Purchaser as stipulated above shall be disposed of and/or cancelled at the discretion of the Purchaser subject to all necessary approvals, orders and/or consents being obtained.</p>	<p><u>Clause 5.2(f)</u></p> <p>Security Amount (in the form of Systech Shares) to be <u>refunded</u> to the Purchaser as stipulated above shall be disposed of <u>in open market</u> and/or cancelled at the discretion of the Purchaser subject to all necessary approvals, orders and/or consents being obtained.</p>

On 22 March 2024, Malacca Securities had on behalf of the Board, announced that Bursa Securities had vide its letter dated 22 March 2024 resolved to approve the listing and quotation of the Subscription Shares, Consideration Shares, Warrants and new Shares to be issued pursuant to the exercise of Warrants and Proposed ESS as well as the admission of the Warrants to the Official List of Bursa Securities subject to the conditions set out in Section 12 of Part A of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE SHAREHOLDERS WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK SHAREHOLDERS' APPROVAL FOR THE RESOLUTIONS ON THE PROPOSALS, PROPOSED ALLOCATION TO HJH AND PROPOSED ALLOCATIONS OF AWARDS TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF THE EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH PART B OF THIS CIRCULAR COMPRISING THE INDEPENDENT ADVICE LETTER FROM THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSED ACQUISITION AS WELL AS THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS, PROPOSED ALLOCATION TO HJH AND PROPOSED ALLOCATIONS OF AWARDS TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.

2. PROPOSED SHARES ISSUANCE

The Proposed Shares Issuance entails the issuance of up to 144,000,000 Subscription Shares.

2.1 Shares issuance size

As at LPD, Systech has an issued share capital of 345,847,820 Shares (excluding 1,860,000 treasury shares).

Upon completion of the Proposed Shares Issuance, the issued share capital of Systech will increase from 345,847,820 Shares to 489,847,820 Shares. The Subscription Shares represent 29.4% of the enlarged issued Shares of Systech upon completion of the Proposed Shares Issuance. For information, the Subscription Shares represent approximately 22.4% of the enlarged issued shares of Systech upon completion of the Proposed Shares Issuance and Proposed Acquisition.

2.2 Shares issuance arrangement

On 22 December 2023, Systech had entered into the Subscription Agreements with the following Subscribers to subscribe for a total of 144,000,000 Subscription Shares at the Subscription Price of RM0.36 each:

Subscribers	Number of Subscription Shares	Subscription proceeds RM	Percentage over total Subscription Shares %	Percentage over Systech's existing share capital ^(a) %	Percentage over Systech's enlarged share capital after the Proposed Shares Issuance ^(b) %	Percentage over Systech's enlarged share capital after the Proposed Shares Issuance and Proposed Acquisition ^(c) %
HJH	72,222,600	26,000,000	50.2	20.9	14.7	11.2
Lim Chin Horng	27,777,700	10,000,000	19.3	8.0	5.7	4.3
Lau Kok Fui	13,888,800	5,000,000	9.6	4.0	2.8	2.2
Lee Choon Hee	13,888,800	5,000,000	9.6	4.0	2.8	2.2
Lee Min Huat	11,111,100	4,000,000	7.7	3.2	2.3	1.7
Tan Chor Khai	2,777,700	1,000,000	2.0	0.8	0.6	0.4
Lam Yeow Yin	2,333,300	840,000	1.6	0.7	0.5	0.4
Total	144,000,000	51,840,000	100.0	41.6	29.4	22.4

Notes:-

- (a) Based on 345,847,820 Systech Shares (excluding 1,860,000 treasury shares) as at LPD.
- (b) Based on the enlarged issued Shares of 489,847,820 Shares (excluding 1,860,000 treasury shares) after the Proposed Shares Issuance.
- (c) Based on the enlarged issued Shares of 642,625,597 Shares (excluding 1,860,000 treasury shares) after the Proposed Shares Issuance and Proposed Acquisition.

For information, HJH is an indirect Major Shareholder of Systech via his interest in SCSB (via his interest in JCap). Please refer to Section 2.3(i) of Part A of this Circular for further details on HJH.

The salient terms of the Subscription Agreements are set out in **Appendix I** of this Circular.

2.3 Details of Subscribers

(i) HJH, Malaysian, aged 36

HJH is the partner of SeaCap (please refer to Section 3.1(ii) of Part A of this Circular for more details in relation to SeaCap) and the sole director and sole shareholder of PE Capital Limited.

HJH graduated with a Master of Business Administration from Anglia Ruskin University, United Kingdom.

As at LPD, he does not hold directorship in any public listed companies but he holds directorships in several private companies.

As at LPD, HJH indirectly holds 180,687,820 Systech Shares (via SCSB (deemed interested by virtue of his interest in JCap, who holds 49.9% equity interest in SCSB)), representing 52.2% equity interest in Systech.

(ii) Lim Chin Horng, Malaysian, aged 54

Lim Chin Horng is the Managing Director and a substantial shareholder of Econframe Berhad, a public company listed on ACE Market of Bursa Securities.

As at LPD, save for his directorship in Econframe Berhad, he does not hold directorship in other public listed companies. He also holds directorships in several private companies.

As at LPD, Lim Chin Horng does not hold any Systech Shares.

(iii) Lau Kok Fui, Malaysian, aged 62

Lau Kok Fui is an Executive Director of MDT Innovations Sdn Bhd, a private company involved in the provision of IT solutions.

As at LPD, he does not hold directorship in any public listed companies but he holds directorships in several private companies.

As at LPD, Lau Kok Fui does not hold any Systech Shares.

(iv) Lee Choon Hee, Malaysian, aged 53

Lee Choon Hee was an Executive Director of Paragon Union Bhd, a public company listed on Main Market of Bursa Securities. He had resigned from the position on 28 February 2022.

As at LPD, he does not hold directorship in any public listed companies but he holds directorship in a private company.

As at LPD, Lee Choon Hee does not hold any Systech Shares.

(v) Lee Min Huat, Malaysian, aged 66

Lee Min Huat is the Executive Chairman of Scope Industries Berhad, a public company listed on ACE Market of Bursa Securities and an Executive Director of Menang Corporation (M) Berhad, a public company listed on Main Market of Bursa Securities.

As at LPD, save for his aforementioned directorships, he does not hold directorship in other public listed companies but he holds directorships in several private companies.

As at LPD, Lee Min Huat does not hold any Systech Shares.

(vi) Tan Chor Khai, Malaysian, aged 42

Tan Chor Khai is the Chief Executive Officer of Data Ascend Sdn Bhd, a private company involved in software development, research and analysis, IT consulting and managed services.

As at LPD, he does not hold directorship in any public listed companies but he holds directorships in several private companies.

As at LPD, Tan Chor Khai does not hold any Systech Shares.

(vii) Lam Yeow Yin, Malaysian, aged 57

Lam Yeow Yin is the Director of Lamsco Properties Sdn Bhd, a private company involved in wholesale and real estate activities.

As at LPD, he does not hold directorship in any public listed companies but he holds directorships in several private companies.

As at LPD, Lam Yeow Yin does not hold any Systech Shares.

2.4 Basis of determining and justification for the Subscription Price

The Subscription Price of RM0.36 per Subscription Share was negotiated and determined by Systech after taking into consideration, amongst others, the following:

- (i) the funding requirements of the Group to fund the purposes set out in Section 2.7 of Part A of this Circular;
- (ii) Systech Group has been recording losses for the past 4 consecutive FYEs 31 March 2020 to 31 March 2023. For the 9-month FPE 31 December 2023, Systech Group recorded a loss after tax and minority interest of RM1.7 million;
- (iii) the unaudited consolidated NA per Share of Systech of 5.86 sen as at 30 September 2023. For information, the audited consolidated NA per Share of Systech as at 31 March 2023 is 5.87 sen and the unaudited consolidated NA per Share of Systech as at 31 December 2023 is 5.49 sen; and
- (iv) the historical trading prices of Systech Shares for the past 12-months up to LTD, of RM0.21 to RM0.62.

For information, the Subscription Price of RM0.36 represents a discount to the following VWAP of Systech Shares up to LTD and LPD:

Up to LTD	Discount of the Subscription Price to the VWAP		
	VWAP	RM	%
	RM	RM	%
- 5-day	0.4337	0.0737	17.0
- 1-month	0.4511	0.0911	20.2
- 3-month	0.5063	0.1463	28.9
- 6-month	0.4629	0.1029	22.2
- 12-month	0.4108	0.0508	12.4

Up to LPD	Discount of the Subscription Price to the VWAP		
	VWAP	RM	%
	RM	RM	%
- 5-day	0.4144	0.0544	13.1
- 1-month	0.4277	0.0677	15.8
- 3-month	0.4554	0.0954	20.9
- 6-month	0.5013	0.1413	28.2
- 12-month	0.4414	0.0814	18.4

The Subscription Price was fixed upfront to procure the Subscribers' commitment to subscribe for the Subscription Shares and to ensure that Systech will be able to raise the proceeds for the purposes as set out in Section 2.7 of Part A of this Circular.

The Board is of the opinion that the discount of 17.0% to the 5-day VWAP up to LTD for the Subscription Shares is reasonable after taking into consideration, amongst others, the unaudited consolidated NA per Share of Systech of 5.86 sen as at 30 September 2023, which is substantially lower than the closing price of Systech Shares of RM0.43 as at LTD and that the Group had been recording losses for the past 4 FYEs 31 March 2020 to 31 March 2023. The discount is to compensate for the difference between the NA and market price of Systech Shares, and to attract the Subscribers to subscribe for the Subscription Shares notwithstanding that the Group had been recording losses. For information, the Board had taken into consideration the NA per Share of Systech as a basis of comparison as Systech Group had been recording loss after taxation and minority interest for the past 4 financial years. In view thereof, the Board is of the view that NA will be the most appropriate approach to value the equity of the Company after deducting all the liabilities from the total assets.

For information, Systech Shares have been trading at a range of RM0.1500 (15 September 2022) to RM0.4100 (24 August 2023) for the last 12 months up to 5 September 2023, being the date immediately prior to the notice of MGO by SCSB, through Malacca Securities, to acquire all the remaining Systech Shares not already owned by the ultimate offeror (LCL), offeror (SCSB) and persons acting in concert with them (JCap, SJW and LMY). The Subscription Price of RM0.36 represents a premium/(discount) to the following VWAP of Systech Shares up to 5 September 2023:

Up to 5 September 2023	Premium / (Discount) of the Subscription Price to the VWAP		
	VWAP	RM	%
	RM	RM	%
- 5-day	0.3789	(0.0189)	(5.0)
- 1-month	0.3746	(0.0146)	(3.9)
- 3-month	0.3611	(0.0011)	(0.3)
- 6-month	0.3453	0.0147	4.3
- 12-month	0.3209	0.0391	12.2

2.5 Ranking of the Subscription Shares

The Subscription Shares shall, upon allotment and issuance, rank equally in all respects with the existing Systech Shares, save and except that the Subscription Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid for which the entitlement date precedes the date of issuance and allotment of the said Subscription Shares.

2.6 Listing and quotation of the Subscription Shares

Bursa Securities had vide its letter dated 22 March 2024, approved the listing and quotation of up to 144,000,000 Subscription Shares to be issued pursuant to the Proposed Shares Issuance as set out in Section 12 of Part A of this Circular, subject to the conditions set out therein.

2.7 Utilisation of proceeds

Based on the Subscription Price of RM0.36 per Subscription Share, Systech expects to raise total proceeds of approximately RM51.8 million from the Proposed Shares Issuance, which Systech Group proposes to utilise as follows:

<u>Details of utilisation</u>	<u>Notes</u>	<u>Estimated timeframe for utilisation from receipt of proceeds</u>	<u>Amount</u> RM'000
Payment for the Cash Consideration	(i)	Within 3 months	20,000
Payment for the acquisition of TCAI	(ii)	Within 3 months	6,000
General working capital	(iii)	Within 24 months	23,340
Estimated expenses for the Proposals	(iv)	Within 6 months	2,500
Total estimated proceeds			51,840

Notes:-

(i) Payment for the Cash Consideration

On 22 December 2023, Systech and the Vendors had entered into the SSA for the Proposed Acquisition. Systech had earmarked RM20.0 million from the proceeds of the Proposed Shares Issuance for the payment for the Cash Consideration.

Please refer to Section 3 of Part A of this Circular for further details in relation to the Proposed Acquisition.

In the event that the Proposed Acquisition is not being approved by the Company's shareholders and/or not complete pursuant to the SSA, the proceeds will then be allocated to be utilised as the Group's working capital as set out in Section 2.7, Note (iii) of Part A of this Circular.

(ii) Payment for the acquisition of TCAI

On 13 February 2023, Systech had entered into a conditional share sale agreement with Sea Capital Holdings Sdn. Bhd. to acquire 240,000 ordinary shares in TCAI, representing 80.0% equity interest in TCAI for a total cash consideration of RM14.4 million which shall be paid as follows:

- (a) RM8.4 million which shall be paid within 14 business days from the completion of the said acquisition, out of which consent had been obtained from Sea Capital Holdings Sdn. Bhd. on 9 June 2023 for payment of RM1.8 million to be deferred to be paid within 6 months from the completion of the said acquisition; and
- (b) RM6.0 million which shall be paid to an appointed stakeholder within 6 months from the completion of the said acquisition and such RM6.0 million will be retained by the appointed stakeholder upon the profit guarantees being achieved. The Company and Sea Capital Holdings Sdn. Bhd. had on 15 November 2023 via an exchange of letter agreed for the payment of the said RM6.0 million to be deferred to be paid by 6 April 2024.

The acquisition of 80.0% equity interest in TCAI had been completed on 7 July 2023 and the first payment of RM6.6 million and RM1.8 million had been made to Sea Capital Holdings Sdn. Bhd. on 14 July 2023 and 27 September 2023 respectively. The remaining RM6.0 million had not been made to the appointed stakeholder as at LPD and Systech had earmarked RM6.0 million of the proceeds from the Proposed Shares Issuance for the said payment.

(iii) General working capital

The RM23.3 million proceeds earmarked for the general working capital of the Group are intended to be utilised as follows:

	<u>RM'000</u>
(a) IoT projects ^(aa)	18,000
(b) Staff costs which include staff salaries, Directors' remuneration and contributions to the Employees Provident Fund Board and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board	4,000
(c) General administrative expenses such as rental, utilities, office maintenance (i.e. repair and maintenance for office equipment and vehicles), maintenance of property, plant and equipment, printing costs, postages, marketing expenses and compliance expenses such as audit (internal & external), company secretarial and share registrar expenses, legal, listing and payment to corporate advisers.	1,340
	<u>23,340</u>

For information, Systech Group's unaudited cash and cash equivalents balances stood at RM5.4 million as at 31 March 2024. The Group is of the view that the Proposed Shares Issuance will enable the Group to raise additional funds expediently for primarily its IoT projects without incurring additional interest cost or having to service principal repayments as compared to bank borrowings as well as enable them to commence its IoT projects as soon as such projects are being secured.

Note:-

- (aa) On 21 December 2023, Systech IOT Solutions Sdn Bhd, a wholly-owned subsidiary of Systech (“**Systech IOT**”) had entered into a linen management platform agreement with 3 hotels in Indonesia for the implementation of tracking and tracing on the invested linen using radio frequency identification (“**RFID**”) (“**IoT Contract**”). Systech IOT is a provider of IoT-based linen services and offers solutions through an RFID-based linen management system. The agreement is for an amount of RM0.8 million to be recognised over a period of 3 years commencing from 21 December 2023 to 21 December 2026.

Based on the IoT Contract, Systech IOT has agreed to provide IoT-embedded hotel linens as a service to the 3 hotels in Indonesia. As part of the arrangement for subscription of IoT-embedded hotel linens, the 3 hotels and the operator appointed by Systech IOT will designate and involve the laundry plant to fulfil all laundry service requirements of the hotels. This includes laundering staff uniforms as well as addressing the laundry needs of the hotels’ housekeeping services.

In addition to the aforementioned IoT Contract, the Group is also currently in discussions with several parties for the provision of IoT related services as follows:

<u>Location of customer</u>	<u>Nature of the contracts</u>	<u>Commencement date of the discussion</u>	<u>Estimated contract duration</u>	<u>Estimated contract value</u>
				RM’000
Malaysia	Development, supply, implementation and monitoring of smart building and facilities management solution for property developer	January 2024	3 years	656
	Development, supply, implementation and monitoring of asset management system for hospital	February 2024	3 years	3,440
	Development, supply, implementation and monitoring of nurse call system for hospital	February 2024	3 years	944
	Design, development, supply and implementation of motor vehicle IoT devices	February 2024	3 years	12,600
	Design, development, supply and implementation of agriculture IoT system	January 2024	3 years	7,500
Dubai	Development, supply, implementation and monitoring of smart building and facilities management solution for automobile showrooms	February 2024	3 years	1,420
Indonesia	Development and implementation of RFID-based linen management for 10 hotels	November 2023	3 years	7,600

<u>Location of customer</u>	<u>Nature of the contracts</u>	<u>Commencement date of the discussion</u>	<u>Estimated contract duration</u>	<u>Estimated contract value</u> RM'000
Singapore	Provide global connectivity services through e-sim for IOT devices	February 2024	5 years	565
				34,725

The above discussions are expected to be concluded by the 2nd quarter of 2024.

As such, the Group had earmarked up to RM18.0 million for IoT related projects to be procured (including the above RFID-based linen management contracts procured and/or to be procured). Save for the 3 hotels in Indonesia as aforementioned, there is no new projects being finalised as at LPD. The Company will make the necessary announcement(s) in accordance with the Listing Requirements and seek shareholders' approval (if required) as and when our Company has finalised such projects.

Any deviation in the allocation for IoT projects will be adjusted to other general working capital of the Group (i.e. staff costs and general administrative expenses).

(iv) Estimated expenses for the Proposals

The breakdown of estimated expenses for the Proposals is illustrated below:

<u>Details of utilisation</u>	<u>RM'000</u>
Professional fees ^(a)	1,650
Fees to relevant authorities	250
Printing, despatch, meeting expenses and miscellaneous expenses	600
	2,500

Note:-

- (a) Comprised estimated professional fees payable to the principal adviser, independent adviser, company secretary, solicitors, due diligence advisers, reporting accountants and share registrar for the Proposals.

Any deviation in the amount allocated for the estimated expenses for the Proposals will be adjusted to/from the amount allocated for the general working capital of the Group as stated in Note (iii)(c) of Section 2.7 above.

In the event the gross proceeds raised from the Proposed Shares Issuance is less than RM51.8 million, the proceeds will be utilised in the following priority:

- (i) estimated expenses for the Proposals;
- (ii) payment for the Cash Consideration;
- (iii) payment for the acquisition of TCAI; and
- (iv) general working capital.

Pending the utilisation of proceeds from the Proposed Shares Issuance, the proceeds shall be placed in a profit-bearing bank account, as deposits with licensed financial institution(s) and/or in short-term money market instruments, as the Board deems fit. The Group proposes to utilise such interest/profits arising from the deposits/financial instruments to finance the Group's working capital, including but not limited to payment of staff salaries, payment of trade creditors as well as defrayment of operational and administrative expenses, such as office maintenance (i.e. repair and maintenance for office equipment and vehicles), utilities, rental and other office operating expenses (i.e. insurance and office supplies), within 12 months from the date proceeds are received. The actual breakdown cannot be determined at this juncture as it will depend on, amongst others, the quantum of the interests/profits arising from the deposits/financial instruments as well as the working capital requirements of the Group at the relevant time.

2.8 Fund raising exercises undertaken in the past 12 months

Systech has not undertaken any equity fundraising exercises in the past 12 months prior to the Announcement.

3. PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition by Systech from the Vendors of 552,255 Sale Shares, representing the entire equity interest of Wilstech, for the Purchase Consideration of RM75.0 million, which shall be satisfied as follows:

Name of Vendors	Number of Sale Shares	Percentage over total Sale Shares %	Cash Consideration^(a) (A) RM	Value of Consideration Shares^(b) (B) RM	Purchase Consideration (A + B) (A + B) RM	Number of Consideration Shares^(c)
LMY	431,719	78.2	18,630,388.14	40,000,000.00	58,630,388.14	111,111,111
SeaCap	110,451	20.0	-	15,000,000.00	15,000,000.00	41,666,666
MTB	10,085	1.8	1,369,611.86	-	1,369,611.86	-
	552,255	100.0	20,000,000.00	55,000,000.00	75,000,000.00	152,777,777

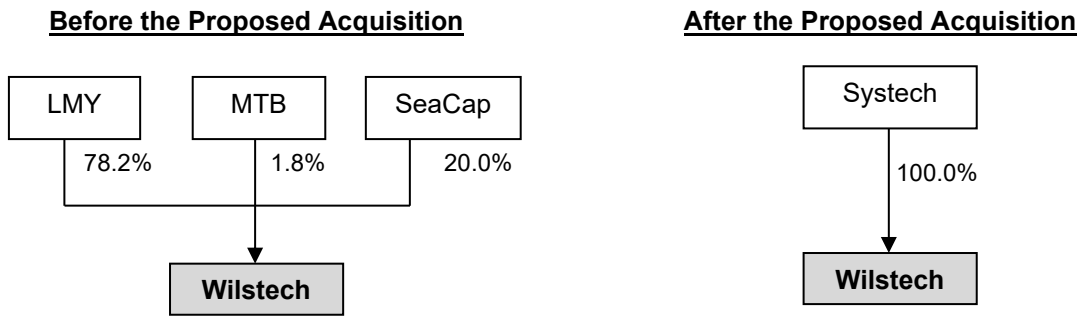
Notes:-

- (a) To be paid within 14 business days from the completion of the Proposed Acquisition.
- (b) To be allotted within 14 business days from from the completion of the Proposed Acquisition.
- (c) The Board had fixed the Issue Price of Consideration Shares at RM0.36 each.

The Sale Shares to be acquired shall be free from all interest of any person, mortgages, charges, liens, and encumbrances and with full legal and beneficial title and all rights attaching thereto (including all bonuses, rights, dividends and distributions declared, made and paid, in respect thereof) as from the date of completion of the Proposed Acquisition.

The salient terms of the SSA are set out in **Appendix II** of this Circular.

The shareholding structure before and after the Proposed Acquisition is depicted below:



Upon completion of the Proposed Acquisition, Wilstech will become a wholly-owned subsidiary of Systemtech. Further details of Wilstech are set out in Section 3.2 of Part A of this Circular.

In view of the interests of the Directors, Major Shareholders and the persons connected to them in the Proposed Acquisition as set out in Section 13 of Part A of this Circular, the Proposed Acquisition is deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements. Accordingly, TA Securities had been appointed by the Board on 22 December 2023 to act as an Independent Adviser to advise the non-interested directors and non-interested shareholders of Systemtech in respect of the Proposed Acquisition.

3.1 Information on the Vendors

(i) LMY, Malaysia, aged 36

LMY is the Founder and the Chief Executive Officer of Wilstech since Wilstech's establishment in 2018. He is the sole director of Wilstech.

LMY graduated from the Asia Metropolitan University in Malaysia with an International Executive Master in Business Administration (General Management) in year 2022.

LMY has more than 10 years of experience in the IT industry. He started his career as an Operation Executive with Cubinet Interactive Sdn. Bhd., a company principally involved in the development and publishing of online gaming products for the personal computer, browser, and mobile platforms in the South East Asia market, in year 2010. He was then being promoted to Assistant Manager in year 2012 and Overseas Operation Manager in year 2015. He had gained extensive experience in project management and the IT industry. In year 2016, he started Wilstech IT Smart Solutions (a partnership enterprise) whilst being employed under Cubinet Interactive Sdn. Bhd. Wilstech IT Smart Solutions started as a supplier of IT hardware and work stations to government agencies, and was subsequently dissolved in year 2022.

In year 2018, LMY established Wilstech Sdn. Bhd. (a private limited company) after he left Cubinet Interactive Sdn. Bhd. and ventured into software and application development.

As at LPD, he does not hold directorship in any public listed companies but holds directorships in several private limited companies.

As at LPD, he holds 431,719 ordinary shares in Wilstech, representing 78.2% equity interest of Wilstech.

(ii) SeaCap, Cayman Islands

SeaCap was incorporated in Cayman Islands on 10 August 2020 as an exempted limited partnership under Exempted Limited Partnership Law 2018 of Cayman Islands with its registered office at c/o Hermes Corporate Services Ltd., P.O. Box 31493, George Town, Grand Cayman KY1-1206, Cayman Islands.

As at LPD, SeaCap is a private fund that is principally involved in the business of investment holding.

As at LPD, the partners in SeaCap are as follows:

<u>Name</u>	<u>Country of Incorporation / Nationality</u>	<u>Cash contribution</u>
PE Capital Limited ^(a)	Cayman Islands	USD1
HJH	Malaysian	USD1

Note:-

(a) HJH is the sole director and sole shareholder of PE Capital Limited.

As at LPD, HJH holds indirect 180,687,820 Systech Shares (via SCSB) (deemed interested by virtue of his interest in JCap, who holds 49.9% equity interest in SCSB), representing 52.2% equity interest in Systech. For information, the remaining 50.1% equity interest in SCSB is held by the controlling shareholder, LCL.

As at LPD, SeaCap holds 110,451 ordinary shares in Wilstech, representing 20.0% equity interest of Wilstech.

(iii) MTB, Malaysia

MTB is a wholly-owned subsidiary of Malayan Banking Berhad, a financial institution listed on Main Market of Bursa Securities. MTB is principally involved in provision of trustee services.

As at LPD, MTB holds 10,085 ordinary shares in Wilstech for the benefit of Securities Commission Malaysia Co-Investment Fund (MyCIF), representing 1.8% equity interest of Wilstech.

3.2 Information on Wilstech

Wilstech was incorporated in Malaysia on 21 June 2018 as a private limited company under the Act with its registered office at A-1-3, Northpoint Office Tower A, Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur.

Wilstech commenced its operation since July 2018 and is principally involved in provision of services on software and applications development, data communication and management, network and cybersecurity solutions, artificial intelligence and automation, and other related IT services as well as supply of IT hardware and other peripherals. Its principal place of business located at Unit 19-2, The Boulevard, Lingkaran Syed Putra, Mid Valley City, 59200 Kuala Lumpur, Malaysia.

As at LPD, LMY is the sole director of Wilstech. He is a Malaysian.

As at LPD, Wilstech has an issued share capital of RM2,022,043 comprising 552,255 ordinary shares. As at LPD, the shareholders of Wilstech are as follows:

Name	Nationality / Country of incorporation	Direct Interest		Indirect Interest	
		Number of shares	%	Number of shares	%
LMY	Malaysian	431,719	78.2	-	-
SeaCap	Cayman Islands	110,451	20.0	-	-
PE Capital Limited	Cayman Islands	-	-	^(a) 110,451	20.0
HJH	Malaysian	-	-	^(b) 110,451	20.0
MTB	Malaysia	10,085	1.8	-	-
		552,255	100.0		

Notes:-

- (a) Deemed interested by virtue of its interest in SeaCap.
- (b) Deemed interested by virtue of his interests in SeaCap and PE Capital Limited.

Kindly refer to **Appendix III** of Part A of this Circular for further information on Wilstech.

3.3 Profit Guarantee

In consideration of Systech acquiring Wilstech, LMY irrevocably and unconditionally guarantees and undertakes to Systech that Wilstech shall achieve an audited PAT of not less than RM5.0 million for the 12M FPE2025.

For the purpose of computation of the PAT and determination of the performance of the Profit Guarantee, the PAT shall be based on the Certified Account, which shall in the absence of manifest error, be conclusive, final and binding on the parties.

As the security for the performance of the Profit Guarantee, Systech and LMY agree that part of the Purchase Consideration payable to LMY as follows:

- (i) RM5.0 million from the Cash Consideration payable to LMY; and
- (ii) RM25.0 million worth of Consideration Shares, amounting to 69,444,445 Systech Shares payable to LMY,

shall be placed with the Stakeholder as security for the performance of the Profit Guarantee. For clarification purpose, all rights, economic benefits and interest accrued from the Pledged Shares during the security period shall belong to LMY.

For information, the Security Amount (i.e. aggregating RM30.0 million) has been arrived at based on the following:

- (i) difference between the Profit Guarantee amount (i.e. RM5.0 million) and Wilstech assumed historical PAT of RM3.0 million (i.e. RM5.0 million – RM3.0 million = RM2.0 million). For information, the assumed historical PAT of RM3.0 million was agreed between the Company and the Vendors after taking into consideration Wilstech historical PAT. For information, Wilstech recorded PAT of RM3.2 million for FYE 31 August 2023; and
- (ii) P/E multiple of 15.0 times (being the same P/E multiple in arriving at the Purchase Consideration as set out in Section 3.4 of Part A of this Circular).

The assumed historical PAT was derived based on the average of the following:

- (i) the audited PAT of Wilstech of RM3.2 million for the FYE 31 August 2022 (which was subsequently being adjusted to RM1.5 million upon completion of the audit for the FYE 31 August 2023 (after announcement of the Proposals) due to the adjustments as explained in Section 7 of Appendix III of this Circular; and
- (ii) the unaudited PAT of Wilstech of RM3.9 million for the FYE 31 August 2023 (PAT of RM3.7 million based on the audited FYE 31 August 2023, whereby the audit was completed after announcement of the Proposals),

the calculation of which is as set out below:

$$\begin{aligned}\text{Assumed historical PAT} &= (\text{audited PAT of Wilstech for the FYE 31 August 2022} + \\ &\quad \text{unaudited PAT of Wilstech for the FYE 31 August 2023}) / 2 \\ &= (\text{RM3.2 million} + \text{RM3.9 million}) / 2 \\ &= \text{RM7.1 million} / 2 \\ &= \text{RM3.5 million} \approx \text{assumed RM3.0 million (rounded down)}\end{aligned}$$

For information, the Security Amount which shall be placed with the Stakeholder represents 6.0 times of the Profit Guarantee amount. The Security Amount is in excess of the Profit Guarantee amount (instead of being equivalent to the Profit Guarantee amount) as it is akin to an “earn-out” provision whereby the Vendors have to deliver the Profit Guarantee to receive the full Purchase Consideration of RM75.0 million. For avoidance of doubt, in the event Wilstech only deliver the assumed historical PAT of RM3.0 million for the 12M FPE2025, the Vendors will only receive a consideration of RM45.0 million (which will be paid upon completion of the Proposed Acquisition) and that the Security Amount which is in the control by Systech (retained with Stakeholder) will be refunded to Systech. Such Profit Guarantee mechanism (as set out in the later part of this Section 3.3) is negotiated by Systech to ensure the performance by Wilstech of the Profit Guarantee and that such Profit Guarantee mechanism is in the interest of the Company.

In summary, the payment for the total Purchase Consideration of RM75.0 million was arrived at on the following basis:-

- (i) RM45.0 million (to be paid upon completion of the Proposed Acquisition): arrived at based on the assumed historical PAT of RM3.0 million for the 12M FPE2025 and P/E multiple of 15.0 times; and
- (ii) RM30.0 million (Security Amount to be retained with Stakeholder and disbursed to the Vendors only in the event the Profit Guarantee is achieved): arrived at based on the difference between the Profit Guarantee amount of RM5.0 million and the assumed historical PAT of RM3.0 million for the 12M FPE2025, and P/E multiple of 15.0 times. In essence, Wilstech will have to deliver profit in excess of RM3.0 million for the 12M FPE 2025, for the Vendors to be entitled for part/whole of the Security Amount.

For avoidance of doubt, the average historical PAT was used on the date of the announcement of the Proposals as the financials of Wilstech for the FYE 31 August 2023 was not audited then. Since the date of the announcement of the Proposals, the audit for the Wilstech’s financials for the FYE 31 August 2023 has been completed. The assumed historical PAT of Wilstech of approximately RM3.0 million is RM0.7 million lower than the audited PAT of Wilstech for the FYE 31 August 2023 of RM3.7 million.

Based on the Purchase Consideration of RM75.0 million and the Profit Guarantee of RM5.0 million, the Purchase Consideration represents an implied P/E multiple of 15.0 times (RM75.0 million / RM5.0 million). Hence, similar P/E multiple of 15.0 times had been adopted in computing the Security Amount.

The salient features of the Profit Guarantee mechanism are as follows:

- (a) if Wilstech achieves the Profit Guarantee, the Stakeholder shall be authorised to release the whole Security Amount to LMY.
- (b) If Wilstech fails to achieve the Profit Guarantee and the actual PAT for 12M FPE2025 is below RM3.0 million, there will not be any release of Security Amount to LMY and the Security Amount shall be refunded to Systech.

In addition to the foregoing, LMY shall cause and procure himself and SeaCap (who had agreed to the terms of the SSA (including the Profit Guarantee mechanism)) to refund (in the form of cash) the Purchase Consideration received by said parties to Systech which shall be computed and determined in accordance with the following:

For LMY

$$((RM3,000,000.00 - \text{Actual PAT for 12M FPE2025}) / RM3,000,000.00) \times (431,719 / 542,170)\% \times RM45,000,000.00^{(aa)}$$

For SeaCap

$$((RM3,000,000.00 - \text{Actual PAT for 12M FPE2025}) / RM3,000,000.00) \times (110,451 / 542,170)\% \times RM45,000,000.00^{(aa)}$$

- (c) If Wilstech fails to achieve the Profit Guarantee but the actual PAT for 12M FPE2025 is above RM3.0 million, the Security Amount to be released to LMY shall be computed and determined by the cumulative amount of the following:
 - (i) $(\text{Actual PAT for 12M FPE2025} - RM3,000,000.00) / RM2,000,000.00 \times RM5,000,000.00$; and
 - (ii) $(\text{Actual PAT for 12M FPE2025} - RM3,000,000.00) / RM2,000,000.00 \times 69,444,445$ Systech Shares,

of which balance thereof shall be refunded to Systech.

- (d) In the event Wilstech records an audited loss after tax for 12M FPE2025, there will not be any release of Security Amount to LMY and the Security Amount shall be refunded to Systech.

In addition to the foregoing, LMY shall cause and procure himself and SeaCap (who had agreed to the terms of the SSA (including the Profit Guarantee mechanism)) to refund (in the form of cash) the Purchase Consideration received by said parties to Systech which shall be computed and determined in accordance with the following:

For LMY

$$(431,719 / 542,170) \% \times RM45,000,000.00^{(aa)}$$

For SeaCap

$$(110,451 / 542,170) \% \times RM45,000,000.00^{(aa)}$$

- (e) Security Amount to be released/ refunded as stipulated above shall be made, within 14 days from the date of which the Certified Account is made available.

- (f) Security Amount (in the form of Systech Shares) to be refunded to Systech as stipulated above shall be disposed off in open market and/or cancelled at the discretion of Systech subject to all necessary approvals, orders and/or consents being obtained. For information, in the event of disposal of Pledged Shares, in accordance with the Stakeholder Appointment Letter (as defined below in this Section 3.3), Systech may instruct the Stakeholder to, amongst others, dispose the Pledged Shares (which will be held by the Stakeholder in escrow on behalf of LMY) and refund the proceeds thereof to Systech.

Note:-

- (aa) The RM45.0 million has been arrived at based on the assumed historical PAT of Wilstech of approximately RM3.0 million (as stated above), multiplied by the P/E multiple of 15.0 times.

For illustrations:

(i) Scenario I

Wilstech achieves PAT of RM5.0 million for the 12M FPE2025 (reference: Section 3.3(a)):

	<u>Pledged Cash</u>	<u>Pledged Shares</u>
	RM	Number
Security Amount to be transferred to LMY	5,000,000	69,444,445
Security Amount to be refunded to Systech	-	-

Final Purchase Consideration received by the Vendors:

	<u>RM</u>
Purchase Consideration received by the Vendors upon the completion of the Proposed Acquisition	45,000,000
Security amount to be released to LMY	30,000,000
Purchase Consideration to be refunded to Systech	-
	<u>75,000,000</u>

(ii) Scenario II

Wilstech achieves PAT of RM2.0 million for the 12M FPE2025 (reference: Section 3.3(b)):

	<u>Pledged Cash</u>	<u>Pledged Shares</u>
	RM	Number
Security Amount to be transferred to LMY	-	-
Security Amount to be refunded to Systech	5,000,000	^(a) 69,444,445
		<u>RM</u>
Purchase Consideration (in the form of cash) to be refunded to Systech by LMY ^(b)		11,944,196
Purchase Consideration (in the form of cash) to be refunded to Systech by SeaCap ^(c)		3,055,804
		<u>15,000,000</u>

Final Purchase Consideration received by the Vendors:

	<u>RM</u>
Purchase Consideration received by the Vendors upon the completion of the Proposed Acquisition	45,000,000
Security amount to be released to LMY	-
Purchase Consideration to be refunded to Systech	(15,000,000)
	<u>30,000,000</u>

Notes:-

(a) The Security Amount shall be refunded to Systech.

(b) Computed based on the formula below:

$$\begin{aligned} &= ((\text{RM}3,000,000 - \text{Actual PAT for 12M FPE2025}) / \text{RM}3,000,000) \times (431,719 / 542,170)\% \times \text{RM}45,000,000 \\ &= ((\text{RM}3,000,000 - \text{RM}2,000,000) / \text{RM}3,000,000) \times (431,719 / 542,170)\% \times \text{RM}45,000,000 \\ &= \text{RM}11,944,197 \end{aligned}$$

(c) Computed based on the formula below:

$$\begin{aligned} &= ((\text{RM}3,000,000 - \text{Actual PAT for 12M FPE2025}) / \text{RM}3,000,000) \times (110,451 / 542,170)\% \times \text{RM}45,000,000 \\ &= ((\text{RM}3,000,000 - \text{RM}2,000,000) / \text{RM}3,000,000) \times (110,451 / 542,170)\% \times \text{RM}45,000,000 \\ &= \text{RM}3,055,804 \end{aligned}$$

(iii) Scenario III

Wilstech achieves PAT of RM4.0 million for the 12M FPE2025 (reference: Section 3.3(c)):

	<u>Pledged Cash</u>	<u>Pledged Shares</u>
	RM	Number
Security Amount to be transferred to LMY	(a)2,500,000	(b)34,722,222
Security Amount to be refunded to Systech	2,500,000	(c)34,722,223

Final Purchase Consideration received by the Vendors:

	<u>RM</u>
Purchase Consideration received by the Vendors upon the completion of the Proposed Acquisition	45,000,000
Security amount to be released to LMY ^(d)	15,000,000
Purchase Consideration to be refunded to Systech	-
	<u>60,000,000</u>

Notes:-

(a) Computed based on the formula below:

$$= (\text{Actual PAT for 12M FPE2025} - \text{RM3,000,000}) / \text{RM2,000,000} \times \text{RM5,000,000}$$

$$= (\text{RM4,000,000} - \text{RM3,000,000}) / \text{RM2,000,000} \times \text{RM5,000,000}$$

$$= \text{RM2,500,000}$$

(b) Computed based on the formula below:

$$= (\text{Actual PAT for FPE 31 March 2025} - \text{RM3,000,000}) / \text{RM2,000,000} \times 69,444,445 \text{ Systech Shares}$$

$$= (\text{RM4,000,000} - \text{RM3,000,000}) / \text{RM2,000,000} \times 69,444,445 \text{ Systech Shares}$$

$$= 34,722,222 \text{ Systech Shares}$$

(c) The Security Amount shall be refunded to Systech.

(d) Computed as below:

$$= \text{Pledged cash RM2,500,000} + (34,722,222 \text{ Pledged Shares} \times \text{RM0.36})$$

$$= \text{RM15,000,000}$$

(iv) Scenario IV

Wilstech records audited loss after tax of RM2.0 million for the 12M FPE2025 (reference: Section 3.3(d)):

	<u>Pledged Cash</u>	<u>Pledged Shares</u>
	RM	Number
Security Amount to be transferred to LMY	-	-
Security Amount to be refunded to Systech	5,000,000	^(a) 69,444,445
		RM
Purchase Consideration (in the form of cash) to be refunded to Systech by LMY ^(b)		35,832,589
Purchase Consideration (in the form of cash) to be refunded to Systech by SeaCap ^(c)		9,167,411
		<u>45,000,000</u>

Final Purchase Consideration received by the Vendors:

	RM
Purchase Consideration received by the Vendors upon the completion of the Proposed Acquisition	45,000,000
Security amount to be released to LMY	-
Purchase Consideration to be refunded to Systech	<u>(45,000,000)</u>
	<u>-</u>

Notes:-

(a) The Security Amount shall be refunded to Systech.

(b) Computed based on the formula below:

$$= (431,719 / 542,170)\% \times \text{RM}45,000,000$$

$$= \text{RM}35,832,589.41$$

(c) Computed based on the formula below:

$$= (110,451 / 542,170)\% \times \text{RM}45,000,000.00$$

$$= \text{RM}9,167,410.59$$

On 22 December 2023, Systech and LMY had appointed Messrs Julius Leonie Chai as Stakeholder for the Security Amount ("**Stakeholder Appointment Letter**"), the salient terms of which are set out below:-

- (i) Systech and LMY agree that the Security Amount shall be placed with the Stakeholder as security for the performance of the Profit Guarantee.
- (ii) The Stakeholder shall only release and/or refund the Security Amount strictly in accordance with Section 2 of Appendix II of this Circular.
- (iii) In the event of refund to Systech in accordance with Section 2 of Appendix II of this Circular, the Stakeholder shall act on instructions of Systech to:-
 - (a) dispose of the Pledged Shares in open market and to refund the proceeds thereof to Systech; or
 - (b) apply for cancellation of such Pledged Shares,subject to all necessary approvals, orders and/or consents being obtained.
- (iv) The appointment of the Stakeholder shall be terminated upon release of the Security Amount in accordance with the terms and conditions set out in the Appointment Letter.

To ensure the delivery of the Profit Guarantee, Wilstech had on 22 December 2023 entered into a management service agreement with LMY ("**Management Service Agreement**"), details of which are set out below:-

- (i) LMY undertakes to perform his duties and responsibilities as director of Wilstech commencing from 22 December 2023, which shall continue for a period of two (2) years, subject to extension to be mutually agreed between LMY and Wilstech.
- (ii) Wilstech shall pay to LMY a gross monthly salary of RM30,000 per month during the continuance of LMY's appointment.
- (iii) LMY shall abide by his statutory and fiduciary duties to promote the business of the Company in line with governing legislation including without limitation the Act.
- (iv) LMY shall provide management service to Wilstech, including without limitation to the following:
 - (a) overseeing day-to-day operations, management and administration of Wilstech's business;
 - (b) handling sales and marketing;

- (c) protecting intellectual property, managing human resources, and cultivating key business relationships;
 - (d) to ensure the achievement by Wilstech of audited profit after tax of not less than RM5,000,000.00 for 12 months financial period commencing from 1 April 2024 and ending on 31 March 2025 pursuant to the SSA.
- (v) The Management Service Agreement may be terminated by Wilstech without any compensation to LMY upon:
- (a) LMY committing any breach of any of the provisions herein contained; or
 - (b) LMY being found guilty of any serious misconduct or wilful neglect in continually to discharge substantially of his duties; or
 - (c) save as disclosed to Wilstech, LMY being convicted of any criminal offence in Malaysia or elsewhere; or
 - (d) LMY becoming of unsound mind; or
 - (e) the death of LMY or become permanently incapacitated to discharge his duties and obligations or unable to perform his duties and obligations continuously for a period of 3 months.

The Board is of the view that the Profit Guarantee is reasonable and realistic after taking into consideration, amongst others, the following:

- (i) the audited PAT of Wilstech of RM3.2 million for the FYE 31 August 2022 (which was subsequently being adjusted to RM1.5 million upon completion of the audit for the FYE 31 August 2023 (after announcement of the Proposals) due to the adjustments as explained in Section 7 of Appendix III of this Circular and the unaudited PAT of Wilstech of RM3.9 million for the FYE 31 August 2023 (PAT of RM3.7 million based on the audited FYE 31 August 2023, whereby the audit was completed after announcement of the Proposals);
- (ii) the existing projects secured and being carried out by Wilstech, as well as the potential projects to be derived from existing and new customers. For information, Wilstech's orderbook stood at RM37.8 million as at LPD;
- (iii) the Profit Guarantee is backed by the Security Amount, which will only be released to the Vendors upon fulfilment of the Profit Guarantee. In addition, the SSA provides for the Purchase Consideration paid upon completion of the SSA, to be refunded in stipulated events as set out in Section 3.3(b) and Section 3.3(d) of Part A of this Circular; and
- (iv) the prospects of Wilstech and the enlarged Systech Group upon completion of the Proposed Acquisition as set out in Section 8.3 of Part A of this Circular, upon taking into consideration of, amongst others, the overview and outlook of the Malaysian economy as well as the outlook of the IT industry in Malaysia as set out in Sections 8.1 and 8.2 of Part A of this Circular.

3.4 Basis of determining and justification for the Purchase Consideration

The Purchase Consideration of RM75.0 million was arrived at on a “willing-buyer willing-seller” basis, after taking into consideration, amongst others, the following:

- (i) the audited NA of Wilstech of RM10.8 million as at 31 August 2022 (which was subsequently being adjusted to RM6.5 million upon completion of the audit for the FYE 31 August 2023 (after announcement of the Proposals) due to the adjustments as explained in Section 7 of Appendix III of this Circular) and the unaudited NA of Wilstech of RM9.2 million as at 31 August 2023 (NA of RM5.6 million based on the audited FYE 31 August 2023, whereby the audit was completed after announcement of the Proposals);
- (ii) the Profit Guarantee of RM5.0 million for the 12M FPE2025, as detailed in Section 3.3 of Part A of this Circular; and
- (iii) the rationale and potential benefits to be accrued by the Group through the Proposed Acquisition.

Notwithstanding the decrease in NA for the FYE 31 August 2022 and FYE 31 August 2023 upon completion of the audit, the Purchase Consideration has been determined primarily based on Wilstech’s earnings, in particular its earnings potential which is backed by the Profit Guarantee. Wilstech continues to record unaudited PAT of RM3.2 million for the 6-month FPE 29 February 2024 and the unaudited NA of Wilstech as at 29 February 2024 was RM8.8 million which is just marginally lower than the unaudited NA of Wilstech of RM9.2 million as at 31 August 2023 prior to the audit. In view of this, Systech and the Vendors has agreed not to adjust the Purchase Consideration. Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in May 2024 whereby Systech will thereafter combine Wilstech’s additional profits up to the date of completion of the Proposed Acquisition under merger accounting.

Wilstech’s profitability has been on uptrend and recorded an audited PAT of RM3.7 million for FYE 31 August 2023 (FYE 31 August 2021: RM1.5 million; FYE 31 August 2022: RM1.5 million, based on the Accountant’s Report appended as Appendix VII of this Circular). The Profit Guarantee represents the commitment by LMY to achieve the Profit Guarantee of RM5.0 million. In the event Wilstech fails to achieve the Profit Guarantee, the Purchase Consideration will be adjusted downwards by virtue of the Security Amount to be refunded, and/or LMY and SeaCap will refund the Purchase Consideration in accordance with Section 3.3 of Part A of this Circular. For avoidance of doubt, the Purchase Consideration was not adjusted despite Wilstech’s PAT for the FYE 31 August 2022 being adjusted from RM3.2 million to RM1.5 million upon completion of the audit as the Purchase Consideration was negotiated based on Wilstech’s earnings potential for 12M FPE2025 which is supported by the Profit Guarantee. In addition, Wilstech had recorded an audited PAT of RM3.7 million for the FYE 31 August 2023.

Based on the Purchase Consideration of RM75.0 million and the Profit Guarantee of RM5.0 million, the Purchase Consideration represents an implied P/E multiple of 15.0 times (RM75.0 million / RM5.0 million).

The above implied P/E multiple for the Proposed Acquisition based on the Purchase Consideration is lower than the P/E multiple of the selected comparable companies as set out below (“**Wilstech Comparable Companies**”). This could be taken as an indication that the Purchase Consideration is deemed reasonable to Systech.

The Wilstech Comparable Companies have been arrived at based on the following parameters:

- (i) public listed companies in Malaysia with market capitalisation of up to RM300 million;
- (ii) are involved in the provision of IT solutions in Malaysia; and
- (iii) profitable based on its 12-month trailing results up to 30 September 2023, being the latest publicly available financial results of the Wilstech Comparable Companies as at LTD.

The aforementioned parameters were selected as Wilstech's net assets is less than RM300 million and is also involved in the provision of IT solutions in Malaysia. The RM300 million market capitalisation parameter was selected on the basis that such market capitalisation generally represents the small-to-mid capitalisation IT solutions company listed on Bursa Securities, in which Wilstech may be deemed comparable in size.

However, it should be recognised that the Wilstech Comparable Companies have been selected for comparison purposes only and is not exhaustive. Please take note that the Wilstech Comparable Companies are not directly comparable to Wilstech due to differences in various factors such as composition of business activities, scale of business operation, asset base, accounting and tax policies, risk profile, track record, future prospects, competitive environment, financial position, capital structure, etc.

The P/E multiple valuation methodology which illustrates the ratio of the market value of a company's shares relative to its historical PAT has been used to assess the Purchase Consideration as LMY had provided the Profit Guarantee based on the PAT of Wilstech for the 12M FPE2025 for the Proposed Acquisition, the basis of which are set out in Section 3.3 of Part A of this Circular.

The details of Wilstech Comparable Company and its P/E multiple is set out below:

Comparable Companies	Principal activities	^(a)Market capitalisation (RM'mil)	Profit after tax and minority interest (RM'mil)	P/E (times)
Ramssol Group Berhad	Ramssol Group Berhad is an investment holding company while its subsidiaries are principally involved in the provision of: <ul style="list-style-type: none"> - software development and advisory services; - other information technology services activities; - computer programming activities, - internet related services in relation to the business of mobile application, electronic commerce, information systems integration and administration; - computer programming activities; - research and development on information communication technology; - management consulting services for enterprises; and - human resource consultancy services to corporate clients. 	115.0	5.9	19.5
Agmo Holdings Berhad	Agmo Holdings Berhad is an investment holding company while its subsidiaries are principally engaged in digital solutions and application development.	170.6	6.7	25.5

Comparable Companies	Principal activities	^(a)Market capitalisation (RM'mil)	Profit after tax and minority interest (RM'mil)	P/E (times)
FSBM Holdings Berhad	FSBM Holdings Berhad and its subsidiaries are involved in development of web-based and mobile platforms for customers, refurbishment of pre-owned IT hardware, leasing of IT hardware, provision of after-sales services following the completion of platform design and development projects, provision of managing security solutions and provision of smart manufacturing solutions.	156.4	2.9	53.9

Wilstech	15.0
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(Source: Bloomberg, latest annual report and quarterly results available for the Wilstech Comparable Companies up to LTD)

Note:-

- (a) Computed based on the closing price of the respective Wilstech Comparable Companies as at LTD (extracted from Bloomberg) multiply by respective number of outstanding ordinary shares as at LTD.

3.5 Basis of determining and justification for the Issue Price

The Issue Price of RM0.36 per Consideration Share was negotiated and determined by Systech after taking into consideration the following:

- (i) the Subscription Price for the Proposed Shares Issuance, which is the same as the Issue Price of the Consideration Shares;
- (ii) Systech Group has been recording losses for the past 4 consecutive FYEs 31 March 2020 to 31 March 2023. For the 9-month FPE 31 December 2023, Systech Group recorded a loss after tax and minority interest of RM1.7 million;
- (iii) the unaudited consolidated NA per Share of Systech of 5.86 sen as at 30 September 2023. For information, the audited consolidated NA per Share of Systech as at 31 March 2023 is 5.87 sen and the unaudited consolidated NA per Share of Systech as at 31 December 2023 is 5.49 sen; and
- (iv) the historical trading prices of Systech Shares for the past 12-months up to LTD, of RM0.21 to RM0.62.

For information, the Issue Price of RM0.36 thus represents a discount to the following VWAP of Systech Shares up to LTD and LPD:

Up to LTD	Discount of the Issue Price to the VWAP		
	VWAP		
	RM	RM	%
- 5-day	0.4337	0.0737	17.0
- 1-month	0.4511	0.0911	20.2
- 3-month	0.5063	0.1463	28.9
- 6-month	0.4629	0.1029	22.2
- 12-month	0.4108	0.0508	12.4

Up to LPD	VWAP	Discount of the Issue Price to the VWAP	
	RM	RM	%
- 5-day	0.4144	0.0544	13.1
- 1-month	0.4277	0.0677	15.8
- 3-month	0.4554	0.0954	21.0
- 6-month	0.5013	0.1413	28.2
- 12-month	0.4414	0.0814	18.4

The Board is of the opinion that the discount of 17.0% to the 5-day VWAP up to LTD for the Consideration Shares is reasonable after taking into consideration, amongst others, the unaudited consolidated NA per Share of Systech of 5.86 sen as at 30 September 2023, which is substantially lower than the closing price of Systech Shares of RM0.43 as at LTD and that the Group had been recording losses for the past 4 FYEs 31 March 2020 to 31 March 2023. The discount is to compensate for the difference between the NA and market price of Systech Shares. For information, the Board had taken into consideration the NA per Share of Systech as a basis of comparison as Systech Group had been recording loss after taxation and minority interest for the past 4 financial years. In view thereof, the Board is of the view that NA will be the most appropriate approach to value the equity of the Company after deducting all the liabilities from the total assets.

For information, Systech Shares have been trading at a range of RM0.1500 (15 September 2022) to RM0.4100 (24 August 2023) for the last 12 months up to 5 September 2023, being the date immediately prior to the Notice of MGO. The Issue Price of RM0.36 represents a premium/(discount) to the following VWAP of Systech Shares up to 5 September 2023:

Up to 5 September 2023	VWAP	Premium / (Discount) of the Issue Price to the VWAP	
	RM	RM	%
- 5-day	0.3789	(0.0189)	(5.0)
- 1-month	0.3746	(0.0146)	(3.9)
- 3-month	0.3611	(0.0011)	(0.3)
- 6-month	0.3453	0.0147	4.3
- 12-month	0.3209	0.0391	12.2

3.6 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the existing Systech Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid for which the entitlement date precedes the date of issuance and allotment of the said Consideration Shares.

3.7 Listing and quotation of the Consideration Shares

Bursa Securities had vide its letter dated 22 March 2024, approved the listing and quotation of 152,777,777 Consideration Shares to be issued pursuant to the Proposed Acquisition as set out in Section 12 of Part A of this Circular, subject to the conditions set out therein.

3.8 Source of funding

The Cash Consideration of RM20.0 million will be funded via proceeds to be raised from the Proposed Shares Issuance.

3.9 Liabilities to be assumed by Systech

Save for the obligations and liabilities of Systech arising from or in connection with the SSA, i.e. payment of the Purchase Consideration as detailed in Section 3 of Part A of this Circular, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by Systech pursuant to the Proposed Acquisition.

For avoidance of doubt, the liabilities stated in Wilstech's statement of financial position will be combined into the financial statements of the Group following the completion of the Proposed Acquisition under merger accounting. Existing liabilities of Wilstech will be settled by Wilstech in its ordinary course of business.

3.10 Additional financial commitment

Upon completion of the Proposed Acquisition, there will be no additional financial commitments to be incurred by the Group to put the business of Wilstech on-stream, in view that it is already in operation and is generating income and cash flow.

3.11 Original cost of investment and date of investment

The Vendors' original costs of investment in the Sale Shares were as follows:

<u>Vendors</u>	<u>Date of investment</u>	<u>Costs of investment</u> RM
LMY	21 June 2018	60.00
	24 December 2018	11,940.00
	25 August 2019	138,000.00
	17 December 2019	100,000.00
	12 May 2020	147,000.00
	24 August 2020	125,000.00
	4 August 2021	1,000,028.60
	<u>1,522,028.60</u>	
SeaCap	13 September 2023	5,000,000.00
MTB	13 October 2020	500,014.30

4. PROPOSED BONUS ISSUE OF WARRANTS

The Proposed Bonus Issue of Warrants entails the issuance of up to 160,656,399 Warrants on the basis of 1 Warrant for every 4 existing Systech Shares held by the Entitled Shareholders whose names appear on the Company's Record of Depositors on an entitlement date to be determined and announced later, based on the following:

- (i) 345,847,820 issued Shares as at LPD;
- (ii) up to 144,000,000 Subscription Shares to be issued pursuant to the Proposed Shares Issuance; and
- (iii) 152,777,777 Consideration Shares to be issued pursuant to the Proposed Acquisition.

The actual number of Warrants to be issued will depend on the total number of issued Shares (excluding treasury shares, if any) on an entitlement date to be determined and announced later.

Pursuant to Rule 6.51 of the Listing Requirements, a listed corporation must ensure that the number of new shares which will arise from the exercise of all outstanding convertible equity securities, does not exceed 50% of the total number of issued shares of the listed corporation (excluding treasury shares and before exercise of the convertible equity securities) at all times.

It is the intention of the Company to implement the Proposed Bonus Issue of Warrants after the Proposed Shares Issuance and Proposed Acquisition but prior to the Proposed ESS.

For illustrative purpose, the maximum number of Warrants can be issued under the Proposed Bonus Issue of Warrants is as follows:

	Maximum number of Warrants
Issued Shares as at LPD (excluding treasury shares)	345,847,820
Add: Subscription Shares to be issued	144,000,000
Add: Consideration Shares to be issued	152,777,777
Total number of issued Shares after the Proposed Shares Issuance and Proposed Acquisition	642,625,597
50% of [A]	321,312,798
Number of Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants	160,656,399

Compliance with Rule 6.51 of the Listing Requirements **Yes**

Thus, the Proposed Bonus Issue of Warrants is in compliance with Rule 6.51 of the Listing Requirements.

Fractional entitlements arising from the Proposed Bonus Issue of Warrants, if any, shall be disregarded and dealt with by the Board in such manner at its absolute discretion as it may deem fit, expedient and/or in the best interest of the Company.

The Proposed Bonus Issue of Warrants will be implemented in a single tranche.

The entitlement date for the Proposed Bonus Issue of Warrants will be determined and announced at a later date by the Board upon receipt of all relevant approvals.

The Warrants will be issued in registered form and constituted by the Deed Poll. Please refer to **Appendix IV** of this Circular for the indicative salient terms of the Warrants.

4.1 Basis of determining and justification for the issue price of Warrants and Warrants Exercise Price

The Warrants will be issued at no cost to the Entitled Shareholders.

The Warrants Exercise Price had been fixed at RM0.50 after taking into consideration, amongst others, the following basis:

- (i) the 5-day VWAP of the Shares up to and including LTD, of RM0.4337;
- (ii) the Warrants will be issued at no cost to the Entitled Shareholders;
- (iii) the prevailing market conditions; and
- (iv) the anticipated potential financial performance of the enlarged Group moving forward.

The adjusted share price is in compliance with Rule 6.31(1A) of the Listing Requirements Bursa Securities which requires that the Company's share price adjusted for the Proposed Bonus Issue of Warrants is not less than RM0.20 based on the daily VWAP of Systech Shares during the 3-month period before the application date.

For information, the Warrants Exercise Price of RM0.50 represents a premium/(discount) to the following VWAP of Systech Shares up to LTD and LPD:

Up to LTD	VWAP	Premium / (Discount) of the Warrants Exercise Price to the VWAP	
		RM	%
- 5-day	0.4337	0.0663	15.3
- 1-month	0.4511	0.0489	10.8
- 3-month	0.5063	(0.0063)	(1.2)
- 6-month	0.4629	0.0371	8.0
- 12-month	0.4108	0.0892	21.7

Up to LPD	VWAP	Premium / (Discount) of the Warrants Exercise Price to the VWAP	
		RM	%
- 5-day	0.4144	0.0544	13.1
- 1-month	0.4277	0.0677	15.8
- 3-month	0.4554	0.0954	20.9
- 6-month	0.5013	0.1413	28.2
- 12-month	0.4414	0.0814	18.4

4.2 Ranking of the Warrants and the new Shares to be issued pursuant to the exercise of the Warrants

The holders of Warrants will not be entitled to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of securities in the Company until and unless such holders of Warrants exercise their Warrants into new Shares.

The new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the existing Systech Shares, save and except that the said new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid for which the entitlement date precedes the date of issuance and allotment of the said new Shares.

4.3 Listing and quotation of the Warrants and the new Shares to be issued pursuant to the exercise of Warrants

Bursa Securities had vide its letter dated 22 March 2024, approved the admission of the Warrants to the Official List of Bursa Securities as well as the listing and quotation of up to 160,656,399 Warrants and 160,656,399 new Systech Shares to be issued pursuant to the exercise of the Warrants as set out in Section 12 of Part A of this Circular, subject to the conditions set out therein.

4.4 Utilisation of proceeds

The Proposed Bonus Issue of Warrants is not expected to raise any immediate funds as the Warrants will be issued at no cost to the Entitled Shareholders.

The Company will not receive any proceeds from the Warrants until such time the Warrants are exercised by the holders of the Warrants. The actual proceeds to be received from the exercise of the Warrants will be dependent on the number of Warrants exercised during the tenure of the Warrants.

Assuming all 160,656,399 Warrants are exercised at the Warrants Exercise Price of RM0.50 each, the Company will raise gross proceeds of RM80.3 million. Systech intends to utilise such proceeds arising from the exercise of the Warrants, if any, as working capital for Systech Group over a period of 12 months from the date of receipt of such proceeds. The proceeds raised from the exercise of the Warrants will be utilised to finance the Group's working capital, including but not limited to payment of staff salaries, payment of trade creditors as well as defrayment of operational and administrative expenses, such as office maintenance (i.e. repair and maintenance for office equipment and vehicles), utilities, rental and other office operating expenses (i.e. insurance and office supplies). The actual funding breakdown cannot be determined at this juncture as it will depend on, amongst others, the actual proceeds to be raised from the exercise of Warrants as well as the working capital requirements of the Group at the relevant time.

Pending the utilisation of proceeds from the exercise of Warrants, the proceeds shall be placed in a profit-bearing bank account, as deposits with licensed financial institution(s) and/or in short-term money market instruments, as the Board deems fit. The Group proposes to utilise such interest/profits arising from the deposits/financial instruments to finance the Group's working capital as stated above within 12 months from the date proceeds are received.

5. PROPOSED ESS

The Proposed ESS entails the granting to the Eligible Person(s) who meet the criteria of eligibility for participation in the Proposed ESS as set out in the By-Laws, the following Awards:

- (i) the right of the Participants to receive new and/or existing Systech Shares via Shares Grant at specified dates; and/or
- (ii) options which entitle the Participants the right to subscribe for and/or receive new and/or existing Systech Shares, at specified dates at pre-determined prices,

provided that prior to such specified future date or vesting or exercise of the Awards, as the case may be, the relevant service condition(s) of the Selected Persons and/or the relevant condition(s) as may be stipulated by the ESS Committee in the Offer to the Selected Persons, are duly fulfilled unless the ESS Committee otherwise determines.

The Proposed ESS shall be administered by the ESS Committee. As at LPD, the ESS Committee has yet to be appointed.

5.1 Size of the Proposed ESS

The aggregate number of Systech Shares comprised in the Awards, which may be made available under the Proposed ESS shall not at any point in time, in aggregate exceed 15% of the total number of issued Shares (excluding treasury shares) during the duration of the Scheme.

In the event the Company purchases or cancels its own shares or undertakes any other corporate proposal resulting in the number of Systech Shares to be issued under the Proposed ESS to exceed 15% of the total number of issued shares of Systech (excluding treasury shares), no further Awards can be offered until the number of Systech Shares to be issued under the Scheme falls below the 15% threshold.

5.2 Eligibility

Subject to the determination and sole discretion of the ESS Committee, only Eligible Persons who meet the following conditions as at the Date of Offer, are eligible to participate in the Scheme:

- (i) the Director or employee shall have attained the age of 18 years on the Date of Offer and shall neither be an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (ii) if he/she is an executive Director or employee, he/she must have been employed by the Group (excluding dormant subsidiaries) and his/her employment as an Eligible Person must have been confirmed on the Date of Offer, employed on a full-time basis and has not served a notice to resign nor received a notice of termination;
- (iii) if he/she is a non-executive Director, he/she must have been appointed and remain appointed as a Director of the Group (excluding dormant subsidiaries), as at the Date of Offer;
- (iv) if the Director or employee is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary upon such acquisition, the said Director or employee must become an Eligible Person within the meaning of the By-Laws following the date that such company becomes or is deemed to be a subsidiary of the Group; and
- (v) they must fulfil such other eligibility criteria as may be determined by the ESS Committee from time to time at its absolute discretion.

The eligibility for consideration under the Scheme does not confer an Eligible Person a right to participate in the Scheme unless the ESS Committee had made the Offer to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the By-Laws.

The Group is of the view that granting of the Awards to the independent non-executive Directors will not affect the independent non-executive Directors in exercising their independent judgement as the independent non-executive Directors are prohibited from selling, transferring or assigning his/her Shares obtained through the vested Shares Grant and/or exercise of ESS Options within 1 year from the Date of Offer in accordance with Rule 8.22 of the Listing Requirements. Whilst the granting of a substantial number of Awards may possibly affect the independent non-executive Directors' judgement (i.e. to recommend for proposals that could contribute to significant share price increases), the Group mitigates such risks by ensuring that the number of Awards to be granted to the independent non-executive Directors will not affect their independent judgement and the independent non-executive Directors will be required to abstain from deliberating on any allocation of Awards to themselves.

In accordance with the Listing Requirements, the allotment of Awards to any of the Directors, chief executive officer, employee who is a Major Shareholder and/or persons connected with them pursuant to the Scheme must be approved by the shareholders of Systech in a general meeting.

5.3 Basis of allocation and maximum allowable allotment

The allocation of Awards to an Eligible Person shall be determined entirely at the discretion of the ESS Committee and subject to the provisions set out in the By-Laws after taking into consideration, amongst others, the position, performance, ranking, length of service and his/her potential contribution to Systech Group and any other factors deemed appropriate by the ESS Committee.

Notwithstanding the foregoing, subject to any adjustments which may be made in accordance with the By-Laws, the aggregate number of Awards that may be allocated to an Eligible Person shall be subject to the following:

- (i) the Directors (including non-executive Directors but shall not include alternate and/or substitute Directors) and senior management do not participate in the deliberation and discussion of their own allocation and/or allocation to persons connected to them;
- (ii) not more than 80% of the total number of Systech Shares comprised in the Awards, to be issued under the Scheme shall be allocated to the Directors and/or senior management of Systech Group (excluding dormant subsidiaries); and
- (iii) not more than 10% of the total number of Systech Shares comprised in the Awards, to be issued under the Scheme shall be allocated to any Selected Persons who, either singly or collectively through persons connected to them, hold 20% or more of the total number of issued shares of Systech (excluding treasury shares),

provided always that it is in accordance with the Listing Requirements or any prevailing requirements/guidelines issued by Bursa Securities, or any other requirements of relevant authorities as amended from time to time.

The ESS Committee shall at its absolute discretion decide in relation to an Offer, amongst others, the Date of Offer, forms of Awards (whether in Shares Grant and/or ESS Options), whether the Awards will be staggered, performance targets, performance period(s), service period(s), the vesting period(s), vesting date(s), release schedule(s), retention period(s) and the extent to which the Systech Shares which are the subject of the Award shall be released on the performance targets being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the vesting period(s).

As at LPD, it has yet to be determined if the granting of Awards will be in 1 single tranche or on a staggered basis and/or the maximum allocation to be made for each financial year should the Awards be granted on a staggered basis and the forms of Awards to each group of recipients. As at LPD, it has also yet to be determined the overall percentage of Awards to be allocated in the form of Shares Grant and/or ESS Options, neither has it been determined the actual percentage and form of Awards to be allocated to specific Directors and/or senior management.

The ESS Committee may stipulate the terms or conditions (which may include performance targets) if any, for the vesting of an Award to a Participant at the material point in time. The specific criteria/ formula in determining the basis and quantum of allocation to employees will depend on amongst others, the overall objectives/strategy of Systech Group at the material time, which will in turn affect the vesting criteria of the Awards of the specific employees. The Company will rely on the ESS Committee to evaluate the respective allocations to all employees (including Directors) prior to deciding on the actual allocation and form of any Awards. The Company takes cognisance that the granting of Shares Grant to Selected Persons, whilst at no cost to Selected Persons, will result in a higher charge to Systech Group's profit and loss account. Therefore, in determining the basis and quantum of allocation and the form of the Awards, the ESS Committee will also take into consideration, amongst others, the financial performance of Systech Group, the working capital requirements of the Systech Group, the number and position of the Selected Persons, retention periods, prevailing market conditions and impact on the financial performance of the Systech Group.

5.4 Duration of the Scheme

The Scheme, when implemented, shall be in force for a period of 5 years from the Effective Date and may be extended for further period immediately from the expiry of the original 5 years period, at the absolute discretion of the Board, whether or not upon the recommendation of the ESS Committee, provided always that the initial Scheme period stipulated above and such extension of the Scheme made pursuant to the By-Laws shall not in aggregate exceed a duration of 10 years or such other period as may be prescribed by Bursa Securities or any other relevant authorities from the Effective Date ("**Date of Expiry**").

Any extended Scheme shall be implemented in accordance with the terms of the By-Laws, subject however to any revisions and/or changes to the relevant statutes, laws and/or regulations then in force. In the event that the Scheme is extended, Systech shall make the necessary announcements to Bursa Securities prior to the proposed extension of the Scheme. For avoidance of doubt, unless otherwise required by the relevant authorities, no further sanction, approval, consent or authorisation of the shareholders of Systech in a general meeting is required for any such extension. In the event the Scheme is extended, the Company shall serve appropriate notices on each Participant within 30 days prior to the Date of Expiry.

On the Date of Expiry, any Offer which have yet to be accepted by the Selected Person and/or any Awards which has yet to be released or vested (whether fully or partial) shall be deemed cancelled and be null and void.

5.5 Retention period

The Shares issued and/or transferred arising from the Shares Grant and/or exercise of the ESS Options under the Scheme, to a Participant (save for an eligible Director who is a non-executive Director), will not be subjected to any retention period or restriction on transfer, unless otherwise as stated in the Award(s), as determined by the ESS Committee from time to time. Notwithstanding the foregoing, the ESS Committee shall be entitled to prescribe or impose, in relation to any Offer, any condition relating to any retention period or restriction on transfer as it deems fit.

Notwithstanding to the above, pursuant to Rule 8.22 of the Listing Requirements, a Participant who is a non-executive Director of any company within the Group (excluding dormant subsidiaries) must not sell, transfer or assign his/her Shares obtained through the Shares Grant and/or exercise of the ESS Options offered to him/her pursuant to the Proposed ESS within 1 year from the Date of Offer of such Awards or such period as may be prescribed by Bursa Securities.

5.6 Options Exercise Price

Subject to any adjustment made in accordance with the By-Laws and pursuant to the Listing Requirements, the Options Exercise Price shall be based on the price to be determined by the Board upon recommendation of the ESS Committee based on the 5-day VWAP immediately preceding the Date of Offer, with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time during the duration of the Scheme.

For avoidance of doubt, the Shares Grant will be granted at no cost to the Participants.

5.7 Acceptance of the Offer

The Offer may only be accepted by the Participant during the Offer period in such form and manner as may be prescribed in the Offer and shall be accompanied by a non-refundable sum of RM1.00 only payable to the Company. The date of receipt by the ESS Committee of such form together with the money shall be the date of acceptance of the Offer by the Selected Person, provided that the Proposed ESS is not terminated pursuant to the By-Laws.

In the event that the Selected Person fails to accept the Offer in the manner prescribed within the Offer period, the Offer shall automatically lapse and shall then be null and void. The ESS Committee shall not be precluded from making a fresh Offer, on such terms as the ESS Committee may so decide, to the Selected Person subsequently.

5.8 Ranking of the Systech Shares pursuant to the Proposed ESS

The Systech Shares to be allotted and issued and/or transferred from treasury shares (as the case may be) upon the vesting of the Shares Grant and/or upon exercise of the ESS Options pursuant to the Awards shall, upon allotment and issuance and/or transfer from treasury shares (as the case may be), rank equally in all respects with the existing Systech Shares, save and except that the said Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid for which the entitlement date precedes the date of issuance and allotment or transfer of the said Shares.

5.9 Listing and quotation of the new Systech Shares to be issued pursuant to the Proposed ESS

Bursa Securities had vide its letter dated 22 March 2024, approved the listing and quotation of up to 15% of the total number of issued Shares, to be issued and allotted under the Proposed ESS as set out in Section 12 of Part A of this Circular, subject to the conditions set out therein.

5.10 ESS Committee

The Proposed ESS will be implemented and administered by an ESS Committee, which will have sole and absolute discretion in administering the Proposed ESS subject to the terms of reference which the Board may establish to regulate and govern the ESS Committee's functions and responsibilities under the By-Laws. The ESS Committee shall have the absolute discretion in determining whether the Awards will be granted in single tranche or on a staggered basis over the duration of the Proposed ESS.

The ESS Committee shall comprise persons from the Board and/or senior management of the Systech Group and shall ensure that the respective members of ESS Committee do not participate in the deliberation or discussion of their own allocation and/or allocation to persons connected to them. A Selected Person who is a member of the ESS Committee shall abstain from deliberations in respect of any Awards granted or to be granted to him/her and/or persons connected to them.

In implementing the Proposed ESS, the ESS Committee may in its absolute discretion decide that the Awards be satisfied by any of the following methods:

- (i) issuance of new Systech Shares;
- (ii) acquisition of existing Systech Shares from the open market;
- (iii) transferring Systech's treasury shares;
- (iv) payment by cash; or
- (v) any combination of the above.

In considering the settlement of the Awards, the ESS Committee will take into consideration, amongst others, factors such as the prevailing market price of Systech Shares, funding considerations and dilutive effects on Systech's capital base.

To facilitate the implementation of the Proposed ESS, the Company may make the necessary arrangements, including appointing a trustee, to acquire treasury shares or other existing Shares or to subscribe for new shares, for the purpose of the Proposed ESS ("**Trustee**") under a trust to be established ("**Trust**"). The Trustee shall administer the Trust in accordance with a deed of trust to be executed between the Trustee and the Company.

5.11 Alteration of Capital

In the event of alteration in the capital structure of Systech during the Scheme period (whether by way of capitalisation of profit or reserves, rights issues, reduction, subdivision or consolidation of capital or otherwise but excluding any cancellation of capital which is lost or unrepresented by available assets), the Board, in accordance to the By-Laws, shall have the discretion, whether to make adjustments to the:

- (i) the Options Exercise Price; and/or
- (ii) number of Systech Shares comprised in the Awards.

Any adjustment will be made in accordance with the provisions of the By-Laws.

5.12 Amendment, variation and/or modification to the Proposed ESS

Subject to the By-Laws and in compliance with the Listing Requirements and the approvals of any other authorities (if required), the ESS Committee may at any time and from time to time recommend to the Board any modification, variation and/or amendment of the By-Laws as it shall at its discretion deems fit and the Board shall have the power at any time and from time to time by resolution to make any modification, variation and/or amendment of the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities (within 5 market days after the effective date of the modification, variation and/or amendment of the By-Laws or such other period as may be prescribed by Bursa Securities or any other relevant authorities) each time any modification, variation and/or amendment is made, stating that the said modification, variation and/or amendment is in compliance with the provisions of the Listing Requirements pertaining to the Proposed ESS and the Rules of Bursa Malaysia Depository Sdn Bhd.

The approval of the shareholders of the Company in a general meeting shall not be required in respect of modification, variation and/or amendment of the By-Laws provided that no modification, variation and/or amendment made to the By-Laws which would:

- (i) materially prejudice any rights which would have accrued to any Participants without the prior consent or sanction of the affected Participants;
- (ii) increase the number of Shares available under the Proposed ESS beyond the Maximum Awards;
- (iii) prejudice any rights of the shareholders of the Company; and
- (iv) alter to the advantage of any Participant or group of Participants or all the Participants in respect of any matters which are required to be contained in the By-Laws unless allowed by the provisions of the Listing Requirements.

5.13 Fees, costs and expenses

All fees, costs and expenses incurred in relation to the Proposed ESS including but not limited to the costs and expenses (including stamp duty, if any) relating to the allotment and issuance and/or transfer of the Shares and/or Systech Share(s) pursuant to the Shares Grant and/or upon the exercise of any ESS Option(s) (excluding the Options Exercise Price of such ESS Option(s)), shall be borne by the Company.

However, each Participant will be solely responsible for any taxes (including income tax) which may be levied on the Participant arising out of or as a result of such allotment and issuance and/or transfer of Systech Shares.

5.14 Termination of the Proposed ESS

Notwithstanding anything set out in the By-Laws and subject always to compliance with the Listing Requirements and any other relevant rules or requirements, the Proposed ESS may be terminated by the Board upon consultation with the ESS Committee, at any time before its expiry without obtaining the approvals or consents from the Participants or its shareholders provided that the Company makes an announcement immediately to Bursa Securities. In the event of such termination:

- (i) no further Offers shall be made by the ESS Committee from the termination date;
- (ii) all Offers which have yet to be accepted by Selected Persons shall automatically lapse on the termination date;
- (iii) all outstanding ESS Options which have yet to be exercised by the Participants shall automatically lapse on the termination date; and
- (iv) all unvested Awards will cease to be capable of being vested in the relevant Participants.

5.15 Proposed Allocations of Awards

Subject to the provisions of the By-Laws, Systech proposes to seek its shareholders' approval at the Company' forthcoming EGM for the Proposed Allocations of Awards to the following Directors and/or person connected to the Directors and/or Major Shareholder of Systech who are employees of Systech Group:

<u>Name</u>	<u>Designation</u>	<u>Proposed Allocations of Awards</u>
Lee Choon Teng	Executive Director / Group Chief Executive Officer	Not more than 10% of the total Awards to be granted
Teoh Keng Chang	Executive Director	Not more than 10% of the total Awards to be granted
Chan Soon Tat	Non-Independent Non-Executive Chairman	Not more than 2% of the total Awards to be granted
Hong Boon Toh	Senior Independent Non-Executive Director	Not more than 1% of the total Awards to be granted
Fong Sheng Nie	Independent Non-Executive Director	Not more than 1% of the total Awards to be granted
Ooi Gin Hui	Independent Non-Executive Director	Not more than 1% of the total Awards to be granted
LMY	Director of Wilstech ^(a) and person connected with SCSB, the Major Shareholder of Systech, by virtue of him being a director of SCSB	Not more than 10% of the total Awards to be granted

(collectively, referred to as the “**Proposed Allocations of Awards**”.)

Note:-

- (a) Wilstech will become a wholly-owned subsidiary of Systech upon the completion of the Proposed Acquisition and LMY will continue to serve as a director of Wilstech subsequent to the completion of the Proposed Acquisition.

Details of the interests of the abovementioned Eligible Persons are set out under Section 13 of Part A of this Circular.

5.16 Utilisation of proceeds

The Company will not receive any proceeds from the granting of Awards under the Proposed ESS and subsequent allotment and listing of the Systech Shares pursuant to the Shares Grant.

The Company will not receive any proceeds from the ESS Options until such time the ESS Options are exercised by the Participant. The actual proceeds to be received from the ESS Options will be dependent on amongst others, the number of ESS Options exercised at the relevant point in time and the Options Exercise Price.

Systech intends to utilise such proceeds arising from the exercise of the ESS Options, if any, as working capital for Systech Group over a period of 12 months from the date of receipt of such proceeds. The proceeds raised from the exercise of the ESS Options will be utilised to finance the Group's working capital, including but not limited to payment of staff salaries, payment of trade creditors as well as defrayment of operational and administrative expenses, such as office maintenance (i.e. repair and maintenance for office equipment and vehicles), utilities, rental and other office operating expenses (i.e. insurance and office supplies). The actual funding breakdown cannot be determined at this juncture as it will depend on, amongst others, the actual proceeds to be raised from the exercise of ESS Options as well as the working capital requirements of the Group at the relevant time.

Pending the utilisation of proceeds from the exercise of ESS Options, the proceeds shall be placed in a profit-bearing bank account, as deposits with licensed financial institution(s) and/or in short-term money market instruments, as the Board deems fit. The Group proposes to utilise such interest/profits arising from the deposits/financial instruments to finance the Group's working capital as above within 12 months from the date proceeds are received.

6. IMPLICATIONS TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2016

As at LPD, SCSB is the controlling shareholder of Systech and LCL is the 50.1% controlling shareholder of SCSB. Pursuant to subsection 216(3) of the Capital Markets and Services Act 2007, the following are the persons acting in concert to SCSB and LCL:

- (i) JCap, being a 49.9% shareholder of SCSB;
- (ii) SJW, being the 50.1% controlling shareholder of JCap;
- (iii) HJH, being a 49.9% shareholder of JCap;
- (iv) SeaCap, being a company controlled by HJH (50.0% via his direct interest and 50.0% via PE Capital Limited);
- (v) PE Capital Limited, being a company wholly-owned by HJH; and
- (vi) LMY, being the director of SCSB.

The proforma shareholdings of SCSB, LCL and persons acting in concert with them based on their shareholdings upon the completion of the Proposed Shares Issuance and Proposed Acquisition are as follows:

	As at LPD				(I) After the Proposed Shares Issuance			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(a)%	No. of Shares	(a)%	No. of Shares	(b)%	No. of Shares	(b)%
SCSB	180,687,820	52.2	-	-	180,687,820	36.9	-	-
LCL	-	-	(c)180,687,820	52.2	-	-	(c)180,687,820	36.9
JCap	-	-	(c)180,687,820	52.2	-	-	(c)180,687,820	36.9
SJW	-	-	(d)180,687,820	52.2	-	-	(d)180,687,820	36.9
SeaCap	-	-	-	-	-	-	-	-
PE Capital Limited	-	-	-	-	-	-	-	-
HJH	-	-	(d)180,687,820	52.2	72,222,600	14.7	(d)180,687,820	36.9
LMY	-	-	-	-	-	-	-	-
Total	180,687,820	52.2			252,910,420	51.6		

	(II) After (I) and Proposed Acquisition			
	Direct		Indirect	
	No. of Shares	(e)%	No. of Shares	(e)%
SCSB	180,687,820	28.1	-	-
LCL	-	-	(c)180,687,820	28.1
JCap	-	-	(c)180,687,820	28.1
SJW	-	-	(d)180,687,820	28.1
SeaCap	41,666,666	6.5	-	-
PE Capital Limited	-	-	(f)41,666,666	6.5
HJH	72,222,600	11.2	(g)222,354,486	34.6
LMY	111,111,111	17.3	-	-
Total	405,688,197	63.1		

Notes:-

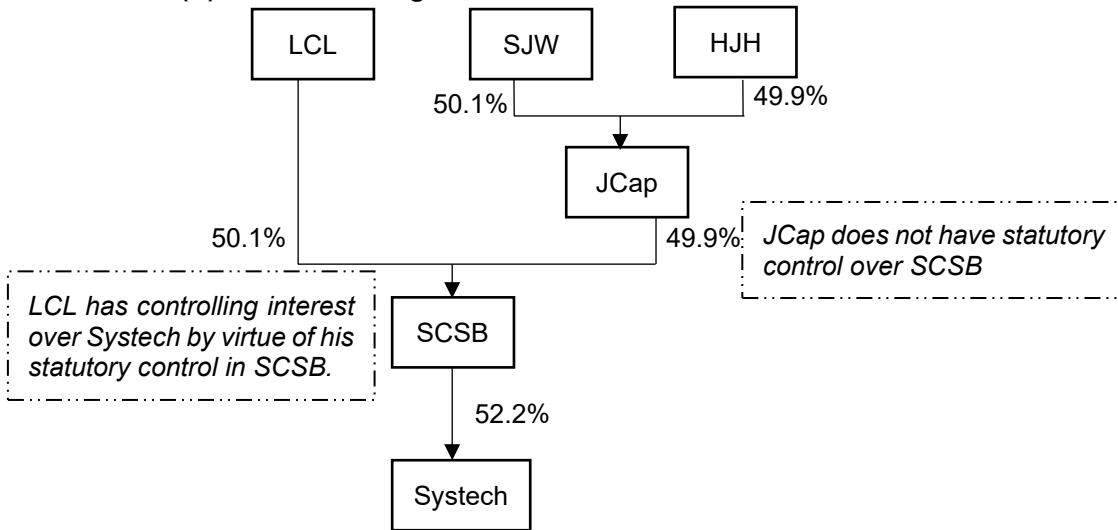
- (a) Based on 345,847,820 issued Shares as at LPD.
- (b) Based on 489,847,820 Shares upon the completion of the Proposed Shares Issuance.
- (c) Deemed interested by virtue of his/its interest in SCSB pursuant to Section 8 of the Act.
- (d) Deemed interested by virtue of his interest in JCap pursuant to Section 8 of the Act.
- (e) Based on 642,625,597 Shares upon the completion of the Proposed Acquisition.
- (f) Deemed interested by virtue of its interest in SeaCap pursuant to Section 8 of the Act.

(g) Deemed interested by virtue of his interest in JCap, SeaCap and PE Capital Limited pursuant to Section 8 of the Act.

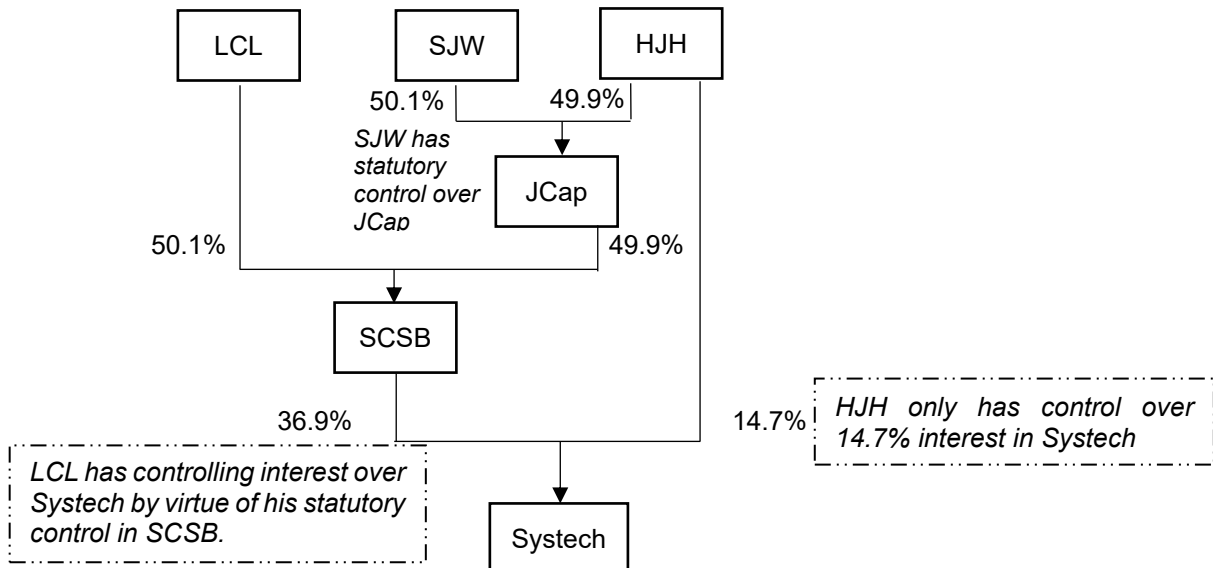
Based on the above, SCSB, LCL and persons acting in concert with them will collectively hold 51.6% and 63.1% upon completion of the Proposed Shares Issuance and Proposed Acquisition, respectively. However, this will not trigger any obligations under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia as SCSB and LCL (as controlling shareholder of SCSB) already hold more than 50% equity interest in Systech subsequent to the MGO through Malacca Securities, to acquire all the remaining Systech Shares not already owned by the ultimate offeror (LCL), offeror (SCSB) and persons acting in concert with them (JCap, SJW and LMY) in September 2023.

Diagram illustrating the shareholdings of LCL and HJH after the Proposed Shares Issuance and Proposed Acquisition

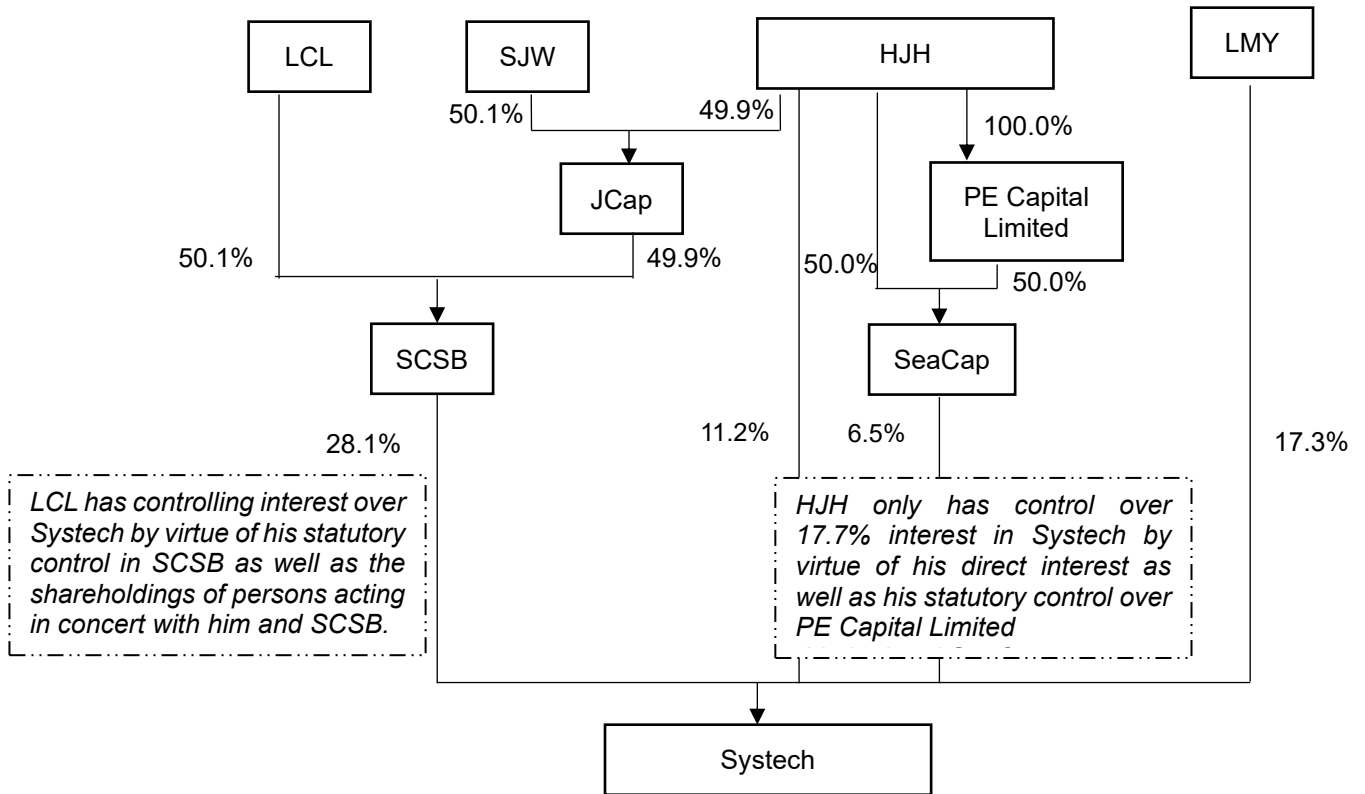
(A) Shareholding as at LPD



(B) Shareholding after the Proposed Shares Issuance



(C) Shareholding after the Proposed Shares Issuance and Proposed Acquisition



Upon completion of the Proposed Shares Issuance and Proposed Acquisition, SCSB, LCL and persons acting in concert with them will continue to hold more than 50.0% equity interest in Systech.

The Proposed Shares Issuance and Proposed Acquisition will not result in a change in the controlling shareholder of Systech as SCSB, LCL and persons acting in concert with them namely, JCap, SJW, HJH (and companies controlled by HJH, namely SeaCap and PE Capital Limited) and LMY, will continue to hold more than 50.0% equity interest in Systech upon completion of the Proposed Shares Issuance and Proposed Acquisition i.e. 51.6% and 63.1% upon completion of the Proposed Shares Issuance and Proposed Acquisition, respectively.

In view of LCL's statutory control over SCSB (which have statutory control over 28.1% interest in Systech upon completion of the Proposed Shares Issuance and Proposed Acquisition), SCSB and LCL will remain as the controlling shareholder of Systech together with persons acting in concert with him i.e. JCap, SJW, HJH (and companies controlled by HJH, namely SeaCap and PE Capital Limited) and LMY.

For avoidance of doubt, HJH is a person acting in concert with LCL by virtue of his 49% direct interest in JCap, which has 49% direct interest in SCSB (i.e. HJH does not have statutory control over SCSB). HJH's indirect shareholding in Systech of 34.6% after completion of the Proposed Shares Issuance and Proposed Acquisition is by virtue of his indirect interest in SCSB (28.1%, in which HJH does not have statutory control) and SeaCap (6.5%). In total, HJH will only have control over 17.7% interest in Systech (11.2% direct and 6.5% indirect via SeaCap) upon completion of the Proposed Shares Issuance and Proposed Acquisition.

7. RATIONALE FOR THE PROPOSALS

7.1 Proposed Shares Issuance

The Proposed Shares Issuance is undertaken for the Group to primarily raise fund for the part settlement of the consideration for the Proposed Acquisition, part settlement of the consideration for the TCAI acquisition and for its working capital purpose as disclosed in Section 2.7 of Part A of this Circular.

The Proposed Acquisition is expected to improve the financial performance and condition of the Group as Wilstech had historically been operating profitably and is thus expected to contribute positively to the financial performance of the Group moving forward.

The IoT Contract as set out in Section 2.7(iii) of Part A of this Circular is expected to provide the Group with a steady income flow over the duration of the contract, given the nature of the contracts.

The Board has considered various methods of fund raising and is of the opinion that the Proposed Shares Issuance is the most appropriate avenue of fund raising, after considering that the Proposed Shares Issuance:

- (i) will enable the Group to raise additional funds expediently to address the Group's funding requirements as set out in Section 2.7 of Part A of this Circular, without incurring additional interest cost or having to service principal repayments as compared to bank borrowings, thereby allowing the Group to preserve its cash flow;
- (ii) is comparatively expedient and an efficient avenue to raise the required quantum of funds as compared to other forms of equity fund raising such as rights issue exercise which typically takes a longer implementation time; and
- (iii) will strengthen the financial position of the Company by increasing the capital base of the Group.

7.2 Proposed Acquisition

The Proposed Acquisition is aligned with the Group's strategy to continuously look for businesses/assets which could improve its financial performance and financial condition.

Wilstech is principally involved in the provision of IT solutions, which is similar to the existing business of the Group. Systech believes that Wilstech's business will be complementary to TCAI's (an 80%-owned subsidiary of Systech) business, which is principally involved in the sale and supply of HCM software, after taking into consideration the following:

- (i) expansion of customer base of TCAI in view that Wilstech successfully procures contracts from Government agencies and small and medium-sized enterprises whilst TCAI primarily procures contracts from medium to large enterprises;
- (ii) consolidation of resources and business opportunities of TCAI with Wilstech which are in the same industry. This will allow the existing Group and Wilstech to derive cross selling opportunities as TCAI and Wilstech will be able cross sell their products and services to an enlarged customer base, and enable cost savings by sharing common resources;
- (iii) in-house marketing and public relations team by Wilstech which could assist TCAI in branding its HCM software as well as promote TCAI's products and services via different channels, which includes, amongst others, digital marketing via Google, conferences and networking events; and
- (iv) research and development collaboration between TCAI and Wilstech.

The Proposed Acquisition represents an opportunity for the Group to further improve its financial performance by consolidating the financial results of Wilstech after taking into consideration, amongst others, the Profit Guarantee provided and the existing projects secured and potential projects to be secured by Wilstech. For information, Wilstech's orderbook stood at RM37.8 million as at LPD.

The Board is of the view that the issuance of Consideration Shares of RM55.0 million to partially settle the Purchase Consideration enable the Group to conserve its cash resources and thereby provide greater flexibility to utilise its cash resources moving forward. In addition, the shareholders of Wilstech, particularly LMY, will become shareholder of Systech upon completion of the Proposed Acquisition, thus aligning his interests with the Group. Post-completion of the Proposed Acquisition, LMY will remain as a director of Wilstech (which will be a wholly-owned subsidiary of Systech upon completion of the Proposed Acquisition). The alignment of LMY's interest with the Group will affirm LMY's commitment to continue steering Wilstech to deliver earnings growth, which would then contribute positively to the financial performance of the Systech Group, thereby enhancing shareholders' value.

7.3 Proposed Bonus Issue of Warrants

The Board is of the view that the Proposed Bonus Issue of Warrants is an appropriate avenue for rewarding the existing shareholders of the Company after taking into consideration, amongst others, the following factors:

- (i) to reward the Company's shareholders for their continuous support by enabling them to participate in convertible securities of the Company, which are tradable on the ACE Market of Bursa Securities, without incurring any cost;
- (ii) to provide the Company's shareholders with an opportunity to increase their equity participation in the Company at a pre-determined Warrants Exercise Price over the tenure of the Warrants, and allow them benefit from any potential capital appreciation of the Warrants and further participate in the future growth of the Company when the Warrants are exercised;
- (iii) to provide the Group with additional funds for its working capital requirements as and when the Warrants are exercised in the future without incurring interest costs as compared to bank borrowings; and
- (iv) to strengthen the capital base of the Group by increasing the size of the shareholders' funds pursuant to the exercise of the Warrants and hence, provide the Group greater flexibility in terms of the options available to meet its future funding requirements.

7.4 Proposed ESS

The Company believes it is important to continue to motivate, incentivise and reward its employees and also to align the interests of the Eligible Persons with the corporate goals of Systech Group. The Proposed ESS is intended to:

- (i) reward Eligible Persons for their contribution towards Systech Group;
- (ii) create a sense of loyalty and ownership amongst the employees, by giving the employees an opportunity to participate in the equity of the Company;
- (iii) increase the level of commitment and dedication of the Eligible Persons by rewarding them with an equity stake in the Company; and
- (iv) provide incentive for the Eligible Persons to participate more actively in the operations of the Group and encourage them to contribute to the future growth of the Group.

The Proposed ESS is also extended to include the non-executive Directors of Systech Group in recognition of their contributions towards the growth and performance of Systech Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive Directors of the Company, who will assist in the overall strategic decisions and directions of the Group.

Further, any proceeds to be received by the Company pursuant to the exercise of the ESS Options (which will depend on, amongst others, the number of ESS Options granted and exercised at the relevant point in time and the Options Exercise Price) will be utilised for the Group's working capital purposes as set out in Section 5.16 of Part A of this Circular.

7.5 Value creation and impact of the Proposals to Systech and its shareholders

The Proposed Shares Issuance is undertaken for the Group to primarily raise fund for the part settlement of the consideration for the Proposed Acquisition, part settlement of the consideration for the TCAI acquisition and for its working capital purpose as disclosed in Section 2.7 of Part A of this Circular.

The financial performance and condition of the Group is expected to be improved via the Proposed Acquisition as the Proposed Acquisition will enable the Group to combine the financial results of Wilstech under merger accounting moving forward.

The Proposed Bonus Issue of Warrants is not expected to raise any immediate funds as the Warrants will be issued at no cost to the Entitled Shareholders. Assuming all 160,656,399 Warrants are exercised at the Warrants Exercise Price of RM0.50 each, the Company will raise gross proceeds of RM80.3 million. Such proceeds, if any, will be utilised for the working capital requirements of Systech Group.

The Proposed ESS enables the Group to reward, motivate and retain high-calibre employees and create a greater sense of belonging and dedication of the Eligible Persons as they will be provided with the opportunity to participate directly in the long-term development and growth of the Group via the Scheme, which serves to align their interests with the Group and the shareholders. In addition, the Company will receive proceeds upon exercise of the ESS Options, which will be utilised for the Group's working capital.

The issuance of Subscription Shares to the Subscribers, issuance of Consideration Shares to the Vendors to partially settle the Purchase Consideration as well as the issuance of Shares Grants and or new Shares arising from the exercise of the ESS Options pursuant to the Proposed ESS, will result in a dilution to the shareholdings of Systech's existing shareholders in the Company. However, the issuance of new Shares is expected to provide the following benefits:

- (i) the issuance of Subscription Shares under the Proposed Shares Issuance allows the Group to raise additional funds expediently to address the Group's funding requirements as set out in Section 2.7 of Part A of this Circular, without incurring additional interest cost;
- (ii) the issuance Consideration Shares under the Proposed Acquisition allows the Group to conserve its cash resources and utilise its cash resources to fund the Group's existing businesses and to perform the new IoT projects secured / to be secured which is expected to contribute positively to the future earnings of the Group; and
- (iii) the issuance of new Shares pursuant to the Proposed ESS to the Eligible Persons is also expected to align the interests of Eligible Persons with the Group and the shareholders, which could motivate them to actively participate in the operations of the Group and indirectly improve the financial performance of the Group thus benefiting the shareholders of the Company.

7.6 Adequacy of the Proposals in addressing the Group's financial concerns

The Group had been making losses for the past 4 FYEs 31 March 2020 to 31 March 2023. The Group is of the view that the Proposed Shares Issuance is expected to address the Group's financial concerns adequately in view that the proceeds raised from the Proposed Shares Issuance are mainly utilised for the part settlement of the consideration for the Proposed Acquisition, part settlement of the consideration for the TCAI acquisition and for the working capital for the enlarged Group to perform the contracts secured and to be secured, which is expected to contribute positively to the financial performance of the Group moving forward.

The Proposed Acquisition is also expected to address the Group's financial concerns adequately in view that Wilstech had in each of the past 3 FYEs 31 August 2021 to 31 August 2023 registered profits and has an orderbook stood at RM37.8 million as at LPD, which is expected to generate cash flows to the enlarged Systech Group in the future.

The Proposed Bonus Issue of Warrants is not intended to address any financial concerns of the Group but rather to reward the Company's shareholders for their continuous support.

The Proposed ESS is not intended to address any financial concerns of the Group but to motivate, incentivise and reward its employees and also to align the interests of the Eligible Persons with the corporate goals of Systech Group. The Company will receive proceeds upon exercise of the ESS Options to be granted under the Proposed ESS. Such quantum will depend on, amongst others, the number of ESS Options granted and exercised at the relevant point in time and the Options Exercise Price. All proceeds to be received pursuant to the exercise of the ESS Options will be utilised for the Group's working capital purposes.

7.7 Steps or actions which have been taken/will be taken to improve the financial condition of the Group

The Board had in the past undertaken several measures to improve its financial performance and financial condition of the Group which includes, amongst others, the following:

- (i) expansion of CyberSecurity segment

The CyberSecurity segment of the Group provides intelligence-driven information security services that protect organisations against advanced cyberattacks.

The Group has been actively securing new contracts for its cybersecurity services and bolstering its workforce to meet contractual demand. As at LPD, the Group has 66 on-going cybersecurity services contracts with total contract value of RM23.5 million, of which RM13.2 million had been recognised as revenue up to LPD and the remaining RM10.3 million will be recognised up to FYE 31 March 2027.

The Group had continuously nurtured its CyberSecurity professional team to ensure the team equips themselves with the latest knowledge by performing internal research and development and strengthening its core competency which in turn will result in improved productivity.

(ii) disposal of loss-making subsidiaries in e-business solutions segment

The Company had on 7 July 2023 completed the disposal of 5 subsidiaries in the e-business solutions segment namely Syscotech Sdn Bhd, Mobysys Sdn Bhd, Techcasys Sdn Bhd, Syscotech Inc. and Syscode Sdn Bhd, which were registering declining revenue and had recorded losses over the past 3 consecutive financial years prior to the disposal, for a total cash consideration of RM6.6 million. The disposal of the e-business subsidiaries allowed the Group to relocate the resources to the profitable segments and the actual proceeds raised from the said disposal (cash consideration of RM6.6 million and the net balances of RM2.4 million (initial net balances: RM2.5 million) owed by the 5 subsidiaries to Systech which had been repaid by the purchaser) had been fully utilised as follows:

Details of utilisation	Initial proposed utilisation^(a)	Revised proposed utilisation^(b)	Actual utilisation up to LPD	Variation
	RM'000	RM'000	RM'000	RM'000
Partial settlement of the purchase consideration pursuant to the acquisition of TCAI (as set out in Section 7.7(iii) below)	8,400	8,400	8,400	-
General working capital	198	55	^(c) 117	(62)
Expenses in relation to the acquisition of TCAI and disposal of the 5 subsidiaries	500	500	438	62
	9,098	8,955	8,955	-

Notes:-

- (a) In accordance with the circular to shareholders in relation to acquisition of TCAI and disposal of the 5 subsidiaries dated 24 March 2023.
- (b) The revised proposed utilisation was arrived at following the determination of the net balances owed by the 5 subsidiaries to Systech on the completion date of the said disposal.
- (c) The general working capital includes office related expenses i.e. utilities, office supplies as well as compliance expenses i.e. audit, company secretary and share registrar.

(iii) acquisition of TCAI

The Company had on 7 July 2023 completed the acquisition of 80.0% equity interest in TCAI, a company principally engaged in sale and supply of HCM software, consultation, provision of training and technical support to customers.

The said acquisition is in line with the Group's strategy to continuously look for assets that could contribute to the profits of the Group. With the HCM software owned by TCAI, the Group could expand its HCM solutions offering by expanding its customers segment.

In addition, the acquisition of TCAI also comprise of the profit guarantees of total RM3.0 million for 2 years period ending 31 March 2025 which is expected to further enhance the financial performance of the Group.

8. INDUSTRY OVERVIEW AND PROSPECTS

8.1 Overview and outlook of the Malaysian economy

Overview

The Malaysian economy grew by 3.7% despite facing challenges stemming from weak external demand, disruptions in commodity production and higher cost of living. Growth was mainly supported by resilient domestic demand and recovery in tourism activities. On the external front, exports declined due to subdued global demand, lower commodity prices and shifts towards services spending. Additionally, improving labour market conditions coupled with supportive policy measures helped household spending, especially among the vulnerable households affected by higher cost of living. Private sector capital spending drove overall investment activity, particularly in information technology and electrical and electronics (“E&E”). In tandem with external trade performance, export-oriented industries saw some moderation in growth. Nonetheless, all sectors continued to expand in 2023.

Headline inflation moderated in 2023 to an average of 2.5% (2022: 3.3%), largely on account of lower food, non-alcoholic beverages and fuel inflation. Some subsidy rationalisation measures were introduced, namely through the revision of electricity tariffs and removal of price ceilings for chicken. The impact on consumer price index (“CPI”) inflation was rather muted given the relatively smaller weights of these items in the CPI basket. In addition, upward pressure on import prices from the sustained strength of the US dollar against the ringgit was offset by the moderating global cost environment. Existing price controls and subsidies on key expenditure items as well as the relatively stable firms’ pricing behaviour also partially mitigated exchange rate pass-through effects. Meanwhile, core inflation averaged at 3% (2022: 3%). The more gradual disinflation pace was partly due to persistent demand pressure, particularly in the first half of 2023. Core inflation steadily converged to its long-term average in the second half. Overall, price pressures were generally less pervasive in 2023. The share of CPI items recording monthly price increases trended lower, approaching their respective long-term average levels.

Outlook

The Malaysian economy is projected to grow between 4%–5% in 2024, underpinned by continued expansion in domestic demand and improvement in external demand: Growth will be driven by resilient domestic expenditure, with additional support from the expected recovery in exports. Tourism is expected to improve further, while the implementation of new and ongoing multi-year projects by both the private and public sectors would support investment activity. Nevertheless, domestic growth remains subject to downside risks from both external and domestic factors. External factors include a weaker-than-expected global growth and further escalation of geopolitical conflict. Domestically, more severe shocks on commodity production and the implementation of subsidy rationalisation could also weigh on the growth outlook, although this could be partially offset by targeted cash assistance from the Government. Greater spillover from the tech upcycle, stronger-than-expected tourism activity, and faster implementation of existing and new investment projects would provide upside risks to the domestic growth.

Headline inflation is expected to average between 2% and 3.5% in 2024. Headline inflation is expected to remain moderate amid contained cost pressures from easing global supply conditions. Price pressures from tax changes and utility tariffs are assessed to have a marginal impact on headline inflation. Additionally, the impact of exchange rate depreciation on inflation will be contained by administered prices and relatively stable firm pricing behaviour. Core inflation is also expected to moderate, but remaining above its long-term average. Limited demand pressures, stable near-term sentiments on economic conditions and wage growth that is in line with productivity increases, will likely contain upward pressure to underlying inflation. Inflation outlook remains highly subject to upside risks due to potential price adjustments on food and energy items, as well as external pressures from exchange rate and global commodity price developments. Of note, the inflation forecast range has incorporated some potential upside from the implementation of fuel subsidy rationalisation. The direct impact on headline inflation will likely dissipate within a year, but there are upside risks from knock-on effects and wage-price dynamics. Nevertheless, the short-term impact will depend on the size, timing and scope of targeted assistance. On the other hand, downside risks to inflation outlook emanate from weaker global growth weighing on commodity prices and cost pressures.

(Source: Economic and Monetary Review 2023, Bank Negara Malaysia)

8.2 Overview and outlook of the IT industry in Malaysia

Overview

The services sector increased by 6% in the first half of 2023, mainly attributed to the wholesale and retail trade; transportation and storage; and food & beverages and accommodation subsectors. However, finance and insurance contracted during the period. The performance of the sector in the second half of the year is anticipated to rise by 5.1% driven by tourism- and travel-related subsectors following higher tourist arrivals and improved consumer spending. Overall, the sector is projected to grow by 5.5% in 2023, with nearly all subsectors recording positive growth, except for the finance and insurance subsector.

The information and communication subsector rose by 3.7% in the first half of 2023 and expected to grow by 6.2% in the second half of the year following attractive and affordable internet packages with devices, for high-speed connectivity such as 5G RAHMAH Package and RAHMAH Public Servant Postpaid Incentive. These packages, which are offered by major telecommunication companies are expected to further increase the internet subscription rate.

(Source: Economic Outlook 2024, Budget 2024, Ministry of Finance Malaysia)

The services sector expanded by 5.3% in year 2023 (2022: 10.9%), of which the information and communication subsector rose by 3.6% in year 2023 (2022: 5.2%).

(Source: Economic and Monetary Review 2023, Bank Negara Malaysia)

Outlook

The services sector is forecast to increase by 5.6% in 2024 driven by expansion in all subsectors. In addition, vibrant tourism-related activities as well as continuous consumer spending are expected to further spur the growth of the sector.

The information and communication subsector is expected to expand by 6.5% in 2024, primarily underpinned by telecommunication segment following fast rollout of 5G coverage and the adoption of a dual network model. The performance of the subsector will also benefit from the increasing demand for high-speed connectivity, particularly through the adoption of satellite internet technology in rural and remote areas. Likewise, the digital-based services are anticipated to spur the subsector's growth following streaming coverage of major events such as the 2024 UEFA European Football Championship and the 2024 Olympic Games; adoption of cloud solutions and services; and the uptick in social commerce activities.

Various initiatives announced under the Budget 2024 by the government is expected to spur development in the industry, which amongst others, include:

1. RM800 million for the implementation of MyDigital MADANI to continue digital connectivity across 3,700 schools and 47 industrial areas by 2025.
2. RM900 million Bank Negara Malaysia fund to encourage SME companies to increase business productivity through automation and digitalisation.
3. RM60 million for the development of 5G Cybersecurity Testing Framework and Local Expertise in 5G Technology to enhance preparedness against cyber threats.
4. RM100 million for digitalisation grants of up to RM5,000 to upgrade sales, inventory and digital accounting systems.

(Source: Economic Outlook 2024, Budget 2024, Ministry of Finance Malaysia)

8.3 Prospects of the enlarged Systech Group

The Group has been registering losses for the past 4 FYEs 31 March 2020 to 31 March 2023. The Group had recently undertaken several measures including the disposal of the loss making e-business subsidiaries and acquisition of TCAI in order to improve the financial performance of the Group.

The acquisition of Wilstech which is in the similar business as the Group i.e. provision of IT solutions, will enable the Group to expand its customer base, derive cross selling opportunities and cost savings as detailed in Section 7.2 of Part A of this Circular.

In addition, Wilstech also plans to undertake the following in the near to medium future, which is expected to contribute to the enlarged Systech Group's financial performance and financial position:

- (i) Participate in Government's programme to assist SME companies in digitalising their businesses

The Government had earmarked RM900 million fund to encourage SME companies to increase business productivity through automation and digitalisation as well as RM100 million for digitalisation grants of up to RM5,000 to upgrade sales, inventory and digital accounting systems.

As at LPD, Wilstech is a company with Malaysia Digital Status awarded by Malaysia Digital Economy Corporation Sdn. Bhd. on 28 March 2023, which shall subsist until its revocation by Malaysia Digital Economy Corporation Sdn. Bhd. or surrender of the said status by Wilstech (whichever earlier), pursuant to the terms and conditions stated in the approval letter issued by Malaysia Digital Economy Corporation Sdn. Bhd.. Malaysia Digital Status enables Wilstech to participate and undertake Malaysia Digital activities and participate as an authorised digitalisation partner under the Geran Digital PMKS Madani Initiative, an initiative by the Government of Malaysia to assist micro, small and medium enterprises improve digitalisation applications in their daily businesses. Wilstech is thus well positioned to secure more contracts from these businesses under this initiative.

- (ii) Create sustainable ecosystem to support the growth and development of no-code platforms and applications in Malaysia

As at LPD, Wilstech is the master distributor of eMOBIQ, which is an application to assist developers to build mobile applications without the need of using code, in Malaysia. eMOBIQ is aimed at accelerating the rapid adoption and immersion of local talent and businesses, particularly, entrepreneurs, micro, small and medium enterprises and SME in developing applications on the no-code platform. For clarification, the engagement of Wilstech as master distributor of eMOBIQ was effected on 13 April 2022 for a period of 12 months and automatically renewed for successive 12 months period unless otherwise terminated by the party involved in the said engagement.

As at LPD, Wilstech had engaged with 2 government agencies and 2 institutions and in the midst of discussion with a government agency and an educational institution since September 2023, to promote the eMOBIQ application. It is expected that this could increase the sale of eMOBIQ in near future, which could contribute to the financial performance of the enlarged Systech Group moving forward.

- (iii) Continuing the research and development on WilsONE

Wilstech will continue to carry out research and development to further enhance its owned software i.e. WilsONE (as detailed in Section 1 of Appendix III of this Circular) to include additional features, including amongst others, sales, marketing and campaign management and artificial intelligence powered chatbots, which is expected to be launched in next 2 years.

Post-completion of the Proposed Acquisition, the Group intends to consolidate Wilstech and the Group's existing resources to derive cost savings (where possible) and to obtain cross selling opportunities via the offering of the Group's existing products and services to Wilstech's customers and vice versa. The Group believes such benefits may be realised over the next 2 years. The Group does not expect to incur additional financial resources to realise the above plans as the plans will be carried out as part of the ordinary course of business of the Group.

Besides, the Group will also continue to grow its existing businesses, particularly TCAI, via the introduction of new modules and features of its HCM software, to cater for market demand and to create a more suitable HCM software to cater to a wider range of customers. In addition, the Group's successful procurement of the IoT Contract as detailed in Section 2.7 of Part A of this Circular, is expected to provide the Group with a steady income flow over the duration of the contract. The Group is also in discussion with 8 other customers in Malaysia, Dubai, Indonesia and Singapore (as detailed in Note (iii)(aa) of Section 2.7 of Part A of this Circular), for the provision of IoT projects, which are similar in nature.

The Proposed Acquisition, acquisition of TCAI and the IoT contracts procured / or to be procured are expected to contribute positively to the financial performance of the Group moving forward. Based on the aforementioned, the Board is optimistic that the Group will be able to turnaround to profitability in the near future after taking into consideration the positive outlook of the IT industry.

9. RISK FACTORS

The Proposed Acquisition is not expected to materially change the risk profile of the business of the Group as Wilstech is in similar business as Systech Group, which is in the provision of IT solutions.

The Group will continue to be exposed to similar business, operational and financial risks relating to the IT segment, such as competition, introduction of new technology and products as well as the IT industry in general upon completion of the Proposed Acquisition.

The Proposed Acquisition will result in the Group being subject to certain transaction risks, including amongst others, the following risks:

9.1 Completion risk

The completion of the Proposed Shares Issuance and Proposed Acquisition is conditional upon fulfilment or waiver of the conditions precedent to the Subscription Agreements and SSA as set out in Section 2 of Appendix I and Section 3 of Appendix II of this Circular respectively. If the conditions precedent are not fulfilled or waived within the stipulated timeframe, the Subscription Agreements and SSA may be rescinded or terminated.

There can be no assurance that the conditions precedent can be fulfilled and the Proposed Shares Issuance and/or Proposed Acquisition can be completed within the time period permitted under the Subscription Agreements and/or SSA. The Proposed Acquisition is conditional upon the Proposed Shares Issuance and as such, the non-completion of the Proposed Shares Issuance will result in the non-completion of the Proposed Acquisition and will consequently result in the termination of the Proposed Shares Issuance and Proposed Acquisition.

The Company will take all reasonable steps to ensure that the conditions precedent that are within the Company's control will be met within the stipulated timeframe to ensure the successful completion of the Proposed Shares Issuance and Proposed Acquisition. Should there be any delay beyond the agreed time period, the Board shall negotiate with the relevant parties to the Subscription Agreements and SSA to mutually extend the relevant period prior to its expiry.

9.2 Acquisition risk

The Proposed Acquisition, upon completion, is expected to contribute positively to the future earnings of Systech Group. However, there can be no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that Systech Group will be able to generate sufficient revenue and earnings therefrom to offset the consideration and associated costs incurred for the Proposed Acquisition. There is also no assurance that Wilstech is able to maintain or improve the quality of products and/or services currently offered.

To mitigate such risk, Systech Group had procured the Profit Guarantee and Security Amount as set out in Section 3.3 of Part A of this Circular. In addition, the existing director of Wilstech namely LMY had signed the Management Service Agreement with Systech Group and thus will remain as the director of Wilstech upon completion of the Proposed Acquisition. Moving forward, LMY will continue to lead and grow the operations of Wilstech and the Group will work closely with him for strategic matters relating to Wilstech.

9.3 Achievability of the Profit Guarantee

The Profit Guarantee is based on various bases and assumptions which the Board deems reasonable, but nevertheless is subject to certain uncertainties and contingencies, such as failure to retain the existing projects from existing customer, failure to secure new projects from the existing and/or new customers of Wilstech and/or the occurrence of unforeseen material expenses which may affect the profitability of Wilstech.

While the Board has taken reasonable steps to assess the achievability of the said Profit Guarantee by assessing existing secured projects and potential projects to be secured by Wilstech, however, there can be no assurance that the Profit Guarantee will be achieved.

To mitigate such risk, Systech had negotiated the Security Amount of RM30.0 million to be held by the Stakeholder, which will only be released to LMY upon the Profit Guarantee being achieved. In the event the Profit Guarantee is not achieved, the Security Amount and/or the Purchase Consideration will be refunded to Systech based on the computation as set out in Section 3.3 of Part A of this Circular.

9.4 Integration risk

The Proposed Acquisition is exposed to the business integration risks such as workforce redundancy and overlapping job functions as well as the risk of not being able to fully realise the expected benefits such as cross selling opportunities and cost savings.

At the appropriate time after the completion of the Proposed Acquisition, Systech may undertake the necessary efforts to mitigate the various risks by implementing a proper integration exercise and management structure to ensure a seamless integration.

However, there can be no assurance that any integration efforts will not have a material adverse effect on the business performance and prospects of the enlarged Systech Group upon completion of the Proposed Acquisition. The Board will continue to exercise due care and take appropriate measures such as, amongst others, identifying and evaluating the risks in planning and integrating the business operations of Wilstech with the Group's existing business operations.

9.5 Impairment risk

As at 31 August 2023, Wilstech has total trade receivables balance amounting to RM13.6 million (nett of impairment), representing 41.7% of the total assets of Wilstech, of which RM8.1 million had exceeded the stipulated credit period. In the event any of the trade receivables fails to meet its payment, the Group may need to recognise impairment losses and/or write-off the said trade receivables, which could impact the Group's financial performance. For information, there is a total provision of impairment loss to its trade receivables amounting to RM2.8 million as at 31 August 2023.

For illustration purpose, in the event that Wilstech fails to receive the total trade receivables balance of RM13.6 million, Wilstech will need to impair/write off the RM13.6 million into the profit and loss of Wilstech which will cause the profits of Wilstech to decrease by the said impairment/written off. For information, subsequent to 31 August 2023 and up to LPD, Wilstech had collected RM6.7 million from the total trade receivables as at 31 August 2023.

To mitigate such risk, Wilstech will continue to engage closely with the existing trade receivables on the receipt of the outstanding balances and if required, to issue demand letter to ensure the recoverability of the outstanding balances. Wilstech and the Group will also implement robust due diligence process, amongst others, assess the creditworthiness and review the historical payment track record for new and existing customers of Wilstech prior to entering into business with them. However, there can be no assurance that the performance of the Group would not be materially affected in the event there is any default payment by any trade receivables.

9.6 Political, economic and regulatory factors

Any adverse developments in the political, economic and regulatory conditions in Malaysia, could materially and adversely affect the Group's business, financial performance, and prospects. Political and economic uncertainties include but are not limited to, changes in labour laws, availability of labour, a switch in political leadership and/or changes in the government's policies, interest rates, methods of taxation, monetary and fiscal policy and licensing regulations and economic downturn. These factors are generally beyond the management's control.

The Group seeks to manage such risks by monitoring the operating environment and reviewing business strategies in response to such adverse developments. There can be no assurance that adverse changes to the political, regulatory and economics conditions would not have a material impact on the Group's operations and financial performance.

10. EFFECTS OF THE PROPOSALS

10.1 Issued share capital

The Proposed ESS will not have an immediate effect on the existing issued share capital of the Company until and unless the Shares Grant are vested and/or ESS Options are exercised pursuant to the Awards granted under the Proposed ESS. The issued share capital of Systech will increase progressively depending on the number of Awards vested and exercised.

The proforma effects of the Proposals on the issued share capital of Systech are as follows:

	<u>Number of Shares</u>	<u>RM</u>
Issued share capital as at LPD	347,707,820	43,881,782
Less: Treasury shares	(1,860,000)	(375,870)
Issued share capital net of treasury shares	345,847,820	43,505,912
Subscription Shares to be issued pursuant to the Proposed Shares Issuance	144,000,000	(a) 51,840,000
Less: Estimated expenses in relation to issuance of Proposed Shares Issuance	-	(571,375)
Enlarged share capital after the Proposed Shares Issuance	489,847,820	94,774,537
Consideration Shares to be issued pursuant to the Proposed Acquisition	152,777,777	(b)55,000,000
Enlarged share capital after the Proposed Acquisition	642,625,597	149,774,537
New Shares to be issued assuming full exercise of the Warrants	160,656,399	(c)80,328,200
Enlarged share capital assuming full exercise of the Warrants	803,281,996	230,102,737
Shares to be issued pursuant to the Proposed ESS	120,492,299	(d)49,932,009
Enlarged share capital after the Proposed ESS	923,774,295	280,034,746

Notes:-

- (a) Computed based on the Subscription Price of RM0.36 per Subscription Share.
- (b) Computed based on the Issue Price of RM0.36 per Consideration Share.
- (c) Assuming 160,656,399 Warrants are exercised at the Warrants Exercise Price of RM0.50 each.
- (d) Assuming all 15% of the Awards granted in relation to the Proposed ESS are settled via issuance of new Systech Shares at RM0.4144 each, representing the 5-day VWAP of Systech Shares up to LPD.

10.2 NA, NA per share and gearing**Proposed Shares Issuance, Proposed Acquisition and Proposed Bonus Issue of Warrants**

The proforma effects of the Proposed Shares Issuance, Proposed Acquisition and Proposed Bonus Issue of Warrants on the consolidated NA, NA per share and gearing of Systech Group assuming that the Proposed Shares Issuance, Proposed Acquisition and Proposed Bonus Issue of Warrants had been effected at the end of FYE 31 March 2023 are as follows:

	(I)	(II)	(III)	(IV)	
Audited as at 31 March 2023 RM'000	After the Proposed Shares Issuance RM'000	After (I) and the Proposed Acquisition RM'000	After (II) and the Proposed Bonus Issue of Warrants RM'000	After (III) and assuming full exercise of Warrants RM'000	
Share capital	43,882	^(a) 95,151	^(b) 150,151	150,151	^(c) 230,479
Treasury shares	(376)	(376)	(376)	(376)	(376)
Merger reserve	-	-	^(d) (69,375)	(69,375)	(69,375)
Exchange translation reserve	209	209	209	209	209
(Accumulated losses) / Retained profit	(23,320)	(23,320)	^(e) (24,610)	^(f) (25,249)	(25,249)
NA	20,395	71,664	55,999	55,360	135,688
Non-controlling interest	2,824	2,824	2,824	2,824	2,824
Total equity	23,219	74,488	58,823	58,184	138,512
No. of Shares	345,848	489,848	642,626	642,626	803,282
NA per Share (RM)	0.06	0.15	0.09	0.09	0.17
Total borrowings (including lease liabilities)	5,562	5,562	^(g) 22,421	22,421	22,421
Gearing (times)	0.27	0.08	0.40	0.41	0.17

Notes:-

- (a) After incorporating the issuance of 144,000,000 Subscription Shares at the Subscription Price of RM0.36 each and the estimated expenses of RM0.6 million in relation to the Proposed Shares Issuance.
- (b) After incorporating the issuance of 152,777,777 Consideration Shares at the Issue Price of RM0.36 each.
- (c) Assuming all the Warrants are exercise at RM0.50 each
- (d) The Proposed Acquisition will be accounted using merger accounting.

The business combinations under common control are accounted for in accordance with merger accounting. In applying merger accounting, the financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs.

The NA of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

- (e) After incorporating the estimated expenses of RM1.3 million in relation to the Proposed Acquisition.
- (f) After incorporating the estimated expenses of RM0.6 million in relation to the Proposed Bonus Issue of Warrants and Proposed ESS.
- (g) After incorporating the borrowings (including lease liabilities) of Wilstech of RM16.9 million based on audited financial statements for the FYE 31 August 2023.

Proposed ESS

The Proposed ESS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the Awards are granted and vested.

Any potential effect on the NA, NA per Share and gearing of the Group will depend on the mode of settlement of the ESS Options and Shares Grant, which will only be determined at the time of exercise of ESS Options and/or vesting of Shares Grant.

Any allotment and issuance of new Shares and/or transfer of treasury Shares pursuant to the Proposed ESS may have a dilutive effect on the NA per Share of the Group due to the resultant increase in the number of issued Shares (excluding treasury Shares):

- (i) For the granting of Shares Grant, the NA per Share is expected to decrease as the Shares Grants will be granted at no cost to the Participants;
- (ii) For the granting of ESS Options, the NA per Share is expected to increase if the Options Exercise Price is higher than the NA per Share at such point of exercise; and/or
- (iii) For the granting of ESS Options, the NA per Share is expected to decrease if the Options Exercise Price is lower than the NA per Share at such point of exercise.

10.3 Earnings and EPS

Proposed Shares Issuance

The Proposed Shares Issuance will result in an immediate dilution in the Group's EPS as a result of the increase in the number of Shares in issue upon completion of the Proposed Shares Issuance.

The actual impact of the Proposed Shares Issuance on the future earnings and EPS of the Group will depend on the level of returns generated from the utilisation of proceeds raised from the Proposed Shares Issuance.

Proposed Acquisition

The proforma effects of the Proposed Acquisition on the Group's earnings from the continuing operations and EPS based on its audited consolidated financial statements for the FYE 31 March 2023 (assuming that the Proposed Acquisition had been completed at the beginning of the financial year and assuming the Profit Guarantee is achieved) are as follows:

Based on the audited PAT of Wilstech for the FYE 31 August 2023

	Audited as at 31 March 2023	After Proposed Acquisition
	RM'000	RM'000
PAT from the continuing operations, attributable to the owners of the Company	72	72
Add: PAT attributable to the owners of the company for the FYE 31 August 2023 ^(a)	-	3,741
Less: Estimated expenses in relation to the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed ESS	-	(1,929)
Proforma earnings	72	1,884
Number of Shares ('000)	345,848	^(b) 642,626
EPS (sen)	*	0.29

Assuming the Profit Guarantee is achieved

	Audited as at 31 March 2023	After Proposed Acquisition
	RM'000	RM'000
PAT from the continuing operations, attributable to the owners of the Company	72	72
Add: Profit Guarantee ^(c)	-	5,000
Less: Estimated expenses in relation to the Proposed Acquisition, Proposed Bonus Issue of Warrants and Proposed ESS	-	(1,929)
Proforma earnings	72	3,143
Number of Shares ('000)	345,848	^(b) 642,626
EPS (sen)	*	0.49

Notes:-

- * Less than 0.01 sen.
- (a) Based on the audited PAT of Wilstech attributable to the owners of the company for the FYE 31 August 2023 of RM3.7 million.
- (b) After taking into consideration the issuance of 144,000,000 Subscription Shares pursuant to the Proposed Shares Issuance and 152,777,777 Consideration Shares pursuant to the Proposed Acquisition.
- (c) Assuming the Profit Guarantee for the 12M FPE2025 will be recognised in the beginning of the financial year.

Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants is not expected to have any material effect on the earnings of the Group for the FYE 31 March 2024. However, assuming the earnings of the Group remains unchanged, the EPS of the Group will be proportionately diluted as a result of the increase in the number of Shares as and when the Warrants are exercised.

The potential effect of the Proposed Bonus Issue of Warrants on the future earnings and EPS of the Group will depend upon, amongst others, the number of Shares issued pursuant to the exercise of the Warrants at any point in time and the potential benefits from the utilisation of the proceeds.

Although the EPS shall be correspondingly diluted as a result of the increase in number of Shares, the Proposed Bonus Issue of Warrants is expected to contribute positively to the Group's earnings thereafter through the utilisation of proceeds pursuant to the exercise of the Warrants.

Proposed ESS

The Proposed ESS is not expected to have an immediate effect on the earnings and EPS of the Group until such time when the Awards are granted and exercised/vested. Any potential effects on the earnings and EPS of the Group will depend on the number of ESS Options and/or Share Grants granted and/or vested, the Options Exercise Price and the non-cash expenses arising from the granting of the Awards under the accounting standards Malaysian Financial Reporting Standards 2, on "Share-Based Payment" issued by the Malaysian Accounting Standards Board.

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting or vesting of the Awards based on, amongst others, the share price volatility, risk-free interest rate, share price/fair value of the share and/or pricing model.

The fair value of the ESS Options and/or Shares Grants granted under the Proposed ESS will be recognised as an expense in the profit or loss account of the Group over the vesting period of the Share Options or Share Awards. However, it should be noted that the estimated cost does not represent a cash outflow by our Group as it is merely an accounting treatment.

The Board has taken note of the potential effect of the Proposed ESS on the Group's earnings and will take this into consideration in the allocation and granting of the Awards to the Selected Persons.

10.4 Substantial shareholders' shareholdings

Proposed Shares Issuance and Proposed Acquisition

The proforma effects on the substantial shareholders' shareholdings upon the completion of the Proposed Shares Issuance and Proposed Acquisition as well as assuming full exercise of Warrants are as follows:

	As at LPD				(I) After the Proposed Shares Issuance			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(a)%	No. of Shares	(a)%	No. of Shares	(b)%	No. of Shares	(b)%
SCSB	180,687,820	52.2	-	-	180,687,820	36.9	-	-
LCL	-	-	(c)180,687,820	52.2	-	-	(c)180,687,820	36.9
JCap	-	-	(c)180,687,820	52.2	-	-	(c)180,687,820	36.9
SJW	-	-	(d)180,687,820	52.2	-	-	(d)180,687,820	36.9
LMY	-	-	-	-	-	-	-	-
SeaCap	-	-	-	-	-	-	-	-
PE Capital Limited	-	-	-	-	-	-	-	-
HJH	-	-	(d)180,687,820	52.2	72,222,600	14.7	(d)180,687,820	36.9
Lim Chin Horng	-	-	-	-	27,777,700	5.7	-	-

	(II) After (I) and Proposed Acquisition				(III) After (II) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(e)%	No. of Shares	(e)%	No. of Shares	(f)%	No. of Shares	(f)%
SCSB	180,687,820	28.1	-	-	225,859,775	28.1	-	-
LCL	-	-	(c)180,687,820	28.1	-	-	(c)225,859,775	28.1
JCap	-	-	(c)180,687,820	28.1	-	-	(c)225,859,775	28.1
SJW	-	-	(d)180,687,820	28.1	-	-	(d)225,859,775	28.1
LMY	111,111,111	17.3	-	-	138,888,888	17.3	-	-
SeaCap	41,666,666	6.5	-	-	52,083,332	6.5	-	-
PE Capital Limited	-	-	(g)41,666,666	6.5	-	-	(g)52,083,332	6.5
HJH	72,222,600	11.2	(h)222,354,486	34.6	90,278,250	11.2	(h)277,943,107	34.6
Lim Chin Horng	27,777,700	4.3	-	-	34,722,125	4.3	-	-

Notes:-

- (a) Based on 345,847,820 issued Shares as at LPD.
- (b) Based on 489,847,820 Shares upon the completion of the Proposed Shares Issuance.
- (c) Deemed interested by virtue of his/its interest in SCSB pursuant to Section 8 of the Act.
- (d) Deemed interested by virtue of his interest in JCap pursuant to Section 8 of the Act.
- (e) Based on 642,625,597 Shares upon the completion of the Proposed Acquisition.
- (f) Based on 803,281,996 Shares assuming full exercise of Warrants.
- (g) Deemed interested by virtue of its interest in SeaCap pursuant to Section 8 of the Act.
- (h) Deemed interested by his interests in JCap, SeaCap and PE Capital Limited pursuant to Section 8 of the Act.

Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants will not have any immediate effect on the substantial shareholder's percentage of shareholding in the Company until new Shares are issued pursuant to the exercise of the Warrants. Any potential effect on the Company's substantial shareholders' shareholdings in the Company would depend on the number of new Systech Shares issued at the relevant point in time.

Proposed ESS

The Proposed ESS is not expected to have any immediate effect on the substantial shareholders' shareholdings in the Company until and unless new Systech Shares are issued pursuant to the vesting of the Shares Grants and/or exercise of the ESS Options under the Proposed ESS. Any potential effect on the Company's substantial shareholders' shareholdings in the Company would depend on the number of new Systech Shares issued and/or vested at the relevant point in time.

10.5 Public shareholdings' spread

The public shareholding spread of Systech based on the Record of Depositors maintained by Bursa Depository as at LPD is approximately 47.7% held by 2,739 public shareholders.

The changes in the public shareholdings spread of Systech based on the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at LPD, pursuant to the Proposed Shares Issuance and Proposed Acquisition are as follows:

	As at LPD	(I) After the Proposed Shares Issuance	(II) After (I) and Proposed Acquisition
Number of public shareholders	2,739	2,744	2,745
Public shareholding spread	47.72%	42.67%	36.85%

10.6 Convertible securities

The Company does not have any existing convertible securities as at LPD.

11. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Systech Shares as traded on Bursa Securities for the past 12 months from April 2023 to March 2024 are as follows:

	<u>High</u>	<u>Low</u>
	RM	RM
<u>2023</u>		
April	0.370	0.310
May	0.350	0.295
June	0.355	0.300
July	0.385	0.330
August	0.410	0.330
September	0.425	0.350
October	0.620	0.380
November	0.575	0.410
December	0.485	0.420
<u>2024</u>		
January	0.495	0.425
February	0.470	0.415
March	0.445	0.405

The last transacted market price of Systech Shares on 21 December 2023, being the last trading day prior to the Announcement

0.430

The last transacted market price of Systech Shares as at LPD

0.420

(Source: Bloomberg)

12. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:

- (i) the approval of Bursa Securities for the following:
 - (a) listing and quotation of 144,000,000 new Systech Shares to be issued pursuant to the Proposed Shares Issuance;
 - (b) listing and quotation of 152,777,777 Consideration Shares to be issued pursuant to the Proposed Acquisition;
 - (c) admission to the Official List and listing and quotation of up to 160,656,399 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants;
 - (d) listing and quotation of up to 160,656,399 new Systech Shares to be issued arising from the exercise of the Warrants; and
 - (e) listing and quotation of such number of new Systech Shares, representing up to 15% of the Company's total number of issued shares (excluding treasury shares, if any), to be issued pursuant to the Proposed ESS.

The approval of Bursa Securities for the above was obtained vide its letter dated 22 March 2024 subject to the conditions below.

The approval granted by Bursa Securities for the Proposed Acquisition is subject to the following conditions:

No.	Conditions	Status of compliance
1.	Systech and Malacca Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied.
2.	Systech and Malacca Securities to inform Bursa Securities upon the completion of the Proposed Acquisition;	To be complied.
3.	Systech to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed;	To be complied.
4.	Compliance by Systech with the public shareholding spread upon completion of the Proposed Acquisition and upon completion of the profit guarantee period. In this connection, Malacca Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities, prior to the allotment and issuance of the Consideration Shares; and	To be complied.
5.	Systech to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in a general meeting approving the Proposed Acquisition and Proposed Shares Issuance.	To be complied.

The approval granted by Bursa Securities for the Proposed ESS is subject to the following conditions:

No.	Conditions	Status of compliance
1.	Malacca Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESS pursuant to Rule 6.44(1) of the Listing Requirements and stating the effective date of implementation;	To be complied.
2.	Malacca Securities is required to submit a certified true copy of the resolution passed by the shareholders in a general meeting approving the Proposed ESS; and	To be complied.
3.	Systech is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the Proposed ESS, as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied.

The approval granted by Bursa Securities for the Proposed Shares Issuance and Proposed Bonus Issue of Warrants is subject to the following conditions:

No.	Conditions	Status of compliance
1.	Systech and Malacca Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Shares Issuance and Proposed Bonus Issue of Warrants;	To be complied.
2.	Systech and Malacca Securities to inform Bursa Securities upon the completion of the Proposed Shares Issuance and Proposed Bonus Issue of Warrants;	To be complied.
3.	Systech to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Shares Issuance and Proposed Bonus Issue of Warrants are completed; and	To be complied.
4.	Systech 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 approvals of the shareholders of the Company for the Proposals, Proposed Allocation to HJH and Proposed Allocations of Awards at the Company's forthcoming EGM.

For information, in accordance with Section 85 of the Act and Clause 8.2 of the Constitution of the Company, the shareholders of the Company have pre-emptive rights to be offered the new Systech Shares to be issued pursuant to the Proposals. In the event the resolutions for the Proposals, Proposed Allocation to HJH and Proposed Allocations of Awards are approved by shareholders of the Company at the Company's forthcoming EGM, the shareholders of the Company will be waiving their pre-emptive rights under Section 85 of the Act and Clause 8.2 of the Constitution of the Company, and thus the shareholders' percentage shareholdings in the Company will be correspondingly diluted upon completion of the Proposals.

- (iii) the approval of any other relevant authorities and/or parties, if any.

The Proposed Acquisition is conditional upon the Proposed Shares Issuance but not vice versa.

Save for the aforementioned, the Proposals are not conditional upon each other. The Proposals are also not conditional upon any other corporate exercises/schemes or proposals undertaken or to be undertaken by Systech.

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

Save as disclosed below and save for their respective entitlements as shareholders of Systech for the Proposed Bonus Issue of Warrants (the rights of which are also available to all other shareholders of Systech on a pro-rata basis), none of the directors, major shareholders, chief executive and persons connected to them has any interest, direct and indirect in the Proposals:

	<u>Proposed Shares Issuance</u>	<u>Proposed Allocation to HJH</u>	<u>Proposed Acquisition</u>	<u>Proposed Bonus Issue of Warrants</u>	<u>Proposed ESS</u>
(a) SCSB	•	•	•	-	-
(b) Chan Soon Tat	•	•	•	-	-
(c) Lee Choon Teng	•	•	•	-	-
(d) Teoh Keng Chang	•	•	•	-	-
(e) LMY	•	•	•	-	-
(f) HJH	•	•	•	-	-

Notes:-

- (a) HJH is a Subscriber for the Proposed Shares Issuance and the controlling shareholder of SeaCap, a Vendor of the Proposed Acquisition as well as a person connected to SCSB by virtue of HJH being an indirect shareholder of SCSB (via his interest in JCap).

LMY is a Vendor of the Proposed Acquisition and a person connected to SCSB by virtue that LMY is a director of SCSB.

As such, SCSB is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition;

- (b) Chan Soon Tat, the Non-Independent and Non-Executive Chairman of Systech, being the representative of SCSB on the Board, is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition;
- (c) Lee Choon Teng, the Group Chief Executive Officer of Systech, being the representative of SCSB on the Board, is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition;
- (d) Teoh Keng Chang, an Executive Director of Systech, being a person connected to HJH (a person connected to SCSB), is deemed interest in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition;
- (e) LMY is a Vendor of the Proposed Acquisition and a person connected to SCSB by virtue that LMY is a director of SCSB, is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition; and
- (f) HJH is a Subscriber for the Proposed Shares Issuance and the controlling shareholder of SeaCap, a Vendor of the Proposed Acquisition as well as a person connected to SCSB by virtue of HJH being an indirect shareholder of SCSB (via his interest in JCap).

As such, HJH is deemed interested in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition.

Save as disclosed below, none of the directors, major shareholders, chief executive and persons connected to them has any interest, direct and indirect in the Proposed Allocations of Awards:

	Proposed Allocations of Awards to:						
	Chan Soon Tat	Lee Choon Teng	Teoh Keng Chang	Hong Boon Toh	Fong Sheng Nie	Ooi Gin Hui	LMY
(g) Chan Soon Tat	•	•	•	-	-	-	•
(h) Lee Choon Teng	•	•	•	-	-	-	•
(i) Teoh Keng Chang	•	•	•	-	-	-	•
(j) Hong Boon Toh	-	-	-	•	-	-	-
(k) Fong Sheng Nie	-	-	-	-	•	-	-
(l) Ooi Gin Hui	-	-	-	-	-	•	-
(m) LMY	•	•	•	-	-	-	•
(n) SCSB	•	•	•	-	-	-	•
(o) HJH	•	•	•	-	-	-	•

Notes:-

- (g) Chan Soon Tat, the Non-Independent and Non-Executive Chairman of Systech, being the representative of SCSB on the Board, is interested in the Proposed Allocations of Awards to himself and deemed interested in the Proposed Allocations of Awards to persons connected with SCSB namely, Lee Choon Teng, Teoh Keng Chang and LMY;
- (h) Lee Choon Teng, the Group Chief Executive Officer of Systech, being the representative of SCSB on the Board, is interested in the Proposed Allocations of Awards to himself and deemed interested in the Proposed Allocations of Awards to persons connected with SCSB namely, Chan Soon Tat, Teoh Keng Chang and LMY;
- (i) Teoh Keng Chang, an Executive Director of Systech, being a person connected to HJH (a person connected to SCSB), is interested in the Proposed Allocations of Awards to himself and deemed interested in the Proposed Allocations of Awards to persons connected with SCSB namely, Chan Soon Tat, Lee Choon Teng and LMY;
- (j) Hong Boon Toh, a Senior Independent Non-Executive Director, is interested in the Proposed Allocations of Awards to himself;
- (k) Fong Sheng Nie, an Independent Non-Executive Director, is interested in the Proposed Allocations of Awards to herself;
- (l) Ooi Gin Hui, an Independent Non-Executive Director, is interested in the Proposed Allocations of Awards to herself;
- (m) LMY, is a director of Wilstech, a wholly-owned subsidiary of Systech upon completion of the Proposed Acquisition and is a person connected to SCSB by virtue of LMY being a director of SCSB. LMY is interested in the Proposed Allocations of Awards to himself and deemed interested in the Proposed Allocations of Awards to persons connected with SCSB namely, Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang;

- (n) SCSB, the Major Shareholder of Systech, is deemed interested in the Proposed Allocations of Awards to persons connected with it namely Chan Soon Tat, Lee Choon Teng, Teoh Keng Chang and LMY; and
- (o) HJH, being a person connected to SCSB, the Major Shareholder of Systech, is deemed interested in the Proposed Allocations of Awards to persons connected with SCSB namely Chan Soon Tat, Lee Choon Teng, Teoh Keng Chang and LMY.

(collectively, referred to as the “**Interested Directors**” and “**Interested Major Shareholders**”, as the case may be).

(Interested Directors and Interested Major Shareholders collectively referred to as the “**Interested Parties**”).

As at LPD, the direct and indirect shareholdings of the Interested Parties in Systech are set out below:

	As at LPD			
	Direct		Indirect	
	No. of Shares	(a)%	No. of Shares	(a)%
SCSB	180,687,820	52.2	-	-
LCL	-	-	(b)180,687,820	52.2
JCap	-	-	(b)180,687,820	52.2
SJW	-	-	(c)180,687,820	52.2
HJH	-	-	(c)180,687,820	52.2
Chan Soon Tat	-	-	-	-
Lee Choon Teng	125,000	*	-	-
Teoh Keng Chang	-	-	-	-
Hong Boon Toh	-	-	-	-
Fong Sheng Nie	-	-	-	-
Ooi Gin Hui	-	-	-	-
LMY	-	-	-	-

Notes:-

* Less than 0.01%.

(a) Based on 345,847,820 issued Shares as at LPD.

(b) Deemed interested by virtue of his/its interest in SCSB pursuant to Section 8 of the Act.

(c) Deemed interested by virtue of his interest in JCap pursuant to Section 8 of the Act.

Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang, being the interested directors in the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition, will abstain from all deliberation and voting in respect of the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition at the relevant Board meetings of the Company. Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang will abstain from voting and will undertake to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in Systech on the resolutions pertaining to the Proposed Shares Issuance, Proposed Allocation to HJH and Proposed Acquisition at the Company’s forthcoming EGM.

SCSB (the Major Shareholder of Systech), Chan Soon Tat, Lee Choon Teng, Teoh Keng Chang, LMY and HJH will abstain from voting and will undertake to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in Systech on the resolutions pertaining to the Proposed Shares Issuance, Proposed Allocation to HJH, Proposed Acquisition and Proposed Allocations of Awards to Chan Soon Tat, Lee Choon Teng, Teoh Keng Chang and LMY at the Company's forthcoming EGM.

The Interested Directors will abstain from all deliberation and voting on their respective allocations and allocations to persons connected to them under the Proposed ESS at the relevant Board meetings of the Company. The Interested Directors will also abstain from all the voting and will undertake to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in Systech on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them (if any) under the Proposed ESS at the Company's forthcoming EGM.

14. TRANSACTIONS WITH THE INTERESTED PARTIES FOR THE PAST 12 MONTHS

On 13 February 2023, Systech had entered into a conditional share sale agreement with Sea Capital Holdings Sdn. Bhd. to acquire 240,000 ordinary shares in TCAI, representing 80.0% equity interest in TCAI for a total cash consideration of RM14.4 million. HJH is the sole director and sole shareholder of Sea Capital Holdings Sdn Bhd.

The said acquisition had been approved by Systech's shareholders at the extraordinary general meeting held on 10 April 2023 and completed on 7 July 2023.

Save for the Proposed Acquisition and as disclosed above, there is no transaction with HJH and LMY or their related companies for the preceding 12 months up to the LPD.

15. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at LPD, save for the Proposals, the Company does not have any outstanding corporate exercise that have been announced but pending completion.

16. HIGHEST PERCENTAGE RATIO FOR THE PROPOSED ACQUISITION

The highest percentage ratio applicable for the Proposed Acquisition pursuant to Rule 10.02(g) of the Listing Requirements is approximately 367.7% derived based on the aggregate value of the consideration given over the NA of Systech Group as at 31 March 2023.

Accordingly, the Proposed Acquisition is deemed as a "very substantial transaction" pursuant to Rule 10.02(l) of the Listing Requirements.

For avoidance of doubt, the Proposed Acquisition will not result in a significant change in business direction or policy of Systech Group in view of the following:-

As defined under Section 1.01 of the Listing Requirements	Remarks
(i) an acquisition of assets such that any one of the percentage ratios is 100% or more, except where the assets to be acquired are in a business similar to the core business of the listed corporation.	Wilstech is in a business similar to the core business of Systech, which is the provision of IT solutions ^(a) .
(ii) an acquisition of assets which results in a change in the controlling shareholder of the listed corporation.	The Proposed Acquisition will not result in a change in the controlling shareholder of the listed corporation as SCSB, LCL and persons acting in concert with them namely, JCap, SJW, HJH (and companies controlled by HJH, namely SeaCap and PE Capital Limited) and LMY, will continue to hold more than 50.0% equity interest in Systech upon completion of the Proposed Shares Issuance and Proposed Acquisition (as illustrated in Section 6 of Part A of this Circular).
(iii) an acquisition of assets which results in a change in the board of directors of the listed corporation.	The Proposed Acquisition will not result in a change in the Board. For information, there will be no appointment to the Board by the Vendors or Subscribers subsequent to the Proposed Shares Issuance and/or the Proposed Acquisition.
(iv) an acquisition of assets by a Cash Company to regularise its condition pursuant to Rule 8.03(5)(a).	Not applicable. As at LPD, Systech is not a cash company.
(v) a restructuring exercise involving the transfer of the listed corporation's listing status and the introduction of new assets to the other corporation.	Not applicable.

Note:-

- (a) The segmental revenue and PAT of Systech Group and Wilstech based on their latest audited financial statements are as follows:

Revenue

	Systech Group	Wilstech
	Audited	Audited
	FYE 31 March 2023	FYE 31 August 2023
	RM'000	RM'000
<u>IT solutions</u>		
- Hardware sales	681	5,833
- Software sales, development, implementation and maintenance	5,076	18,384
- Website design/development, implementation and maintenance	11	323
- System development, implementation and maintenance	-	50
- Cybersecurity – subscription basis i.e. managed security services	8,449	-
- Cybersecurity – one-off i.e. advisory services	4,530	-
- Others i.e. consultancy and trading	1	-
IT solutions	*18,748	24,590
Annual report and publication mailing	4,470	-
	23,218	24,590

(LAT)/PAT

	Systech Group	Wilstech
	Audited	Audited
	FYE 31 March 2023	FYE 31 August 2023
	RM'000	RM'000
IT solutions	*(5,777)	3,741
Annual report and publication mailing	16	-
	(5,761)	3,741

Note:-

- * Including the revenue and LAT from the 5 subsidiaries in the e-business solutions segment which were disposed off on 7 July 2023.

Systech Group is principally involved in the provision of IT solutions which include establishing IT systems and network, maintaining and monitoring of systems and networks' integrity, provision of services and software in managing administrative functions and other IT solutions related consultancy.

Wilstech is also an IT solutions provider which includes, amongst others, establishing IT systems and network, provision of services and software in managing administrative functions and other IT solutions related consultancy.

Based on above, both Systech Group and Wilstech are predominantly software based, service-oriented companies. Both Systech Group and Wilstech have the team of programmers to provide IT solutions to their customers based on the customers' requirements in setting up their IT systems and networks as well as provide solutions to digitalise administrative functions. The primary cost/expense for both the Systech Group and Wilstech are salaries and staff cost. Employees can be engaged across all IT services/solutions provided by Systech Group and Wilstech.

17. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of the Company, after having considered all relevant aspects of the Proposed Acquisition, including but not limited to the rationale, terms and conditions of the Proposed Acquisition, the basis and justification for the Purchase Consideration as well as the evaluation of the Independent Adviser, is of the opinion that the Proposed Acquisition is:

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

18. DIRECTORS' STATEMENT AND RECOMMENDATION

Proposed Shares Issuance

The Board (save for Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang, being the interested directors in the Proposed Shares Issuance) after having considered all aspects of the Proposed Shares Issuance including but not limited to the terms and conditions of the Subscription Agreements for the Proposed Shares Issuance, rationale and financial effects of the Proposed Shares Issuance, is of the opinion that the Proposed Shares Issuance is in the best interest of the Company.

Accordingly, the Board (save for Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang, being the interested directors in the Proposed Shares Issuance) recommends that shareholders of Systech vote in favour of the resolution pertaining to the Proposed Shares Issuance to be tabled at the Company's forthcoming EGM.

Proposed Allocation to HJH

The Board (save for Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang, being the interested directors in the Proposed Allocation to HJH) after having considered all aspects of the Proposed Allocation to HJH, including but not limited to the terms and conditions of the Subscription Agreement with HJH for the Proposed Allocation to HJH, rationale and financial effects of the Proposed Shares Issuance, is of the opinion that the Proposed Allocation to HJH is in the best interest of the Company.

Accordingly, the Board (save for Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang, being the interested directors in the Proposed Allocation to HJH) recommends that shareholders of Systech vote in favour of the resolution pertaining to the Proposed Allocation to HJH to be tabled at the Company's forthcoming EGM.

Proposed Acquisition

The Board (save for Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang, being the interested directors in the Proposed Acquisition) after having considered all aspects of the Proposed Acquisition, including but not limited to the terms and conditions of the SSA for the Proposed Acquisition, rationale, financial effects and risk factors of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

Accordingly, the Board (save for Chan Soon Tat, Lee Choon Teng and Teoh Keng Chang, being the interested directors in the Proposed Acquisition) recommends that shareholders of Systech vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the Company's forthcoming EGM.

Proposed Bonus Issue of Warrants

The Board after having considered all aspects of the Proposed Bonus Issue of Warrants, including but not limited to the rationale and financial effects of the Proposed Bonus Issue of Warrants, is of the opinion that the Proposed Bonus Issue of Warrants is in the best interest of the Company.

Accordingly, the Board recommends that shareholders of Systech vote in favour of the resolution pertaining to the Proposed Bonus Issue of Warrants to be tabled at the Company's forthcoming EGM.

Proposed ESS and Proposed Allocations of Awards

The Board (save for all directors in respect of their respective Proposed Allocations of Awards and Proposed Allocations of Awards to persons connected to them) after having considered all aspects of the Proposed ESS, including but not limited to the rationale and financial effects of the Proposed ESS, is of the opinion that the Proposed ESS and Proposed Allocations of Awards are in the best interest of the Company.

Accordingly, the Board (save for all directors in respect of their respective Proposed Allocations of Awards and allocations of Awards to persons connected to them) recommends that shareholders of Systech vote in favour of the resolutions pertaining to the Proposed ESS and Proposed Allocations of Awards to be tabled at the Company's forthcoming EGM.

19. ESTIMATED TIMEFRAME FOR COMPLETION / IMPLEMENTATION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities and shareholders being obtained and conditions precedent of the Subscription Agreements and SSA being met, the Proposed Shares Issuance, Proposed Acquisition and Proposed Bonus Issue of Warrants are expected to be completed in the 2nd quarter of the calendar year 2024.

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities and shareholders being obtained, the Proposed ESS is expected to be implemented in the 2nd quarter of the calendar year 2024.

The tentative timeline for the Proposals is as follows:

<u>Tentative timeline</u>	<u>Key milestones</u>
18 April 2024	<ul style="list-style-type: none">• EGM
End April 2024	<ul style="list-style-type: none">• Fulfilment of all conditions precedent of the Subscription Agreements• Completion of the Proposed Shares Issuance
Early May 2024	<ul style="list-style-type: none">• Effective Date of the Proposed ESS
Mid May 2024	<ul style="list-style-type: none">• Fulfilment of all conditions precedent of the SSA
End May 2024	<ul style="list-style-type: none">• Completion of the Proposed Acquisition
End June 2024	<ul style="list-style-type: none">• Completion of the Proposed Bonus Issue of Warrants

20. EGM

The EGM, the notice of which is set out in this Circular, will be conducted on a fully virtual basis through remote participation and electronic voting via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC – D6A357657) on Thursday, 18 April 2024 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals, Proposed Allocation to HJH and Proposed Allocations of Awards to the respective Directors.

If you are unable to attend and vote in person at the EGM, you may complete, sign and return the Proxy Form in accordance with the instructions printed thereon to the office of the Company's Share Registrar at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or lodged electronically with the Company's Share Registrar through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> or email to bsr.helpdesk@boardroomlimited.com not less than 48 hours before the time set for convening the EGM or at any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

21. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board
SYSTECH BHD

HONG BOON TOH
Senior Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM TA SECURITIES
TO THE NON-INTERESTED SHAREHOLDERS OF SYSTECH
IN RELATION TO THE PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the ‘Definitions’ section and Part A of the Circular except where the context otherwise requires or where otherwise defined in this Independent Advice Letter (“**IAL**”). All references to “you” are references to the non-interested shareholders while references to “we” “us” or “our” are to TA Securities, being the Independent Adviser for the Proposed Acquisition. Any discrepancies in the tables included in this IAL between the amounts listed, actual figures and the total thereof are due to rounding.

This executive summary, highlighting the salient points arising from our independent evaluation of the Proposed Acquisition, is intended to be a brief summary of this IAL prepared by TA Securities. The non-interested shareholders are advised to read this IAL carefully together with Part A of the Circular and the enclosed appendices, and to consider carefully the recommendation contained in this IAL before voting on the ordinary resolution to give effect to the Proposed Acquisition at the forthcoming EGM of Systech.

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

1. INTRODUCTION

On 22 December 2023, on behalf of the Board, Malacca Securities announced that Systech entered into the SSA with the Vendors, for the Proposed Acquisition.

On the even date, Systech has also entered into the Subscription Agreements with Subscriber to undertake the Proposed Shares Issuance. The Proposed Shares Issuance is undertaken for the Group to primarily raise fund for the part settlement of the consideration for the Proposed Acquisition, part settlement of the consideration for the TCAI acquisition and for its working capital purpose as disclosed in Section 2.7 of Part A of the Circular.

On 11 March 2024, on behalf of the Board, Malacca Securities announced that Systech entered into a supplemental agreement to vary the terms of the SSA entered into between Systech and the Vendors on 22 December 2023 to provide clarify on the Profit Guarantee mechanism.

In view of the interests of the directors, and major shareholders of Systech as well as the persons connected to them, in the Proposed Acquisition as set out in Sections 3 and 13 of Part A of the Circular, the Proposed Acquisition is deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements. Accordingly, TA Securities had been appointed by the Board on 22 December 2023 to act as an Independent Adviser to advise the non-interested directors and non-interested shareholders of Systech in respect of the Proposed Acquisition. As the Proposed Acquisition is conditional upon the Proposed Shares Issuance, our evaluation also encompasses the evaluation of the Proposed Shares Issuance to arrive at our overall opinion on the Proposed Acquisition as set out in this IAL.

The purpose of this IAL is to provide the non-interested shareholders of Systech with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition. The IAL also opines whether the Proposed Acquisition is to the detriment of the non-interested shareholders together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified herein, in relation to the Proposed Acquisition.

2. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following:

Section in this IAL	Area of evaluation	Our evaluation
Section 6.1	Rationale for the Proposed Acquisition	The Board is of the view that the Proposed Acquisition is: (i) aligned with the Group’s strategy to continuously look for business/assets which could improve its financial performance and financial condition; and

EXECUTIVE SUMMARY (CONT'D)

Section in this IAL	Area of evaluation	Our evaluation
		<p>(ii) the partial settlement of the Purchase Consideration via the issuance of the Consideration Shares will enable the Group to conserve its cash as well as realign LMY's interest with the Group as shareholder of Wilstech, particularly LMY, will become shareholder of Systech upon completion of the Proposed Acquisition.</p> <p>Based on the above, we are of the view that the rationale of the Proposed Acquisition is reasonable and not detrimental to the non-interested shareholders of Systech.</p>
Section 6.2	Rationale for the Proposed Shares Issuance	<p>The Board is of the view that the Proposed Shares Issuance is undertaken for the Group to primarily raise fund expediently to address the Group's funding requirements as follows:</p> <p>(i) the part settlement of the consideration for the Proposed Acquisition;</p> <p>(ii) part settlement of the consideration for the TCAI acquisition; and</p> <p>(iii) for working capital purpose.</p> <p>The Proposed Shares Issuance will also further strengthen the financial position of the Company by increasing the capital base of the Group.</p> <p>Based on the above, we are of the view that the rationale of the Proposed Shares Issuance is reasonable and not detrimental to the non-interested shareholders of Systech.</p>
Section 6.3	Basis and justification for the Purchase Consideration	<p>We take note that the Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration, among others, the following:</p> <p>(a) the audited NA of Wilstech of RM10.8 million as at 31 August 2022 (which was subsequently being adjusted to RM6.5 million upon completion of the audit for the FYE 31 August 2023 after the announcement of the Proposals due to the adjustments as explained in Section 7 of Appendix III of the Circular) and the unaudited NA of Wilstech of RM9.2 million as at 31 August 2023. For information purposes, the audited NA is RM5.6 million based on the audited accounts of FYE 31 August 2023 which was completed after the announcement of the Proposals;</p> <p>(b) the Profit Guarantee of RM5.0 million for the 12M FPE2025, as detailed in Section 3.3 of Part A of the Circular; and</p>

Section in this IAL	Area of evaluation	Our evaluation									
		<p>(c) the rationale and potential benefits to be accrued by the Group through the Proposed Acquisition.</p> <p>In evaluating the fairness of the Purchase Consideration, we have conducted an analysis based on the EV/EBITDA multiple and P/E multiple of comparable companies listed on Bursa Securities as at 21 December 2023, being the LTD as follows:</p> <table border="1" data-bbox="740 551 1378 707"> <thead> <tr> <th data-bbox="740 551 1008 591">Multiple metrics</th> <th data-bbox="1008 551 1219 591">Range</th> <th data-bbox="1219 551 1378 591">Average</th> </tr> </thead> <tbody> <tr> <td data-bbox="740 591 1008 663">EV/EBITDA multiple (times)</td> <td data-bbox="1008 591 1219 663">11.97 to 29.89</td> <td data-bbox="1219 591 1378 663">19.47</td> </tr> <tr> <td data-bbox="740 663 1008 707">P/E multiple (times)</td> <td data-bbox="1008 663 1219 707">19.27 to 29.85</td> <td data-bbox="1219 663 1378 707">24.30</td> </tr> </tbody> </table> <p>Based on our evaluation, we note that the implied EV/EBITDA multiple of Wilstech based on the audited FYE 31 August 2023 of 10.10 times, respectively based on the Purchase Consideration is lower than the average EV/EBITDA multiple of the comparable companies of 19.47 times.</p> <p>We further note that the implied P/E multiple of Wilstech based on the audited FYE 31 August 2023 of 13.54 times, respectively based on the Purchase Consideration is lower than the average P/E multiple of the comparable companies of 24.30 times.</p> <p>Premised on the above and our detailed evaluation set out in Section 6.3 of this IAL, we are of the opinion that the Purchase Consideration is fair.</p>	Multiple metrics	Range	Average	EV/EBITDA multiple (times)	11.97 to 29.89	19.47	P/E multiple (times)	19.27 to 29.85	24.30
Multiple metrics	Range	Average									
EV/EBITDA multiple (times)	11.97 to 29.89	19.47									
P/E multiple (times)	19.27 to 29.85	24.30									
Section 6.4	Basis and justification for the Issue Price and Subscription Price	<p>We take note that the Issue Price and Subscription Price of RM0.36 were negotiated and determined by Systech after taking into consideration the following:</p> <p>(a) the funding requirements of the Group to fund the purposes set out in Section 2.7 of Part A of the Circular;</p> <p>(b) the Subscription Price for the Proposed Shares Issuance, which is the same as the Issue Price of the Consideration Shares;</p> <p>(c) Systech Group has been recording losses for the past 4 consecutive FYEs 31 March 2020 to 31 March 2023. For the 9-month FPE 31 December 2023, Systech Group recorded a loss after tax and minority interest of RM1.7 million;</p>									

EXECUTIVE SUMMARY (CONT'D)

Section in this IAL	Area of evaluation	Our evaluation
		<p>(d) the unaudited consolidated NA per Share of Systech of 5.86 sen as at 30 September 2023. For information, the audited consolidated NA per Share of Systech as at 31 March 2023 is 5.87 sen and the unaudited consolidated NA per Share of Systech as at 31 December 2023 is 5.49 sen; and</p> <p>(e) the historical traded prices of Systech Shares for the past 12-months up to 21 December 2023, being the LTD, of RM0.21 to RM0.62.</p> <p>We take note that the Issue Price and the Subscription Price represents a discount up to 28.9% based on 3-month VWAP up to the LTD. Further, we also take note that the Issue Price and Subscription Price is higher than the NA per Share of Systech.</p> <p>In view of the above, we have assessed the fairness of the Issue Price and the Subscription Price by evaluating the EV/EBITDA multiple of Systech and implied EV/EBITDA multiple of Wilstech based on the audited FYE 31 August 2023. Based on the Issue Price per Consideration Share and Subscription Price of RM0.36, the EV/EBITDA multiple of Systech is 36.86 times, representing that the Issue Price and Subscription Price of RM0.36 is priced at more than 3 times the implied EV/EBITDA multiple of Wilstech of 10.10 times based on the audited FYE 31 August 2023.</p> <p>Premised on the above and our detailed evaluation set out in Section 6.4 of this IAL, we are of the opinion that the Issue Price and Subscription Price is fair.</p>
Section 6.5	Salient terms of the SSA	Based on our review of the salient terms of the SSA, we are of the view that the overall terms and conditions of the SSA are reasonable and not detrimental to the interests of the non-interested shareholders of Systech.
Section 6.6	Salient terms of the Subscription Agreements	Based on our review of the salient terms of the Subscription Agreements, we are of the view that the overall terms and conditions of the Subscription Agreements are reasonable and not detrimental to the interests of the shareholders of Systech.
Section 6.7	Financial effects of the Proposed Acquisition and Proposed Shares Issuance	<p>The issuance of the Consideration Shares pursuant to the Proposed Acquisition and Subscription Shares pursuant to the Proposed Shares Issuance will result in a larger base of Systech's issued shares and hence, resulting in a dilution to the collective shareholdings of all existing shareholders in Systech upon completion of the Proposed Acquisition and Proposed Shares Issuance.</p> <p>The pro forma effects of the Proposed Acquisition and Proposed Shares Issuance on the NA per Share, gearing and EPS as at 31 March 2023 are set out below:</p>

Section in this IAL	Area of evaluation	Our evaluation												
		<table border="1" data-bbox="738 277 1386 651"> <thead> <tr> <th data-bbox="738 277 932 465"></th> <th data-bbox="932 277 1161 465">Audited as at 31 March 2023</th> <th data-bbox="1161 277 1386 465">Pro forma effects after the Proposed Acquisition and Proposed Shares Issuance</th> </tr> </thead> <tbody> <tr> <td data-bbox="738 465 932 539">NA per Share (RM)</td> <td data-bbox="932 465 1161 539">0.06</td> <td data-bbox="1161 465 1386 539">0.09</td> </tr> <tr> <td data-bbox="738 539 932 613">Gearing (times)</td> <td data-bbox="932 539 1161 613">0.27</td> <td data-bbox="1161 539 1386 613">0.40</td> </tr> <tr> <td data-bbox="738 613 932 651">EPS (sen)</td> <td data-bbox="932 613 1161 651">*</td> <td data-bbox="1161 613 1386 651">0.49⁽¹⁾</td> </tr> </tbody> </table> <p data-bbox="738 692 798 719"><i>Note:</i></p> <p data-bbox="738 757 936 784">* Less than 0.01 sen</p> <p data-bbox="738 822 1197 848">(1) Assuming the Profit Guarantee is achieved.</p> <p data-bbox="738 891 1391 1106">Based on the accountant's report of Wilstech for the FYEs 31 August 2021, 31 August 2022 and 31 August 2023, Wilstech is profitable and income-generating. We noted that barring unforeseen circumstances, the Board is of the view that the Proposed Acquisition and the Proposed Shares Issuance is expected to contribute positively to the future earnings of the Group.</p> <p data-bbox="738 1149 1391 1240">Based on the above, we are of the view that the Proposed Acquisition is expected to be beneficial and not detrimental to the interests of the non-interested shareholders of Systech.</p>		Audited as at 31 March 2023	Pro forma effects after the Proposed Acquisition and Proposed Shares Issuance	NA per Share (RM)	0.06	0.09	Gearing (times)	0.27	0.40	EPS (sen)	*	0.49 ⁽¹⁾
	Audited as at 31 March 2023	Pro forma effects after the Proposed Acquisition and Proposed Shares Issuance												
NA per Share (RM)	0.06	0.09												
Gearing (times)	0.27	0.40												
EPS (sen)	*	0.49 ⁽¹⁾												
Section 6.8	Industry overview and prospects	<p data-bbox="738 1288 1391 1406">We take cognisance of the industry overview and outlook of the economy of Malaysia and IT industry in Malaysia as well as the prospects of Systech Group as disclosed in Section 8 of Part A of the Circular.</p> <p data-bbox="738 1449 1391 1568">We also noted that the Board expects the Proposed Acquisition to contribute positively to the enlarged Systech Group via the future profits to be derived from Wilstech and the existing IT business of Systech Group.</p> <p data-bbox="738 1610 1391 1794">Premised on the above, we are of the view that the Proposed Acquisition is reasonable and supported by the industry overview and future prospects of the enlarged Systech Group, taken as a whole, are expected to be beneficial and not detrimental to the interest of the non-interested shareholders of Systech.</p>												
Section 6.9	Risk factors associated with the Proposed Acquisition	<p data-bbox="738 1848 1391 1966">In considering the risk associated with the Proposed Acquisition, the non-interested shareholders of Systech are advised to give careful consideration to the following risk factors:</p>												

Section in this IAL	Area of evaluation	Our evaluation
		<p>(a) completion risk;</p> <p>(b) acquisition risk;</p> <p>(c) achievability of the Profit Guarantee;</p> <p>(d) integration risk;</p> <p>(e) impairment risk; and</p> <p>(f) dependency on key management personnel.</p> <p>We wish to highlight that although measures have been/will be taken by Systech and/or Wilstech to mitigate such risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of the risk factors will not occur and give rise to material adverse impact on the business and operation of the enlarged Systech Group, including its financial performance or prospects thereon.</p>

3. CONCLUSION AND RECOMMENDATION

As the Proposed Acquisition is conditional upon the Proposed Shares Issuance, in carrying out our evaluation of the Proposed Acquisition, we have also evaluated the merits and demerits of the Proposed Shares Issuance to arrive at our overall opinion on the Proposed Acquisition to the non-interested shareholders of Systech.

Premised on the foregoing and our evaluation of the Proposed Acquisition, TA Securities is of the opinion that the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the interest of the non-interested shareholders of Systech.

Accordingly, TA Securities recommends that the non-interested shareholders vote in favour of the ordinary resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

The non-interested shareholders are advised not to rely solely on the executive summary before forming an opinion on the Proposed Acquisition.

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Registered Office:

32nd Floor, Menara TA One
No. 22, Jalan P. Ramlee
50250 Kuala Lumpur

3 April 2024

To: The non-interested shareholders of Systech

Dear Sir/Madam,

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

This IAL is prepared for inclusion as Part B of the Circular and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the ‘Definitions’ section and Part A of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” and “our” in this IAL are to TA Securities, being the Independent Adviser for the Proposed Acquisition. Any discrepancies in the tables included in this IAL between the amounts listed, actual figures and the total thereof are due to rounding.

1. INTRODUCTION

On 22 December 2023, on behalf of the Board, Malacca Securities announced that Systech entered into the SSA with the Vendors, for the Proposed Acquisition.

On the even date, Systech has also entered into the Subscription Agreements with Subscriber to undertake the Proposed Shares Issuance. The Proposed Shares Issuance is undertaken for the Group to primarily raise fund for the part settlement of the consideration for the Proposed Acquisition, part settlement of the consideration for the TCAI acquisition and for its working capital purpose as disclosed in Section 2.7 of Part A of the Circular.

On 11 March 2024, on behalf of the Board, Malacca Securities announced that Systech entered into a supplemental agreement to vary the terms of the SSA entered into between Systech and the Vendors on 22 December 2023 to provide clarity on the Profit Guarantee mechanism.

In view of the interests of the directors, and major shareholders of Systech as well as the persons connected to them, in the Proposed Acquisition as set out in Sections 3 and 13 of Part A of the Circular, the Proposed Acquisition is deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements. Accordingly, TA Securities had been appointed by the Board on 22 December 2023 to act as an Independent Adviser to advise the non-interested directors and non-interested shareholders of Systech in respect of the Proposed Acquisition. As the Proposed Acquisition is conditional upon the Proposed Shares Issuance, our evaluation also encompasses the evaluation of the Proposed Shares Issuance to arrive at our overall opinion on the Proposed Acquisition as set out in this IAL.

The purpose of this IAL is to provide the non-interested shareholders of Systech with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition. This IAL also opines whether the Proposed Acquisition are to the detriment of the non-interested shareholders together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified herein, in relation to the Proposed Acquisition.

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

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is as detailed in Section 3 of Part A of the Circular, which should be read in its entirety.

3. INTEREST OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

The Proposed Acquisition is deemed to be a related party transaction pursuant to Rule 10.08 of the Listing Requirements in view of the interests of the directors, and major shareholders of Systech as well as the persons connected to them as set out in Sections 3 and 13 of Part A of the Circular.

4. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION

TA Securities was not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposed Acquisition. TA Securities has also not undertaken any independent investigation into the business, affairs, operations, financial position or prospects of Systech. Our scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisition and whether it is to the detriment of the non-interested shareholders. As an Independent Adviser, we have evaluated the Proposed Acquisition and in forming our opinion, we have considered factors, which we believe would be of general relevance and concern to the non-interested shareholders of Systech as a whole. Our role as Independent Adviser does not extend to expressing an opinion on the commercial merits of the Proposed Acquisition which are solely the responsibility of the Board. In addition, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues in relation to the Proposed Acquisition.

We have made all reasonable enquiries and have relied on the Board and management of Systech and Wilstech to exercise due care to ensure that the relevant facts, representations and information provided for our evaluation on the Proposed Acquisition have been fully disclosed to us and that such information is accurate, reasonable, valid and complete in all material aspects and there is no omission of material facts, which would make any information provided to us misleading, inaccurate or incomplete.

In performing our evaluation, TA Securities has relied on the following sources of information and documents:

- (i) the SSA dated 22 December 2023 entered into between Systech and the Vendors in relation to the Proposed Acquisition;
- (ii) the Subscription Agreements dated 22 December 2023 entered into between Systech and the Subscribers in relation to the Proposed Shares Issuance;
- (iii) the information obtained or derived from Systech's announcement to Bursa Securities on 22 December 2023;
- (iv) the information contained in Part A of the Circular and the enclosed appendices;

- (v) the accountant's report of Wilstech for the FYEs 31 August 2021, 31 August 2022 and 31 August 2023;
- (vi) the audited consolidated financial statements of Systech Group for the FYEs 31 March 2021, 31 March 2022 and 31 March 2023 as well as the unaudited consolidated financial statements of Systech for the 6-month FPEs 30 September 2022 and 30 September 2023;
- (vii) other relevant documents, representations, confirmations and documents provided to us by the Board and management of Systech;
- (viii) discussions and consultations with the management of Systech as well as the management of Wilstech; and
- (ix) other relevant publicly available information.

In rendering our advice, we have taken note of pertinent factors, which we believe are necessary and important to our assessment of the Proposed Acquisition and therefore of general concern to the non-interested shareholders of Systech. As such:

- (i) the scope of TA Securities' responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions of the Proposed Acquisition as well as other implications of the Proposed Acquisition only. Comments or points of consideration which may be commercially oriented such as the rationale of the Proposed Acquisition and the Proposed Shares Issuance are included in our overall evaluation as we deem it necessary for disclosure purposes to enable the shareholders of Systech to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Acquisition;
- (ii) TA Securities' views and advice as contained in this IAL only cater to the non-interested shareholders of Systech at large and not to any shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual shareholder or any specific group of shareholders; and
- (iii) we recommend that any individual shareholder or group of shareholders of Systech who are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

TA Securities is satisfied with the adequacy of information and documents provided by the Board and management of Systech in order for us to form the basis of our opinion. Our evaluation and recommendations expressed herein are based on prevailing economic, market and other conditions which may change over a short period of time. Accordingly, our evaluation and recommendations expressed herein do not take into account any changes in information, events or conditions arising after the LPD.

The Board has individually and collectively confirmed to us that:

- (i) they have seen this IAL and that all relevant material facts and information relevant to the evaluation of the Proposed Acquisition have been disclosed to us;
- (ii) they accept full responsibility for the accuracy of the information provided to us; and
- (iii) after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts that omission of which would make any statement in this IAL incomplete, misleading and/or false.

We will notify the non-interested shareholders of Systech if after dispatch of this IAL and until the date of the EGM, we become aware that the IAL:

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

We confirm that there is no conflict of interest situation or potential conflict of interest situation arising from us carrying out the role as the Independent Adviser for the Proposed Acquisition.

We do not have any professional relationship with Systech in the past 2 years, save for our previous appointment as the Independent Adviser for the unconditional mandatory take-over offer by SCSB through Malacca Securities to acquire all the remaining ordinary shares in Systech not already owned by the SCSB for a cash consideration of RM0.22 per Share and our current appointment as the Independent Adviser for the Proposed Acquisition.

We are a holder of a Capital Markets Services License issued by the Securities Commission Malaysia as a Principal Adviser permitted to carry on the regulated activity of advising on corporate finance under the CMSA. The corporate finance department of TA Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance and independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualifications and experiences to provide, amongst others, independent advice and render opinion on the fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers. Amongst others, we have undertaken the following assignments as independent adviser:

- (i) independent advice in relation to the unconditional mandatory take-over offer by SCSB to acquire all the remaining ordinary shares in Systech not already owned by SCSB for a cash consideration of RM0.22 per Systech Share. The independent advice letter was issued on 9 October 2023;
- (ii) independent advice in relation to the proposed acquisition of 92 commercial units comprising the ground and first floor within 46 stratified 2-storey shop/offices within Bandar Tun Razak Business Park, 26400 Bandar Tun Abdul Razak Jengka, Maran, Pahang Darul Makmur, by FBO Land (Setapak) Sdn Bhd, for a total purchase consideration of RM24,800,000 via the issuance of 381,538,461 new shares in Eastland Equity Bhd (*now known as Meta Bright Group Berhad*) to be issued to Leading Ventures Sdn Bhd at an issue price of RM0.065. The independent advice letter was issued on 23 June 2022;
- (iii) independent advice in relation to the unconditional voluntary take-over offer by Scientex Berhad (“**Scientex**”) to acquire (i) all the remaining ordinary shares in Daibochi Berhad (“**Daibochi**”) (“**Daibochi Shares**”) (*now known as Scientex Packaging (Ayer Keroh) Bhd*) not already held by Scientex as well as such number of new Daibochi Shares that may be issued prior to the closing date of the offer arising from the exercise of the outstanding 2017/2022 warrants in Daibochi (“**Daibochi Warrants**”) (“**Offer Share(s)**”) for a cash offer price of RM2.70 per Offer Share; and (ii) all the remaining Daibochi Warrants not already held by Scientex (“**Offer Warrants**”) for a cash offer price of RM0.32 per Offer Warrant. The independent advice letter was issued on 14 October 2021;
- (iv) independent advice in relation to the unconditional mandatory take-over offer by Pitahaya (M) Sdn Bhd (“**Pitahaya**”) to acquire all the remaining ordinary shares in Pimpinan Ehsan Berhad not already owned by Pitahaya, Lim Beng Guan and the parties acting in concert with them for a cash offer price of RM1.07 for each offer share. The independent advice letter was issued on 22 March 2021;
- (v) independent advice in relation to the subscription of ordinary shares in Bulitech Acres Sdn Bhd (“**Bulitech**”) by Paragon Globe Berhad, representing approximately 99.06% of the enlarged issued share capital of Bulitech for a cash consideration of RM52,900,000. The independent advice letter was issued on 3 March 2020;

- (vi) independent advice in relation to (i) acquisition of 8,000,000 ordinary shares in Supercomal Medical Products Sdn Bhd (“SMP”), representing the remaining 80% equity interest in SMP not owned by Supercomnet Technologies Berhad (“STB”), for a total consideration of RM80,000,000 to be satisfied via the issuance of 400,000,000 new ordinary shares in STB (“STB Shares”) at an issue price of RM0.19 per STB Share and cash of RM4,000,000; and (ii) exemption under Paragraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions for Shiue, Jong-Zone and persons acting in concert with him, from the obligation to undertake a mandatory take-over offer to acquire the remaining STB Shares not already owned by them after the acquisition. The independent advice letter was issued on 14 February 2018; and
- (vii) independent advice in relation to the disposal by Rev Asia Berhad (*now known as Catcha Digital Berhad*) of 11,080,182 ordinary shares in Rev Asia Holdings Sdn Bhd (“Rev Asia Holdings”), representing its entire 70% equity interest in Rev Asia Holdings, to Media Prima Digital Sdn Bhd, an indirect wholly-owned subsidiary of Media Prima Berhad, for a cash consideration of RM73.50 million. The independent advice letter was issued on 5 July 2017.

Premised on the foregoing, TA Securities has the credentials, experience and expertise to act as the Independent Adviser to advise the non-interested shareholders of Systech in relation to the Proposed Acquisition.

6. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, our evaluation also encompasses the evaluation on the Proposed Shares Issuance. We have assessed and evaluated the Proposed Acquisition on a holistic basis based on the following factors in forming our overall opinion on the Proposed Acquisition:

- (i) Rationale for the Proposed Acquisition
- (ii) Rationale for the Proposed Shares Issuance
- (iii) Basis and justification for the Purchase Consideration
- (iv) Basis and justification for the Issue Price and the Subscription Price
- (v) Salient terms of the SSA
- (vi) Salient terms of the Subscription Agreements
- (vii) Financial effects of the Proposed Acquisition and Proposed Shares Issuance
- (viii) Industry overview and prospects
- (ix) Risk factors associated with the Proposed Acquisition

6.1. Rationale for the Proposed Acquisition

We take cognisance of the rationale for the Proposed Acquisition as set out in Section 7.2 of Part A of the Circular and our evaluation are as follows:

We note that from Section 7.2 of Part A of the Circular that the Proposed Acquisition is aligned with the Group’s strategy to continuously look for businesses/assets which could improve its financial performance and financial condition.

We also note that Wilstech is principally involved in the provision of IT Solutions, which is similar to the existing business of the Group. Systech believes that Wilstech’s business will be complimentary to TCAI, which is principally involved in the sale and supply of HCM software, after taking into consideration the following:

- (i) expansion of customer base of TCAI in view that Wilstech successfully procures contracts from the Government agencies and small and medium-sized enterprises whilst TCAI primarily procures contracts from medium to large enterprises;
- (ii) consolidation of resources and business opportunities of TCAI with Wilstech which are in the same industry. This will allow the existing Group and Wilstech to derive cross selling opportunities as TCAI and Wilstech will be able to cross sell their products and services to an enlarged customer base, and enable cost savings by sharing common resources;
- (iii) in-house marketing and public relations team by Wilstech which could assist TCAI in branding its HCM software as well as promote TCAI's products and services via different channels, which includes, amongst others, digital marketing via Google, conferences and networking events; and
- (iv) research and development collaboration between TCAI and Wilstech.

In addition, we note that the Proposed Acquisition represents an opportunity for the Group to further improve its financial performance by consolidating the financial results of Wilstech after taking into consideration, amongst others, the Profit Guarantee provided and the existing projects secured and potential projects to be secured by Wilstech.

We also noted that the issuance of Consideration Shares of RM55.0 million to partially settle the Purchase Consideration enables the Group to conserve its cash resources and thereby provide greater flexibility to utilise its cash resources moving forward. Further, the shareholders of Wilstech, particularly LMY, will become shareholders of Systech upon completion of the Proposed Acquisition, thus aligning his interests with the Group as LMY being a shareholder of Systech cum director of Wilstech who have provided Profit Guarantee for the Proposed Acquisition is expected to continue to lead and grow the business operations of Wilstech. The revenue and profit contribution from Wilstech is expected to augur well for the future financial performance of Systech Group upon the completion of the Proposed Acquisition.

Based on the above, we are of the view the rationale of the Proposed Acquisition is reasonable and not detrimental to the non-interested shareholders of Systech. We wish to further highlight that the Proposed Acquisition is reasonably expected to provide opportunities for TCAI and Wilstech to collaborate with each other in developing new solutions/services for their customers (i.e. share their respective source code to programme new softwares). Such collaboration is expected to enable the enlarged Systech Group to develop new softwares more efficiently in different areas of IT Solutions as well as integration of their existing softwares which would allow the enlarged Systech Group to reach a larger market. Pursuant to discussion with the management of Systech, we understand that the research and development initiatives of TCAI post the Proposed Acquisition could also enhance the existing solutions/services offered by Wilstech by leveraging on each other's industry knowledge and expertise within the IT Solutions industry as well as market data collated from the enlarged customer base within the similar industry (i.e. integration of TCAI's HCM software to the enterprise resource planning software, namely Deskera, whereby Wilstech is the licensed reseller). Nonetheless, shareholders of Systech should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in Section 6.9 of this IAL.

6.2. Rationale for the Proposed Shares Issuance

We take cognisance of the rationale for the Proposed Shares Issuance as set out in Section 7.1 of Part A of the Circular.

We noted that the Proposed Shares Issuance is undertaken for the Group to primarily raise fund for part settlement of the consideration for the Proposed Acquisition, part settlement of the consideration for the acquisition of TCAI and for its working capital purpose as follows:

Details of utilisation	Estimated timeframe for utilisation from receipt of proceeds	Amount
		RM'000
Payment for the Cash Consideration	Within 3 months	20,000
Payment for the acquisition of TCAI	Within 3 months	6,000
General working capital	Within 24 months	23,340
Estimated expenses for the Proposals	Within 6 months	2,500
Total estimated proceeds		51,840

We also noted that the Proposed Acquisition is expected to further improve the financial performance and condition of the Group as Wilstech had historically been operating profitably and is thus expected to contribute positively to the financial performance of the Group moving forward.

In addition, we note that the IOT Contract as set out in Section 2.7 of Part A of the Circular is expected to provide the Group with a steady income flow over the duration of the contract, given the nature of the contracts.

We also noted that the Board has considered various methods of fund raising and is of the opinion that the Proposed Shares Issuance is the most appropriate avenue of fund raising, after considering that the Proposed Shares Issuance:

- (i) will enable the Group to raise additional funds expediently to address the Group's funding requirements without incurring additional interest cost or having to service principal repayments as compared to bank borrowings, thereby allowing the Group to preserve its cash flow;
- (ii) is comparatively expedient and an efficient avenue to raise the required quantum of funds as compared to other forms of equity fund raising such as rights issue exercise which typically takes a longer implementation time; and
- (iii) will strengthen the financial position of the Company by increasing the capital base of the Group.

Based on the above, we are of the view the rationale of the Proposed Shares Issuance is reasonable and not detrimental to the non-interested shareholders of Systech. Notwithstanding the lack of long-term contract with its customers due to the nature of business involved by Wilstech whereby the duration of contracts are generally dependent on the nature of the product and/or service being offered (i.e. the scope and complexity of the IT solution required by clients as well as the implementation time required including the installation of the software/hardware required for the IT solution project required by clients), we wish to highlight that the Proposed Acquisition is reasonably expected to further improve the financial performance of the Group after taking into consideration the historical financial performance of Wilstech which has been operating profitably for the past 3 financial years with audited PAT improving from RM1.5 million to RM3.7 million. Further, the expected synergy between the Group and Wilstech as well as the successful procurement of the new IoT Contract and the potential cross selling opportunities based on enlarged customer base within the similar industry outweighs Wilstech's lack of long-term contract with its customers. Nonetheless, shareholders of Systech should note that the potential benefits arising from the Proposed Shares Issuance are subject to certain risk factors as disclosed in Section 6.9 of this IAL.

6.3. Basis and justification for the Purchase Consideration

As detailed in Section 3.4 of Part A of the Circular, the Purchase Consideration was arrived on a "willing-buyer willing-seller" basis, after taking into consideration, amongst others, the following:

- (i) the audited NA of Wilstech of RM10.8 million as at 31 August 2022 which was subsequently being adjusted to RM6.5 million upon completion of the audit for the FYE 31 August 2023 after announcement of the Proposals due to adjustments as explained in Section 7 of Appendix III of the Circular, and the unaudited NA of Wilstech of RM9.2 million as at 31 August 2023. For information

purposes, the audited NA is RM5.6 million based on the audited accounts of FYE 31 August 2023 which was completed after the announcement of the Proposals;

- (ii) the Profit Guarantee of RM5.0 million for the 12M FPE2025, as detailed in Section 3.3 of Part A of the Circular; and
- (iii) the rationale and potential benefits to be accrued by the Group through the Proposed Acquisition.

In assessing the fairness of the Purchase Consideration, we have adopted the Relative Valuation Analysis (“**RVA**”), which generally seeks to compare a company’s implied trading multiples to the trading multiples of listed companies which are broadly comparable to the business of Wilstech.

We have primarily adopted the enterprise value (“**EV**”) to earnings before interest, taxation, depreciation and amortization (“**EBITDA**”) multiple and price-to-earnings multiple (“**P/E multiple**”) (collectively referred to as “**Multiples**”), in evaluating the fairness of the Purchase Consideration based on the following consideration:

Multiple metrics	Comments
EV/EBITDA multiple	<p>EV/EBITDA multiple is an operating earnings-based valuation measure which compares the EV of a company to its EBITDA. EV/EBITDA multiple is commonly used in valuation as it is not affected by the difference in capital structures, taxation, borrowing costs as well as different depreciation and amortisation policies.</p> <p>We have adopted the EV/EBITDA multiple as our primary method for valuation of Wilstech as it is a capital structure-neutral metric and enables the assessment on the business value of Wilstech after taking into consideration the cash and debt position of Wilstech.</p>
P/E multiple	<p>P/E multiple is an earnings-based valuation measure which compares a company’s share price against its EPS. It can be useful to compare a company’s P/E multiple to that of its peers to gauge how a company is valued relative to its peers. Further, P/E multiple (using profit after tax and minority interest (“PATAMI”) earnings as a base) reflects the level of distributable earnings which is one of the key factors to investors’ pricing of shares.</p> <p>We have adopted the P/E multiple as the secondary method of valuation of Wilstech as it is an earnings-based multiple and is a common and acceptable valuation metric which estimate the market’s value of a company.</p>

We have not adopted the discounted cash flow (“**DCF**”) valuation methodology in our assessment of the Purchase Consideration as DCF valuation is more appropriate when the subject company has a relatively consistent revenue and earnings stream which can be consistently and accurately projected for long periods. However, Wilstech is unable to accurately project its future sales given there is no long-term contract with its customers.

Further, we have also not adopted the revised net asset value (“**RNAV**”) methodology as the basis of valuation as RNAV values a company based on the value of its assets, net of all liabilities at a specific point in time and is more suitable for heavy asset-based companies. Hence, RNAV may not accurately reflect the potential of Wilstech as Wilstech is not a company with high value in fixed assets.

Based on the above, we have identified the following comparable companies within the technology sector which we believe are the most suitably comparable to Systech’s main business operations as an IT solutions services provider (“**Comparable Companies**”) based on the following criteria:

- (i) more than 80% of their revenue contributed is derived from the provision of IT solutions services as well as sale and supply of IT software and hardware;
- (ii) listed on the Main Market and ACE Market of Bursa Securities with market capitalisation of not more than RM300.0 million, representing approximately 2 times the market capitalisation of

Systech as at the LTD of RM148.7 million. For information purposes, the RM300.0 million market capitalisation threshold was selected on the basis that such market capitalisation generally represents the small to mid size market capitalisation Comparable Companies which mainly operate as an IT solutions services provider listed on the Main Market and ACE Market of Bursa Securities whereby they are deemed comparable with the size of operation of Systech. In arriving at the threshold of RM300.0 million, we have also taken into consideration the limited number of companies which also satisfy the other criteria as set out below;

- (iii) revenue generated of not more than RM50.0 million, representing approximately 2 times the revenue generated by IT solutions services as well as sale and supply of IT software and hardware of RM20.0 million based on Systech’s 12-month trailing results up to the FPE 30 September 2023 (“**12M FPE 2023**”). For information purposes, the RM50.0 million revenue threshold was selected on the basis that Comparable Companies with similar financial performance would provide comparable and meaningful valuation in terms of their market position and sales generating capability as well as potential for future growth; and
- (iv) profitable based on its 12-month trailing results up to the FPE 30 September 2023.

Based on the selection criteria above, we have identified the following Comparable Companies:

Comparable Companies	Principal Activities
Rexit Berhad (“ Rexit ”)	Rexit, through its subsidiaries, provides business application solutions. Rexit’s services range from conceptual development and project management, to overall systems implementation. Rexit has developed and owns software application solutions, such as insurance management, imaging and workflow systems, and wireless radio frequency identification tracking systems.
Agmo Holdings Berhad (“ Agmo ”)	Agmo provides application development and digital solutions. Agmo develops mobile and web applications, as well as provision of digital platform-based services such as subscription, hosting, technical support, and maintenance. Agmo serves customers in Malaysia.
Ramssol Group Berhad (“ Ramssol ”)	Ramssol provides management consulting solutions. Ramssol offers solutions specialises in the implementation, deployment, maintenance, and enhancement of Oracle Human Capital Management and campus applications. Ramssol serves customers in Malaysia.
Excel Force MSC Berhad (“ Excel Force ”)	Excel Force is a multimedia super corridor-status company that develops, maintains, and markets straight through processing-enabled application solutions. Excel Force also provides information technology facility management and outsourcing services via an application service provider model. Excel Force primarily serves the stock broking and banking sectors.
FSBM Holdings Berhad (“ FSBM ”)	FSBM distributes computers, computer related products, education related product and provides installation and maintenance services. Through its subsidiaries, FSBM develops software applications and system integration, provides data warehousing systems, and smart community solutions. FSBM also has operations in multimedia production and communication.
Efficient E-Solutions Berhad (“ Efficient E-Solutions ”)	Efficient E-Solutions, through its subsidiaries, primarily provides integrated outsourcing solutions in data and document processing. Efficient E-Solutions serves banks, brokerage firms, insurance companies, and telecommunications operators. Efficient E-Solutions also provides electronic presentment services.
Appasia Berhad (“ Appasia ”)	Appasia engages in the research, development, and sale of information communication technology security systems, and provision of related professional services in Malaysia.
Securemetric Berhad (“ Securemetric ”)	Securemetric provides digital security solutions. Securemetric offers software licensing protection, identity and access management, password security assessment, digital signature, multi-factors authentication, and cryptography customization solutions. Securemetric serves customers in Southeast Asia.

It should be noted that the Comparable Companies have been selected on a best-effort basis and may not be directly comparable to Systech due to various factors which include, amongst others, size of the business, financial track record, liquidity, marketability and risk profile. The EV/EBITDA multiple and P/E multiple of the Comparable Companies, as compared to the implied EV/EBITDA multiple and P/E multiple based on the Purchase Consideration are as follows:

Comparable Companies	Market capitalisation (RM' 000)	EV/EBITDA (times) ⁽¹⁾	P/E multiple (times) ⁽²⁾
Rexit	147,234	7.40 *	12.92 *
Agmo	170,625	14.30	19.27
Ramssol	114,953	11.97	19.28
Excel Force	220,954	13.31	29.85
FSBM	156,373	20.73	28.79
Efficient E-Solutions	156,009	106.43 *	129.25 *
Appasia	98,764	26.60	59.60 *
Securemetric	89,445	29.89	331.28 *
Minimum		11.97	19.27
Maximum		29.89	29.85
Average		19.47	24.30

(Source: Bloomberg and annual report as well as quarterly reports of the Comparable Companies)

Notes:

* Deemed outlier

(1) Market capitalisation in EV is based on the respective companies' market capitalisation as at the LTD as extracted from Bloomberg, while the other components in EV (non-controlling interests, preference shares, debts and cash and cash equivalents) and EBITDA are based on the latest published audited and unaudited consolidated financial statements as at the LTD

Formula of EV is as follow:

Market Capitalisation + Non-controlling Interest + Preference Shares + Debts – Cash and Cash Equivalents

(2) Computed based on the market capitalisation as at the LTD divided by the latest published audited and unaudited consolidated PAT as at the LTD.

In arriving the implied EV/EBITDA multiple of Wilstech, we have made adjustment to the EBITDA of Wilstech by excluding non-operating income/expenses which are non-recurring in order to provide a more accurate reflection of the financial performance of Wilstech, the details of which are set out as follows:

	FYE 31 August 2023 (Audited)
EV⁽¹⁾ (A)	90,920,535
EBITDA	7,205,888
Adjustments:	
Impairment losses on trade receivables	1,881,762
Subsidies from government	(19,465)
Management fee income	(60,839)
Discount received ⁽²⁾	(4,254)
Adjusted EBITDA multiple (B)	9,003,092
Implied EV/EBITDA multiple (A/B)	10.10

Notes:

(1) EV is calculated as Purchase Consideration plus (i) outstanding debt and less (ii) cash and cash equivalent. The following table illustrates the computation of EV:

	Audited 31 August 2023
Purchase Consideration	75,000,000
Add: Outstanding debt	16,737,100
Less: Cash and cash equivalent	816,565
EV	90,920,535

(2) Discount received from non-trade suppliers, mainly for purchase of hamper and office renovation.

Based on the table above, the implied EV/EBITDA multiple based on the audited FYE 31 August 2023 of 10.10 times, is lower than the average EV/EBITDA multiple of the Comparable Companies of 19.47 times. This represents lower Purchase Consideration to be paid by Systech for the Proposed Acquisition due to the lower implied valuation multiple of 10.10 times as compared to the higher valuation multiple of 19.47 times derived from the average EV/EBITDA multiple of the Comparable Companies.

In arriving the implied P/E multiple multiple of Wilstech, we have made adjustment to the PAT of Wilstech by excluding non-operating income/expenses which are non-recurring in order to provide a more accurate reflection of the financial performance of Wilstech, the details of which are set out as follows:

	FYE 31 August 2023 (Audited)
Purchase Consideration (A)	75,000,000
PAT	3,741,297
Adjustments:	
Impairment losses on trade receivables	1,881,762
Subsidies from government	(19,465)
Management fee income	(60,839)
Discount received ⁽¹⁾	(4,254)
Adjusted PAT (B)	5,538,501
Implied P/E multiple (A/B)	13.54

Note:

(1) Discount received from non-trade suppliers, mainly for purchase of hamper and office renovation.

Based on the table above, the implied P/E multiple based on the audited FYE 31 August 2023 of 13.54 times, based on the Purchase Consideration is lower than the average P/E multiple of the Comparable Companies of 24.30 times. This represents lower Purchase Consideration to be paid by Systech for the Proposed Acquisition due to implied lower valuation multiple of 13.54 times as compared to the higher valuation multiple of 24.30 times derived from the average P/E multiple of the Comparable Companies.

In addition to the above, we also noted that no adjustment was made on the Purchase Consideration subsequent to the adjustments made on the audited NA and audited PAT of Wilstech for the FYE 31 August 2022 upon completion of the audit for the FYE 31 August 2023 (as explained in Section 7 of Appendix III of the Circular). Despite the adjustments made on the audited accounts of Wilstech, we are of the view that the Purchase Consideration is fair after taking into consideration that:

- (i) Wilstech is a profitable company and the valuation of the company should be based on earnings-based valuation; and
- (ii) the PAT and EBITDA used in the RVA evaluation are based on the audited financial information upon the completion of the audit for the FYE 31 August 2023 which we have used to derive the implied EV/EBITDA multiple and implied P/E multiple of Wilstech which fall within the range of multiple of Comparable Companies.

6.4. Basis and justification for the Issue Price and Subscription Price

As detailed in Section 3.5 of Part A of the Circular, the Issue Price of the Consideration Shares was negotiated and determined by Systech after taking into consideration the following:

- (i) the Subscription Price for the Proposed Shares Issuance, which is the same as the Issue Price of the Consideration Shares;
- (ii) Systech Group has been recording losses for the past 4 consecutive FYEs 31 March 2020 to 31 March 2023. For the 9-month FPE 31 December 2023, Systech Group recorded a loss after tax and minority interest of RM1.7 million;
- (iii) the unaudited consolidated NA per Share of Systech of 5.86 sen as at 30 September 2023. For information, the audited consolidated NA per Share of Systech as at 31 March 2023 is 5.87 sen and the unaudited consolidated NA per Share of Systech as at 31 December 2023 is 5.49 sen; and
- (iv) the historical traded prices of Systech Shares for the past 12-months up to 21 December 2023, being the date immediately prior to the LTD, of RM0.21 to RM0.62.

As detailed in Section 2.4 of Part A of the Circular, the Subscription Price was negotiated and determined by Systech after taking into consideration, amongst other, the following:

- (i) the funding requirements of the Group to fund the purposes set out in Section 2.7 of Part A of the Circular;
- (ii) Systech Group has been recording losses for the past 4 consecutive FYEs 31 March 2020 to 31 March 2023. For the 9-month FPE 31 December 2023, Systech Group recorded a loss after tax and minority interest of RM1.7 million;
- (iii) the unaudited consolidated NA per Share of Systech of 5.86 sen as at 30 September 2023. For information, the audited consolidated NA per Share of Systech as at 31 March 2023 is 5.87 sen and the unaudited consolidated NA per Share of Systech as at 31 December 2023 is 5.49 sen; and
- (iv) the historical traded prices of Systech Shares for the past 12-months up to the LTD, of RM0.21 to RM0.62.

We also take note that the Issue Price and Subscription Price of RM0.36 thus represents a discount to the following VWAP of Systech Shares up to the LTD:

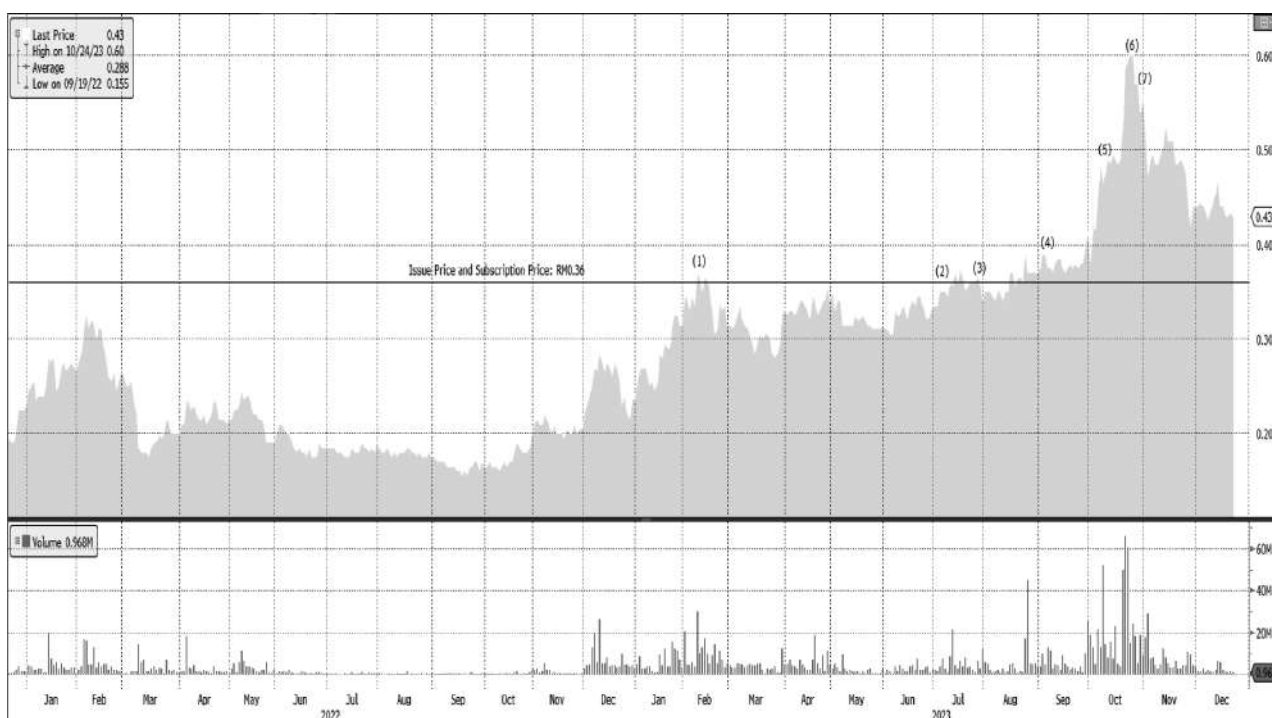
Up to LTD	VWAP	Discount of the Issue Price and Subscription Price to the VWAP	
		RM	%
5-day	0.4337	0.0737	17.0
1-month	0.4511	0.0911	20.2
3-month	0.5063	0.1463	28.9
6-month	0.4629	0.1029	22.2
12-month	0.4108	0.0508	12.4

Further, we also take note that Systech Shares have been trading at a range of RM0.1500 (15 September 2022) to RM0.4100 (24 August 2023) for the last 12 months up to 5 September 2023, being the date immediately prior to the Notice of MGO. The Issue Price and Subscription Price of RM0.36 represents a premium/(discount) to the following VWAP of Systech Shares up to 5 September 2023:

Up to 5 September 2023	Premium/(Discount) of the Issue Price and Subscription Price to the VWAP		
	VWAP		
	RM	RM	%
5-day	0.3789	(0.0189)	(5.0)
1-month	0.3746	(0.0146)	(3.9)
3-month	0.3611	(0.0011)	(0.3)
6-month	0.3453	0.0147	4.3
12-month	0.3209	0.0391	12.2

In addition, in evaluating the fairness of the Issue Price of the Consideration Shares and Subscription Price of the Subscription Shares, we have also taken into consideration the movement of the closing market prices of Systech Shares over the past 2 years up to the LTD as illustrated in the price chart below:

Chart 1: Closing market prices of Systech Shares from 22 December 2021 to 21 December 2023

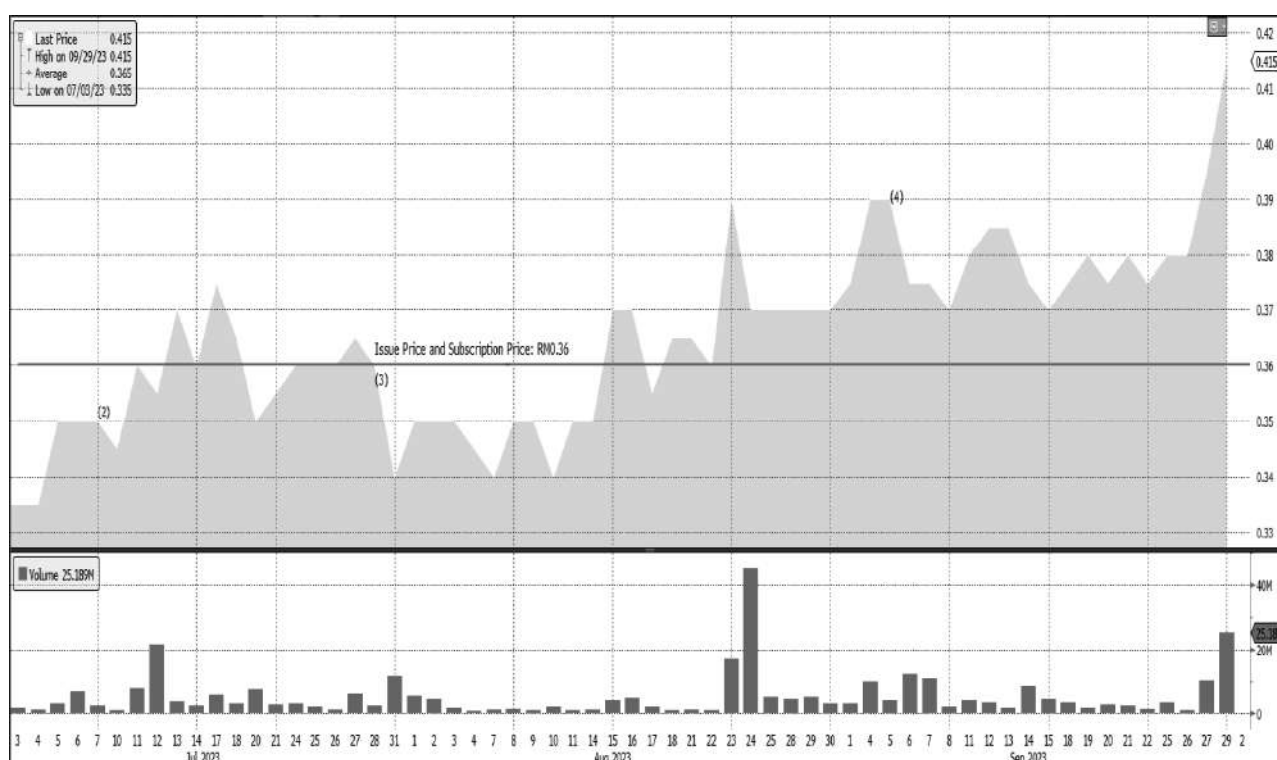


The significant events which may have material effect on the closing market prices of Systech Shares during the past 2 years up to the LTD are as follows:

Annotation	Date	Significant event
(1)	13 February 2023	The Company announced to dispose its loss-making companies and acquisition of TCAI
(2)	7 July 2023	The Company announced the completion of disposal of its loss-making companies and acquisition of TCAI
(3)	31 July 2023	The Company announced the retirement of Robert Koong Yin Leong (Independent Non-Executive Chairman) and Tan Hock Soon (Executive Director)
	1 August 2023	The Company announced the redesignation of Chan Soon Tat (Independent Non-Executive Chairman), Tan Hock Ann (Executive Director) and the appointment of Lee Choon Teng (Executive Director/ Group Executive Officer)

Annotation	Date	Significant event
(4)	6 September 2023	Serving of the notice of MGO by SCSB, through Malacca Securities (“ Notice ”)
(5)	9 October 2023	Independent advice circular in relation to the MGO was published on Bursa Securities’ website (“ Issue of IAC ”)
(6)	25 October 2023	The Company announced the appointment of Hong Boon Toh (Independent Non-Executive Director), Fong Sheng Nie (Independent Non-Executive Director) and Ooi Gin Hui (Independent Non-Executive Director)
(7)	1 November 2023	The Company announced the retirement of Chuar Sew Tin (Independent Non-Executive Director), Ooi Chaw Ying (Independent Non-Executive Director), Chong Miew Lai (Executive Director) and the redesignation of Chan Soon Tat (Non-Independent Non-Executive Director)

Chart 2: Closing market prices of Systech Shares from 1 July 2023 to 30 September 2023



From the analysis above, we have noted the discounts of the Issue Price of the Consideration Shares and the Subscription Price of the Subscription Shares as compared to the 5-day as well as 1, 3, 6 and 12-month VWAP up to the LTD. However, based on the charts above, we noted that Systech Shares have generally been trading below the Issue Price of the Consideration Shares and the Subscription Price of the Subscription Shares over the past 2 years until 11 July 2023 (save and except for 10 February 2023, 11 February 2023, 15 February 2023 and 16 February 2023), which may be attributable to the significant events such as the announcement of the disposal of its loss-making companies and acquisition of TCAI as well as the serving of Notice and MGO.

As set out in Section 10 of Part A of the Circular, the issuance of the Consideration Shares pursuant to the Proposed Acquisition and the Subscription Shares pursuant to the Proposed Shares Issuance is expected to result in a dilution to the shareholdings of the non-interested shareholders of Systech. However, we also noticed that it would increase the NA per Share of Systech to RM0.09 per Share, as compared to RM0.06 per Share for the FYE 31 March 2023. Additionally, based on Section 10.3 of Part A of the Circular, we noticed that the EPS would also increase to 0.49 sen, as compared to less than 0.01 sen for the FYE 31 March 2023.

Although the Issue Price of the Consideration Shares and the Subscription Price of Subscription Shares represent a discount of 17.0% to the 5-day VWAP of Systech Shares as at the LTD, we are of the opinion that the benefits to be realised from the Proposed Acquisition and the Proposed Shares Issuance outweigh the dilution effects to the non-interested shareholders, and going forward, such dilution may be mitigated through the potential contribution of Wilstech to the future consolidated earnings and NA of the Group.

Further, we have also assessed the fairness of the Issue Price of the Consideration Shares and the Subscription Price of the Subscription Shares by evaluating the EV/EBITDA multiple of Systech based on the Issue Price and Subscription Price of RM0.36 as follows:

		12M FPE 2023 (RM)
EV⁽¹⁾⁽²⁾	(A)	122,129,000
EBITDA		(667,000)
Adjustments:		
Impairment loss on goodwill		4,600,000
Property, plant and equipment written off		2,000
Gain on disposal of property, plant and equipment		(95,000)
Gain on disposal of subsidiary		(405,000)
Reversal of impairment losses on trade receivables		(61,000)
Reversal of provision for doubtful debts		(61,000)
Adjusted EBITDA	(B)	3,313,000
EV/EBITDA multiple of Systech (times)	(A/B)	36.86

Note:

- (1) Market capitalisation in EV is derived by multiplying the Issue Price and Subscription Price of RM0.36 with the number of outstanding Systech Shares as at the LTD. EV is calculated as market capitalisation plus (i) outstanding debt; and (ii) minority interest and less (iii) cash and cash equivalent. The following table illustrates the computation of EV.

	12M FPE 2023 (RM)
Market capitalisation as at LTD	124,505,000
Add: Outstanding debt	830,000
Minority interest	3,017,000
Less: Cash and cash equivalent	6,223,000
EV	122,129,000

- (2) For information purposes, the financial information for the evaluation of trailing 12 months EV/EBITDA up to 12M FPE 2023 consist of the audited FYE 31 March 2023 and the unaudited 6-month FPE 30 September 2022 (for computation covering the period from 1 October 2022 up to 31 March 2023) as well as the unaudited 6-month FPE 30 September 2023 (for computation covering the period from 1 April 2023 up to 30 September 2023) being the latest publicly available financial results of Systech prior to the announcement of the Proposed Acquisition.

Based on the table above, the EV/EBITDA multiple of Systech based on the Issue Price and Subscription Price of RM0.36 is 36.86 times, representing that the Issue Price and Subscription Price of RM0.36 is priced at more than 3 times of the implied EV/EBITDA multiple of Wilstech of 10.10 times based on the audited FYE 31 August 2023.

In addition, we are of the view that the 17.0% discount to the 5-Day VWAP up to the LTD for the Subscription Shares and the Consideration Shares (whereby HJH is a Subscriber and vendor of Wilstech by virtue of his interest in SeaCap) is fair after taking into consideration the below:

- (i) the EV/EBITDA multiple of Systech of 36.86 times based on the Issue Price and Subscription Price of RM0.36 represents more than 3 times of the implied EV/EBITDA multiple of Wilstech of 10.10 times based on the audited FYE 31 August 2023;
- (ii) by receiving part of the Purchase Consideration in the mode of Consideration Shares instead of cash payment via SeaCap as well as being a Subscriber, HJH will also be exposed to market risk in relation to the price fluctuation of Systech Shares due to various factors that could potentially affect the performance of Systech Shares in the future such as the prevailing market sentiments, the volatility of the stock market, movements in interest rates and the outlook of the industries in which Systech operates in;
- (iii) the Subscription Price of the Subscription Shares is similar for all Subscribers who are participating in the Proposed Shares Issuance;
- (iv) the share price of Systech Shares as at the LTD may have been affected by significant events as disclosed in Chart 1 of Section 6.4 of this IAL. The said significant events have resulted in Systech Shares which were traded within the range of RM0.16 (19 September 2022) to RM0.37 (10 February 2023) for the last 12 months up to 12 February 2023, being the date immediately prior to the first significant event, of which Systech Shares have subsequently surged up to RM0.62 on 23 October 2023. For information purposes, the Issue Price and Subscription Price of RM0.36 represents a slight discount of 1 sen as compared to the highest traded price recorded during the 12 months period of RM0.37 per Systech Share and a premium to the following VWAPs of Systech Shares up to 12 February 2023; and

Up to 12 February 2023	VWAP	Premium of the Issue Price and Subscription Price to the VWAP	
	RM	RM	%
5-day	0.3531	0.0069	2.0
1-month	0.3236	0.0364	11.3
3-month	0.2887	0.0713	24.7
6-month	0.2793	0.0807	28.9
12-month	0.2581	0.1019	39.5

- (v) the Issue Price and Subscription Price of RM0.36 represents a premium of approximately 5 times or 500% as compared to the unaudited consolidated NA per Share of Systech of RM0.06 as at 30 September 2023 (being the latest publicly available financial results as at the LTD).

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For information purposes, the issuance of Consideration Shares to partially settle the Purchase Consideration and issuance of Subscription Shares for the payment of Cash Consideration will only result in a minimal increase in the weighted average cost of capital (“WACC”) of Systech from 7.49% to 7.50%, arising from the increase in equity financing, which has a higher required rate of return as compared to debt financing. For illustration purposes, assuming that the Proposed Acquisition and Proposed Share Issuance had been completed as at the LTD, the WACC analysis of Systech is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition	Sources and description
WACC			
Risk free rate (“ Rf ”)	3.74%	3.74%	Yield for 10-year Malaysian Government Bond as at the LTD
Levered beta (“ β ”)	0.62	0.65	Bloomberg and TA Securities’ analysis derived from the Comparable Companies based on Systech’s existing and expected capital structure after the Proposed Acquisition and Proposed Share Issuance
Equity risk premium (“ ERP ”)	6.06%	6.06%	Bloomberg’s ERP analysis
Cost of Equity (“Ke”)	7.50%	7.68%	Ke = Rf + (β x ERP)
Cost of debt (“ Kd ”)	6.42%	6.42%	Cost of borrowing
Tax rate (“ t ”)	24.00%	24.00%	Statutory tax rate of Malaysia
After-tax Kd (“Kd^{AT}”)	4.65%	4.88%	Kd^{AT} = Kd x (1-T)
Equity capital percentage (“ E% ”)	99.93%	93.82%	Based on debt/equity capital structure of Systech
Debt capital percentage (“ D% ”)	0.07%	6.18%	Based on debt/equity capital structure of Systech
Systech’s WACC	7.49%	7.50%	WACC = (Ke x E%) + (Kd x D%)

Note:

* Any discrepancy in the figures in the table above is due to rounding.

(1) The levered beta as at the LTD is computed as follows:

Comparable companies	Country	2-year weekly adjusted beta	Total debt to market capitalisation ratio (“ D/E ”)	Tax rate	Unlevered beta	Levered beta
Rexit	Malaysia	0.594	-	23.70%		
Agmo	Malaysia	1.006	-	14.11%		
Ramssol*	Malaysia	0.821	0.128	4.40%		
Excel Force	Malaysia	0.526	-	29.53%		
FSBM	Malaysia	0.592	-	21.05%		
Efficient E*	Malaysia	0.652	0.001	561.63%		
Appasia*	Malaysia	0.760	-	78.83%		
Securemetric	Malaysia	0.373	-	33.08%		
Average		0.642	0.000	33.38%		

Comparable companies	Country	2-year weekly adjusted beta	Total debt to market capitalisation ratio ("D/E")	Tax rate	Unlevered beta	Levered beta
Beta as at the LTD					0.618	0.619
Beta after the Proposed Acquisition					0.618	0.650

Sub notes:

* Excluded in the computation due to exceptional tax rate.

(1) The unlevered beta is computed as follows:

$$\text{Unlevered beta} = \frac{\text{Average beta of the Comparable Companies}}{[1 + (1 - \text{average effective tax rate of the Comparable Companies}) \times (\text{average D/E of the Comparable Companies})]}$$

$$= \frac{0.642}{[1 + (1 - 24.30\%) \times 0.000]}$$

$$= 0.618$$

(2) The levered beta as at the LTD is computed as follows:

$$\text{Levered beta} = \text{Unlevered beta} \times [1 + (1 - \text{Systech's effective tax rate}) \times (\text{Systech's D/E as at the LTD})]$$

$$= 0.618 \times [1 + (1 - 29.01\%) \times (0.001)]$$

$$= 0.619$$

(3) The levered beta after the Proposed Acquisition is computed as follows:

$$\text{Levered beta} = \text{Unlevered beta} \times [1 + (1 - \text{statutory tax rate}) \times (\text{Systech's D/E after the Proposed Acquisition})]$$

$$= 0.618 \times [1 + (1 - 24.0\%) \times 0.066]$$

$$= 0.650$$

We wish to highlight that the minimal increase in the WACC of Systech from 7.49% to 7.50% will be outweighed by the potential benefits arising from the Proposed Acquisition, among others, enlarged customer base and research and development collaboration which may potentially led to improve in the financial performance. In addition, the issuance of the Consideration Shares and Subscription Shares will strengthen the Company's capital base by increasing its NA, which is expected to improve the debt capacity of the Company, as well as provide the Company with increased financial flexibility in the event the Company intends to source for additional funds and/or gear up in the future for its business operations.

Premised on the above, taken as a whole, we are of the view that the Issue Price of the Consideration Shares and the Subscription Price is fair.

6.5. Salient terms of the SSA

Our comments on the salient terms of the SSA as set out in Appendix II of the Circular are as follows:

Salient terms of the SSA	TA Securities' comments																				
<p>1. Purchase Consideration</p> <p>1.1 The Purchase Consideration of RM75,000,000 (Ringgit Malaysia Seventy-Five Million) only for the Sale Shares payable by Systech to the Vendors in accordance with the following manner:</p> <p>(a) RM20,000,000.00 (Ringgit Malaysia Twenty Million) only, in the form of cash, within 14 business days from the completion date of the SSA, of which shall be computed and apportioned in accordance with the following:</p> <table border="1" data-bbox="400 837 975 972"> <thead> <tr> <th>Vendors</th> <th>Cash Consideration</th> </tr> </thead> <tbody> <tr> <td>LMY</td> <td>RM18,630,388.14</td> </tr> <tr> <td>MTB</td> <td>RM1,369,611.86</td> </tr> <tr> <td>Total</td> <td>RM20,000,000.00</td> </tr> </tbody> </table> <p>(b) RM55,000,000.00 (Ringgit Malaysia Fifty-Five Million) only, in the form of 152,777,777 Systech Shares, to be issued to the SeaCap and LMY within 14 business days from the completion date of the SSA, as computed and apportioned in accordance with the following:</p> <table border="1" data-bbox="400 1218 975 1408"> <thead> <tr> <th>Vendors</th> <th>Value of Consideration Shares</th> <th>No. of Consideration Shares</th> </tr> </thead> <tbody> <tr> <td>SeaCap</td> <td>RM15,000,000.00</td> <td>41,666,666</td> </tr> <tr> <td>LMY</td> <td>RM40,000,000.00</td> <td>111,111,111</td> </tr> <tr> <td>Total</td> <td>RM55,000,000.00</td> <td>152,777,777</td> </tr> </tbody> </table> <p>(c) the Issue Price of RM0.36 per Consideration Share has been determined based on an approximate 17.0% discount to the 5-day VWAP of Systech Shares listed on ACE Market of Bursa Malaysia Securities Berhad up to and including 21 December 2023 of RM0.4337, being the latest practicable date prior to the date of the SSA.</p> <p>1.2 <u>Security Amount</u></p> <p>LMY and Systech agree that part of the Purchase Consideration payable to LMY, which is outlined as follows:</p> <p>(a) RM5,000,000.00 (Ringgit Malaysia Five Million) only from the Cash Consideration payable to LMY; and</p>	Vendors	Cash Consideration	LMY	RM18,630,388.14	MTB	RM1,369,611.86	Total	RM20,000,000.00	Vendors	Value of Consideration Shares	No. of Consideration Shares	SeaCap	RM15,000,000.00	41,666,666	LMY	RM40,000,000.00	111,111,111	Total	RM55,000,000.00	152,777,777	<p>Please refer to Section 6.3 of this IAL for our evaluation on the Purchase Consideration.</p> <p>In addition, this clause ensures that the payment of the Purchase Consideration takes place within 14 business days from the completion date of the SSA.</p> <p>After taking into consideration the pro forma financial effects of the Proposed Acquisition as detailed in Section 6.7 of this IAL, as well as the following evaluation, we are of the view that the partial settlement of the Purchase Consideration via the issuance of the Consideration Shares is reasonable as:</p> <p>(i) it enables the Group to conserve its existing cash balances without increasing its cash flow obligations;</p> <p>(ii) it is unlikely for Systech to secure full debt funding for the Purchase Consideration considering that Systech Group has been recording losses for the past 4 consecutive FYE 31 March 2020 to 31 March 2023;</p> <p>(iii) additional bank borrowings will place more constraints on the Systech Group due to additional interest costs and principal repayments arising from debt service obligations;</p> <p>(iv) equity fund raising, such as rights issues, usually requires a longer implementation time and the Group may also face difficulty to secure underwriting agreement(s) considering the Group's current financial position</p>
Vendors	Cash Consideration																				
LMY	RM18,630,388.14																				
MTB	RM1,369,611.86																				
Total	RM20,000,000.00																				
Vendors	Value of Consideration Shares	No. of Consideration Shares																			
SeaCap	RM15,000,000.00	41,666,666																			
LMY	RM40,000,000.00	111,111,111																			
Total	RM55,000,000.00	152,777,777																			

Salient terms of the SSA	TA Securities' comments
<p>(b) RM25,000,000.00 (Ringgit Malaysia Twenty-Five Million) only worth of Consideration Shares, amounting to 69,444,445 Systech Shares payable to LMY,</p> <p>shall be placed with Messrs. Julius Leonie Chai (as the Stakeholder) as the security for the performance of the following Profit Guarantee.</p>	<p>which were in loss-making position in the past few financial years; and</p> <p>(v) the issuance of the Consideration Shares will strengthen the capital base of the Company by increasing its NA, thus providing the Company with additional debt headroom to procure debt funding in the future, if required.</p> <p>In addition, as disclosed in Section 6.4 of this IAL, the WACC of Systech will increase from 7.49% to 7.50% upon completion of the Proposed Acquisition. The increase in WACC is mainly due to increase in levered beta adopted after the Proposed Acquisition whereby Systech's D/E is affected by consolidating the borrowings of Wilstech. Nevertheless, we are of the view that the minimal increase in the WACC of Systech will be outweighed by the benefits of equity financing through the issuance of the Consideration Shares without incurring any additional debt financing which will be subject to interest expenses, future repayment and cash outflow to the Group.</p>
<p>2. Profit Guarantee</p> <p>In consideration of Systech acquiring the Sale Shares, LMY irrevocably and unconditionally guarantees and undertakes the Profit Guarantee of not less than RM5,000,000.00 for the 12M FPE2025 to be achieved by Wilstech.</p> <p>For the purpose of computation of PAT and determination of the performance of the Profit Guarantee, the PAT shall be based on the Wilstech's audited financial statements for 12M FPE2025 as may be verified, approved and certified by the external auditors which shall in the absence of manifest error, be conclusive, final and binding on the parties.</p> <p>As security for the performance of the Profit Guarantee, LMY and Systech agree that the Security Amount shall be placed with the Stakeholder. In addition, as of the date of the SSA, LMY has executed an irrevocable management service agreement with Wilstech in relation to provision of LMY's service to facilitate the operation and business of Wilstech for a tenure of 2 years, subject to extension to be mutually agreed by the aforementioned parties. For</p>	<p>The Profit Guarantee provides a minimum level of guaranteed earnings by Wilstech for the guarantee period from 1 April 2024 to 31 March 2025 which will contribute positively to Systech Group's earnings over the guarantee period.</p> <p>The Profit Guarantee also sets out the mechanism for compensation to Systech in the event the Profit Guarantee is not achieved. In addition, the Profit Guarantee are backed by the Security amount, which will only be released to LMY upon fulfilment of the Profit Guarantee. This serves as a safeguard to Systech on the recovery of any shortfall in the Profit Guarantee for the guaranteed period</p>

Salient terms of the SSA	TA Securities' comments
<p>clarification purpose, all rights, economic benefits and interest accrued from the Pledged Shares during the security period shall belong to LMY.</p> <p>The salient features of the Profit Guarantee mechanism are as follows:</p> <p>2.1 If Wilstech achieves the Profit Guarantee, the Stakeholder shall be authorised to release the whole Security Amount to LMY.</p> <p>2.2 If Wilstech fails to achieve the Profit Guarantee and the actual PAT for 12M FPE2025 is below RM3,000,000.00, there will not be any release of Security Amount to LMY and the Security Amount shall be refunded to Systech.</p> <p>In addition to the foregoing, LMY shall cause and procure himself and SeaCap to refund (in the form of cash) the Purchase Consideration received by said parties to Systech which shall be computed and determined in accordance with the following:</p> <p><u>For LMY</u></p> $\frac{((RM3,000,000.00 - \text{Actual PAT for 12M FPE2025}) / RM3,000,000.00) \times (431,719 / 542,170)\% \times RM45,000,000.00}{}$ <p><u>For SeaCap</u></p> $\frac{((RM3,000,000.00 - \text{Actual PAT for 12M FPE2025}) / RM3,000,000.00) \times (110,451 / 542,170)\% \times RM45,000,000.00}{}$ <p>2.3 If Wilstech fails to achieve the Profit Guarantee but the actual PAT for FPE 31 March 2025 is above RM3,000,000.00, the Security Amount to be released to LMY shall be computed and determined by the cumulative amount of the following:</p> <p>(a) $(\text{Actual PAT for 12M FPE2025} - RM3,000,000.00) / RM2,000,000.00 \times RM5,000,000.00$; and</p> <p>(b) $(\text{Actual PAT for 12M FPE2025} - RM3,000,000.00) / RM2,000,000.00 \times 69,444,445$ Systech Shares,</p> <p>of which balance thereof shall be refunded to Systech</p> <p>2.4 In the event Wilstech records an audited loss after tax for 12M FPE2025, there will not be any release of Security Amount to LMY and the Security Amount shall be refunded to Systech.</p> <p>In addition to the foregoing, LMY shall cause and procure himself and SeaCap to refund (in the form of cash) the Purchase Consideration received by said</p>	<p>and only released to LMY upon fulfilment of the Profit Guarantee.</p> <p>We also take note that as disclosed in Section 3.3 of Part A of the Circular, the Security Amount (i.e. aggregating RM30.0 million) has been arrived at based on the difference between the Profit Guarantee amount of RM5.0 million and the assumed historical PAT of Wilstech of RM3.0 million and P/E Multiple of 15.0 times.</p> <p>We further noted that Wilstech recorded an audited PAT of RM3.7 million for the FYE 31 August 2023.</p> <p>Based on the above, we are of the view that the basis on arriving at the Profit Guarantee is fair as it represents an incremental of PAT growth of approximately 35% which fall within the range of 2% to 152% of annual year-on-year growth of PAT of Wilstech in the past 3 financial years and is approximately half the average annual growth of PAT of approximately 77% per annum in the past 3 financial years. Further thereto, in the event that Wilstech failed to generate at least RM3.0 million for 12M FPE 2025, LMY is required to refund the Purchase Consideration received based on the formula as stipulated in the SSA.</p> <p>We are also of the view that the basis on arriving at the Security Amount is fair as the difference of RM2.0 million (being the difference between the Profit Guarantee of RM5.0 million and the assumed historical PAT of RM3.0 million), is higher than RM1.3 million (being the difference between the Profit Guarantee of RM5.0 million and the actual PAT generated for the FYE 31 August 2023 of RM3.7 million), representing a higher security amount provided by LMY.</p> <p>For the avoidance of doubt, LMY shall cause and procure SeaCap to refund the Purchase Consideration received based on the same formula applicable to LMY in the event that Wilstech recorded an audited loss</p>

Salient terms of the SSA	TA Securities' comments
<p>parties to Systech which shall be computed and determined in accordance with the following:</p> <p><u>For LMY</u></p> <p>$(431,719 / 542,170) \% \times \text{RM}45,000,000.00$</p> <p><u>For SeaCap</u></p> <p>$(110,451 / 542,170) \% \times \text{RM}45,000,000.00$</p> <p>2.5 Security Amount to be released/ refunded as stipulated above shall be made, within 14 days from the date of which the Certified Account is made available.</p> <p>2.6 Security Amount (in the form of Systech Shares) to be refunded to Systech as stipulated above shall be disposed off in an open market and/or cancelled at the discretion of the Systech subject to all necessary approvals, orders and/or consents being obtained. For information, in the event of disposal of Pledged Shares, in accordance with the Stakeholder Appointment Letter, Systech may instruct the Stakeholder to, amongst others, dispose the Pledged Shares (which will be held by the Stakeholder) in escrow on behalf of LMY) and refund the proceeds thereof to Systech.</p>	<p>after tax or profit after tax of less than RM3.0 million for 12M FPE2025.</p> <p>In addition, we are also of the view that adopting the assumed historical PAT of RM3.0 million in determining the Security Amount is fair taking into consideration that:</p> <p>(i) Wilstech recorded an audited PAT of RM3.7 million for the FYE 31 August 2023 which is higher than the assumed historical PAT of RM3.0 million; and</p> <p>(ii) a higher security amount provided by LMY (RM2.0 million as compared to RM1.3 million as discussed above) to Systech has demonstrated LMY's commitment to the future financial performance of Wilstech which is not detrimental to Systech at all.</p>
<p>3. Conditions precedent</p> <p>3.1 The sale and purchase of the Sale Shares is conditional upon the last of the following conditions precedent having been obtained, fulfilled, varied or waived in accordance with the SSA within 6 months from the date of the SSA with an automatic extension of 1 month from the last day of the said 6 months or such other further extended period as may be mutually agreed by the parties:</p> <p><u>By Systech</u></p> <p>(a) the procurement by Systech of the approval of the Board of Systech for the acquisition of the Sale Shares;</p> <p>(b) the procurement by Systech of the approval and/or waiver of the shareholders of Systech at an extraordinary general meeting in relation to the acquisition of the Sale Shares; and</p> <p>(c) the conduct and completion of a financial and legal due diligence by Systech's auditors and solicitors on Wilstech, its business, operations and affairs, with the results of the financial and legal due diligence being to the satisfaction of the Systech.</p>	<p>The conditions precedent are ordinary terms typical to transactions of such nature and necessary for the completion of the Proposed Acquisition. These conditions precedent are mainly approvals required from the relevant authorities and parties to give effect to the SSA and to be in compliance with the applicable laws and regulatory requirements.</p> <p>It also provides a reasonable timeframe and the necessary provisions for extension(s) of time for the fulfilment of the conditions precedent.</p>

Salient terms of the SSA	TA Securities' comments
<p>(d) completion of proposed shares issuance of up to 144,000,000 new Systech Shares, representing approximately 29.4% of the enlarged total number of issued Systech Shares (excluding treasury shares) after the Proposed Shares Issuance, for a total cash consideration of RM51,840,000.00; and</p> <p>(e) the procurement by Systech of the approval from Bursa Securities in relation to the listing and quotation of the Subscription Shares and the Consideration Shares on the ACE Market of Bursa Securities.</p> <p><u>By the Vendors</u></p> <p>(a) all advances due to/from the Vendors or related parties/companies having been settled in full;</p> <p>(b) such other waivers, consents or approval as may be required (or deemed necessary by the parties) from any third party (including financial institutions) or governmental, regulatory body or relevant authorities having jurisdiction over any transactions contemplated in the SSA; and</p> <p>(c) the procurement by the Vendors of the written consents and approvals from the Wilstech's financiers for the sale of the Sale Shares to Systech (where applicable).</p>	
<p>4. Pre-completion</p> <p>4.1 Upon the execution of the SSA, the Vendor shall execute valid share transfer forms in respect of the Sale Shares in favour of Systech and/or the nominees appointed by the Systech, as the case may be ("Transfer Forms") and deposit the Transfer Forms and the rest of the documents set out below (collectively, the "Transfer Documents") with the Stakeholder for the purposes of effecting the transfer of the Sale Shares on the completion date of the SSA:</p> <p>(a) a certified true copy or extract of a resolution of the board of directors of Wilstech approving the sale and transfer of the Sale Shares from the Vendors to Systech and directing the secretary of Wilstech to register the same;</p> <p>(b) the statutory books and records, complete and up-to-date, and all other records and documents of Wilstech, including but not limited to the certificate of incorporation, any certificates of incorporation on change of name, licences, share certificate books, minute books, all unused cheque books and the common seals of Wilstech; and</p> <p>(c) all other relevant documents to effect the transfer of legal and beneficial title of the Sale Shares to Systech and/or its nominee (if any).</p>	<p>These terms are reasonable as they establish the steps, procedures and documents required for the Vendors and Systech to complete the Proposed Acquisition and are in line with transactions of such nature.</p>

Salient terms of the SSA	TA Securities' comments
<p>If the SSA is rescinded, the Stakeholder shall release and return the Transfer Documents to the Vendors.</p>	
<p>5. Completion</p> <p>The completion of the sale and purchase of the Sale Shares shall take place at the office of Systech not later than 5 business days after the Unconditional Date, or such other date as may be agreed upon by the parties to the SSA.</p>	<p>This term is reasonable as it establishes the timing for the completion of the Proposed Acquisition and is in line with transactions of such nature.</p>
<p>6. Default and termination</p> <p>(a) Systech may terminate the SSA by Systech giving notice to the Vendors at any time prior to the completion of the sale and purchase of the Sale Shares, if any fact, matter or event comes to notice of Systech at any time prior to the completion of the sale and purchase of the Sale Shares which constitute to a material adverse change or material breach by the Vendors of any of the warranties and obligations by the Vendors, and that material adverse change and material breach are not rectified within 7 days of notification in writing by Ssytech to the Vendors.</p> <p>(b) In addition, the non-defaulting party shall have the right to rescind the SSA if the non-defaulting party discovers any breach of warranties on the part of the defaulting party.</p> <p>(c) Based on the foregoing, in the event that the SSA is terminated/rescinded, the defaulting party shall, within 14 business days from the date after the expiration of the termination notice, pay to the non-defaulting party all the professional fees, disbursements and expenses incurred and paid or payable by the non-defaulting party in relation to or in connection with the SSA as evidenced by invoices and receipts. In the event that the defaulting party fails to pay any of the aforesaid monies within the said 14 business day period, then the defaulting party shall be further liable to pay interest on any amount remaining unpaid at the end of the said 14 business day period at the rate of 8% per annum, calculating on a daily basis, from the end of the said 14 business day period until the date of actual payment of the outstanding amount. Save for the aforementioned penalties, the non-defaulting party shall also be entitled to any other rights or remedies available at law.</p>	<p>The terms are deemed reasonable as they establish grounds for termination of the SSA in various circumstances as well as safeguard the interests of the non-defaulting party in the event any of the material breaches or material adverse change that may affect the interest of the non-defaulting party and are in line with transactions of such nature. We also take note that the non-defaulting party will be entitled to compensation to protect its interest as stipulated in the SSA. In addition, we are also of the view that the rate of 8% is fair as it is higher than the interest rate for the Group's borrowings ranging from 3.84% to 7.54%, which is based on the effective interest rate of the Group's term loans for the FYE 31 March 2023 (which are subjected to floating interest rates).</p>

Premised on the above, we are of the opinion that the abovementioned salient terms of the SSA are reasonable and are not detrimental to the non-interested shareholders of Systech.

6.6. Salient terms of the Subscription Agreements

Our comments on the salient terms of the Subscription Agreements as set out in Appendix I of the Circular are as follows:

Salient terms of the Subscription Agreements	TA Securities' comments
<p>1. Conditions precedent</p> <p>The Subscription Agreements are conditional upon:</p> <p>1.1 all necessary consent, approvals, waivers and others applicable being obtained, including but not limited to:-</p> <p>(a) the approval of Bursa Securities for the listing and quotation of the Subscription Shares on the ACE Market of Bursa Securities;</p> <p>(b) the approvals of the shareholders of Systech for the issuance and allotment of the Subscription Shares;</p> <p>(c) the approval of the Board for the issuance of the Subscription Shares; and</p> <p>(d) the approval of any other relevant authorities and/or parties, if any.</p> <p>being obtained and/or fulfilled, as the case may be, in any event, not later than 6 months from the date of the Subscription Agreement, unless otherwise mutually agreed between the parties to the Subscription Agreement. ("Subscription Agreement CP").</p> <p>1.2 If any of the Subscription Agreement CP are not satisfied or waived by the Subscriber (acting on its sole discretion) before the last day of the said 6 months, the rights and obligations of the parties under the Subscription Agreements will terminate, except in respect of the obligations of the parties herein such as confidentiality obligations, but without prejudice to any rights or causes of action which the Subscriber may have.</p> <p>1.3 The Subscription Agreements shall become unconditional on the date when the Subscription Agreement CP have been fulfilled ("Unconditional Date").</p>	<p>The conditions precedent of the Subscription Agreement are reasonable terms as they require Systech to procure the relevant requisite approvals and to be in compliance with the applicable laws and regulatory requirements.</p> <p>We noted that the Subscription Agreements are conditional upon the Subscription Agreement CP being satisfied within 6 months from the date of the Subscription Agreement. We further noted that the Subscription Agreements also provides flexibility to the timeframe for the Subscription Agreement CP as may be mutually agreed upon by the parties.</p> <p>Based on the above, we are of the view that the terms of the Subscription Agreement CP are reasonable.</p>
<p>2. Completion</p> <p>The completion of the Subscription Agreements will occur within 8 market days from the Unconditional Date whereby the following events have taken place:</p> <p>2.1 the Subscribers must subscribe in cash for the Subscription Shares at the Subscription Price of RM0.36 each which must be satisfied by telegraphic transfer of the subscription monies in cleared funds to Malacca Securities ("Placement Agent")'s bank account.</p>	<p>These terms are reasonable as they establish the steps, procedures and documents required for Systech and the Subscribers to complete the Subscription Agreements.</p>

Salient terms of the Subscription Agreements	TA Securities' comments
<p>2.2 Systech must deliver to the Subscribers the notice of allotment and ensure that the Subscriber is registered as the holder of the Subscription Shares in the register of members of Systech.</p> <p>2.3 Systech shall procure the issuance and allotment of the Subscription Shares to the Subscriber by the direct crediting of the Subscription Shares into the securities accounts of the Subscribers.</p> <p>2.4 At the completion of the Subscription Agreements, Systech shall deliver to the Subscribers:</p> <ul style="list-style-type: none"> (a) evidence of the fulfilment of the Subscription Agreement CP; (b) copy of the register of Systech and return of allotment showing the Subscribers as being a member holding the Subscription Shares; (c) copy of the resolutions of the Board authorising the issuance of the Subscription Shares in accordance with the Subscription Agreements; and (d) copy of the resolutions of the members of Systech authorising the issuance of the Subscription Shares in accordance with the Subscription Agreements. <p>Systech shall indemnify and keep indemnified the Subscribers against all fees, costs (including, without limitation, professional, accounting and legal costs), losses or damages the Subscriber may suffer as a result of any document delivered to it under clause 2.5 of the salient terms of the Subscription Agreements as disclosed in Section 6.6 of this IAL being unauthorised, invalid or for any other reason ineffective for its purpose.</p> <p>2.5 At the completion of the Subscription Agreements, Systech shall deliver to the Placement Agent:</p> <ul style="list-style-type: none"> (a) certified copy of the resolution passed by the Board at its Board meeting or any circular resolution of the Board passed in writing approving and authorising the execution of the Subscription Agreements and the subscription as contemplated herein; (b) original copy of the Subscription Agreements confirming, inter alia, the Subscriber's acceptance of the Subscription Shares; and (c) all such other reports, certificates and other documents as the Placement Agent may require. 	

Premised on the above, we are of the opinion that the abovementioned salient terms of the Subscription Agreements are reasonable and are not detrimental to the non-interested shareholders of Systech.

6.7. Financial effects of the Proposed Acquisition and Proposed Shares Issuance

In our evaluation of the Proposed Acquisition, we have taken note of the financial effects of the Proposed Acquisition and Proposed Shares Issuance as set out in Section 10 of Part A of the Circular.

6.7.1. Issued share capital

The details of the pro forma effects of the Proposed Acquisition and Proposed Shares Issuance on the issued share capital of Systech are set out in Section 10.1 of Part A of the Circular.

The Proposed Acquisition will have an effect on the share capital of Systech as the Proposed Acquisition involves the issuance of Consideration Shares.

As at the LPD, the existing issued share capital of Systech (excluding treasury shares) is RM43.51 million comprising 345,847,820 Shares. Upon completion of the Proposed Acquisition and Proposed Shares Issuance, the issued share capital of the Company will increase from RM43.51 million comprising 345,847,820 Shares to RM149.77 million comprising 642,625,597 Shares. This is due to the Subscriptions Shares to be issued pursuant to the Proposed Shares Issuance and the Considerations Shares to be issued pursuant to the Proposed Acquisition.

6.7.2. NA, NA per Share and gearing

The details of the pro forma effects of the Proposed Acquisition and the Proposed Shares Issuance on the consolidated NA, NA per share and gearing of the Systech Group assuming that the Proposed Acquisition and Proposed Shares Issuance had been effected at the end of FYE 31 March 2023 are set out in Section 10.2 of Part A of the Circular.

We note that the NA per Share of RM0.06 as at 31 March 2023 will increase to RM0.09 pursuant to the Proposed Acquisition and Proposed Shares Issuance.

Further, we also note that the gearing ratio will increase from 0.27 to 0.40 times pursuant to the Proposed Acquisition and Proposed Shares Issuance due to the increase in the total debt of the enlarged Systech Group after the completion of the Proposed Acquisition whereby Wilstech has been using various borrowings to finance its working capital in the past few financial years which is mainly due to negative operating cash flow recorded resulting from the sizable outstanding trade receivables as disclosed in Section 6.9.5 of this IAL which are subject to impairment risk. Please refer to accountant's report of Wilstech as disclosed in Appendix VII of the Circular for further details of the borrowings of Wilstech.

However, despite the historical negative operating cash flow recorded by Wilstech, we note that the management of Systech foresee the overall cash flow position of Wilstech will improve in the mid to long-term once all the necessary measures has been taken to monitor the collection of all the outstanding balances and the Group will also provide the necessary funding to support the working capital requirements of Wilstech in the future.

6.7.3. Earnings and EPS

The details of the pro forma effects of the Proposed Acquisition on the earnings and EPS of the Group based on its audited consolidated financial statements for the FYE 31 March 2023 are set out in Section 10.3 of Part A of the Circular.

The effects of the Proposed Acquisition on the future consolidated earnings and EPS of the Group would depend on, amongst others, the future performance of Wilstech. Nevertheless, the Proposed Acquisition is expected to contribute positively to the future earnings of the Group arising from the Profit Guarantee provided by LMY. We take note that the EPS of the Group will increase from less than 0.01 sen to 0.49 sen (assuming that the Proposed Acquisition had been completed at the beginning of FYE 31 March 2023 and the Profit Guarantee is achieved).

We also take note that the Proposed Shares Issuance will result in an immediate dilution in the Group's EPS as a result of the increase in the number of Shares in issue upon completion of the Proposed Shares Issuance and that the impact of the Proposed Shares Issuance on the future earnings and EPS of the Group will depend on the level of returns generated from the utilisation of proceeds raised from the Proposed Shares Issuance.

6.7.4. Substantial shareholders' shareholdings

The details of the pro forma effects of the Proposed Acquisition and Proposed Shares Issuance on the substantial shareholders' shareholdings are set out in Section 10.4 of Part A of the Circular.

We take note that the direct shareholdings of SCSB will decrease from 52.2% to 28.1% while the indirect shareholdings of HJH will decrease from 52.2% to a total shareholding of 45.8% pursuant to the Proposed Acquisition and Proposed Shares Issuance. We also note that the indirect shareholdings of LCL, JCap and SJW will decrease from 52.2% to 28.1%, respectively. In addition, LMY, SeaCap, PE Capital Limited and Lim Chin Horng will emerge as new shareholders of Systech with shareholdings of 17.3%, 6.5%, 6.5% and 4.3% respectively.

6.7.5. Convertible securities

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

Premised on the above, we are of the opinion that the financial effects of the Proposed Acquisition and the Proposed Shares Issuance are reasonable and not detrimental to the non-interested shareholders of Systech. Pursuant to the discussion with the management of Wilstech, we understand that Wilstech will undertake the necessary measures to improve its cash flow management which include, amongst others, a financial restructuring plan with the respective financiers which involves early settlement for facilities with high interest bearing, cost control by reviewing all operations expenses to identify costs that could be reduced without compromising service quality as well as implementing a more stringent customer onboarding evaluation to assess customer's financial stability to impose appropriate actions such as shortening credit term. We are of the opinion that the successful implementation of the abovementioned action plans to improve the cash flow position of Wilstech could potentially reduce the necessity for Wilstech to take up additional debt which could reduce risk arising from the increase gearing ratio. However, we also wish to highlight to the non-interested shareholders of Systech the dilutive impact arising from the issuance of the Consideration Shares and the Proposed Shares Issuance.

6.8. Industry overview and prospects

6.8.1. Overview and outlook of the Malaysian economy

"The Malaysian economy grew by 3.7% despite facing challenges stemming from weak external demand, disruptions in commodity production and higher cost of living. Growth was mainly supported by resilient domestic demand and recovery in tourism activities. On the external front, exports declined due to subdued global demand, lower commodity prices and shifts towards services spending. Additionally, improving labour market conditions coupled with supportive policy measures helped household spending, especially among the vulnerable households affected by higher cost of living. Private sector capital spending drove overall investment activity, particularly in information technology and electrical and electronics ("E&E"). In tandem with external trade performance, export-oriented industries saw some moderation in growth. Nonetheless, all sectors continued to expand in 2023.

Headline inflation moderated in 2023 to an average of 2.5% (2022: 3.3%), largely on account of lower food, non-alcoholic beverages and fuel inflation. Some subsidy rationalisation measures were introduced, namely through the revision of electricity tariffs and removal of price ceilings for chicken. The impact on consumer price index (“CPI”) inflation was rather muted given the relatively smaller weights of these items in the CPI basket. In addition, upward pressure on import prices from the sustained strength of the US dollar against the ringgit was offset by the moderating global cost environment. Existing price controls and subsidies on key expenditure items as well as the relatively stable firms’ pricing behaviour also partially mitigated exchange rate pass-through effects. Meanwhile, core inflation averaged at 3% (2022: 3%). The more gradual disinflation pace was partly due to persistent demand pressure, particularly in the first half of 2023. Core inflation steadily converged to its long-term average in the second half. Overall, price pressures were generally less pervasive in 2023. The share of CPI items recording monthly price increases trended lower, approaching their respective long-term average levels.

The Malaysian economy is projected to grow between 4%–5% in 2024, underpinned by continued expansion in domestic demand and improvement in external demand: Growth will be driven by resilient domestic expenditure, with additional support from the expected recovery in exports. Tourism is expected to improve further, while the implementation of new and ongoing multi-year projects by both the private and public sectors would support investment activity. Nevertheless, domestic growth remains subject to downside risks from both external and domestic factors. External factors include a weaker-than-expected global growth and further escalation of geopolitical conflict. Domestically, more severe shocks on commodity production and the implementation of subsidy rationalisation could also weigh on the growth outlook, although this could be partially offset by targeted cash assistance from the Government. Greater spillover from the tech upcycle, stronger-than-expected tourism activity, and faster implementation of existing and new investment projects would provide upside risks to the domestic growth.

Headline inflation is expected to average between 2% and 3.5% in 2024. Headline inflation is expected to remain moderate amid contained cost pressures from easing global supply conditions. Price pressures from tax changes and utility tariffs are assessed to have a marginal impact on headline inflation. Additionally, the impact of exchange rate depreciation on inflation will be contained by administered prices and relatively stable firm pricing behaviour. Core inflation is also expected to moderate, but remaining above its long-term average. Limited demand pressures, stable near-term sentiments on economic conditions and wage growth that is in line with productivity increases, will likely contain upward pressure to underlying inflation. Inflation outlook remains highly subject to upside risks due to potential price adjustments on food and energy items, as well as external pressures from exchange rate and global commodity price developments. Of note, the inflation forecast range has incorporated some potential upside from the implementation of fuel subsidy rationalisation. The direct impact on headline inflation will likely dissipate within a year, but there are upside risks from knock-on effects and wage-price dynamics. Nevertheless, the short-term impact will depend on the size, timing and scope of targeted assistance. On the other hand, downside risks to inflation outlook emanate from weaker global growth weighing on commodity prices and cost pressures.”

(Source: Section 8.1 of Part A of the Circular)

6.8.2. Overview and outlook of the IT industry in Malaysia

“The services sector increased by 6% in the first half of 2023, mainly attributed to the wholesale and retail trade; transportation and storage; and food & beverages and accommodation subsectors. However, finance and insurance contracted during the period. The performance of the sector in the second half of the year is anticipated to rise by 5.1% driven by tourism- and travel-related subsectors following higher tourist arrivals and improved consumer spending. Overall, the sector is projected to grow by 5.5% in 2023, with nearly all subsectors recording positive growth, except for the finance and insurance subsector:

The information and communication subsector rose by 3.7% in the first half of 2023 and expected to grow by 6.2% in the second half of the year following attractive and affordable internet packages with devices, for high-speed connectivity such as 5G RAHMAH Package and RAHMAH Public Servant Postpaid Incentive. These packages, which are offered by major telecommunication companies are expected to further increase the internet subscription rate.

The services sector expanded by 5.3% in year 2023 (2022: 10.9%), of which the information and communication subsector rose by 3.6% in year 2023 (2022: 5.2%).

The services sector is forecast to increase by 5.6% in 2024 driven by expansion in all subsectors. In addition, vibrant tourism-related activities as well as continuous consumer spending are expected to further spur the growth of the sector.

The information and communication subsector is expected to expand by 6.5% in 2024, primarily underpinned by telecommunication segment following fast rollout of 5G coverage and the adoption of a dual network model. The performance of the subsector will also benefit from the increasing demand for high-speed connectivity, particularly through the adoption of satellite internet technology in rural and remote areas. Likewise, the digital-based services are anticipated to spur the subsector's growth following streaming coverage of major events such as the 2024 UEFA European Football Championship and the 2024 Olympic Games; adoption of cloud solutions and services; and the uptick in social commerce activities.

Various initiatives announced under the Budget 2024 by the government is expected to spur development in the industry, which amongst others, include:

- 1. RM800 million for the implementation of MyDigital MADANI to continue digital connectivity across 3,700 schools and 47 industrial areas by 2025.*
- 2. RM900 million Bank Negara Malaysia fund to encourage small-medium enterprise (“SME”) companies to increase business productivity through automation and digitalisation.*
- 3. RM60 million for the development of 5G Cybersecurity Testing Framework and Local Expertise in 5G Technology to enhance preparedness against cyber threats.*
- 4. RM100 million for digitalisation grants of up to RM5,000 to upgrade sales, inventory and digital accounting systems.”*

(Source: Section 8.2 of Part A of the Circular)

6.8.3. Prospects of the enlarged Systech Group

“The Group has been registering losses for the past 4 FYEs 31 March 2020 to 31 March 2023. The Group had recently undertaken several measures including the disposal of the loss making e-business subsidiaries and acquisition of TCAI in order to improve the financial performance of the Group.

The acquisition of Wilstech which is in the similar business as the Group i.e. provision of IT solutions, will enable the Group to expand its customer base, derive cross selling opportunities and cost savings as detailed in Section 7.2 of Part A of the Circular.

In addition, Wilstech also plans to undertake the following in the near to medium future, which is expected to contribute to the enlarged Systech Group's financial performance and financial position:

- (i) Participate in Government's programme to assist SME companies in digitalising their businesses*

The Government had earmarked RM900 million fund to encourage SME companies to increase business productivity through automation and digitalisation as well as RM100 million for digitalisation grants of up to RM5,000 to upgrade sales, inventory and digital accounting systems.

As at LPD, Wilstech is a company with Malaysia Digital Status awarded by Malaysia Digital Economy Corporation Sdn. Bhd. on 28 March 2023, which shall subsist until its revocation by Malaysia Digital Economy Corporation Sdn. Bhd. or surrender of the said status by Wilstech (whichever earlier), pursuant to the terms and conditions stated in the approval letter issued by Malaysia Digital Economy Corporation Sdn. Bhd.. Malaysia Digital Status enables Wilstech to participate and undertake Malaysia Digital's activities and an authorised digitalisation partner under the Geran Digital PMKS Madani Initiative, an initiative by the Government of Malaysia to assist micro, small and medium enterprises improve digitalisation applications in their daily businesses. Wilstech is thus well positioned to secure more contracts from these businesses under this initiative.

- (ii) *Create sustainable ecosystem to support the growth and development of no-code platforms and applications in Malaysia*

As at LPD, Wilstech is the master distributor of eMOBIQ, which is an application to assist developers to build mobile applications without the need of using code, in Malaysia. eMOBIQ is aimed at accelerating the rapid adoption and immersion of local talent and businesses, particularly, entrepreneurs, micro, small and medium enterprises and SME in developing applications on the no-code platform. For clarification purpose, the engagement of Wilstech as master distributor of eMOBIQ was effected on 13 April 2022 for a period of 12 months and automatically renewed for successive 12 months period unless otherwise terminated by the party involved in the said engagement.

As at LPD, Wilstech had engaged with 2 government agencies and 2 institutions and in the midst of discussion with a government agency and an educational institution since September 2023, to promote the eMOBIQ application. It is expected that this could increase the sale of eMOBIQ in near future, which could contribute to the financial performance of the enlarged Systech Group moving forward.

- (iii) *Continuing the research and development on WilsONE*

Wilstech will continue to carry out research and development to further enhance its owned software i.e. WilsONE (as detailed in Section 1 of Appendix III of the Circular) to include additional features, including amongst others, sales, marketing and campaign management and artificial intelligence powered chatbots, which is expected to be launched in next 2 years.

Post-completion of the Proposed Acquisition, the Group intends to consolidate Wilstech and the Group's existing resources to derive cost savings (where possible) and to obtain cross selling opportunities via the offering of the Group's existing products and services to Wilstech's customers and vice versa. The Group believes such benefits may be realised over the next 2 years. The Group does not expect to incur additional financial resources to realise the above plans as the plans will be carried out as part of the ordinary course of business of the Group.

Besides, the Group will also continue to grow its existing businesses, particularly TCAI, via the introduction of new modules and features of its HCM software, to cater for market demand and to create a more suitable HCM software to cater to a wider range of customers. In addition, the Group's successful procurement of the IoT Contract as detailed in Section 2.7 of Part A of the Circular is expected to provide the Group with a steady income flow over the duration of the contract. The Group is also in discussion with 8 other customers in Malaysia, Dubai, Indonesia and Singapore (as detailed in Note (iii)(aa) of Section 2.7 of Part A of the Circular), for the provision of IoT projects, which are similar in nature.

The Proposed Acquisition, acquisition of TCAI and the IoT contracts procured / or to be procured are expected to contribute positively to the financial performance of the Group moving forward. Based on the aforementioned, the Board is optimistic that the Group will be able to turnaround to profitability in the near future after taking into consideration the positive outlook of the IT industry."

(Source: Section 8.3 of Part A of the Circular)

After taking into consideration the overview and outlook of the Malaysian economy and the IT industry in Malaysia as well as the prospects of the enlarged Systech Group, we are of the view that the prospects of the Group after the Proposed Acquisition and the Proposed Shares Issuance are expected to be positive. Nonetheless, we wish to highlight that although the future prospects of the enlarged Systech Group remain cautiously positive as the synergy benefits of the enlarged Systech Group could be diminished by the financial resources required to be committed to realise such plans taking into consideration the risk factors as disclosed in Section 6.9, including the impairment risk, that could potentially affect the future earnings of the enlarged Systech Group.

6.9. Risk factors in relation to the Proposed Acquisition

In evaluating the Proposed Acquisition, the shareholders of Systech should carefully consider the potential risks of the Proposed Acquisition as set out in Section 9 of Part A of the Circular.

We set out below our views on certain risk factors pertaining to the Proposed Acquisition and are summarized as follows:

6.9.1. Completion risk

The Proposed Acquisition and the Proposed Shares Issuance is subject to, amongst others, approval from Bursa Securities and shareholders of the Company. In the event that the conditions precedent as set out in the SSA and the Subscription Agreements are not met, the Proposed Acquisition and the Proposed Shares Issuance will not be completed.

Nevertheless, we take note that the Company will take all reasonable steps to ensure that the conditions precedent that are within the Company's control will be met within the stipulated timeframe to ensure the successful completion of the Proposed Acquisition and the Proposed Shares Issuance.

6.9.2. Acquisition risk

There is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that Systech Group will be able to generate sufficient revenue and earnings therefrom to offset the consideration and associated costs incurred for the Proposed Acquisition. There is also no assurance that Wilstech will be able to maintain or improve the quality of products and/or services currently offered.

Nonetheless, we take note that Systech Group had procured the Profit Guarantee and Security Amount as set out in Section 3.3 of Part A of the Circular. Further, LMY will remain as the director of Wilstech and will continue to lead and grow the operations of Wilstech upon the completion of the Proposed Acquisition. However, we wish to highlight that the realisation of the anticipated benefits of the Proposed Acquisition after the Profit Guarantee period is still dependent on, amongst others, the successful implementation of the strategies and plans of the enlarged Systech Group.

6.9.3. Achievability of the Profit Guarantee

The Profit Guarantee is subject to certain uncertainties and contingencies, such as failure to retain the existing projects from existing customer, failure to secure new projects from existing and/or new customers of Wilstech and/or the occurrence of unforeseen material expenses which may affect the profitability of Wilstech.

Nevertheless, we note that Systech had negotiated the Security Amount of RM30.0 million to be held by the Stakeholder, which will only be released to LMY upon the Profit Guarantee being achieved. In the event the Profit Guarantee is not achieved, the Security Amount and/or the Purchase Consideration will be refunded to Systech based on the computation as set out in Section 3.3 of Part A of the Circular.

However, we wish to highlight that in the event Wilstech records PAT below RM3.0 million or loss after tax for the 12M FPE2025, Systech will be exposed to potential default risk by LMY and SeaCap for the amount of the Purchase Consideration to be refunded by LMY and SeaCap. Nonetheless, Systech could take the appropriate legal action against LMY and SeaCap in the event of such default to recover any shortfall.

6.9.4. Integration risk

The key integration risk pursuant to the Proposed Acquisition, amongst others, are workforce redundancy and overlapping job functions as well as the risk of not being able to fully realise the expected benefits. In addition, there is no assurance that any integration efforts will not have a material adverse effect on the business performance and prospects of the enlarged Systech Group.

However, we take note that Systech may undertake the necessary efforts to mitigate the various risks by implementing a proper integration exercise and management structure to ensure a seamless integration.

Pursuant to discussion with the management of Systech, we understand that the Board plans to streamline and integrate cross functional processes such as the human resource and finance function. In view of the aforementioned, we understand that the Board is in the midst of undergoing thorough review on the standard operating procedures of Wilstech to formulate a standardised practice across the enlarged Systech Group to ensure the daily operations of the business can be run smoothly.

We further note that the Board will continue to exercise due care and take appropriate measures such as, amongst others, identifying and evaluating the risks in planning and integrating the business operations of Wilstech with the Group's existing business operations.

We also wish to highlight that the integration risk is reasonably expected to be mitigated as the management team of Systech together with the management team of Wilstech who have considerable experience in the IT Solutions industry will oversee the integration process, daily operations and be involved in the decision making of strategic matters in the enlarged Systech Group to ensure the smooth operations of the business post the Proposed Acquisition.

6.9.5. Impairment risk

Wilstech has total trade receivables balance amounting to RM13.6 million (net of impairment), representing 41.7% of the total assets of Wilstech, of which RM8.1 million had exceeded the stipulated credit period as at 31 August 2023. There is a total provision of impairment loss to its trade receivables amounting to RM2.8 million as at 31 August 2023. As disclosed in the accountant's report of Wilstech as disclosed in Appendix VII of the Circular, we further noted that the trade receivable balance of RM8.1 million that had exceeded the stipulated credit period as at 31 August 2023 are not impaired as the management of Wilstech is of the view that there has not been a significant change in the credit quality of its customers based on past experience of timely payments from similar customers who were initially classified as past due whereby the historical pattern suggests a high likelihood of eventual collection and taking into consideration that there is no adverse information about the financial health of the debtor that would cast doubt on their ability to fulfill their payment obligation (i.e. financial distress, bankruptcy filings and/or winding-up instruction) as well as constant monitoring of its trade receivables on an ongoing basis. For information purposes, RM3.6 million out of the RM8.1 million of trade receivables that had exceeded the stipulated credit period is derived from a major customer with long-term business relationship with Wilstech (i.e. more than 4 years). In addition, subsequent to 31 August 2023 and up to the LPD, Wilstech has collected a total of RM6.7 million from the outstanding trade receivables as at 31 August 2023 of RM13.6 million which is inclusive of RM4.5 million trade receivables that had exceeded the stipulated credit period. We wish to highlight that taking into consideration the subsequent collection of the outstanding trade receivables and the long-term business relationship with the major customer as well as Wilstech's constant monitoring of its trade receivables, the basis for the view of Wilstech's management that there has not been a significant change in the credit quality of its customers is reasonable.

For information purposes, Wilstech has total trade receivables of RM12.8 million as at the LPD of which RM8.3 million had exceeded the credit period. Notwithstanding, we take note that Wilstech will engage closely with the existing trade receivables on the receipt of the outstanding balances and if required, to issue demand letter to ensure the recoverability of the outstanding balances. We also take note that Wilstech and the Group will implement robust due diligence process, amongst others, to assess the creditworthiness and review the historical payment track record for new and existing customers of Wilstech prior to entering into business with them. However, we wish to highlight that the Group may need to recognise further impairment losses and/or write-off any outstanding trade receivables if Wilstech is still unable to collect any payment from the trade debtors in the future which could impact the Group's financial performance post the Proposed Acquisition.

6.9.6. Dependency on key management personnel

We wish to highlight that apart from the risk factors as disclosed in Section 9 of Part A of the Circular, we noted that the prospects of the enlarged Systech Group would also depend on the experience, capability, network and continued effort of LMY to continue to lead and grow the operations and strategic matters relating to Wilstech. Taking into consideration the importance of LMY and to ensure the delivery of the Profit Guarantee as well as ensuring management continuity and minimising any disruption to the day-to-day business of the enlarged Systech Group, Wilstech had on 22 December 2023 entered into the Management Service Agreement with LMY.

However, there is no assurance that the loss of any such key management personnel will not adversely affect the performance of the enlarged Systech Group.

We wish to highlight that although measures have been/will be taken by Systech and/or Wilstech to mitigate such risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of the risk factors will not occur and give rise to material adverse impact on the business and operation of the enlarged Systech Group, its financial performance or prospects thereon.

In evaluating the Proposed Acquisition, shareholders of Systech should note that the risk factors mentioned therein are not meant to be exhaustive. Shareholders of Systech should carefully consider the said risk factors and their respective mitigating factors prior to voting on the ordinary resolution pertaining to the Proposed Acquisition at the forthcoming EGM of Systech.

7. CONCLUSION AND RECOMMENDATION

Non-interested shareholders should take into account all the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those which are set out in the Circular, IAL and other publicly available information.

In arriving at our conclusion and recommendation, TA Securities has considered the following factors, which the non-interested shareholders should consider in evaluating the Proposed Acquisition as summarised below:

- (i) the rationale for the Proposed Acquisition and the Proposed Shares Issuance is reasonable and not detrimental to the non-interested shareholders;
- (ii) the evaluation of the Purchase Consideration is fair and not detrimental to the non-interested shareholders;
- (iii) the evaluation of the Issue Price of the Consideration Shares and the Subscription Price of the Subscription Shares is fair and not detrimental to the non-interested shareholders;
- (iv) the salient terms of the SSA and Subscription Agreements are reasonable and not detrimental to the non-interested shareholders;
- (v) the financial effects of the Proposed Acquisition and Proposed Shares Issuance are reasonable and not detrimental to the non-interested shareholders;
- (vi) the prospects of the enlarged Systech Group are positive; and
- (vii) the risk factors associated with the Proposed Acquisition.

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Given the factors above, the decision to be made will depend on the individual risk appetite and specific requirements of the non-interested shareholders. We take cognisance of the fact that the various non-interested shareholders may have different risk profiles and investment outlooks. Thus, we advise them to also carefully consider other factors such the future plans and prospects of the enlarged Systech Group and any other relevant considerations including those set out in this IAL.

Based on the above, TA Securities views that the Proposed Acquisition is fair and reasonable and is not detrimental to the non-interested shareholders of Systech.

Accordingly, we advise and recommend that the shareholders vote in favour of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of Systech.

Yours faithfully,
For and on behalf of
TA SECURITIES HOLDINGS BHD

WONG CHAN HAN
Senior Vice President
Corporate Finance

CHEONG WEN-JIE
Vice President
Corporate Finance

APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENTS

The salient terms below are reflected throughout all the Subscription Agreements.

1. Shares subscription

The parties to the Subscription Agreements agree, undertake and covenant with each other that Subscribers shall subscribe the Subscription Shares at the Subscription Price of RM0.36 each and Systech shall issue and allot the Subscription Shares to Subscribers respectively as follows:

Name	Subscription amount (RM)	Number of Subscription Shares
HJH	26,000,136.00	72,222,600
Lim Chin Horng	9,999,972.00	27,777,700
Lau Kok Fui	4,999,968.00	13,888,800
Lee Choon Hee	4,999,968.00	13,888,800
Lee Min Huat	3,999,996.00	11,111,100
Tan Chor Khai	999,972.00	2,777,700
Lam Yeow Yin	839,988.00	2,333,300
Total	51,840,000.00	144,000,000

2. Conditions precedent

The Subscription Agreements are conditional upon:

- 2.1 all necessary consent, approvals, waivers and others applicable being obtained, including but not limited to:
 - (a) the approval of Bursa Securities for the listing and quotation of the Subscription Shares on the ACE Market of Bursa Securities;
 - (b) the approvals of the shareholders of Systech for the issuance and allotment of the Subscription Shares;
 - (c) the approval of the Board for the issuance of the Subscription Shares; and
 - (d) the approval of any other relevant authorities and/or parties, if any.being obtained and/or fulfilled, as the case may be, in any event, not later than 6 months from the date of the Subscription Agreement, unless otherwise mutually agreed between the parties to the Subscription Agreement (“**Subscription Agreement CP**”).
- 2.2 If any of the Subscription Agreement CP are not satisfied or waived by the Subscriber (acting on its sole discretion) before the last day of the said 6 months, the rights and obligations of the parties under the Subscription Agreements will terminate, except in respect of the obligations of the parties herein such as confidentiality obligations, but without prejudice to any rights or causes of action which the Subscriber may have.
- 2.3 The Subscription Agreements shall become unconditional on the date when the Subscription Agreement CP have been fulfilled (“**Unconditional Date**”).

3. Completion

The completion of the Subscription Agreements will occur within 8 market days from the Unconditional Date whereby the following events have taken place:

- 3.1 the Subscribers must subscribe in cash for the Subscription Shares at the Subscription Price of RM0.36 each which must be satisfied by telegraphic transfer of the subscription monies in cleared funds to Malacca Securities' ("**Placement Agent**") bank account.
- 3.2 Systech must deliver to the Subscribers the notice of allotment and ensure that the Subscriber is registered as the holder of the Subscription Shares in the register of members of Systech.
- 3.3 Systech shall procure the issuance and allotment of the Subscription Shares to the Subscriber by the direct crediting of the Subscription Shares into the securities accounts of the Subscribers.
- 3.4 At the completion of the Subscription Agreements, Systech shall deliver to the Subscribers:
 - (a) evidence of the fulfilment of the Subscription Agreement CP;
 - (b) copy of the register of Systech and return of allotment showing the Subscribers as being a member holding the Subscription Shares;
 - (c) copy of the resolutions of the Board authorising the issuance of the Subscription Shares in accordance with the Subscription Agreements; and
 - (d) copy of the resolutions of the members of Systech authorising the issuance of the Subscription Shares in accordance with the Subscription Agreements.

Systech shall indemnify and keep indemnified the Subscribers against all fees, costs (including, without limitation, professional, accounting and legal costs), losses or damages the Subscriber may suffer as a result of any document delivered to it under Section 3.5 of this Appendix I being unauthorised, invalid or for any other reason ineffective for its purpose.

- 3.5 At the completion of the Subscription Agreements, Systech shall deliver to the Placement Agent:
 - (a) certified copy of the resolution passed by the Board at its Board meeting or any circular resolution of the Board passed in writing approving and authorising the execution of the Subscription Agreements and the subscription as contemplated herein;
 - (b) original copy of the Subscription Agreements confirming, inter alia, the Subscriber's acceptance of the Subscription Shares; and
 - (c) all such other reports, certificates and other documents as the Placement Agent may require.

1. Purchase Consideration

1.1 The Purchase Consideration of **RM75,000,000 (Ringgit Malaysia Seventy-Five Million)** only for the Sale Shares payable by Systech to the Vendors in accordance with the following manner:

- (a) **RM20,000,000.00 (Ringgit Malaysia Twenty Million)** only, in the form of cash, within 14 business days from the completion date of the SSA, of which shall be computed and apportioned in accordance with the following:

Vendors	Cash Consideration
LMY	RM18,630,388.14
MTB	RM1,369,611.86
Total	RM20,000,000.00

- (b) **RM55,000,000.00 (Ringgit Malaysia Fifty-Five Million)** only, in the form of 152,777,777 Systech Shares, to be issued to the SeaCap and LMY within 14 business days from the completion date of the SSA, as computed and apportioned in accordance with the following:

Vendors	Value of Consideration Shares	No. of Consideration Shares
SeaCap	RM15,000,000.00	41,666,666
LMY	RM40,000,000.00	111,111,111
Total	RM55,000,000.00	152,777,777

- (c) the Issue Price of RM0.36 per Consideration Share has been determined based on an approximate 17.0% discount to the 5-day VWAP of Systech Shares up to and including 21 December 2023 of RM0.4337, being the latest practicable date prior to the date of the SSA.

1.2 Security Amount

LMY and Systech agree that part of the Purchase Consideration payable to LMY, which is outlined as follows:

- (a) **RM5,000,000.00 (Ringgit Malaysia Five Million)** only from the Cash Consideration payable to LMY; and
- (b) **RM25,000,000.00 (Ringgit Malaysia Twenty-Five Million)** only worth of Consideration Shares, amounting to 69,444,445 Systech Shares payable to LMY,

shall be placed with Messrs. Julius Leonie Chai (as the Stakeholder) as the security for the performance of the following Profit Guarantee.

2. Profit Guarantee

In consideration of Systech acquiring the Sale Shares, LMY irrevocably and unconditionally guarantees and undertakes the Profit Guarantee of not less than RM5,000,000.00 for the 12M FPE2025 to be achieved by Wilstech.

For the purpose of computation of PAT and determination of the performance of the Profit Guarantee, the PAT shall be based on the Wilstech's audited financial statements for 12M FPE2025 as may be verified, approved and certified by the external auditors which shall in the absence of manifest error, be conclusive, final and binding on the parties.

As security for the performance of the Profit Guarantee, LMY and Systech agree that the Security Amount shall be placed with the Stakeholder. In addition, as of the date of the SSA, LMY has executed an irrevocable management service agreement with Wilstech in relation to provision of LMY's service to facilitate the operation and business of Wilstech for a tenure of 2 years, subject to extension to be mutually agreed by the aforementioned parties. For clarification purpose, all rights, economic benefits and interest accrued from the Pledged Shares during the security period shall belong to LMY.

The salient features of the Profit Guarantee mechanism are as follows:

- 2.1 If Wilstech achieves the Profit Guarantee, the Stakeholder shall be authorised to release the whole Security Amount to LMY.
- 2.2 If Wilstech fails to achieve the Profit Guarantee and the actual PAT for 12M FPE2025 is below RM3,000,000.00, there will not be any release of Security Amount to LMY and the Security Amount shall be refunded to Systech.

In addition to the foregoing, LMY shall cause and procure himself and SeaCap to refund (in the form of cash) the Purchase Consideration received by said parties to Systech which shall be computed and determined in accordance with the following:

For LMY

$((RM3,000,000.00 - \text{Actual PAT for 12M FPE2025}) / RM3,000,000.00) \times (431,719 / 542,170) \% \times RM45,000,000.00$

For SeaCap

$((RM3,000,000.00 - \text{Actual PAT for 12M FPE2025}) / RM3,000,000.00) \times (110,451 / 542,170) \% \times RM45,000,000.00$

- 2.3 If Wilstech fails to achieve the Profit Guarantee but the actual PAT for FPE 31 March 2025 is above RM3,000,000.00, the Security Amount to be released to LMY shall be computed and determined by the cumulative amount of the following:
 - (a) $(\text{Actual PAT for 12M FPE2025} - RM3,000,000.00) / RM2,000,000.00 \times RM5,000,000.00$; and
 - (b) $(\text{Actual PAT for 12M FPE2025} - RM3,000,000.00) / RM2,000,000.00 \times 69,444,445$ Systech Shares,

of which balance thereof shall be refunded to Systech.

- 2.4 In the event Wilstech records an audited loss after tax for 12M FPE2025, there will not be any release of Security Amount to LMY and the Security Amount shall be refunded to Systech.

In addition to the foregoing, LMY shall cause and procure himself and SeaCap to refund (in the form of cash) the Purchase Consideration received by said parties to Systech which shall be computed and determined in accordance with the following:

For LMY

$(431,719 / 542,170) \% \times \text{RM}45,000,000.00$

For SeaCap

$(110,451 / 542,170) \% \times \text{RM}45,000,000.00$

- 2.5 Security Amount to be released/ refunded as stipulated above shall be made, within 14 days from the date of which the Certified Account is made available.
- 2.6 Security Amount (in the form of Systech Shares) to be refunded to Systech as stipulated above shall be disposed off in open market and/or cancelled at the discretion of the Systech subject to all necessary approvals, orders and/or consents being obtained. For information, in the event of disposal of Pledged Shares, in accordance with the Stakeholder Appointment Letter, Systech may instruct the Stakeholder to, amongst others, dispose the Pledged Shares (which will be held by the Stakeholder in escrow on behalf of LMY) and refund the proceeds thereof to Systech.

3. Conditions precedent

- 3.1 The sale and purchase of the Sale Shares is conditional upon the last of the following conditions precedent having been obtained, fulfilled, varied or waived in accordance with the SSA within 6 months from the date of the SSA ("**Unconditional Date**") with an automatic extension of 1 month from the last day of the said 6 months or such other further extended period as may be mutually agreed by the parties:

By Systech

- (a) the procurement by Systech of the approval of the Board of Systech for the acquisition of the Sale Shares;
- (b) the procurement by Systech of the approval and/or waiver of the shareholders of Systech at an extraordinary general meeting in relation to the acquisition of the Sale Shares; and
- (c) the conduct and completion of a financial and legal due diligence by Systech's auditors and solicitors on Wilstech, its business, operations and affairs, with the results of the financial and legal due diligence being to the satisfaction of the Systech.
- (d) completion of proposed shares issuance of up to 144,000,000 new Systech Shares, representing approximately 29.4% of the enlarged total number of issued Systech Shares (excluding treasury shares) after the Proposed Shares Issuance, for a total cash consideration of RM51,840,000.00; and
- (e) the procurement by Systech of the approval from Bursa Securities in relation to the listing and quotation of the Subscription Shares and the Consideration Shares on the ACE Market of Bursa Securities.

By the Vendors

- (a) all advances due to/from the Vendors or related parties/companies having been settled in full;
- (b) such other waivers, consents or approval as may be required (or deemed necessary by the parties) from any third party (including financial institutions) or governmental, regulatory body or relevant authorities having jurisdiction over any transactions contemplated in the SSA; and
- (c) the procurement by the Vendors of the written consents and approvals from the Wilstech's financiers for the sale of the Sale Shares to Systech (where applicable).

4. Pre-completion

4.1 Upon the execution of the SSA, the Vendor shall execute valid share transfer forms in respect of the Sale Shares in favour of Systech and/or the nominees appointed by the Systech, as the case may be ("**Transfer Forms**") and deposit the Transfer Forms and the rest of the documents set out below (collectively, the "**Transfer Documents**") with the Stakeholder for the purposes of effecting the transfer of the Sale Shares on the completion date of the SSA:

- (a) a certified true copy or extract of a resolution of the board of directors of Wilstech approving the sale and transfer of the Sale Shares from the Vendors to Systech and directing the secretary of Wilstech to register the same;
- (b) the statutory books and records, complete and up-to-date, and all other records and documents of Wilstech, including but not limited to the certificate of incorporation, any certificates of incorporation on change of name, licences, share certificate books, minute books, all unused cheque books and the common seals of Wilstech; and
- (c) all other relevant documents to effect the transfer of legal and beneficial title of the Sale Shares to Systech and/or its nominee (if any).

If the SSA is rescinded, the Stakeholder shall release and return the Transfer Documents to the Vendors.

5. Completion

The completion of the sale and purchase of the Sale Shares shall take place at the office of Systech not later than 5 business days after the Unconditional Date, or such other date as may be agreed upon by the parties to the SSA.

6. Default and termination

- (a) Systech may terminate the SSA by Systech giving notice to the Vendors at any time prior to the completion of the sale and purchase of the Sale Shares, if any fact, matter or event comes to notice of Systech at any time prior to the completion of the sale and purchase of the Sale Shares which constitute to a material adverse change or material breach by the Vendors of any of the warranties and obligations by the Vendors, and that material adverse change and material breach are not rectified within 7 days of notification in writing by Systech to the Vendors.
- (b) In addition, the non-defaulting party shall have the right to rescind the SSA if the non-defaulting party discovers any breach of warranties on the part of the defaulting party.

- (c) Based on the foregoing, in the event that the SSA is terminated/rescinded, the defaulting party shall, within 14 business days from the date after the expiration of the termination notice, pay to the non-defaulting party all the professional fees, disbursements and expenses incurred and paid or payable by the non-defaulting party in relation to or in connection with the SSA as evidenced by invoices and receipts. In the event that the defaulting party fails to pay any of the aforesaid monies within the said 14 business day period, then the defaulting party shall be further liable to pay interest on any amount remaining unpaid at the end of the said 14 business day period at the rate of 8% per annum, calculating on a daily basis, from the end of the said 14 business day period until the date of actual payment of the outstanding amount. Save for the aforementioned penalties, the non-defaulting party shall also be entitled to any other rights or remedies available at law.

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1. HISTORY AND BUSINESS

Wilstech was incorporated in Malaysia on 21 June 2018 as a private limited company under the Act with its registered office at A-1-3, Northpoint Office Tower A, Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur.

Wilstech commenced its operation since July 2018 and is principally involved in provision of services on software and applications development, data communication and management, network and cyber security solutions, artificial intelligence and automation, and other related IT services as well as supply of IT hardware and other peripherals. Its principal place of business located at Unit 19-2, The Boulevard, Lingkaran Syed Putra, Mid Valley City, 59200 Kuala Lumpur, Malaysia.

Wilstech is a provider of business-to-business (B2B) IT solutions which includes, amongst others, web solutions, development of custom web and mobile applications, platform supports, IT infrastructure solutions, IT administration and outsourcing, as well as supply of IT hardware. The principal market for its products and services is Malaysia.

Wilstech developed and owns a software named WilsONE which is a business automation software which came with 4 primary applications as follows:

- (i) Contact management: to assist store, manage and track every contact information for collaborative works and automating tasks;
- (ii) Lead management: to manage potential customers with real-time tracking and convert them into paying customers;
- (iii) Opportunity management: to utilise the data of every potential sales opportunity, providing information to the sales team in order to act quickly in closing the deal; and
- (iv) Project management: to track and manage every piece of information for each project, giving all complete view of the project, streamlining the collaboration and communication in addressing potential problems at early stage.

As at LPD, Wilstech is a company with Malaysia Digital Status awarded by Malaysia Digital Economy Corporation, that can participate and undertake any Malaysia Digital's activities. Wilstech is also an authorised digitalisation partner under the Geran Digital PMKS Madani Initiative, an initiative by the Government of Malaysia to assist micro, small and medium enterprises improve digitalisation applications in their daily businesses.

APPENDIX III – INFORMATION ON WILSTECH (CONT'D)

As at LPD, the principal market of Wilstech's products and services is Malaysia and all the revenue of Wilstech for the past 3 FYEs 31 August 2021, 31 August 2022 and 31 August 2023 were generated from Malaysia. The revenue breakdown by services and products for the past 3 FYEs 31 August 2021, 31 August 2022 and 31 August 2023 (based on the Accountant's Report appended as **Appendix VII** of this Circular) are as follows:

	Accountant's Report (audited)		
	FYE 31	FYE 31	FYE 31
	August 2021	August 2022	August 2023
	RM'000	RM'000	RM'000
Sales of software application, hardware and maintenance and implementation services	7	5,432	12,685
Training course	118	-	-
Provision of E-business information technology services	9,441	10,091	8,674
IT infrastructure and hardware	-	-	3,231
	9,566	15,523	24,590

	Accountant's Report (audited)		
	FYE 31	FYE 31	FYE 31
	August 2021	August 2022	August 2023
	RM'000	RM'000	RM'000
One-off sales	125	5,432	12,685
Maintenance / service contracts	9,441	10,091	11,905
	9,566	15,523	24,590

As at LPD, Wilstech's customers comprise micro, small and medium enterprises and SME which are primarily involved in technology, telecommunication and media, e-commerce and consumer industries.

As at LPD, Wilstech sourced its inventories i.e. hardware and software application license key from Singapore, Malaysia and China. Save for the aforementioned inventories, the other software applications are developed by its in-house IT team.

As Wilstech is involved in the provision of IT solutions and IT related services, all the research and development of the software will form part and parcel of its ordinary course of business and cost of sale of Wilstech. In view thereof, Wilstech is unable to segregate the research and development cost from the cost of sales as majority of the research and development cost are staff cost i.e. salaries of its employees.

APPENDIX III – INFORMATION ON WILSTECH (CONT'D)

As at LPD, Wilstech has a total of 40 employees in the following divisions:

<u>Division</u>	<u>Number of employees</u>
Management	3
Operation	7
Business development	10
IT (including research and development)	10
Human resource and administrative	3
Finance	5
Marketing	2
Total	40

2. SHARE CAPITAL

As at LPD, Wilstech has an issued share capital of RM2,022,043 comprising 552,255 ordinary shares.

3. DIRECTORS

As at LPD, LMY is the sole director of Wilstech. As at LPD, he is holding 431,719 ordinary shares in Wilstech, representing 78.2% of the issued share capital of Wilstech.

4. SHAREHOLDERS

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

<u>Name</u>	<u>Nationality / Country of incorporation</u>	<u>Direct Interest</u>		<u>Indirect Interest</u>	
		<u>Number of shares</u>	<u>%</u>	<u>Number of shares</u>	<u>%</u>
LMY	Malaysian	431,719	78.2	-	-
SeaCap	Cayman Islands	110,451	20.0	-	-
PE Capital Limited	Cayman Islands	-	-	(a)110,451	20.0
HJH	Malaysian	-	-	(b)110,451	20.0
MTB	Malaysia	10,085	1.8	-	-
		552,255	100.0		

Notes:-

(a) Deemed interested by virtue of its interest in SeaCap.

(b) Deemed interested by virtue of his interests in SeaCap and PE Capital Limited.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at LPD, Wilstech does not have any subsidiary nor associated company.

6. ASSETS OWNED BY WILSTECH

Based on the Accountant's Report appended in Appendix VII of this Circular, the total assets of Wilstech amount to approximately RM32.6 million as at 31 August 2023.

Type of assets	Carrying amount as at 31 August 2023
	RM'000
Plant and equipment	317
Investment property	2,350
Right-of-use assets	115
Deferred tax assets	893
Inventories	7,852
Trade and other receivables	15,302
Contract assets	4,944
Fixed deposits	605
Cash and bank balances	212
Total assets	32,590

7. FINANCIAL INFORMATION

The Proposed Acquisition is deemed as a "very substantial transaction" pursuant to Rule 10.02(l) of the Listing Requirements, as such, the Accountant's Report had been prepared for the FYEs 31 August 2021, 31 August 2022 and 31 August 2023 to provide an independent opinion on the historical financial statements of Wilstech.

The following differences had been noted compared to the historical audited financial statements of Wilstech for the FYEs 31 August 2021 and FYE 31 August 2022:-

	Audited financial statements^(a)	Accountant's Report	Notes
	RM'000	RM'000	
<u>FYE 31 August 2021</u>			
Revenue	9,566	9,566	
Gross profit	5,055	5,055	
PBT	2,499	2,167	(c)
PAT	1,605	1,459	(d)
Share capital	2,022	2,022	
NA / Total equity	7,654	4,972	(e)
Total borrowings (include redeemable cumulative preference shares and lease liabilities)	4,132	4,132	
Current assets	13,876	13,862	(f)
Current liabilities	5,704	8,629	(g)

APPENDIX III – INFORMATION ON WILSTECH (CONT'D)

	Audited financial statements^(a)	Audited financial statements (restated)^(b)	Accountant's Report	Notes
<u>FYE 31 August 2022</u>				
Revenue	16,025	15,523	15,523	(h)
Gross profit	8,285	7,783	7,783	(h)
PBT	4,518	2,654	2,654	(i)
PAT	3,167	1,483	1,483	(j)
Share capital	2,022	2,522	2,522	(k)
NA / Total equity	10,820	6,455	6,455	(l)
Total borrowings (include lease liabilities)	7,664	7,677	7,677	(m)
Current assets	23,660	22,771	22,771	(n)
Current liabilities	9,953	13,978	13,978	(o)

Notes:-

- (a) Based on the audited financial statements of Wilstech for the FYEs 31 August 2021 and 31 August 2022 dated 29 April 2022 and 16 May 2023 respectively.
- (b) Based on the audited financial statements of Wilstech for the FYE 31 August 2023 dated 22 January 2024.
- (c) The difference of RM0.3 million in PBT in the audited financial statements of Wilstech and Accountant's Report was mainly due to recognition of sales and service tax of RM0.3 million which was under-accrued in previous financial years for some of the software solutions projects.
- (d) The difference of RM0.1 million in PAT in the audited financial statements of Wilstech and Accountant's Report was mainly due to the following:
- (i) adjustment in PBT which caused a decrease in PAT by RM0.3 million as stated in Note (c) above; and
 - (ii) the aforementioned decrease in PAT of RM0.3 million was negated by the reduction in tax expense of RM0.2 million as a result of recognition of deferred tax assets. The deferred tax assets were recognised for the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

APPENDIX III – INFORMATION ON WILSTECH (CONT'D)

- (e) The difference of RM2.7 million in NA in the audited financial statements of Wilstech and Accountant's Report was mainly due to the following:
 - (i) reclassification of share application money of RM2.5 million from equity to other payables under current liabilities as a result of the subscription of ordinary shares of Wilstech by a potential investor which has yet to be completed as at 31 August 2021. In 2023, the said subscription was cancelled and the amount was repaid to the potential investor; and
 - (ii) adjustments of RM0.2 million in retained earnings which were mainly due to the adjustments in PAT as stated in Note (d) above.
- (f) The difference of RM14,000 in current assets in the audited financial statements of Wilstech and Accountant's Report was due to recognition of impairment loss on trade receivables as at 31 August 2021 which were long overdue and by reference to an analysis of the debtors' payment history and financial position.
- (g) The difference of RM2.9 million in current liabilities in the audited financial statements of Wilstech and Accountant's Report was mainly due to the following:
 - (i) reclassification of share application money of RM2.5 million as stated in Note (e) above; and
 - (ii) recognition of sales and service tax of RM0.3 million which was under-accrued in previous and current financial years for the software services revenue as stated in Note (c) above.
- (h) The difference of RM0.5 million in the revenue and gross profit in the audited financial statements of Wilstech and Accountant's Report was due to reassessment on the progress for 2 software development projects which should be recognised over a period of time.
- (i) The difference of RM1.9 million in PBT in the audited financial statements of Wilstech and Accountant's Report was due to:
 - (i) adjustment in revenue as stated in Note (h) above;
 - (ii) recognition of impairment loss on trade receivables of RM0.9 million which were long overdue and by reference to an analysis of the debtors' payment history and financial position; and
 - (iii) recognition of sales and service tax of RM0.5 million which was under-accrued for some of the software solutions projects during the FYE 31 August 2022.
- (j) The difference of RM1.7 million in PAT in the audited financial statements of Wilstech and Accountant's Report was due to:
 - (i) adjustment in PBT which caused a decrease in PAT by RM1.9 million as stated in Note (i) above; and
 - (ii) the aforementioned decrease in PAT of RM1.9 million was negated by the reduction in tax expense of RM0.2 million as a result of recognition of deferred tax assets. The deferred tax assets were recognised for the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

- (k) The difference of RM0.5 million in share capital in the audited financial statements of Wilstech and Accountant's Report was due to the redeemable cumulative preference shares which were fully redeemed out of profits during the FYE 31 August 2022 and the amount of RM0.5 million had been transferred to the share capital in accordance with Section 72(5) of the Act.
- (l) The difference of RM4.4 million in NA in the audited financial statements of Wilstech and Accountant's Report was mainly due to the following:
 - (i) reclassification of share application money of RM2.5 million as stated in Note (e) above; and
 - (ii) adjustments in retained earnings of RM2.4 million which were mainly due to the adjustment in PAT for the FYEs 31 August 2021 and 31 August 2022 as stated in Note (d) and Note (j) above.
- (m) The difference of RM13,050 in total borrowings in the audited financial statements of Wilstech and Accountant's Report was mainly due to under-accrued of finance expenses arising from fluctuation in interest rates.
- (n) The difference of RM0.9 million in current assets in the audited financial statements of Wilstech and Accountant's Report was mainly due to recognition of impairment loss on trade receivables as at 31 August 2022 which were long overdue and by reference to an analysis of the debtors' payment history and financial position.
- (o) The difference of RM4.0 million in current liabilities in the audited financial statements of Wilstech and Accountant's Report was due to:
 - (i) reclassification of share application money of RM2.5 million as stated in Note (e) above;
 - (ii) recognition of sales and service tax of RM0.8 million which was under-accrued in previous and current financial years for the software services revenue; and
 - (iii) recognition of contract liabilities of RM0.5 million due to reassessment on the progress for 2 software development projects which should be recognised over a period of time.

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APPENDIX III – INFORMATION ON WILSTECH (CONT'D)

The summary of the historical financial performance and financial position of Wilstech based on the Accountant's Report appended in Appendix VII of this Circular, for the FYEs 31 August 2021, 31 August 2022 and 31 August 2023 is as follows:

	Audited		
	FYE 31 August 2021	FYE 31 August 2022	FYE 31 August 2023
	RM'000	RM'000	RM'000
Revenue	9,566	15,523	24,590
Gross profit	5,055	7,783	15,272
PBT	2,167	2,654	5,952
PAT	1,459	1,483	3,741
Share capital	2,022	2,522	2,522
NA / Total equity	4,972	6,455	5,625
Total borrowings (include lease liabilities and redeemable cumulative preference shares) ^(a)	4,132	7,677	16,859
Current assets	13,862	22,771	28,915
Current liabilities	8,629	13,978	19,315
Weighted average number of ordinary shares ('000)	548	552	552
EPS (RM)	2.64	2.69	6.78
Number of ordinary shares ('000)	552	552	552
NA per share (RM)	9.00	11.69	10.19
Current ratio (times)	1.61	1.63	1.50
Gearing ratio (times)	0.83	1.19	3.00

Note:-

(a) The redeemable cumulative preference shares had been fully redeemed on 16 May 2022.

Commentaries:-**FYE 31 August 2021 ("FYE 2021") compared to FYE 31 August 2020 ("FYE 2020")**

Wilstech's revenue had increased by RM2.9 million or 44.5% from RM6.6 million in FYE 2020 to RM9.6 million in FYE 2021 which was mainly driven by the expansion of Wilstech's products and services i.e. customised software solutions, integrated hardware packages and specialised IT services which had increased the demand from the customers.

There is no significant change in Wilstech's PAT in FYE 2021 (FYE 2020: RM1.5 million).

FYE 31 August 2022 ("FYE 2022") compared to FYE 2021

Wilstech's revenue had increased by RM6.0 million or 62.3% from RM9.6 million in FYE 2021 to RM15.5 million in FYE 2022 as Wilstech was able to procure more IT contracts (FYE 2022: 16; FYE 2021: 2) as a result of the enhanced software and services offerings i.e. provision of e-commerce platforms and digital marketing tool as well as the increase in the sales of hardware and provision of maintenance and implementation services which are complementary to the provision of IT solutions. Besides, the increase in the IT contracts also due to increase in the demand of IT solutions as a result of implementation of movement control order by Government of Malaysia during Covid-19 pandemic.

There is no significant change in Wilstech's PAT in FYE 2022.

FYE 31 August 2023 (“FYE 2023”) compared to FYE 2022

Wilstech’s revenue had increased by RM9.1 million or 58.4% from RM15.5 million in FYE 2022 to RM24.6 million in FYE 2023 which was mainly due to increase in the demand of IT solutions post Covid-19 pandemic and Wilstech had formed 4 strategic partnership and collaborations with other companies. The said strategic partnership and collaborations with other companies enabled Wilstech to offer bundled solutions (bundle Wilstech’s products and services with other companies’ product and services) at a bundle price (lower than individual prices) in order to attract customers as well as enable Wilstech to access to the said companies’ customer base for cross selling of Wilstech’s products and services.

Wilstech’s PAT had increased by RM2.3 million or 152.3% from RM1.5 million in FYE 2022 to RM3.7 million in FYE 2023 which was mainly due to the increase in the revenue as aforementioned.

Accounting policies and accounting qualification

For the past 3 FYEs 31 August 2021, 31 August 2022 and 31 August 2023 under review:

- (i) there were no exceptional or extraordinary items;
- (ii) there are no accounting policies adopted by Wilstech which are peculiar to Wilstech due to the nature of its business or the industry in which it is involved in; and
- (iii) Wilstech’s external auditors had not issued any audit qualification on its financial statements.

8. MATERIAL CONTRACTS

Wilstech has not entered into any material contracts (not being contract entered into in the ordinary course of business) within the past 2 years up to LPD.

9. MATERIAL LITIGATION

As at LPD, there are no material litigations, claims or arbitrations involving Wilstech, and the Director of Wilstech is not aware of any proceedings pending or threatened against Wilstech.

10. MATERIAL COMMITMENTS

As at LPD, there is no material commitment incurred or known to be incurred by Wilstech, which may have a material impact on the profits and/or NA of Wilstech upon becoming enforceable.

11. CONTINGENT LIABILITIES

As at LPD, there are no contingent liabilities incurred or known to be incurred by Wilstech which may have a material impact on the profits and/or NA of Wilstech upon becoming enforceable.

APPENDIX IV – INDICATIVE SALIENT TERMS OF THE WARRANTS

Terms	Details
Issue size	: Up to 160,656,399 Warrants
Form	: The Warrants will be constituted by the Deed Poll to be executed by the Company and as may be supplemented from time to time.
Board lot	: The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
Warrants Exercise Price	: RM0.50 only payable in respect of each new Share(s) or such other exercise price that may be adjusted in accordance with the terms and provisions of the Deed Poll.
Tenure	: 5 years commencing on and including the date of issuance of Warrants.
Exercise period	: The period commencing on and including the date of issuance of the Warrants and ending at the close of business at 5.00 p.m. in Kuala Lumpur, on the date preceding the 5th anniversary of the date of issuance, or if such is not a day on which the stock market of Bursa Securities is open for trading of securities (" Market Day "), then it shall be the Market Day immediately preceding the said non-Market Day (" Exercise Period "). Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.
Exercise rights	: Each Warrant entitles a holder of Warrant to subscribe for 1 new Share at any time during the Exercise Period and at the Warrants Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll (" Exercise Rights ").
Mode of exercise	: A holder of Warrants are required to lodge an exercise form (which shall be irrevocable) with the Company's registrar, duly completed, signed and stamped together with a payment in Malaysian currency of the Warrants Exercise Price via banker's draft or cashier's order or money order or postal order drawn on a post office operating in Malaysia or with a remittance by way of interbank transfer or by way of internet bank transfer to the designated bank account or via online payment gateway for the exercise form.
Ranking of Warrants	: The Warrants shall as between the holders of Warrants rank equally in all aspects amongst themselves.
Ranking of new Shares to be issued pursuant to exercise of Warrants	: The new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the existing Systech Shares, save and except that the new Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the said new Shares.

APPENDIX IV – INDICATIVE SALIENT TERMS OF THE WARRANTS (CONT'D)

Terms	Details
Rights of the holders of the Warrants	: The holders of the Warrants are not entitled to any voting rights in any general meeting of the Company and/or to participate in any distribution and/or offer of further securities to the Company's shareholders unless and until such holders of Warrants become Company's shareholders by exercising their respective Warrants in accordance to the Deed Poll.
Participating rights of the holders of Warrants in any distribution and / or offer of further securities	: The holders of Warrants are not entitled to participate in any form of distribution and / or offer of securities in the Company unless and until such holders of Warrants become Company's shareholders by exercising their respective Warrants in accordance to the Deed Poll.
Rights of the holders of Warrant in the event of winding up, liquidation, compromise and/or arrangement	: Where a resolution has been passed for a members' voluntary winding-up of the Company, or where 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 1 or more companies, then: (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants (or some other persons designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and (ii) in any other cases, every holders of Warrants shall be entitled to exercise his/her Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new Shares to the holder of Warrants credited as fully paid subject to the prevailing laws, and such holder of Warrants shall be entitled to receive out of the assets of the Company which would be available in liquidation if he/she had on such date been the holder of the new Shares to which he/she would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants shall lapse and cease to be valid for any purpose. Subject to the foregoing, if the Company is wound up or an order has been granted for such compromise or arrangement, all Exercise Rights which have not been exercised within 6 weeks of either the passing of such resolution for the winding up or the granting of the court order for the approval of such compromise or arrangement, as the case may be, shall lapse and the Warrants will cease to be valid for any purpose.

APPENDIX IV – INDICATIVE SALIENT TERMS OF THE WARRANTS (CONT'D)

Terms	Details
Adjustments to the Warrants Exercise Price and/or the number of Warrants	<p>: Subject to the provisions of the Deed Poll, the Warrants Exercise Price and/or the number of unexercised Warrants in issue may be subject to adjustments by the Board in consultation with an approved adviser appointed by the Company or the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll.</p> <p>Any adjustment to the Warrants Exercise Price and/or number of Warrants must be done in full compliance with Rule 6.55(3)(b) of the Listing Requirements, which states that a deed poll or trust deed must not include any provision for changes to the number of shares received for the exercise or conversion of each convertible security or changes to the pricing mechanism for the exercise or conversion price of the convertible security, except where these changes are adjustments following capitalisation issues, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction exercises.</p>
Modification	<p>: The Company may, from time to time, subject to the terms and conditions of the Deed Poll, without the consent or sanction of the holders of Warrants, modify, amend or add to the Deed Poll, if such modification, amendment or addition made does not materially prejudice the interests of the holders of Warrants or is made to correct a manifest error or to comply with the prevailing laws of Malaysia, Rules of the Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act, 1991 and/or the Listing Requirements.</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.</p> <p>The Company must notify the holders of Warrants of every modification, amendment or addition to the Deed Poll within 30 days after such modification, amendment or addition is effected in accordance with the provisions the Deed Poll or such other time period as may be prescribed by Bursa Securities or such other relevant authorities from time to time.</p>
Transferability	<p>: The Warrants shall be transferable in accordance with the provisions of the Securities Industries (Central Depositories) Act, 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.</p>
Listing	<p>: The Warrants and new Shares to be issued from the exercise of the Warrants will be listed on the ACE Market of Bursa Securities.</p> <p>Approval will be obtained from Bursa Securities for the admission of Warrants to the Official List of Bursa Securities and for the listing and quotation of the Warrants and new Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities.</p>
Governing law	<p>: Laws of Malaysia</p>



WILSTECH SDN. BHD. 201801022395 (1284414-D)
Implementing Ideas into Reality
Your Trustworthy Innovative IT Solutions Provider

Date: 2 April 2024

The Board of Directors of SYSTECH BHD

Level 5, Tower 8
Avenue 5, Horizon 2,
Bangsar South City
59200 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

PROPOSED ACQUISITION OF 552,255 ORDINARY SHARES IN WILSTECH SDN. BHD. (“WILSTECH” OR THE “COMPANY”), REPRESENTING THE ENTIRE EQUITY INTEREST OF WILSTECH, FOR A TOTAL PURCHASE CONSIDERATION OF RM75,000,000, TO BE SATISFIED VIA CASH CONSIDERATION OF RM20,000,000 AND THE REMAINING RM55,000,000 TO BE SETTLED VIA THE ISSUANCE OF 152,777,777 SYSTECH SHARES (“CONSIDERATION SHARES”) AT AN ISSUE PRICE OF RM0.36 PER CONSIDERATION SHARE (“PROPOSED ACQUISITION”)

I, Low Min Yew (NRIC no.: 870429-08-5449), being the sole director of Wilstech, wish to report that, after making due enquiries in relation to Wilstech, during the period from 31 August 2023, being the date which the last audited financial statements of Wilstech have been made up, to this date, being a date not earlier than 14 days prior to the date of the circular to the shareholders of Systech Bhd in relation to, amongst others, the Proposed Acquisition:

- (i) the business of Wilstech has been satisfactorily maintained;
- (ii) no circumstances have arisen since the last audited financial statements of Wilstech which has adversely affected the trading or the value of the assets of Wilstech;
- (iii) the current assets of Wilstech appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there is no contingent liability by reason of any guarantee or indemnity given by Wilstech;
- (v) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of Wilstech since the date of the last audited financial statements of Wilstech; and
- (vi) there has been no material change in the published reserves or any unusual factors affecting the profits of Wilstech since the date of the last audited financial statement of Wilstech.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'LMY', written over a horizontal dashed line.

LOW MIN YEW

19-2, The Boulevard, Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Wilayah Persekutuan KL.
WhatsApp Business & Tel: +603-9779 0946 | Website: www.wilstech.com



mazars

Wisma Golden Eagle Realty
11th Floor, South Block
142-A, Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +60 3 2702 5222
www.mazars.com

29 March 2024

The Board of Directors
Systech Bhd
Level 5, Tower 8
Avenue 5, Horizon 2
Bangsar South City
59200 Kuala Lumpur

Dear Sirs,

**SYSTECH BHD
REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION AS AT
31 MARCH 2023**

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Systech Bhd (the "Company") and its subsidiaries (the "Group", collectively) by the directors of the Company. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2023 and related notes, as set out in the Appendix, which we have stamped for identification purposes.

The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are set out in notes 1 to 5 in the Appendix.

The pro forma financial information has been compiled by the directors of the Company solely to illustrate the impact of the events or transactions as set out in note 2 in the Appendix on the Group's consolidated statement of financial position as at 31 March 2023, as if the events or transactions had taken place at 31 March 2023. As part of this process, information about the Group's consolidated financial position has been extracted by the directors of the Company from the consolidated financial statements of the Group for the financial year ended 31 March 2023, on which an audit report has been issued.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information on the basis set out in notes 1 to 5 in the Appendix.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants*, and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.



29 March 2024
System Bhd
Page 2

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors of the Company, on the basis set out in notes 1 to 5 in the Appendix.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled, in all material respects, the pro forma financial information on the basis set out in notes 1 to 5 in the Appendix.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of this pro forma financial information included in a circular to the shareholders of the Company is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of an entity, the events or transactions in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

mazars

29 March 2024
Systech Bhd
Page 3

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis set out in notes 1 to 5 in the Appendix.

Other Matter

This report is made solely to the directors of the Company in accordance with agreed terms of engagement. This report has been prepared solely for inclusion in a circular to the shareholders of the Company in connection with the proposed transactions and events set out in note 2 in the Appendix, and should not be used or relied upon for any other purposes. We do not assume responsibility to any person for the content of this report in respect of purposes other than the abovementioned purpose.



MAZARS PLT
201706000496 (LLP0010622-LCA)
AF 001954
Chartered Accountants



LEE SOO ENG
03230/02/2026 J
Chartered Accountant

ID_5372

**APPENDIX VI – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
SYSTECH GROUP AS AT 31 MARCH 2023 (CONT'D)**

SYSTECH BHD

Registration No.: 201001012883 (897114-T)

Incorporated in Malaysia

**PRO FORMA FINANCIAL INFORMATION
AS AT 31 MARCH 2023**

The pro forma financial information of Systech Bhd (the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 March 2023 (the “Pro Forma Financial Information”) comprises the pro forma consolidated statement of financial position as at 31 March 2023 and the explanatory notes. The Pro Forma Financial Information for which the directors of the Company (the “Directors”) are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group as at 31 March 2023 had the Proposals as described in Note 2 been effected on that date.

Pro Forma Consolidated Statement of Financial Position

	Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
Audited Consolidated Statement of Financial Position as at 31 March 2023 RM'000	After the Proposed Shares Issuance RM'000	After Pro Forma I and the Proposed Acquisition RM'000	After Pro Forma II and the Proposed Bonus Issue of Warrants RM'000	After Pro Forma III and assuming full exercise of Warrants (6) RM'000
<u>Non-current Assets</u>				
Property, plant and equipment	498	498	814	814
Goodwill	5,306	5,306	5,306	5,306
Investment properties	-	-	2,350	2,350
Right-of-use assets	301	301	416	416
Development expenditures	2,858	2,858	2,858	2,858
Deferred tax assets	-	-	893	893
Total non-current assets	8,963	8,963	12,637	12,637
<u>Current Assets</u>				
Inventories	8	8	7,860	7,860
Trade receivables	5,157	5,157	18,767	18,767
Other receivables, deposits and prepayments	953	953	2,496	2,496
Contract assets	-	-	4,945	4,945
Current tax assets	29	29	29	29
Fixed deposits	-	-	604	604
Cash and cash equivalents	3,492	55,332	35,544	115,872
Total current assets	9,639	61,479	70,245	150,573
Assets of disposal group classified as held for sale	14,633	14,633	14,633	14,633
Total current assets	24,272	76,112	84,878	165,206
Total assets	33,235	85,075	97,515	177,843



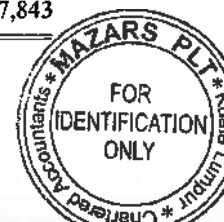
APPENDIX VI – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SYSTECH GROUP AS AT 31 MARCH 2023 (CONT'D)

SYSTECH BHD

Registration No.: 201001012883 (897114-T)

Incorporated in Malaysia

	Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
Audited Consolidated Statement of Financial Position as at 31 March 2023	After the Proposed Shares Issuance	After Pro Forma I and the Proposed Acquisition	After Pro Forma II and the Proposed Bonus Issue of Warrants	After Pro Forma III and assuming full exercise of Warrants ⁽ⁱ⁾
RM'000	RM'000	RM'000	RM'000	RM'000
Equity				
Share capital	43,882	95,151	150,151	150,151
Merger reserve	-	-	(69,375)	(69,375)
Treasury shares	(376)	(376)	(376)	(376)
Exchange translation reserve	209	209	209	209
Accumulated losses	(23,320)	(23,320)	(24,610)	(25,249)
Equity attributable to owners of the Company	20,395	71,664	55,999	55,360
Non-controlling interests	2,824	2,824	2,824	2,824
Total equity	23,219	74,488	58,823	58,184
Non-current Liabilities				
Loans and borrowings	-	-	7,634	7,634
Hire-purchase liabilities	24	24	24	24
Lease liabilities	62	62	78	78
Deferred tax liabilities	90	90	90	90
Total non-current liabilities	176	176	7,826	7,826
Current Liabilities				
Trade payables	903	903	3,098	3,098
Other payables and accruals	2,181	2,752	6,889	7,528
Contract liabilities	-	-	694	694
Loans and borrowings	-	-	9,103	9,103
Hire-purchase liabilities	25	25	25	25
Lease liabilities	253	253	359	359
Current tax liabilities	305	305	4,525	4,525
Total current liabilities	3,667	4,238	24,693	25,332
Liabilities of disposal group classified as held for sale	6,173	6,173	6,173	6,173
Total current liabilities	9,840	10,411	30,866	31,505
Total liabilities	10,016	10,587	38,692	39,331
Total equity and liabilities	33,235	85,075	97,515	177,843



APPENDIX VI – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SYSTECH GROUP AS AT 31 MARCH 2023 (CONT'D)

SYSTECH BHD

Registration No.: 201001012883 (897114-T)

Incorporated in Malaysia

	Audited Consolidated Statement of Financial Position as at 31 March 2023 RM'000	Pro Forma I After the Proposed Shares Issuance RM'000	Pro Forma II After Pro Forma I and the Proposed Acquisition RM'000	Pro Forma III After Pro Forma II and the Proposed Bonus Issue of Warrants RM'000	Pro Forma IV After Pro Forma III and assuming full exercise of Warrants ⁽ⁱ⁾ RM'000
Other Information					
Number of ordinary shares in issue (excluding treasury shares) ('000)	345,848	489,848	642,626	642,626	803,282
Net assets ("NA") attributable to the owners of the Company (RM'000)	20,395	71,664	55,999	55,360	135,688
NA per share attributable to the owners of the Company (sen)	5.90	14.63	8.71	8.61	16.89
Borrowings (include hire-purchase liabilities and lease liabilities) ⁽ⁱⁱ⁾ (RM'000)	5,562	5,562	22,421	22,421	22,421
Gearing (times)	0.27	0.08	0.40	0.41	0.17

Note:

- (i) Pro Forma IV is presented pursuant to the ACE Market Listing Requirements solely for illustrative purpose, as the exercise of the Warrants in the future is subject to the sole discretion of the holders of the Warrants.
- (ii) The amounts include borrowings of the disposal group classified as held for sale as at 31 March 2023. Subsequent to 31 March 2023, the Group acquired 80% equity interest in TalentCloud AI Sdn Bhd; and disposed the entire equity interests in Sycatech Sdn Bhd, Mobysys Sdn Bhd, Techcasys Sdn Bhd, Sycatech Inc., and SysCode Sdn Bhd. The acquisition and disposal of these companies were completed on 7 July 2023 (as announced by the Company on 7 July 2023). Based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2023 (as announced by the Company on 28 November 2023), the acquisition and disposal of these companies have no significant impact on total equity of the Group as at 30 September 2023. The financial impact of the acquisition and disposal of these companies is not reflected in the Pro Forma Consolidated Statement of Financial Position of the Group as at 31 March 2023 because these transactions are non-adjusting events under MFRS 110 *Events After the Reporting Period*.



SYSTECH BHD

Registration No.: 201001012883 (897114-T)

Incorporated in Malaysia

Notes to the Pro Forma Consolidated Statement of Financial Position

1. Basis of Preparation

- 1.1 The Pro Forma Financial Information of the Group as at 31 March 2023, for which the Directors are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group as at 31 March 2023 had the Proposals as described in Note 2 been effected on that date.
- 1.2 The Pro Forma Financial Information of the Group as at 31 March 2023 have been prepared in a manner consistent with both the financial statements presentation of and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 31 March 2023, which have been prepared in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The audited financial statements of Wilstech Sdn. Bhd. (“Wilstech”) for the financial year ended 31 August 2023 have been prepared in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.
- 1.3 The audited consolidated financial statements of the Group for the financial year ended 31 March 2023 were reported by the auditors to the members of the Company on 20 June 2023, without any modification. The audited financial statements of Wilstech for the financial year ended 31 August 2023 were reported by the auditors to the members of the Company on 22 January 2024, without any modification.



SYSTECH BHD

Registration No.: 201001012883 (897114-T)

Incorporated in Malaysia

2. The Proposals

2.1 The proposals to be undertaken by the Company comprise the following:

- (i) Proposed shares issuance of up to 144,000,000 new ordinary shares in the Company (the “Subscription Shares”), representing approximately 29.4% of the enlarged total number of issued ordinary shares in the Company (excluding treasury shares) after the shares issuance, at a subscription price of RM0.36 per Subscription Share, for a total cash consideration of RM51,840,000 (the “Proposed Shares Issuance”).
- (ii) Proposed acquisition of 552,255 ordinary shares in Wilstech, representing the entire equity interest in Wilstech, for a total purchase consideration of RM75,000,000, to be satisfied via cash consideration of RM20,000,000 and the remaining RM55,000,000 to be settled via the issuance of 152,777,777 new ordinary shares in the Company (the “Consideration Shares”) at an issue price of RM0.36 per Consideration Share (the “Proposed Acquisition”).
- (iii) Proposed bonus issue of up to 160,656,399 new warrants in the Company (the “Warrants”) on the basis of 1 Warrant for every 4 existing ordinary shares in the Company held by the entitled shareholders on an entitlement date to be determined and announced later (the “Proposed Bonus Issue of Warrants”).
- (iv) Proposed establishment of an employees’ share scheme of up to 15% of the total number of issued shares (excluding treasury shares) at any point in time during the tenure of the scheme for eligible directors and employees of the Group (excluding dormant subsidiaries) (the “Proposed ESS”).

The Proposed Shares Issuance, the Proposed Acquisition, the Proposed Bonus Issue of Warrants and Proposed ESS are collectively referred to as the “Proposals”.



SYSTECH BHD

Registration No.: 201001012883 (897114-T)

Incorporated in Malaysia

3. Pro Forma Adjustments

3.1 Pro Forma I

Pro Forma I incorporated the effects of the Proposed Shares Issuance on the consolidated statement of financial position of the Group as at 31 March 2023. The consolidated statement of financial position of the Group as at 31 March 2023 is extracted from the audited consolidated financial statements of the Group for the financial year ended 31 March 2023.

The Proposed Shares Issuance entails the issuance of up to 144,000,000 Subscription Shares at RM0.36 per Subscription Share, which raised total proceeds of RM51,840,000. The Proposed Shares Issuance will have the following impact on the consolidated statement of financial position of the Group as at 31 March 2023:

	Increase RM'000
Cash and cash equivalents	51,840
Share capital	51,840
	<u> </u>

Also illustrated in Pro Forma I is the estimated expenses in relation to the Proposed Shares Issuance amounting to RM571,000:

	Increase / (Decrease) RM'000
Other payables and accruals	571
Share capital	(571)
	<u> </u>

3.2 Pro Forma II

Pro Forma II incorporated the cumulative effects of Pro Forma I and the effects of the Proposed Acquisition.



**APPENDIX VI – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
SYSTECH GROUP AS AT 31 MARCH 2023 (CONT'D)**

SYSTECH BHD

Registration No.: 201001012883 (897114-T)

Incorporated in Malaysia

For the purpose of the Pro Forma Financial Information, the Proposed Acquisition which is a business combination under common control is accounted for in accordance with the principle of merger accounting. In applying merger accounting, the consolidated statement of financial position of the Group incorporates the financial statements items of Wilstech as at 31 August 2023. The net assets of Wilstech as at 31 August 2023 are combined using their existing book values. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

The effects of the Proposed Acquisition are summarised below:

	RM'000
Consideration in cash	20,000
Consideration in shares of the Company	55,000

Total purchase consideration	75,000
Less: Net assets of Wilstech as at 31 August 2023	(5,625)

Merger reserve	69,375
	=====

The net assets of Wilstech as at 31 August 2023 are as follows:

	RM'000
Property, plant and equipment	316
Investment properties	2,350
Right of use assets	115
Deferred tax assets	893
Inventories	7,852
Trade receivables	13,610
Other receivables	1,693
Contract assets	4,945
Fixed deposits	604
Cash and bank balances	212
Loans and borrowings	(16,737)
Lease liabilities	(122)
Trade payables	(2,195)
Other payables	(2,997)
Contract liabilities	(694)
Current tax liabilities	(4,220)

	5,625
	=====



APPENDIX VI – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SYSTECH GROUP AS AT 31 MARCH 2023 (CONT'D)

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Also illustrated in Pro Forma II is the estimated expenses in relation to the Proposed Acquisition amounting to RM1,290,000:

	Increase RM'000
Accumulated losses	1,290
Other payables and accruals	1,290
	<u> </u>

3.3 Pro Forma III

Pro Forma III incorporated the cumulative effects of Pro Forma I, II and the effect of total estimated expenses in relation to the Proposed Bonus Issue of Warrants and the Proposed ESS amounting to RM639,000:

	Increase RM'000
Accumulated losses	639
Other payables and accruals	639
	<u> </u>

3.4 Pro Forma IV

Pro Forma IV incorporated the cumulative effects Pro Forma I, II, III and the effect of assuming full exercise of 160,656,399 Warrants at the warrant exercise price of RM0.50 each. The assumption of 160,656,399 Warrants being exercised fully will have the following impact on the consolidated statement of financial position of the Group:

	Increase RM'000
Cash and cash equivalents	80,328
Share capital	80,328
	<u> </u>

Pro Forma IV is presented pursuant to the ACE Market Listing Requirements solely for illustrative purpose, as the exercise of the Warrants in the future is subject to the sole discretion of the holders of the Warrants.



**APPENDIX VI – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
SYSTECH GROUP AS AT 31 MARCH 2023 (CONT'D)**

SYSTECH BHD

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4. Movements in Share Capital and Reserves

The pro forma effects of the Proposals on the share capital and selected reserves of the Group are as follows:

	Share capital RM'000	Merger reserve RM'000	Accumulate d losses RM'000
As at 31 March 2023	43,882	-	(23,320)
Arising from the Proposed Shares Issuance *	51,269	-	-
Pro Forma I	95,151	-	(23,320)
Arising from the Proposed Acquisition	55,000	(69,375)	(1,290)
Pro Forma II	150,151	(69,375)	(24,610)
Arising from the estimated expenses in relation to the Proposed Bonus Issue of Warrants and the Proposed ESS	-	-	(639)
Pro Forma III	150,151	(69,375)	(25,249)
Arising from assuming full exercise of the Warrants	80,328	-	-
Pro Forma IV	230,479	(69,375)	(25,249)

* Total gross proceeds from the Proposed Shares Issuance amounted to RM51,840,000 net of estimated expenses in relation to the Proposed Shares Issuance amounted to RM571,000.



APPENDIX VI – PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
SYSTECH GROUP AS AT 31 MARCH 2023 (CONT'D)

SYSTECH BHD

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5. **Movements in Cash and Cash Equivalents**

	RM'000
As at 31 March 2023	3,492
Arising from the Proposed Shares Issuance	51,840
Pro Forma I	----- 55,332
Arising from the Proposed Acquisition	(19,788)
Pro Forma II and Pro Forma III	----- 35,544
Arising from assuming full exercise of the Warrants	80,328
Pro Forma IV	----- <u>115,872</u>

Approval by the Board of Directors

The Pro Forma Financial Information of the Group as at 31 March 2023 is approved and adopted by the board of directors of Systech Bhd in accordance with a resolution.



HONG BOON TOH
Director



LEE CHOON TENG
Director

