

**VSTECs BERHAD (COMPANY NO. 351038-H) (“VSTECs” OR THE “COMPANY”)**

**PROPOSED INVESTMENT IN I.S.A. TECHNOLOGIES SDN. BHD. AND ITS WHOLLY-OWNED SUBSIDIARY COMPANY, I.S.A. INNOVATION SDN. BHD. (COLLECTIVELY REFERRED TO AS THE “ISA GROUP”) BY THE COMPANY**

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*Unless otherwise stated, the definitions used throughout this announcement shall have the same meaning as defined in the announcements announced by the Company on 21 November 2018 and 18 February 2019 in relation to the Proposed Investment.*

**1. INTRODUCTION**

The Board of Directors of VSTECs wishes to announce that VSTECs has on 18 April 2019 entered into a Share Sale Agreement (“**SSA**”) dated 18 April 2019 with Mr. Lim Fun Jin, Ms. Alice Yuen Mei Foong, Mr. Yong Keong Tuck and Mr. Tan Wai Ho (collectively referred to as the “**Vendors**”) to acquire 150,000 ordinary shares in I.S.A. Technologies Sdn. Bhd. (“**ISAT**”), representing 30% of the total issued share capital of ISAT (“**Sale Shares**”), for a total purchase consideration of RM14,573,000/- (the “**Purchase Consideration**”) (the “**Proposed Acquisition**”):-

<b>No.</b>	<b>Vendor</b>	<b>Current Number of Shares Held</b>	<b>Number of Sale Shares</b>	<b>Purchase Consideration (RM)</b>
1	Lim Fun Jin	141,905	42,571	4,136,000
2	Alice Yuen Mei Foong	204,980	66,057	6,417,000
3	Yong Keong Tuck	87,785	26,336	2,559,000
4	Tan Wai Ho	50,120	15,036	1,461,000
		<b>Total</b>	<b>150,000</b>	<b>14,573,000</b>

Upon completion of the Proposed Acquisition, ISAT will become a 30%-owned associate company of VSTECs.

(Collectively, VSTECs and the Vendors are hereinafter referred as the “**Parties**”).

**2. DETAILS OF THE PROPOSED ACQUISITION**

**2.1 Information of ISAT**

ISAT (Company No. 317543-K) was incorporated in Malaysia and having its registered office at Suite 2.0, 35-6, Block C, Jaya One, 72A Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan. The issued share capital of ISAT is RM500,000/- comprising 500,000 ordinary shares. ISAT is principally engaged in provision of products and contract programming services related to information technology and telecommunication facilities.

The Directors of ISAT are:

- a) Lim Fun Jin; and
- b) Alvin Yuen Tai Keng.

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The shareholders of ISAT are as follows:-

- a) Lim Fun Jin (141,905 ordinary shares);
- b) Alice Yuen Mei Foong (204,980 ordinary shares);
- c) Yong Keong Tuck (87,785 ordinary shares);
- d) Tan Wai Ho (50,120 ordinary shares); and
- e) Alvin Yuen Tai Keng (15,210 ordinary shares),

collectively holding 100% of 500,000 ordinary shares in ISAT.

I.S.A. Innovation Sdn Bhd (“ISAI” or the “**Subsidiary**”) is a wholly-owned subsidiary of ISAT, was incorporated in Malaysia. The issued share capital of ISAI is RM100,000/- comprising 100,000 ordinary shares. The principal activities of ISAI are developing computer software solutions, provision of implementation, maintenance and technical support related to the software solutions.

The Directors of ISAI are:

- a) Lim Fun Jin;
- b) Alvin Yuen Tai Keng; and
- c) Yong Keong Tuck.

#### 2.2 Salient terms of the Share Sale Agreement (“SSA”)

The salient terms of SSA include, *inter alia* the following:-

- (a) The Parties agree that the Purchase Consideration is RM14,573,000/- and VSTECS will pay the proportion of the Purchase Consideration as set out in Section 1 above to such Vendors on the completion date, i.e. seven (7) days from and including the Unconditional Date unless extended further by mutual agreement between the Parties (“**Completion Date**”), by way of bank drafts for same day value in favour of the respective names of each Vendor.
- (b) The salient terms of the Conditions Precedent are as follows:-
  - The execution of the Subscription Agreement by VSTECS and ISAT.
  - VSTECS being satisfied in all respects with the following:
    - (i) the results of the Due Diligence of ISAT; or
    - (ii) to the extent that any matter, issue and thing arising from the Due Diligence is notified to the Vendors VSTECS, the resolution of such matter, issue and thing to the satisfaction of VSTECS.
    - (iii) The Vendors shall procure and ensure that the Subsidiary shall notify Multimedia Development Corporation Sdn. Bhd. of any change in the equity structure or shareholding structure of Subsidiary in accordance with the conditions of the grant of MSC Malaysia Status.
    - (iv) The Vendors having procured Alvin Yuen Tai Keng (“**Alvin**”), the existing shareholder of ISAT to provide an irrevocable waiver letter in respect of any right of pre-emption or other restriction on transfer in respect of the Sale Shares under the constitutional documents of ISAT and any shareholders’ agreement, if any.

#### 2.3 Salient terms of the Shareholders’ Agreement

The salient terms of Shareholders’ Agreement include, *inter alia* the following:-

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- a) Upon completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the SSA, VSTECs, the Vendors and Alvin, are the shareholders in ISAT.
- b) VSTECs, the Vendors, Alvin and ISAT will enter into the Shareholders’ Agreement to regulate their rights, obligations and liabilities of the Shareholders upon the terms and conditions of the Shareholders’ Agreement.
- c) ISAT shall have three (3) directors and shall consist of the following:
  - (i) one (1) nominee of VSTECs;
  - (ii) Lim Fun Jin; and
  - (iii) Alvin Yuen Tai Keng.

**2.4 Salient terms of the Subscription Agreement**

The salient terms of Subscription Agreement include, *inter alia* the following:-

- a) The number of ordinary shares to be allotted and issued by ISAT to VSTECs shall be such number of ordinary shares to increase the shareholding of VSTECs in ISAT to 40% of the enlarged share capital of ISAT subsequent to the completion of the SSA and the Subscription Agreement (“**Subscription Shares**” or “**Proposed Subscription**”) (“**Subscription Agreement**”). Following the completion of the Subscription Agreement, the shareholding of ISAT will be as follows:-

No.	Vendor	Number of Ordinary Shares	Percentage (%)
1	VSTECs	233,334	40.00
2	Alice Yuen Mei Foong	138,923	23.82
3	Lim Fun Jin	99,334	17.03
4	Yong Keong Tuck	61,449	10.53
5	Tan Wai Ho	35,084	6.01
6	Alvin Yuen Tai Keng	15,210	2.61
	<b>Total</b>	<b>583,334</b>	<b>100.00</b>

- b) The consideration for the subscription of the Subscription Shares payable by VSTECs to ISAT shall be determined in due course.

(Collectively, the Proposed Acquisition and the Proposed Subscription are hereinafter referred as the “**Proposed Investment**”).

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**2.5 Liabilities to be Assumed**

VSTECS is not expected to assume any liabilities, including contingent liabilities and guarantees arising from the Proposed Investment.

**2.6 Source of funding**

The source of funding for the entire purchase consideration will be from the internally generated funds.

**3. BASIS AND JUSTIFICATION FOR ARRIVING AT THE PURCHASE CONSIDERATION**

The Proposed Consideration was arrived at, on a willing-buyer-wiling-seller basis based on the audited accounts of the Group of ISAT for financial year ended 31 December 2017 and the due diligence report dated 3 April 2019. VSTECS will pay the proportion of the Purchase Consideration as set out in Section 1 above to such Vendors on the Completion Date.

**4. FINANCIAL EFFECTS**

**4.1 Share capital and shareholdings of the substantial shareholders**

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

**4.2 Net Assets (“NA”) and NA per share**

The Proposed Investment is not expected to have any material effect on the NA and NA per share of VSTECS Group for the financial year ending 31 December 2019.

**4.3 Earnings and earnings per share**

The Proposed Investment is expected to contribute positively to the earnings and earnings per share of the Company for the financial year ending 31 December 2019.

**4.4 Gearing**

The Proposed Investment does not have any material effect on the gearing of VSTECS Group for the financial year ending 31 December 2019.

**5. APPROVALS REQUIRED AND ESTIMATED TIMEFRAME FOR COMPLETION OF THE TRANSACTION**

The Proposed Investment is not subject to the approval of shareholders of the Company or any relevant government authorities.

The Proposed Investment is estimated to be completed by 17 July 2019.

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**6. DIRECTORS’ AND MAJOR SHAREHOLDERS’ AND/OR PERSON CONNECTED WITH A DIRECTOR OR MAJOR SHAREHOLDER’S INTERESTS**

None of the Directors and/or major shareholders of the Company and/or persons connected to them has any interest, direct or indirect, in the Proposed Investment.

**7. RATIONALE FOR THE PROPOSED INVESTMENT AND PROSPECT**

The Proposed Investment will enable VSTECS to expand its earning base and to invest in a profitable digital transformation and mobile solutions business.

Upon the completion of the Proposed Investment, VSTECS will be the single largest shareholder in ISAT. VSTECS Group will gain the entry into the Information Technology Services segment and expand its market coverage.

**8. STATEMENT BY THE BOARD OF DIRECTORS**

The Board of Directors of the Company, having considered all aspects of the Proposed Investment including but not limited to the basis of the Purchase Consideration, rationale, prospects and financial effects of the Proposed Investment, is of the opinion that the Proposed Investment is in the best interest of the Company, it is also fair, reasonable and based on normal commercial terms which are not detrimental to the interest of the shareholders of the Company.

**9. RISK FACTORS**

Save for the normal business risk, changes in political, economic and regulatory conditions in Malaysia and financing risk, the Board of Directors of VSTECS is unaware of any risk arising from the Proposed Investment which could materially or adversely affect the financial and operation conditions of VSTECS Group.

**10. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITION**

The highest percentage ratio pursuant to Paragraph 10.02(g) of the Main LR of Bursa Securities applicable to the Proposed Acquisition is 8.2%.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SSA dated 18 April 2019 and the Shareholders’ Agreement and Subscription Agreement (upon execution), will be made available for inspection at the Company’s registered office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 18<sup>th</sup> April 2019.