

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

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



## **Central Global Berhad**

[Registration No.: 201801036114 (1298143-T)]  
(Incorporated in Malaysia)

### **CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

#### **PART A**

**PROPOSED ACQUISITION BY CIC CONSTRUCTION SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF CENTRAL GLOBAL BERHAD (“CGB”), OF 600,030 ORDINARY SHARES IN RYRT INTERNATIONAL SDN BHD (“RYRT INTERNATIONAL”), EQUIVALENT TO THE REMAINING 30% EQUITY INTEREST IN RYRT INTERNATIONAL FROM RYRT HOLDINGS SDN BHD FOR A PURCHASE CONSIDERATION OF RM13.26 MILLION TO BE WHOLLY SATISFIED VIA ISSUANCE OF 10,200,000 NEW ORDINARY SHARES IN CGB (“CONSIDERATION SHARE(S)”) AT AN ISSUE PRICE OF RM1.30 PER CONSIDERATION SHARE (“PROPOSED ACQUISITION”) AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA (AS DEFINED IN THE DEFINITION)**

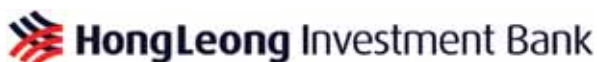
#### **PART B**

**INDEPENDENT ADVICE LETTER FROM DWA ADVISORY SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF CGB IN RELATION TO THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA**

**AND**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser for Part A*



Hong Leong Investment Bank Berhad  
(Registration No. 197001000028 (10209-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)  
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

*Independent Adviser for Part B*



**DWA ADVISORY SDN BHD**

(Registration No. 201301002419 (1032257-D))

The Extraordinary General Meeting (“**EGM**”) of CGB will be conducted on a virtual basis at the Broadcast Venue at A5-06 Block A, Plaza Dwi Tasik, Jalan 5/106, Bandar Sri Permaisuri, 56000 Kuala Lumpur on **Tuesday, 19 September 2023** at **10:30 a.m.**, or at any adjournment thereof. The Notice of the EGM and Form of Proxy are enclosed in this Circular. Online registration: <https://vps.megacorp.com.my/gHGqS9>. Please refer to the Administrative Guide.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Form of Proxy at CGB’s Registered Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250, Kuala Lumpur, Wilayah Persekutuan, Malaysia or email to [EGM-support.CGB@megacorp.com.my](mailto:EGM-support.CGB@megacorp.com.my) not less than 48 hours before the time for holding the meeting or any adjournment thereof.

The lodgement of the Form of Proxy shall not preclude you from attending and voting at the EGM should you subsequently wish to do so and, in such event, your Form of Proxy shall deem to have been revoked.

Last day, date and time for lodging the Form of Proxy : Sunday, 17 September 2023 at 10:30 a.m.

Date and time of the EGM : Tuesday, 19 September 2023 at 10:30 a.m.

The Circular is dated 4 September 2023

## DEFINITIONS

---

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

Act	:	Companies Act 2016
Board	:	Board of Directors of CGB
Bursa Securities	:	Bursa Malaysia Securities Berhad
CAPM	:	Capital asset pricing model
CGB or Company	:	Central Global Berhad
CGB Group or Group	:	CGB and its subsidiaries, collectively
CGB Share(s) or Share(s)	:	Ordinary shares in CGB
CICC or Purchaser	:	CIC Construction Sdn Bhd, a wholly-owned subsidiary of CGB
CIDB	:	Construction Industry Development Board
Circular	:	This circular to our shareholders dated 4 September 2023 in relation to the Proposed Acquisition
Completion Date	:	14 days from the Unconditional Date or such other date as CICC may determine at its absolute discretion, which shall be notified to the Vendor in writing
Conditions Precedent	:	The conditions precedent to the SPA as set out in Section 2 of Appendix I of this Circular
Consideration Share(s)	:	A total of 10,200,000 new CGB Shares to be allotted and issued to the Vendor at an issue price of RM1.30 per Share
DCF	:	Discounted cash flow
DWA Advisory or Independent Adviser	:	DWA Advisory Sdn Bhd
EGM	:	Extraordinary General Meeting
EPC	:	Engineering, procurement and construction
EPCC	:	Engineering, procurement, construction and commissioning
EPS	:	Earnings per Share
First SPA	:	Conditional share sale and purchase agreement dated 26 January 2022 entered into between CICC and the Guarantors for the proposed acquisition by CICC of 70% equity interest in RYRT International from RYRT Holdings for a purchase consideration of RM30.10 million to be wholly satisfied via issuance of 28,942,308 new CGB shares at an issue price of RM1.04 per Share
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending, as the case may be

## DEFINITIONS (CONT'D)

---

GP	:	Gross profit
Guarantor(s)	:	RYRT Holdings, Lee Chee Vui and Soo Yu Chai, collectively
HLIB or Principal Adviser	:	Hong Leong Investment Bank Berhad
IAL	:	The independent advice letter from the Independent Adviser to the non-interested shareholders in relation to the Proposed Acquisition, as set out in Part B of this Circular
Interested Director	:	Lee Chee Vui, being the Executive Director of CGB, who is also a director and substantial shareholder of RYRT Holdings
Initial Acquisition	:	The acquisition by CICC of 1,400,070 RYRT International Shares from the Vendor, Lee Chee Vui and Soo Yu Chai for the purchase consideration of RM30.10 million, which was completed on 20 April 2022
LAT	:	Loss after taxation
LBT	:	Loss before taxation
Listing Requirements	:	Main Market Listing Requirements
LPD	:	18 August 2023, being the latest practicable date prior to the printing of this Circular
LTIS	:	The long-term incentive scheme of up to 15% of the total number of issued Shares of our Company (excluding treasury shares, if any) at any one time throughout the duration of the LTIS, which comprises the share option scheme and SGS
MFRS 10	:	Malaysian Financial Reporting Standards 10, Consolidated Financial Statements
Moore Advisory	:	Moore Advisory Sdn Bhd, being the Independent Financial Valuer, appointed by our Company to conduct the equity valuation of RYRT International
NA	:	Net assets
N/A	:	Not applicable
NCI	:	Non-controlling interests
PAT	:	Profit after taxation
PBT	:	Profit before taxation

## DEFINITIONS (CONT'D)

---

PGA	:	Profit guarantee agreement dated 26 January 2022 entered into between CICC and the Guarantors, where the Guarantors jointly and severally guaranteed to CICC that: <ul style="list-style-type: none"><li>(i) the aggregate audited PAT of RYRT International for the financial period commencing 1 September 2021 until 31 August 2023 shall not be less than RM43.0 million; and</li><li>(ii) in the event RYRT International's operations are fully suspended for a duration of more than 2 weeks due to any lockdowns or movement control orders imposed by the appropriate authorities, the aggregate audited PAT of RYRT International for the financial period commencing 1 September 2021 until 31 August 2023 shall not be less than RM34.40 million. Under this circumstance, the parties will mutually agree to extend the said profit guarantee period for a further of two 6 months intervals from 1 September 2023 until 31 August 2024 for RYRT International to meet the profit guarantee and not more than RM8.60 million from the audited PAT for the FYE 31 August 2024 can be utilised for the purpose of calculating the profit guarantee and/or any profit shortfall arising therefrom.</li></ul> <p><i>For avoidance of doubt, there is no extension of the said profit guarantee period above under the said circumstances and the Initial Acquisition including the terms of the First SPA and PGA was approved by our shareholders on 30 March 2022</i></p>
Profit Shortfall	:	The aggregate shortfall or deficiency from the Revised Profit Guarantee Amount
Proposed Acquisition	:	Proposed acquisition by CICC of the Sale Shares from the Vendor for the Purchase Consideration to be wholly satisfied via issuance of Consideration Shares and the material variation to the First SPA and PGA
Purchase Consideration	:	The purchase consideration for the Sale Shares for the amount of RM13,260,000
Revised Profit Guarantee Amount	:	The revised profit guarantee amount of RM50.0 million for the Revised Profit Guarantee Period
Revised Profit Guarantee Period	:	The revised profit guarantee period from 1 September 2021 to 31 December 2024
RYRT Holdings or Vendor	:	RYRT Holdings Sdn Bhd
RYRT International	:	RYRT International Sdn Bhd
RYRT International Share(s)	:	Ordinary shares in RYRT International
Sale Share(s)	:	600,030 RYRT International Shares, equivalent to the remaining 30% equity interest in RYRT International
SGS	:	The share grant scheme for the granting of share awards to the employee(s), executive director(s) and non-executive director(s) of CGB Group (excluding dormant subsidiaries) who fulfill the eligibility criteria for participation in the LTIS in accordance with the by-laws

## DEFINITIONS (CONT'D)

---

Supplemental SPA	:	Supplemental share sale and purchase agreement dated 10 July 2023 entered into between CICC and the Guarantors to supplement the terms of the sale and purchase agreement dated 26 January 2022, the PGA and SPA in respect of the Proposed Acquisition
SPA	:	Conditional share sale and purchase agreement dated 31 May 2023 entered into between CICC and the Vendor for the Proposed Acquisition
Unconditional Date	:	The date on which all the conditions precedent are fulfilled or waived by CICC pursuant to the SPA
VWAMP	:	Volume weighted average market price
WACC	:	Weighted average cost of capital
Warrant(s)	:	Free warrants issued by our Company on 27 July 2022 which is governed under the deed poll dated 5 July 2022

## CURRENCIES

RM and sen	:	Ringgit Malaysia and sen, respectively
------------	---	--

References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company, and where the context requires, shall include our subsidiaries. References to “**you**” in this Circular are to our shareholders.

Words denoting the singular shall, where applicable, include the plural and *vice versa* and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

All references to an enactment in this Circular are references to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified. Certain amounts and percentage figures included herein have been subject to rounding adjustments.

This Circular includes forward-looking statements which are subject to uncertainties and contingencies. All statements other than statements of historical facts included in this Circular, including, without limitation, those regarding our prospects are forward-looking statements. There is no assurance that such forward-looking statements will materialise, be fulfilled or achieved.

[The rest of this page is intentionally left blank]

## TABLE OF CONTENTS

---

	<b>PAGE</b>
<b><u>PART A</u></b>	
<b>EXECUTIVE SUMMARY</b>	viii
<b>LETTER TO OUR SHAREHOLDERS ON THE PROPOSED ACQUISITION</b>	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA	3
3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA	10
4. OVERVIEW, INDUSTRY OUTLOOK AND FUTURE PROSPECTS	13
5. RISK FACTORS	17
6. EFFECTS OF THE PROPOSED ACQUISITION	18
7. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS	21
8. APPROVALS REQUIRED AND CONDITIONALITY	21
9. HIGHEST PERCENTAGE RATIO	21
10. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION	21
11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	22
12. AUDIT AND RISK MANAGEMENT COMMITTEE'S RECOMMENDATION	22
13. DIRECTORS' STATEMENT AND RECOMMENDATION	23
14. HISTORICAL SHARE PRICES	23
15. TENTATIVE TIMEFRAME FOR COMPLETION	24
16. EGM	24
17. FURTHER INFORMATION	24
<b><u>PART B</u></b>	
<b>EXECUTIVE SUMMARY</b>	26
<b>INDEPENDENT ADVICE LETTER FROM DWA ADVISORY SDN BHD TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION</b>	30
<b>APPENDICES</b>	
I. SALIENT TERMS OF THE SPA	61
II. SALIENT TERMS OF THE SUPPLEMENTAL SPA	64

## TABLE OF CONTENTS (CONT'D)

---

	<b>PAGE</b>
III. SALIENT TERMS OF THE FIRST SPA	65
IV. SALIENT TERMS OF THE PGA	68
V. INFORMATION ON RYRT INTERNATIONAL	70
VI. AUDITED FINANCIAL STATEMENTS OF RYRT INTERNATIONAL FOR THE 6-MONTH FPE 28 FEBRUARY 2023 TOGETHER WITH THE RESTATED FINANCIAL RESULTS FOR THE FYE 31 AUGUST 2022	77
VII. SUMMARY VALUATION LETTER	137
VIII. FURTHER INFORMATION	149
<b>NOTICE OF EGM</b>	<b>ENCLOSED</b>
<b>FORM OF PROXY</b>	<b>ENCLOSED</b>

[The rest of this page is intentionally left blank]

**PART A**

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION AND  
THE MATERIAL VARIATION TO THE FIRST SPA AND PGA**



## EXECUTIVE SUMMARY

---

THIS EXECUTIVE SUMMARY REPRESENTS A SUMMARY OF THE PERTINENT INFORMATION ON THE PROPOSED ACQUISITION AS SET OUT IN PART A OF THIS CIRCULAR. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR, INCLUDING THE IAL AS SET OUT IN PART B AND THE APPENDICES, AND NOT RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSED ACQUISITION BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR FORTHCOMING EGM.

<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Proposed Acquisition</b>	<p>As at the LPD, CICC owns 1,400,070 shares, representing 70% equity interest in RYRT International. This stake was initially acquired by CICC from the Vendor, Lee Chee Vui and Soo Yu Chai for a purchase consideration of RM30.10 million, which was completed on 20 April 2022.</p> <p>In conjunction with the Proposed Acquisition, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares on a willing-buyer willing-seller basis, free from all encumbrances, together with all attached and accrued rights to any entitlements and dividends or other distribution declared, made or paid, for the Purchase Consideration based upon the terms and conditions contained in the SPA and the Supplemental SPA on the Completion Date.</p> <p>Please refer to <b>Appendix I</b> of this Circular for the salient terms of the SPA.</p>	Section 2.1
<b>Information on the Initial Acquisition and PGA</b>	<p>On 26 January 2022, on behalf of our Board, HLIB announced that CICC entered into:</p> <ul style="list-style-type: none"><li>(i) the First SPA for the Initial Acquisition; and</li><li>(ii) the PGA. In the event of any profit shortfall for the profit guarantee period, the Guarantors shall jointly and severally compensate CICC in cash, being an amount equivalent to 70% of the profit shortfall, less any remaining balance consideration that had not been settled through the allotment and issuance of the consideration shares.</li></ul> <p>On 30 March 2022, our shareholders approved the Initial Acquisition. The Initial Acquisition was subsequently completed on 20 April 2022.</p> <p>Based on the accounting policy adopted by RYRT International prior to the Initial Acquisition, RYRT International achieved an audited PAT of approximately RM22.85 million as confirmed by the auditor of RYRT International via its confirmation letters dated 22 June 2022 and 7 December 2022 respectively as well as the audited financial statements for the FYE 31 August 2022. Following the terms of the First SPA and PGA, the remaining 50% of the purchase consideration was fully settled by issuance of 14,471,154 new CGB Shares at the issue price of RM1.04 per Share.</p>	Section 2.2

## EXECUTIVE SUMMARY (CONT'D)

---

<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Information on the Initial Acquisition and PGA (Cont'd)</b>	<p>Based on the terms of the First SPA and PGA, it was agreed that the aforesaid remaining 14,471,154 new CGB Shares shall be allotted and issued on a deferred payment basis based on the proportionate amount of the balance consideration shares equivalent to 70% of the aggregated audited PAT of RYRT International for each 6 months interval namely financial period ended / ending 28 February 2022, 31 August 2022, 28 February 2023 and 31 August 2024.</p> <p>The aforesaid remaining 14,471,154 new CGB Shares were fully issued on 24 June 2022 and 9 December 2022 respectively after taking into consideration the 6-month interval audited PAT of RYRT International as confirmed by its auditor based on the accounting policy adopted prior to the Initial Acquisition as follows:</p> <ul style="list-style-type: none"><li>(i) audited PAT of approximately RM12.55 million for the 6-month FPE 28 February 2022; and</li><li>(ii) audited PAT of approximately RM10.29 million for the 6-month FPE 31 August 2022.</li></ul> <p>Although the aforesaid remaining 14,471,154 new CGB Shares has been issued to the Vendor before RYRT International achieve an aggregate audited PAT of RM43 million from 1 September 2021 to 31 August 2023, under the terms of the PGA, it was agreed that if there is any profit shortfall, the Vendor, Lee Chee Vui and Soo Yu Chai are required to compensate CICC in cash for the amount equivalent to 70% of the profit shortfall.</p> <p>Following the completion of the Initial Acquisition, RYRT International changed its financial year end from 31 August to 31 December to align with our Group's financial year end. In addition, RYRT International also changed its accounting policy to align with our Group's accounting policy and had resulted in a prior year adjustment, where the audited PAT of RYRT International for the FYE 31 August 2022 of RM22.85 million was restated to RM8.37 million.</p> <p>In view that the audited revenue, GP and PAT of RYRT International for the FYE 31 August 2022 has been restated, the difference in PAT between the audited PAT of RM22.85 million and the restated PAT of RM8.37 million is expected to be recognised in the subsequent financial years.</p>	Section 2.2

## EXECUTIVE SUMMARY (CONT'D)

---

<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Information on the Initial Acquisition and PGA (Cont'd)</b>	<p>In addition, Pembinaan Urusmesra Sdn Bhd, being the customer of RYRT International, had on 10 February 2023, notified RYRT International of the delay to the Project Lahad Datu Phase 1 from June 2023 to December 2023 in view of the delay in handing over the water treatment plant site due to the delay in land acquisition by the local Government in Sabah. The Project Lahad Datu Phase 1's contract value is approximately RM278.49 million and the nature of the said project include, amongst others, upgrading work of water supply system in Lahad Datu Phase 1. On 2 August 2023, RYRT International wrote to Pembinaan Urusmesra Sdn Bhd and informed that RYRT International is carrying out their construction work to fulfil its obligation to complete by December 2023 and sought clarification with Pembinaan Urusmesra Sdn Bhd as the said construction work were unable to continue in view of the delay in handing over the water treatment plant site due to the delay in land acquisition by the local authority in Sabah. On 15 August 2023, Pembinaan Urusmesra Sdn Bhd informed RYRT International that they are working closely with the local authority in Sabah to resolve the land acquisition matters and no construction work can be carried out until further notice. RYRT International will follow up closely with Pembinaan Urusmesra Sdn Bhd and as such, we are unable to ascertain the impact to the revenue and profits of RYRT International at this juncture.</p>	Section 2.2
<b>Material variation to the First SPA and PGA</b>	<p>In view of the development arising from the Initial Acquisition, on 10 July 2023, CICC entered into the Supplemental SPA with the Guarantors to supplement the terms of the First SPA, the PGA and SPA in respect of the Proposed Acquisition.</p> <p>The material variation to the First SPA and PGA are as follows:</p> <ul style="list-style-type: none"><li>(i) the profit guarantee period of 1 September 2021 to 31 August 2023 will be revised to 1 September 2021 to 31 December 2024, extended for another 16 months period;</li><li>(ii) the Guarantors have agreed to guarantee 100% of the Revised Profit Guarantee Amount and if there is a profit shortfall, the Guarantors shall compensate CICC in cash equivalent to 100% of the aggregate shortfall or deficiency from the Revised Profit Guarantee Amount; and</li><li>(iii) the revised profit guarantee amount for the Revised Profit Guarantee Period is RM50.0 million.</li></ul> <p>The terms of the Supplemental SPA are deemed a material variation to the First SPA and PGA pursuant to Paragraph 8.22 (1)(b) of the Listing Requirements</p> <p>Please refer to <b>Appendix II</b> of this Circular for further information on the salient terms of the Supplemental SPA.</p>	Section 2.3

## EXECUTIVE SUMMARY (CONT'D)

---

<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Material variation to the First SPA and PGA (Cont'd)</b>	<p>For avoidance of doubt, if the ordinary resolution in respect of the Proposed Acquisition is not passed by our shareholders, the terms of the First SPA and PGA will prevail and remain valid. Based on the terms of the First SPA and PGA, if RYRT International does not achieve an aggregate audited PAT of RM43 million from 1 September 2021 to 31 August 2023, the Vendor, Lee Chee Vui and Soo Yu Chai will jointly and severally compensate CICC in cash, being an amount equivalent to 70% of the profit shortfall.</p> <p>In respect of the terms Supplemental SPA, after audit confirmation is received on the audited aggregate financial result of RYRT International for the period from 1 September 2021 to 31 December 2024, if there is a profit shortfall, the Guarantors shall compensate CICC in cash equivalent to 100% of the Profit Shortfall.</p>	Section 2.3
<b>Mode of settlement and source of funding</b>	<p>The Purchase Consideration shall be wholly satisfied by the issuance and allotment of 10,200,000 Consideration Shares at an issue price of RM1.30 per Consideration Share to the Vendor, subject to the terms and conditions of the SPA and the Supplemental SPA, at the Completion Date. There are no arrangements for payment on a deferred basis for the Proposed Acquisition.</p>	Section 2.4
<b>Basis and justification in arriving at the Purchase Consideration</b>	<p>The Purchase Consideration was arrived at on a willing buyer-willing seller basis and free from all encumbrances, after taking into consideration the following:</p> <ul style="list-style-type: none"><li>(i) the rationale and benefits to be accrued to CGB through CICC arising from the Proposed Acquisition;</li><li>(ii) The equity value of 100% equity interest in RYRT International appraised by Moore Advisory range between RM41.9 million to RM44.2 million.</li></ul> <p>Based on Moore Advisory's range of equity valuation of RYRT International, the equity value of the remaining 30% equity interest in RYRT International range between RM12.6 million and RM13.3 million.</p> <p>For information purposes, based on the valuation report prepared by Moore Advisory dated 25 January 2022, the equity value of 100% equity interest in RYRT International appraised by Moore Advisory based on the valuation date as at 30 November 2021 was ranged between RM43.5 million to RM44.6 million for the Initial Acquisition.</p>	Section 2.7

## EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference in Part A of this Circular																
<b>Basis and justification in arriving at the Purchase Consideration (Cont'd)</b>	<p>The difference in the valuation of the equity value of 100% equity interest in RYRT International between the Initial Acquisition and the Proposed Acquisition is mainly due to the increase in WACC, lower profit margin for the ongoing construction projects despite the increase in aggregate contract sum and the extension of contractual completion for Project Lahad Datu Phase 1. The lower profit margin for the ongoing construction projects is mainly due to the increase in construction material costs as well as the extension of contractual completion which led to an increased in overhead costs.</p>	Section 2.7																
<b>Basis and justification in arriving at the issue price of the Consideration Shares</b>	<p>The issue price of RM1.30 per Consideration Share was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following:</p> <ul style="list-style-type: none"> <li>(i) the NA of RM0.65 per Share based on the audited consolidated accounts of CGB as at 31 December 2022; and</li> <li>(ii) the 5-day VWAMP of Shares of RM1.306 up to and including 30 May 2023, immediately prior to the date of SPA.</li> </ul> <p>Based on the above, our Board (save for the Interested Director) is of the view that the issue price of RM1.30 per Consideration Share is justified after taking into consideration the following factors:</p> <ul style="list-style-type: none"> <li>(i) the issue price which represents approximately 5-day VWAMP of Shares of RM1.306 up to and including 30 May 2023 immediately prior to the date of SPA;</li> <li>(ii) the issue price represents a premium to the 1-month, 3-month and 6-month VWAMP of CGB Shares up to and including 30 May 2023, details of which are as follows:</li> </ul> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">RM</th> <th style="text-align: center;">Issue price of the Consideration Shares RM</th> <th style="text-align: center;">Premium (%)</th> </tr> </thead> <tbody> <tr> <td>1-month VWAMP up to 30 May 2023</td> <td style="text-align: center;">1.1812</td> <td style="text-align: center;">1.30</td> <td style="text-align: center;">10.06</td> </tr> <tr> <td>3-month VWAMP up to 30 May 2023</td> <td style="text-align: center;">1.1216</td> <td style="text-align: center;">1.30</td> <td style="text-align: center;">15.91</td> </tr> <tr> <td>6-month VWAMP up to 30 May 2023</td> <td style="text-align: center;">1.0614</td> <td style="text-align: center;">1.30</td> <td style="text-align: center;">22.48</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>(iii) the issue price represents a premium of 100% to the audited NA per Share of RM0.65 as at 31 December 2022.</li> </ul>		RM	Issue price of the Consideration Shares RM	Premium (%)	1-month VWAMP up to 30 May 2023	1.1812	1.30	10.06	3-month VWAMP up to 30 May 2023	1.1216	1.30	15.91	6-month VWAMP up to 30 May 2023	1.0614	1.30	22.48	Section 2.8
	RM	Issue price of the Consideration Shares RM	Premium (%)															
1-month VWAMP up to 30 May 2023	1.1812	1.30	10.06															
3-month VWAMP up to 30 May 2023	1.1216	1.30	15.91															
6-month VWAMP up to 30 May 2023	1.0614	1.30	22.48															

## EXECUTIVE SUMMARY (CONT'D)

<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Rationale and benefits</b>	<p><b><u>Proposed Acquisition</u></b></p> <ul style="list-style-type: none"><li>▪ Based on the restated financial statements for the FYE 31 August 2022 and the audited financial statements for the 6-month FPE 28 February 2023 of RYRT International, RYRT International has recorded an aggregate PAT of approximately RM17.24 million for 18 months period from 1 September 2021 to 28 February 2023 and has become the largest profit contributor to our Group since the completion of the Initial Acquisition on 20 April 2022. RYRT International contributed approximately 94% to our Group's PAT for the FYE 31 December 2022. Accordingly, our Group was able to turnaround to achieve a better financial performance;</li><li>▪ As at the LPD, CICC owns 70% equity interest in RYRT International. The Proposed Acquisition will allow our Company to recognise 100% of the financial results from RYRT International and stand to benefit from increasing its PAT attributable to the owners of our Company;</li><li>▪ The issuance of the Consideration Shares to satisfy the Purchase Consideration will enable our Group to conserve our cash and channel it to fund our Group's general working capital requirements such as payment to trade creditors and operating expenses; and</li><li>▪ Although the Proposed Acquisition may have a dilutive effect of approximately 6.06% on our existing non-interested shareholders' shareholdings, our Board believes that the Proposed Acquisition is expected to generate positive results and may enhance our shareholders' value in the future as the Proposed Acquisition is also expected to enlarge the share capital and NA of our Group.</li></ul> <p><b><u>Supplemental SPA</u></b></p> <ul style="list-style-type: none"><li>▪ The extension of the profit guarantee period and the higher profit guarantee amount were determined after taking into consideration the following:<ul style="list-style-type: none"><li>(i) the notification from Pembinaan Urusmesra Sdn Bhd, being the customer of RYRT International, of the delay to the Project Lahad Datu Phase 1 from June 2023 to December 2023. The contract sum of RM278.49 million for Project Lahad Datu Phase 1 represents approximately 60.31% of the entire contract value of RM461.78 million secured by RYRT International as at the LPD;</li><li>(ii) the Project Jalan Semawang ke Tanjung Kuala Gum-Gum is expected to be completed by October 2025. As at the LPD, RYRT International does not expect any delay from the completion date by October 2025 in delivering their scope of work for Project Jalan Semawang ke Tanjung Kuala Gum-Gum; and</li></ul></li></ul>	Section 3

## EXECUTIVE SUMMARY (CONT'D)

---

<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Rationale and benefits (Cont'd)</b>	<p>(iii) the restated PAT of RYRT International of approximately RM8.37 million from RM22.85 million for the FYE 31 August 2022 due to the alignment of accounting policy with our Group arising from the completion of the Initial Acquisition. The difference in PAT between the audited PAT of RM22.85 million and the restated PAT of RM8.37 million is expected to be recognised in subsequent financial years.</p> <p>▪ Our Board is of the view that RYRT International is expected to achieve the Revised Profit Guarantee Amount after taking into consideration the following:</p> <p>(i) RYRT International had achieved an aggregate PAT of approximately RM17.24 million for 18 months period from 1 September 2021 to 28 February 2023 and having considered the ability of RYRT International to complete all existing construction projects on a timely basis and the construction work for the Project Jalan Semawang ke Tanjung Kuala Gum-Gum is expected to be delivered in the year 2024.</p> <p>In addition, if RYRT International does not achieve the Revised Profit Guarantee Amount by 31 December 2024, the Guarantors will be liable to compensate CICC in cash equivalent to 100% of the Profit Shortfall;</p> <p>(ii) RYRT International has an outstanding book order of approximately RM204.63 million as at 31 July 2023 which will potentially translate into profits and operating cash flows for RYRT International;</p> <p>(iii) the estimated completion date of the construction of the Project Lahad Datu Phase 1 is December 2023 and Project Jalan Semawang ke Tanjung Kuala Gum-Gum is October 2025. Although the Project Jalan Semawang ke Tanjung Kuala Gum-Gum is expected to be completed by October 2025, RYRT International is expected to generate contract revenue from the aforesaid project in the year 2024 arising from the delivery of the said project's construction works; and</p> <p>(iv) RYRT International's tender book of approximately RM3.85 billion as at the LPD.</p>	Section 3

## EXECUTIVE SUMMARY (CONT'D)

<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Risk factors</b>	<p>The potential risk factors that may arise from the Proposed Acquisition are as follows:</p> <ul style="list-style-type: none"><li>(i) the completion of the Proposed Acquisition is conditional upon the fulfilment or the waiver by CICC (as the case may be) in respect of the conditions precedent of the SPA; and</li><li>(ii) there is no guarantee that the anticipated benefits from the Proposed Acquisition will be realised or that our Group will generate sufficient revenue and earnings to offset the cost incurred for the Proposed Acquisition.</li></ul> <p>In addition, if there is a profit shortfall at the end of the Revised Profit Guarantee Period, there is no guarantee that the Guarantors will fulfil their obligation to compensate CICC in cash equivalent to 100% of the aggregate shortfall of the Revised Profit Guarantee Amount.</p>	Section 5
<b>Approval required and conditionality</b>	<p>The Proposed Acquisition and the material variation to the First SPA and PGA is subject to the following approvals being obtained:</p> <ul style="list-style-type: none"><li>(i) Bursa Securities, for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, which was obtained on 16 August 2023; and</li><li>(ii) the shareholders of our Company at our forthcoming EGM.</li></ul> <p>Save as disclosed above, there are no other relevant authorities' approval required.</p> <p>The Proposed Acquisition is not conditional upon any other corporate proposals undertaken or to be undertaken by our Company.</p>	Section 8
<b>Interest of directors, major shareholders and/or persons connected to them</b>	<p>Lee Chee Vui is the Executive Director of CGB and he is also a director and substantial shareholder of RYRT Holdings. In this regard, he is an Interested Director.</p> <p>Accordingly, he has abstained and will continue to abstain from all deliberations and voting on any resolution pertaining to the Proposed Acquisition at the relevant Board meetings.</p> <p>He will also abstain from voting in respect of his direct and/or indirect shareholdings in CGB on the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.</p> <p>He will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in CGB, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.</p>	Section 11





## Central Global Berhad

[Registration No.: 201801036114 (1298143-T)]  
(Incorporated in Malaysia)

### Registered Office

Level 15-2  
Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250, Kuala Lumpur  
Wilayah Persekutuan  
Malaysia

4 September 2023

### Board of Directors:

Dato' Faisal Zelman bin Datuk Abdul Malik (*Non-Independent Non-Executive Chairman*)  
Chew Hian Tat (*Group Managing Director*)  
Lee Chee Vui (*Executive Director*)  
Lee Swee Meng (*Independent Non-Executive Director*)  
Sahari bin Ahmad (*Independent Non-Executive Director*)  
Tan Suat Hoon (*Independent Non-Executive Director*)

To: **Our shareholders**

Dear Sir / Madam,

### PROPOSED ACQUISITION

---

#### 1. INTRODUCTION

On 31 May 2023, on behalf of our Board, HLIB announced that CICC, being our wholly-owned subsidiary, had on the same day, entered into the SPA with the Vendor for the Proposed Acquisition.

By virtue of the interest of the Interested Director in the Proposed Acquisition as set out in **Section 11 of Part A** of this Circular, the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements of Bursa Securities. Pursuant thereto, our Board (save for the Interested Director) has appointed DWA Advisory to act as the Independent Adviser to the non-interested directors and non-interested shareholders of CGB as to whether the Proposed Acquisition is fair and reasonable so far as the non-interested directors and non-interested shareholders of our Company are concerned, and whether the Proposed Acquisition is to the detriment of the non-interested shareholders of CGB.

On 10 July 2023, on behalf of our Board, HLIB announced that CICC had on the same day, entered into the Supplemental SPA with the Guarantors to supplement the terms of the First SPA, the PGA and SPA in respect of the Proposed Acquisition.

On 12 July 2023, on behalf of our Board, HLIB announced and clarified that the Supplemental SPA to supplement the terms of the First SPA, the PGA and the SPA in respect of the Proposed Acquisition together with the SPA will subject to the approval from our shareholders at an EGM to be convened as part of the Proposed Acquisition.

On 14 July 2023, on behalf of our Board, HLIB announced and further clarified in respect of the Supplemental SPA, which give rise to the material variation to the First SPA and PGA pursuant to Paragraph 8.22(1)(b) of the Listing Requirements.

On 16 August 2023, on behalf of our Board, HLIB announced that Bursa Securities had, vide its letter dated 16 August 2023, resolved to approve the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition, subject to the following conditions:

<b>No.</b>	<b>Conditions</b>	<b>Status of compliance</b>
(i)	CGB and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied
(ii)	CGB and HLIB to inform Bursa Securities upon completion of the Proposed Acquisition;	To be complied
(iii)	HLIB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed; and	To be complied
(iv)	CGB / HLIB to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders at the general meeting for the Proposed Acquisition prior to the listing and quotation of the ordinary shares to be issued pursuant to the Proposed Acquisition.	To be complied

Further details of the Proposed Acquisition and the material variation to the First SPA and PGA are set out in the ensuing sections of this Circular.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA, TO SET OUT OUR BOARD'S OPINION AND RECOMMENDATION IN RELATION TO PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION IN RELATION TO THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.**

**WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE IAL AS SET OUT IN PART B OF THIS CIRCULAR AND THE APPENDICES, BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA AT OUR FORTHCOMING EGM.**

**PURSUANT TO SECTION 8(A) OF OUR CONSTITUTION READ TOGETHER WITH SUBSECTION 85(1) OF THE ACT, OUR SHAREHOLDERS HAVE PRE-EMPTIVE RIGHTS OVER ALL UNISSUED AND NEW SHARES WHICH SHALL FIRST BE OFFERED TO OUR SHAREHOLDERS UNLESS OTHERWISE DETERMINED AT OUR FORTHCOMING EGM.**

**BY VOTING IN FAVOUR OF THE RESOLUTION ON THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA, OUR SHAREHOLDERS WILL IN EFFECT BE DETERMINING AT OUR FORTHCOMING EGM TO WAIVE THEIR PRE-EMPTIVE RIGHTS WHICH THEY ARE ENTITLED TO PURSUANT TO SECTION 8(A) OF OUR CONSTITUTION, READ TOGETHER WITH SUBSECTION 85(1) OF THE ACT AND AGREEING TO THE ISSUANCE OF THE CONSIDERATION SHARES TO RYRT HOLDINGS**

**IN ACCORDANCE WITH THE SPA AND SUPPLEMENTAL SPA. PLEASE REFER TO SECTION 2.11 OF PART A OF THIS CIRCULAR FOR FURTHER DETAILS ON THE PREEMPTIVE RIGHTS PURSUANT TO OUR CONSTITUTION AND SUBSECTION 85(1) OF THE ACT.**

## **2. DETAILS OF THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA**

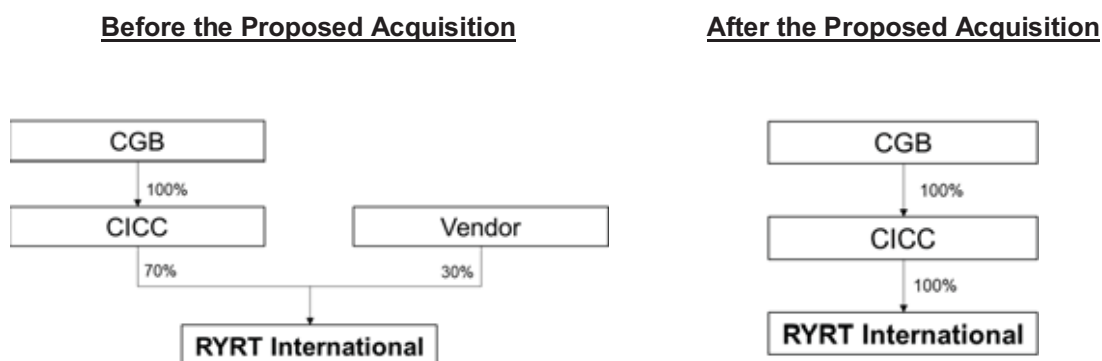
### **2.1 Proposed Acquisition**

As at the LPD, CICC owns 1,400,070 shares, representing 70% equity interest in RYRT International. This stake was initially acquired by CICC from the Vendor, Lee Chee Vui and Soo Yu Chai for a purchase consideration of RM30.10 million, which was completed on 20 April 2022.

In conjunction with the Proposed Acquisition, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares on a willing-buyer willing-seller basis, free from all encumbrances, together with all attached and accrued rights to any entitlements and dividends or other distribution declared, made or paid, for the Purchase Consideration based upon the terms and conditions contained in the SPA and the Supplemental SPA on the Completion Date. In order to fully consolidate the results of RYRT International, our Company proposes to undertake the Proposed Acquisition which entails the acquisition by CICC of the remaining Sale Shares, representing 30% equity interest in RYRT International.

Upon the completion of the Proposed Acquisition, RYRT International will become a wholly-owned subsidiary of CICC. CGB will have an effective ownership and voting interest of 100% in RYRT International.

The corporate structure of RYRT International before and after the Proposed Acquisition is illustrated below:



Please refer to **Appendix I** of this Circular for the salient terms of the SPA.

### **2.2 Information on the Initial Acquisition and PGA**

On 26 January 2022, on behalf of our Board, HLIB announced that CICC entered into:

- (i) the First SPA for the Initial Acquisition; and
- (ii) the PGA. In the event of any profit shortfall for the profit guarantee period, the Guarantors shall jointly and severally compensate CICC in cash, being an amount equivalent to 70% of the profit shortfall, less any remaining balance consideration that had not been settled through the allotment and issuance of the consideration shares.

On 30 March 2022, our shareholders approved the Initial Acquisition. The Initial Acquisition was subsequently completed on 20 April 2022.

The mode of settlement for the Initial Acquisition was as follows:

	<u>No. of new CGB shares issued to RYRT Holdings</u>	<u>Issue price</u>	<u>Purchase consideration</u>
		RM	RM'million
50% of the purchase consideration was settled on 20 April 2022, being the completion date of the First SPA	14,471,154	1.04	15.05
Remaining 50% of the purchase consideration will be settled on a deferred payment basis subject to the profit guarantee set out in the PGA	14,471,154	1.04	15.05
<b>Total</b>	<u><b>28,942,308</b></u>		<u><b>30.10</b></u>

Based on the accounting policy adopted by RYRT International prior to the Initial Acquisition, RYRT International achieved an audited PAT of approximately RM22.85 million as confirmed by the auditor of RYRT International via its confirmation letters dated 22 June 2022 and 7 December 2022 respectively as well as the audited financial statements for the FYE 31 August 2022. Following the terms of the First SPA and PGA, the remaining 50% of the purchase consideration was fully settled by issuance of 14,471,154 new CGB Shares at the issued price of RM1.04 per Share.

Based on the terms of the First SPA and PGA, it was agreed that the aforesaid remaining 14,471,154 new CGB Shares shall be allotted and issued on a deferred payment basis based on the proportionate amount of the balance consideration shares equivalent to 70% of the aggregated audited PAT of RYRT International for each 6 months interval namely financial period ended / ending 28 February 2022, 31 August 2022, 28 February 2023 and 31 August 2024.

The aforesaid remaining 14,471,154 new CGB Shares were fully issued on 24 June 2022 and 9 December 2022 respectively after taking into consideration the 6-month interval audited PAT of RYRT International as confirmed by its auditor based on the accounting policy adopted prior to the Initial Acquisition as follows:

- (i) audited PAT of approximately RM12.55 million for the 6-month FPE 28 February 2022; and
- (ii) audited PAT of approximately RM10.29 million for the 6-month FPE 31 August 2022.

Although the aforesaid remaining 14,471,154 new CGB Shares has been issued to the Vendor before RYRT International achieve an aggregate audited PAT of RM43 million from 1 September 2021 to 31 August 2023, under the terms of the PGA, it was agreed that if there is any profit shortfall, the Vendor, Lee Chee Vui and Soo Yu Chai are required to compensate CICC in cash for the amount equivalent to 70% of the profit shortfall.

Following the completion of the Initial Acquisition, RYRT International changed its financial year end from 31 August to 31 December to align with our Group's financial year end. In addition, RYRT International also changed its accounting policy to align with our Group's accounting policy and had resulted in a prior year adjustment as follows:

	<u>*Audited for the FYE 31 August 2022</u>	<u>^Restated for the FYE 31 August 2022</u>
	RM	RM
Revenue	142,273,093	127,797,720
GP	33,791,283	19,315,910
PAT	22,846,703	8,371,330

**Notes:**

- \* *Based on the accounting policy adopted by RYRT International prior to the Initial Acquisition where RYRT International adopted the Output Method in respect of the revenue recognition for construction contracts. Under the Output Method, RYRT International recognises construction revenue by reference to the construction progress which was determined based on the physical proportion of contract work certified by professional consultants.*
  
- ^ *Restated based on the current accounting policy of CGB Group after the Initial Acquisition, where RYRT International adopted the Input Method in respect of the revenue recognition for construction contracts. Under the Input Method, RYRT International recognises construction revenue by reference to the construction progress determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs based on the approved budget.*

In view that the audited revenue, the GP and PAT of RYRT International for the FYE 31 August 2022 has been restated, the difference in PAT between the audited PAT of RM22.85 million and the restated PAT of RM8.37 million is expected to be recognised in the subsequent financial years.

In addition, Pembinaan Urusmesra Sdn Bhd, being the customer of RYRT International, had on 10 February 2023, notified RYRT International of the delay to the Project Lahad Datu Phase 1 from June 2023 to December 2023 in view of the delay in handing over the water treatment plant site due to the delay in land acquisition by the local Government in Sabah. The Project Lahad Datu Phase 1's contract value is approximately RM278.49 million and the nature of the said project include, amongst others, upgrading work of water supply system in Lahad Datu Phase 1. On 2 August 2023, RYRT International wrote to Pembinaan Urusmesra Sdn Bhd and informed that RYRT International is carrying out their construction work to fulfil its obligation to complete by December 2023 and sought clarification with Pembinaan Urusmesra Sdn Bhd as the said construction work were unable to continue in view of the delay in handing over the water treatment plant site due to the delay in land acquisition by the local authority in Sabah. On 15 August 2023, Pembinaan Urusmesra Sdn Bhd informed RYRT International that they are working closely with the local authority in Sabah to resolve the land acquisition matters and no construction work can be carried out until further notice. RYRT International will follow up closely with Pembinaan Urusmesra Sdn Bhd and as such, we are unable to ascertain the impact to the revenue and profits of RYRT International at this juncture.

### **2.3 Material variation to the First SPA and PGA**

In view of the development arising from the Initial Acquisition as set out in **Section 2.2** of this Circular, on 10 July 2023, CICC entered into the Supplemental SPA with the Guarantors to supplement the terms of the First SPA, the PGA and SPA in respect of the Proposed Acquisition.

The material variation to the First SPA and PGA are as follows:

- (i) the profit guarantee period of 1 September 2021 to 31 August 2023 will be revised to 1 September 2021 to 31 December 2024, extended for another 16 months period;
- (ii) the Guarantors have agreed to guarantee 100% of the Revised Profit Guarantee Amount and if there is a profit shortfall, the Guarantors shall compensate CICC in cash equivalent to 100% of the aggregate shortfall or deficiency from the Revised Profit Guarantee Amount; and
- (iii) the revised profit guarantee amount for the Revised Profit Guarantee Period is RM50.0 million.

The CGB Shares that have been allotted to the Vendor in accordance with the terms of the First SPA shall be subjected to the terms of the Supplemental SPA.

The terms of the Supplemental SPA are deemed a material variation to the First SPA and PGA pursuant to Paragraph 8.22 (1)(b) of the Listing Requirements.

For avoidance of doubt, if the ordinary resolution in respect of the Proposed Acquisition and the material variation to the First SPA and PGA is not approved by our shareholders, the terms of the First SPA and PGA will prevail and remain valid. Based on the terms of the First SPA and PGA, if RYRT International does not achieve an aggregate audited PAT of RM43 million from 1 September 2021 to 31 August 2023, the Vendor, Lee Chee Vui and Soo Yu Chai will jointly and severally compensate CICC in cash, being an amount equivalent to 70% of the profit shortfall.

In respect of the terms of the Supplemental SPA, after audit confirmation is received on the audited aggregate financial result of RYRT International for the period from 1 September 2021 to 31 December 2024, if there is a profit shortfall, the Guarantors shall compensate CICC in cash equivalent to 100% of the Profit Shortfall.

## 2.4 Mode of settlement and source of funding

The Purchase Consideration shall be wholly satisfied by the issuance and allotment of 10,200,000 Consideration Shares at an issue price of RM1.30 per Consideration Share to the Vendor, subject to the terms and conditions of the SPA and the Supplemental SPA, at the Completion Date. There are no arrangements for payment on a deferred basis for the Proposed Acquisition.

In accordance with **Section 3.1, Appendix I** of this Circular, the completion event (i.e. the allotment and issuance of the Consideration Shares) shall take place within 14 days after the SPA become unconditional or such later date as CICC may determine at its absolute discretion, which shall be notified to the Vendor in writing.

The number of Consideration Shares shall be proportionately adjusted if the issuance of the Consideration Shares falls before the entitlement date of the corporate exercise which involve share consolidation, share split, bonus issue and similar issuances of equity in CGB that will affect the number of the Consideration Shares to be issued pursuant to the Proposed Acquisition.

There will be no proposals to be undertaken by our Company which will give rise to any adjustments before the Unconditional Date.

## 2.5 Information on RYRT International

RYRT International was incorporated in Malaysia on 18 June 2019 under the Act as a private limited company. As at the LPD, the issued share capital of RYRT International is RM2,000,100 comprising 2,000,100 RYRT International Shares. RYRT International does not have any convertible securities and does not have any subsidiaries or associated company.

Further information on RYRT International is set out in **Appendix V** of this Circular.

## 2.6 Date and cost of investment

The date and cost of investment of RYRT Holdings in RYRT International are as follows:

<u>Vendor</u>	<u>Date of investment</u>	<u>No. of RYRT International Shares</u>	<u>Cost of investment</u>
			<b>RM</b>
RYRT Holdings	18 June 2019	100	100
	15 April 2021	2,000,000	2,000,000

## 2.7 Basis and justification in arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis and free from all encumbrances, after taking into consideration the following:

- (i) the rationale and benefits to be accrued to CGB through CICC arising from the Proposed Acquisition as set out in **Section 3** of this Circular; and
- (ii) the equity value of 100% equity interest in RYRT International appraised by Moore Advisory range between RM41.9 million to RM44.2 million. Based on Moore Advisory's range of equity valuation of RYRT International, the equity value of the remaining 30% equity interest in RYRT International range between RM12.6 million and RM13.3 million.

For information purposes, based on the valuation report prepared by Moore Advisory dated 25 January 2022, the equity value of 100% equity interest in RYRT International appraised by Moore Advisory based on the valuation date as at 30 November 2021 was ranged between RM43.5 million to RM44.6 million for the Initial Acquisition.

The difference in the valuation of the equity value of 100% equity interest in RYRT International between the Initial Acquisition and the Proposed Acquisition is mainly due to the increase in WACC, lower profit margin for the ongoing construction projects despite the increase in aggregate contract sum and the extension of contractual completion for Project Lahad Datu Phase 1. The lower profit margin for the ongoing construction projects is mainly due to the increase in construction material costs as well as the extension of contractual completion which led to an increased in overhead costs.

In undertaking the independent valuation, the key assumptions adopted by Moore Advisory for the Initial Acquisition and Proposed Acquisition are the same as follows:

- (a) RYRT International will be able to complete all its on-going projects within the stipulated period of completion;
- (b) there will be no significant change to the timing of the cash inflows and outflows from the existing projects secured by RYRT International as estimated by the management of RYRT International;
- (c) there will be no major breakdown or disruption in the business operation, industrial disputes, and other abnormal circumstances, both domestic and overseas, which may adversely affect the operations, revenue and expenditure of RYRT International;
- (d) there will be no adverse impact to the performance or activities of RYRT International due to COVID-19 pandemic situation;
- (e) there will be no significant changes in the key personnel and management of RYRT International, and in the operating policies, which may adversely affect the technical capabilities and the level of activities of RYRT International;
- (f) there will be no significant changes in the current structure and principal activities of RYRT International; and
- (g) inflation and foreign exchange rates will not fluctuate significantly from its present level.

In arriving at the equity valuation range, Moore Advisory had adopted the DCF method as it can effectively factor in the potential earnings and cash flows of RYRT International as well as the timing of such cash flows to be generated. DCF method considers both the time value of money and the future cash flows to be generated by RYRT International over a specified period of time. As the DCF method entails the discounting of the future cash flows to be generated from RYRT International at a specified discount rate to arrive at its value, the riskiness of generating such cash flows has also been taken into consideration.

The WACC used in the income approach was computed based on the CAPM. The WACC used in the income approach for the Proposed Acquisition and the Initial Acquisition were derived based on, among others, the following:

Parameters	Proposed Acquisition	Initial Acquisition	Remarks
WACC	12.30% - 14.30%	9.10% - 11.10%	The range of WACC used in the income approach for the Proposed Acquisition is higher as compared to the WACC used for the Initial Acquisition mainly due to the increase in the risk-free rate, equity risk premium, cost of equity and post-tax cost of debt.
Risk-free rate	3.90%	3.50%	
Equity risk premium	8.00%	5.40%	
Beta	0.73	0.91	
Illiquidity premium	4.00%	4.00%	
Cost of equity	13.80%	12.40%	
Post-tax cost of debt	4.86%	4.10%	
Corporate tax	24.00%	24.00%	
Valuation range	RM41.9 million to RM44.2 million	RM43.5 million to RM44.6 million	Furthermore, the increase in the risk-free rate and the post-tax cost of debt are primarily attributed to the Monetary Policy Committee of Bank Negara Malaysia's decision to increase the Overnight Policy Rate by a total of 1.0% across 4 times between 11 May 2022 and 3 November 2022.

Generally, a higher WACC will result in a lower valuation.

Please refer to the summary valuation letter set out in **Appendix VII** of this Circular for further information.

## **2.8 Basis and justification in arriving at the issue price of the Consideration Shares**

The issue price of RM1.30 per Consideration Share was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following:

- (i) the NA of RM0.65 per Share based on the audited consolidated accounts of CGB as at 31 December 2022; and
- (ii) the 5-day VWAMP of Shares of RM1.306 up to and including 30 May 2023, immediately prior to the date of SPA.

Based on the above, our Board (save for the Interested Director) is of the view that the issue price of RM1.30 per Consideration Share is justified after taking into consideration the following factors:

- (i) the issue price represents approximately 5-day VWAMP of CGB Shares of RM1.306 up to and including 30 May 2023, immediately prior to the date of SPA;



- (ii) the issue price represents premium to the 1-month, 3-month and 6-month VWAMP of CGB Shares up to and including 30 May 2023, details of which are as follows:

	Issue price of the Consideration Shares		Premium
	RM	RM	(%)
1-month VWAMP up to 30 May 2023	1.1812	1.30	10.06
3-month VWAMP up to 30 May 2023	1.1216	1.30	15.91
6-month VWAMP up to 30 May 2023	1.0614	1.30	22.48

(Source: Bloomberg)

- (iii) the issue price represents a premium of 100% to the audited NA per Share of RM0.65 as at 31 December 2022.

## 2.9 Information on the Vendor

RYRT Holdings was incorporated in Malaysia on 4 January 2022 under the Act as a private limited company. The principal activity of RYRT Holdings is investment holding. As at the LPD, RYRT Holdings has an issued share capital of RM2,001,100 comprising 2,001,100 ordinary shares in RYRT Holdings.

As at the LPD, the directors and substantial shareholders of RYRT Holdings and their respective shareholdings are as follows:

Name	Designation	Nationality	Direct		Indirect	
			No. of shares	%	No. of shares	%
Soo Yu Chai	Director	Malaysian	1,000,600	50.00	-	-
Lee Chee Vui	Director	Malaysian	1,000,500	50.00	-	-

## 2.10 Ranking of the Consideration Shares

The Consideration Shares to be issued pursuant to the Proposed Acquisition shall, upon allotment and issue, rank equally in all respects with the then existing 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 to our shareholders for which the entitlement date of the said distributions precedes the date of allotment and issuance of the Consideration Shares.

## 2.11 Pre-emptive rights pursuant to Section 85(1) of the Act

Pursuant to Section 85(1) of the Act read together with Clause 8(a) of our Constitution, our shareholders have pre-emptive rights to be offered any new Shares which rank equally to the existing issued Shares or other convertible securities.

Section 85(1) of the Act provides as follows:

**“85. Pre-emptive rights to new shares**

- (1) *Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.”*

Clause 8(a) of our Constitution provides as follows:

**“8. New Shares to be Offered to Members**

- (a) *Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.”*

In order for our Board to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived.

As such, an ordinary resolution to seek our shareholders’ approval for the Proposed Acquisition and to waive such pre-emptive rights will be tabled at our forthcoming EGM. The ordinary resolution if passed, will exclude your pre-emptive rights to be offered any new Shares to be issued by our Company pursuant to the Proposed Acquisition. Please refer to the ordinary resolution as set out in the notice of EGM herein.

**2.12 Liabilities to be assumed**

Save for the obligations in connection with the SPA, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by CICC arising from the Proposed Acquisition.

**2.13 Additional financial commitment**

Upon the completion of the Proposed Acquisition, there are no additional financial commitment to be incurred by our Group to put the business of RYRT International on-stream. RYRT International is already an on-going business entity and began generating substantial revenue from the FYE 31 August 2022. RYRT International has sustainable working capital mainly via its internally generated funds accruing from its cash flow from operating activities. For the FYE 31 August 2022, RYRT International has recorded a positive net cash flow from operating activities of approximately RM2.17 million with cash and bank balances of approximately RM3.53 million.

**3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION**

The Initial Acquisition was completed on 20 April 2022 and RYRT International became a 70% owned subsidiary of CICC. Upon the completion of the said acquisition, our Group was able to integrate the capabilities and expertise of both CICC and RYRT International to manage the construction projects.

Based on the restated financial statements for the FYE 31 August 2022 and the audited financial statements for the 6-month FPE 28 February 2023 of RYRT International, RYRT International has recorded an aggregate PAT of approximately RM17.24 million for 18 months period from 1 September 2021 to 28 February 2023 and has become the largest profit contributor to our Group since the completion of the Initial Acquisition on 20 April 2022. RYRT International contributed approximately 94% of our Group’s PAT for the FYE 31 December 2022. Accordingly, our Group was able to turnaround to achieve a better financial performance.

For the avoidance of doubt, the aggregate PAT of RM17.24 million for the financial period from 1 September 2021 to 28 February 2023 was determined based on the Input Method in respect of the revenue recognition for construction contracts. Under the Input Method, RYRT International recognises construction revenue by reference to the construction progress determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs based on the approved budget.

The key financial information of our Group for the past 3 years up to the FYE 31 December 2022 are as follows:

	<b>Audited for the FYE 31 December</b>			<b>Unaudited</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>6-month for the FPE 30 June 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	117,720	107,052	211,170	110,935
GP	3,136	5,931	34,574	17,309
<b>(LAT) / PAT attributable to owners of CGB</b>	<b>(5,516)</b>	<b>(7,093)</b>	<b>7,467</b>	<b>2,440</b>
GP margin (%)	2.66	8.34	16.37	15.60
PAT margin (%)	N/A	N/A	3.53	2.20

As at the LPD, CICC owns 70% equity interest in RYRT International. The Proposed Acquisition will allow our Company to recognise 100% of the financial results from RYRT International and stand to benefit from increasing its PAT attributable to the owners of our Company.

Additionally, in view that the Proposed Acquisition will be wholly satisfied via issuance of the Consideration Shares, the Proposed Acquisition enables our Group to further enhance our financial position without any impact on our cash flow position as compared to settlement via cash and/or bank borrowings.

Based on our latest consolidated audited financial statements as at 31 December 2021 and 2022 and our unaudited financial statements as at 30 June 2023, our Group's cash and bank balances, fixed deposits placed with licensed banks and short-term investment are as follows:

	<b>Audited as at 31 December</b>		<b>Unaudited as at</b>
	<b>2021</b>	<b>2022</b>	<b>30 June 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	10,453	6,150	11,181
Fixed deposits placed with licensed banks	1,796	1,729	1,857
Short-term investment	-	27	-
Marketable securities	-	-	36
<b>Total</b>	<b>12,249</b>	<b>7,906</b>	<b>13,074</b>

Having considered the above, the issuance of the Consideration Shares to satisfy the Purchase Consideration will enable our Group to conserve our cash and channel it to fund our Group's general working capital requirements such as payment to trade creditors and operating expenses.

Although the Proposed Acquisition may have a dilutive effect on our existing non-interested shareholders' shareholdings, our Board believes that the Proposed Acquisition is expected to generate positive results and may enhance our shareholders' value in the future as the Proposed Acquisition is also expected to enlarge the share capital and NA of our Group.

The dilution impact to our existing shareholders arising from the Proposed Acquisition is as follows:

(A)	(B)	(A) + (B)	
No. of new Shares to be issued pursuant to the Proposed Acquisition	No. of Shares as at the LPD which is prior to the Proposed Acquisition	No. of Shares after the Proposed Acquisition	*Dilution impact to our shareholders
'000	'000	'000	
10,200	158,010	168,210	6.06%

**Note:**

\* Calculated based on the number of new Shares to be issued pursuant to the Proposed Acquisition divided by the number of Shares after the Proposed Acquisition.

In respect of the Supplemental SPA, CICC intends to continue to build on its business relationship with the Guarantors who have shown commitment over the business development and operations of RYRT International, evident by their proactive efforts to grow RYRT International's business. Since the completion of the Initial Acquisition, our Group together with the Guarantors had successfully worked together:

- (i) to grow the profit of RYRT International as evidenced by RYRT International's financial performance, where RYRT International had achieved an aggregate PAT of approximately RM17.24 million for 18 months period from 1 September 2021 to 28 February 2023;
- (ii) to secure a new project namely Project Semawang ke Tanjung Kuala Gum-Gum on 28 September 2022. The contract value for the aforesaid project was approximately RM183.29 million and the nature of the scope of work include, amongst others, to construct and complete geo-technical works, precast reinforced panel wall and pile embarkment. The said project commenced on October 2022 and is expected to complete by October 2025; and
- (iii) to continue the employment of the key employees since the completion of the Initial Acquisition.

The extension of the profit guarantee period and the higher profit guarantee amount were determined after taking into consideration the following:

- (i) the notification from Pembinaan Urusmesra Sdn Bhd, being the customer of RYRT International, of the delay to the Project Lahad Datu Phase 1 from June 2023 to December 2023. The contract sum of RM278.49 million for Project Lahad Datu Phase 1 represents approximately 60.31% of the entire contract value of RM461.78 million secured by RYRT International as at the LPD;
- (ii) the Project Jalan Semawang ke Tanjung Kuala Gum-Gum is expected to be completed by October 2025. As at the LPD, RYRT International does not expect any delay from the completion date by October 2025 in delivering their scope of work for Project Jalan Semawang ke Tanjung Kuala Gum-Gum; and
- (iii) the restated PAT of RYRT International of approximately RM8.37 million from RM22.85 million for the FYE 31 August 2022 due to the alignment of accounting policy with our Group arising from the completion of the Initial Acquisition. The difference in PAT between the audited PAT of RM22.85 million and the restated PAT of RM8.37 million is expected to be recognised in subsequent financial years.

Premised on the above, our Board is of the view that RYRT International is expected to achieve the Revised Profit Guarantee Amount after taking into consideration the following:

- (i) RYRT International had achieved an aggregate PAT of approximately RM17.24 million for 18 months period from 1 September 2021 to 28 February 2023 and having considered the ability of RYRT International to complete all existing construction projects on a timely basis and the construction work for the Project Jalan Semawang ke Tanjung Kuala Gum-Gum is expected to be delivered in the year 2024.

In addition, if RYRT International does not achieve the Revised Profit Guarantee Amount by 31 December 2024, the Guarantors will be liable to compensate CICC in cash equivalent to 100% of the Profit Shortfall;

- (ii) RYRT International has an outstanding book order of approximately RM204.63 million as at 31 July 2023 which will potentially translate into profits and operating cash flows for RYRT International after taking into consideration the following contractual completion date of the existing construction projects:

<b>Project</b>	<b>Contractual completion date</b>
Project Lahad Datu Phase 1	December 2023
Project Jalan Semawang ke Tanjung Kuala Gum-Gum	October 2025

- (iii) the estimated completion date of the construction of the Project Lahad Datu Phase 1 is December 2023 and Project Jalan Semawang ke Tanjung Kuala Gum-Gum is October 2025. Although the Project Jalan Semawang ke Tanjung Kuala Gum-Gum is expected to be completed by October 2025, RYRT International is expected to generate contract revenue from the aforesaid project in the year 2024 arising from the delivery of the said project's construction works; and

- (iv) RYRT International's tender book of approximately RM3.85 billion as at the LPD.

For avoidance of doubt, if the ordinary resolution in respect of the Proposed Acquisition and the material variation to the First SPA and PGA is not approved by our shareholders, the terms of the First SPA and PGA will prevail and remain valid. Based on the terms of the First SPA and PGA, if RYRT International does not achieve an aggregate audited PAT of RM43 million from 1 September 2021 to 31 August 2023, the Vendor, Lee Chee Vui and Soo Yu Chai will jointly and severally compensate CICC in cash, being an amount equivalent to 70% of the profit shortfall.

## **4. OVERVIEW, INDUSTRY OUTLOOK AND FUTURE PROSPECTS**

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

#### **(i) Overview**

Following a strong outturn in the first quarter of the year, the Malaysian economy expanded at a more moderate pace in recent months as exports were weighed down by slower external demand. Growth for the remainder of the year will continue to be driven by resilient domestic demand. Household spending continues to be underpinned by favourable labour market conditions, particularly in the domestic-oriented sectors. Tourist arrivals have been steadily improving, and are expected to continue rising, thereby lifting tourism-related activities. Investment activity would be supported by continued progress of multi-year infrastructure projects. Domestic financial conditions also remain conducive to financial intermediation amid sustained credit growth. While the growth outlook is subject to some downside risks stemming from weaker-than-expected global growth, upside risks mainly emanate from domestic factors such as stronger-than-expected tourism activity and faster implementation of projects.

Headline inflation has continued to ease amid lower cost factors. While core inflation has also moderated, it remained elevated relative to the long-term average amid lingering demand and cost factors. For the second half of 2023, both headline and core inflation are projected to trend lower, broadly within expectations. Risks to the inflation outlook remain highly subject to the degree of persistence in core inflation, changes to domestic policy on subsidies and price controls, as well as commodity prices and financial market developments.

*(Source: BNM Quarterly Bulletin Vol. 38 No. 2, 2nd Quarter of 2023, Bank Negara Malaysia)*

## **(ii) Outlook**

For the second half of 2023, the Malaysian economy is expected to expand at a moderate pace. Slower external demand will continue to weigh on economic activity particularly for the export-oriented sectors. Growth will be supported by domestic demand, underpinned by favourable labour market conditions, particularly in the domestic-oriented sectors. Tourist arrivals is expected to continue improving, thereby lifting tourism activities, while investment activity would be supported by implementation of multi-year investment projects. Domestic financial conditions also remain conducive to financial intermediation.

While the growth outlook is subject to some downside risks stemming from weaker-than-expected global growth, upside risks mainly emanate from domestic factors such as stronger-than-expected tourism activity and faster implementation of projects.

In line with expectations, headline inflation has continued to moderate to 2.8% in 2Q 2023 from the peak of 4.5% in 3Q 2022 amid lower cost factors. While core inflation has also moderated, it has been more persistent and remains elevated relative to the long-term average, amid lingering demand and cost factors. For the second half of 2023, both headline and core inflation are projected to trend lower within expectations, partly due to the higher base in the corresponding period last year. Nonetheless, risks to the inflation outlook remain subject to the changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

*(Source: BNM Quarterly Bulletin Vol. 38 No. 2, 2nd Quarter of 2023, Bank Negara Malaysia)*

## **4.2 Overview and outlook of the construction industry**

### **(i) Overview of Malaysia's construction sector**

The construction sector rebounded by 5.0% in 2022, mainly attributed to the positive performance of non-residential buildings and specialised construction activities subsectors. The increasing demand for industrial buildings was supported by the improvement in private investment and robust domestic economic activities. The acceleration of infrastructure projects such as East Coast Rail Link (**ECRL**) and Rapid Transit System (**RTS**) Link also support the sector's performance.

In addition, the development of residential property remains active which boded well with the implementation of measures under the Budget 2022, including a total government guarantee of up to RM2 billion via Skim Jaminan Kredit Perumahan as well as housing projects for low-income group with an allocation of RM1.5 billion.

*(Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023, Ministry of Finance Malaysia)*

The value of work done in the second quarter of 2023 continue to expand by 8.1% (1Q 2023: 9.4%) on a year-on-year basis, amounting to RM32.4 billion (1Q 2023: RM32.2 billion). Meanwhile, a quarter-on-quarter comparison showed the value of work done grew modestly at 0.4% in the second quarter of 2023.

The increment was supported by double-digit growth in the civil engineering sub-sector with a growth of 10.4% in this quarter (1Q 2023: 17.2%), followed by the special trade activities sub-sector, which recorded an increase of 9.8% (1Q 2023: 9.0%). Meanwhile the non-residential buildings sub-sector showed modest growth of 5.7% (1Q 2023: 9.6%) and the value of construction work in the residential buildings sub-sector rebounded to 6.9% (1Q 2023: -2.2%).

Residential buildings and non-residential buildings sub-sectors recorded positive growth on a quarter-on-quarter comparison of 5.4% and 1.1% respectively. In contrast, the civil engineering and special trade activities sub-sector contracted 0.2% and 9.8%.

The civil engineering sub-sector remained the main contributor to the overall value of construction work done, holding the largest share of 37.4%, followed by non-residential buildings (30.7%), residential buildings (22.7%) and special trade activities (9.2%) respectively.

The private sector grew 17.3% (1Q 2023: 10.6%) with 63.1% share of total value of work done (RM20.4 billion) and the public sector also registered a decline of 4.8% (1Q 2023: 7.4%) with 36.9% share of total value off work done (RM11.9 billion).

The value of work done in non-residential buildings and residential buildings sub-sectors remained significant in the project owned by the private sector which contributed 40.0% (RM8.2 billion) and 33.8% (RM6.9 billion) respectively. Meanwhile, the project owned by the public sector was underpinned by the civil engineering sub-sector with a share of 74.1% (RM8.8 billion).

*(Source: Construction Statistics Second Quarter 2023, Department of Statistics Malaysia)*

## **(ii) Outlook of Malaysia's construction sector**

The construction sector is anticipated to increase by 6.1% in 2023 with all subsectors recording a better performance. The implementation of new projects such as upgrading the Klang Valley Double Track (**KVDT**) Phase 2 and acceleration of ongoing infrastructure projects which include ECRL, LRT3 and fifth-generation cellular network (**5G**) rollout will spearhead the civil engineering subsector. In addition, the approved investment for projects in the manufacturing sector is anticipated to come on stream and subsequently create a greater demand for non-residential buildings. Activities in the residential buildings subsector are projected to grow steadily, supported by an increase in the supply of affordable houses in line with the 12MP strategy. In addition, continuous i-MILIKI incentive to encourage home ownership is expected to spur demand for residential buildings.

*(Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023, Ministry of Finance Malaysia)*

The civil engineering subsector is anticipated to regain its positive growth, following the continuation and acceleration of major infrastructure projects, such as the Light Rail Transit 3 (LRT3), Mass Rail Transit Line 3 (MRT3), Johor-Singapore Rapid Transit System (RTS) as well as the Pan Borneo highways in Sabah and Sarawak. Utility projects, including Baleh Hydroelectric, Sarawak Water Supply Grid Programme and Large-Scale Solar 3 plant, are also projected to spur growth.

*(Source: Economic Outlook 2022, Ministry of Finance Malaysia)*

## **4.3 Prospects of RYRT International**

RYRT International is principally involved in the construction of building and other engineering projects. RYRT International's projects is located in Sabah, Malaysia.

Please refer to **Appendix V** of this circular for further information on RYRT International's completed project and ongoing projects as at the LPD.

Since the completion of the Initial Acquisition, our Group has solidified its construction business segment in the infrastructure subsector in Sabah through RYRT International and our Group has further secured a construction project worth RM183.29 million in September 2022, which is funded through internally generated funds. The new construction project secured enables our Group to enhance its supply of building materials for construction through RYRT International and at the same time enhance the value chain of CGB's EPC and EPCC within the construction sector in Sabah.

Based on the existing construction projects stated above and having considered the positive outlook of the construction sector in Sabah, our Company believes that the construction sector in Sabah has favourable growth prospects as the civil engineering subsector is anticipated to grow following the continuation of infrastructure projects in Sabah.

As such, our Group envisage RYRT International to continue to expand in the area of infrastructure projects such as construction of road and water related projects as well as hydroelectric dam projects in Sabah. Our Group will continue to tender for new construction projects in Sabah and to further expand our construction activities such as EPC and EPCC in Sabah whilst concurrently sourcing for similar opportunities in Peninsular Malaysia. As at the LPD, RYRT International has a tender book of approximately RM3.85 billion and we are hopeful that these tenders will translate into tangible results to support the sustainability of RYRT International's business.

Based on RYRT International's outstanding book order of RM204.63 million as at 31 July 2023 which is expected to be completed by October 2025 and the positive prospects of the construction sector in Sabah, the Proposed Acquisition is expected to contribute positively to our Group moving forward.

*(Source: Management of CGB)*

#### **4.4 Impact of the Proposed Acquisition and value creation to our Group and our shareholders**

After considering the rationale of the Proposed Acquisition (as set out in **Section 3** of this Circular) and the overview and outlook of the construction industry (as set out in **Section 4.2** of this Circular), our Board is of the view that the Proposed Acquisition will allow our Company to recognise 100% of the financial results from RYRT International and stand to benefit from increasing its PAT attributable to the owners of our Company and our Board envisages that the Proposed Acquisition will enable us to further enhance and solidify our construction business in Sabah through RYRT International by actively involving in the supply of building materials for construction projects through our EPC and EPCC value chain within the construction sector in Sabah.

#### **4.5 Adequacy of the Proposed Acquisition in addressing our Group's financial condition**

Since the completion of the Initial Acquisition on 20 April 2022, RYRT International became a 70% owned subsidiary of CICC and our Group was able to integrate the capabilities and expertise of both CICC and RYRT International to manage the construction projects.

Based on the latest audited consolidated financial statements of our Company for the FYE 31 December 2022, we have recorded a PAT attributable to the owners of our Company of approximately RM7.46 million and RYRT International has become the largest profit contributor to our Group since the completion of the Initial Acquisition on 20 April 2022. Accordingly, our Group was able to turnaround to achieve a better financial performance.

The Proposed Acquisition therefore allows us to further strengthen our construction presence in Sabah through RYRT International with new opportunities to our Group in the area of tendering and securing construction projects.



Having considered the above and the overview and outlook of the construction industry, our Board is of the view that the Proposed Acquisition will allow our Company to recognise 100% of the financial results from RYRT International and stand to benefit from increasing PAT attributable to the owners of our Company and are adequate in addressing our Group's current financial condition.

## **5. RISK FACTORS**

Our Group is already involved in construction projects in Sabah. However, the key risks factors associated with the construction industry will continue to be monitored so that the appropriate mitigating measures can be formulated and implemented from time to time.

Nevertheless, the other potential risk factors that may arise from the Proposed Acquisition, which may not be exhaustive, are set out below:

### **5.1 Transaction risk**

The completion of the Proposed Acquisition is conditional upon the fulfilment or the waiver (as the case may be) of all conditions precedent of the SPA. There can be no assurance that such conditions will be satisfied within the timeframe stipulated in the SPA. In the event that the conditions precedent are not satisfied, the SPA will be terminated and the Proposed Acquisition will not be completed.

Nonetheless, our Board and management of CGB will take and continue to take all reasonable steps to ensure such conditions precedent are satisfied within the stipulated timeframe to ensure completion of the Proposed Acquisition.

For avoidance of doubt, if the ordinary resolution in respect of the Proposed Acquisition and the material variation to the First SPA and PGA is not approved by our shareholders, the terms of the First SPA and PGA will prevail and remain valid. Based on the terms of the First SPA and PGA, if RYRT International does not achieve an aggregate audited PAT of RM43 million from 1 September 2021 to 31 August 2023, the Guarantors will jointly and severally compensate CICC in cash, being an amount equivalent to 70% of the profit shortfall.

### **5.2 Investment risk**

Although the Proposed Acquisition is expected to benefit our Group, there is no guarantee that the anticipated benefits of the Proposed Acquisition will be realised or that our Group will be able to generate sufficient revenue and earnings to offset the costs incurred for the Proposed Acquisition.

In addition, if there is a profit shortfall at the end of the Revised Profit Guarantee Period, there is no guarantee that the Guarantors will fulfil their obligation to compensate CICC in cash equivalent to 100% of the aggregate shortfall of the Revised Profit Guarantee Amount.

Nevertheless, the Guarantors have shown commitment over the business development and operations of RYRT International, evident by their proactive efforts to grow RYRT International's business. Since the completion of the Initial Acquisition, our Group together with the Guarantors had successfully secured a new construction project i.e. the Project Jalan Semawang ke Tanjung Kuala Gum-Gum. Upon the completion of the Proposed Acquisition, our Board will continue to undertake necessary steps to mitigate such risk by conducting relevant assessment and review to oversee the business operation of RYRT International.

## 6. EFFECTS OF THE PROPOSED ACQUISITION

The effects of the Proposed Acquisition on the issued share capital, NA per Share and gearing, earnings and EPS and substantial shareholders' shareholdings of CGB are illustrated below:

### 6.1 Issued share capital

The pro forma effects of the Proposed Acquisition on the issued share capital of CGB are as follows:

	<u>No. of Shares</u>	<u>RM'000</u>
	<u>'000</u>	
Issued share capital as at the LPD	158,010	114,385
Consideration Shares to be issued pursuant to the Proposed Acquisition	<sup>(1)</sup> 10,200	13,260
<b>Enlarged issued share capital of CGB after the Proposed Acquisition</b>	<b><u>168,210</u></b>	<b><u>127,645</u></b>

**Note:**

(1) Based on the issue price of RM1.30 per Consideration Share to be issued pursuant to the Proposed Acquisition.

### 6.2 NA per Share and gearing

For illustration purposes only, based on the latest audited consolidated statements of financial position of CGB as at 31 December 2022, the pro forma effects of the Proposed Acquisition on the NA per Share and gearing are as follows:

	<u>Audited as at</u>	<u>Adjusted after</u>	<u>After the</u>
	<u>31 December 2022</u>	<u>subsequent</u>	<u>Proposed</u>
	<u>RM'000</u>	<u>events<sup>(1)</sup></u>	<u>Acquisition</u>
		<u>RM'000</u>	<u>RM'000</u>
Share capital	100,111	114,385	<sup>(2)</sup> 127,645
Translation reserve	389	389	389
Accumulated losses	(8,496)	<sup>(3)</sup> (12,032)	<sup>(3)</sup> (17,867)
<b>Shareholders' fund / NA attributable to the owners of our Company</b>	<b><u>92,004</u></b>	<b><u>102,742</u></b>	<b><u>110,167</u></b>
No. of Shares in issue ( <b>*000</b> )	141,760	158,010	168,210
NA per Share ( <b>RM</b> )*	0.65	0.65	0.65
Total interest-bearing borrowings ( <b>RM'000</b> )	11,251	11,251	11,251
Gearing ratio ( <b>times</b> ) <sup>#</sup>	0.12	0.11	0.10

**Notes:**

(1) After taking into consideration of the following events:

- (i) issuance of 13.422 million new Shares arising from the exercise of 13.422 million Warrants at the exercise price of RM0.80 per Warrant;
- (ii) issuance of new Shares arising from the exercise of the following share awards under the SGS at the following subscription prices:
  - (a) 631,920 share awards exercised into new Shares at RM0.9635;
  - (b) 945,340 share awards exercised into new Shares at RM1.1085;
  - (c) 333,170 share awards exercised into new Shares at RM1.4434; and
  - (d) 917,300 share awards exercised into new Shares at RM1.5240.

- (2) After taking into consideration the issuance of 10,200,000 Consideration Shares at the issue price of RM1.30 each pursuant to the Proposed Acquisition.
- (3) After taking into consideration of the following:

	<u>RM'000</u>
Accumulated losses as at 31 December 2022	(8,496)
Issuance of new Shares arising from the exercise of the share awards under the SGS	(3,536)
<b>Adjusted accumulated losses after the subsequent events</b>	<b>(12,032)</b>
Estimated expenses for the Proposed Acquisition	(530)
Change in ownership interests on the equity attributable to owners of CGB after the Proposed Acquisition	<sup>(i)</sup> (5,305)
<b>Adjusted accumulated losses after the Proposed Acquisition</b>	<b><u>(17,867)</u></b>

**Note:**

- (i) The change in ownership interests on the equity attributable to owners of CGB after the Proposed Acquisition is computed as follows:

	<u>RM'000</u>
Amount by which NCI are adjusted	7,955
Consideration for the remaining 30% equity interest in RYRT International	(13,260)
<b>Decrease in equity attributable to owners of CGB</b>	<b><u>(a)(5,305)</u></b>

**Note:**

- (a) The decrease in equity attributable to owners of CGB of approximately RM5.31 million was accounted for in accordance with the applicable provision of MFRS 10, Consolidated Financial Statements. Paragraph B96 of MFRS 10 states that when the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

\* Calculated based on NA divided by total number of Shares in issue.

# Calculated based on total interest-bearing borrowings divided by NA.

### 6.3 Earnings and EPS

For illustration purposes only, assuming the Proposed Acquisition was completed on 1 January 2022, being the beginning of the FYE 31 December 2022, the pro forma effects of the Proposed Acquisition on the earnings and EPS of CGB Group is as follows:

	<u>Audited for the FYE 31 December 2022</u>	<u>After the Proposed Acquisition</u>
	<u>RM'000</u>	<u>RM'000</u>
PAT attributable to:		
- Owners of CGB	7,467	<sup>(1)</sup> 12,601
- NCI	5,664	<sup>(1)</sup> -
<b>Proforma PAT</b>	<b><u>13,131</u></b>	<b><u>12,601</u></b>
No. of Shares in issue ('000)	141,760	<sup>(2)</sup> 164,980
EPS <sup>(3)</sup> (sen)	5.27	7.64

**Notes:**

(1) After taking into considering the following:

	<u>RM'000</u>
PAT attributable to owners of CGB	7,467
Add:	
Consolidation of PAT attributable to NCI to owners of CGB after the Proposed Acquisition	5,664
<b>Subtotal</b>	<u>(i) 13,131</u>
Less:	
Estimated expenses for the Proposed Acquisition	(530)
<b>Proforma PAT</b>	<u>12,601</u>

**Note:**

- (i) After taking into consideration of the effects of the latest restated audited PAT of RYRT International for the FYE 31 August 2022 of RM8.37 million, represented by 100% equity interest in RYRT International.
- (2) After taking into consideration the issuance of 10,200,000 Consideration Shares at the issue price of RM1.30 each pursuant to the Proposed Acquisition.
- (3) Computed based on PAT attributable to the owners of CGB divided by the number of Shares in issue as at the LPD.

Notwithstanding the dilutive effect to our shareholders following the issuance of Consideration Shares as settlement for the Purchase Consideration, resulting in an increase in the number of Shares, our Board is of the view that the Proposed Acquisition is expected to contribute positively to the financial performance of our Group.

**6.4 Substantial shareholders' shareholdings**

Based on the record of depositors of our Company as at the LPD, the effects of the Proposed Acquisition on the substantial shareholders' shareholdings of CGB are as follows:

Substantial shareholders	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	<b>'000</b>		<b>'000</b>		<b>'000</b>		<b>'000</b>	
Chew Hian Tat	41,438	26.22	(2)5,242	3.32	41,438	24.63	(2)5,242	3.12
RYRT Holdings	9,968	6.31	-	-	20,168	11.99	-	-
Geneva Insurance Group (Barbados) Inc.	13,000	8.23	-	-	13,000	7.73	-	-
Soo Yu Chai	17	0.01	(3)9,968	6.31	17	0.01	(3)20,168	11.99
Lee Chee Vui	2,329	1.47	(3)9,968	6.31	2,329	1.38	(3)20,168	11.99
Directors of CGB and our Group <sup>(1)</sup>	717	0.45	-	-	717	0.43	-	-
Public shareholders <sup>(4)</sup>	85,300	53.99	-	-	85,300	50.71	-	-

**Notes:**

- (1) *The Directors of CGB and our Group comprise the Independent Non-Executive Director of our Company, Mr Lee Swee Meng (139,300 Shares at 0.09%), and Directors of the subsidiaries of our Company, name Mr. Yeoh Weng Hong (527,422 Shares at 0.33%) and Mr. Lau Chee Wai (50,000 Shares at 0.03%).*
- (2) *Deemed interested by virtue of his substantial shareholdings in HJT Foods Technology (M) Sdn Bhd (1,692,000 Shares at 1.07%), and HJT International Group (M) Sdn Bhd (3,550,000 Shares at 2.25%), pursuant to Section 8 of the Act.*
- (3) *Deemed interested by virtue of their substantial shareholdings in RYRT Holdings pursuant to Section 8 of the Act.*
- (4) *The current public shareholding spread as at the LPD is 53.99% and the proforma public shareholding spread upon the completion of the Proposed Acquisition is 50.71%. The Proposed Acquisition is not expected to result in the non-compliance with the public shareholding spread requirement under Paragraph 8.02(1) of the Listing Requirements.*

**6.5 Convertible securities**

As at the LPD, save for the outstanding 38,015,820 Warrants and 148,639 share awards under the SGS, our Company does not have any outstanding warrants, options, convertible securities and uncalled capital.

**7. TRANSACTIONS WITH RELATED PARTIES FOR THE PAST 12 MONTHS**

Save for the Proposed Acquisition, our Company has not entered into any material transaction with the related parties for the past 12 months up to the LPD.

**8. APPROVALS REQUIRED AND CONDITIONALITY**

The Proposed Acquisition and the material variation to the First SPA and PGA is subject to the following approvals being obtained:

- (i) Bursa Securities, for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, which was obtained on 16 August 2023; and
- (ii) the shareholders of our Company at our forthcoming EGM.

Save as disclosed above, there are no other relevant authorities' approval required.

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

**9. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is 33.63% calculated based on 30% of the latest restated net profit of RYRT International for the FYE 31 August 2022 divided by the latest audited net profit attributable to owners of our Company for the FYE 31 December 2022.

**10. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Acquisition, there is no other outstanding corporate proposals announced but pending completion before the printing of this Circular.

## 11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of our directors and/or major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition, save as disclosed below:

The Interested Director is our Executive Director and he is also a director and substantial shareholder of RYRT Holdings. As at the LPD, the shareholdings of the Interested Director in our Company are as follows:

Interested Director	As at the LPD			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
	'000		'000	
Lee Chee Vui	2,329	1.47	(1)9,968	6.31

**Note:**

(1) Deemed interested by virtue of his interest in RYRT Holdings pursuant to Section 8 of the Act.

Accordingly, the Interested Director has abstained and will continue to abstain from all deliberations and voting on any resolution pertaining to the Proposed Acquisition at our relevant Board meetings.

The Interested Director will also abstain from voting in respect of his direct and/or indirect shareholdings in our Company on the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

The Interested Director will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

## 12. AUDIT AND RISK MANAGEMENT COMMITTEE'S RECOMMENDATION

Our Audit and Risk Management Committee, after having considered the relevant aspects of the Proposed Acquisition, including but not limited to the:

- (i) IAL;
- (ii) salient terms of the SPA and the Supplemental SPA;
- (iii) basis and justification in arriving at the Purchase Consideration;
- (iv) basis and justification in arriving at the issue price of the Consideration Shares; and
- (v) rationale and effects of the Proposed Acquisition,

is of the opinion that the Proposed Acquisition is:

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

In forming the views, our Audit and Risk Management Committee has taken into consideration, amongst others, the following:

- (i) the salient terms of the SPA and the Supplemental SPA;
- (ii) the basis and justification in arriving at the Purchase Consideration;
- (iii) the basis and justification in arriving at the issue price of the Consideration Shares; and
- (iv) the rationale and effects of the Proposed Acquisition.

### 13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (saved for the Interested Director), after having considered the relevant aspects of the Proposed Acquisition, including but not limited to the:

- (i) IAL;
- (ii) salient terms of the SPA and the Supplemental SPA;
- (iii) basis and justification in arriving at the Purchase Consideration;
- (iv) basis and justification in arriving at the issue price of the Consideration Shares; and
- (v) rationale and effects of the Proposed Acquisition,

is of the opinion that the Proposed Acquisition is in the best interest of our Company.

Accordingly, our Board (saved for the Interested Director) recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

### 14. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of our Shares traded on Bursa Securities for the 12 months preceding the date of this Circular from September 2022 to August 2023 are as follows:

	<u>High</u>	<u>Low</u>
	RM	RM
<b><u>2022</u></b>		
September	0.96	0.90
October	0.915	0.895
November	0.925	0.87
December	0.915	0.885
<b><u>2023</u></b>		
January	1.08	0.895
February	1.07	1.02
March	1.11	0.915
April	1.15	1.06
May	1.35	1.08
June	1.64	1.32
July	1.91	1.49
August	2.37	1.86
The last transacted market price of our Shares on 30 May 2023, being the last market day immediately prior to the announcement of the Proposed Acquisition		RM1.30
The last transacted market price of our Shares as at the LPD		RM2.13

(Source: Bloomberg)

## 15. TENTATIVE TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, our Board expects the Proposed Acquisition to be completed by the second half of 2023.

The tentative timetable for the implementation is as follows:

<b>Tentative timetable</b>	<b>Events</b>
September 2023	<ul style="list-style-type: none"><li>▪ EGM.</li><li>▪ Unconditional Date of the SPA and the Supplemental SPA.</li><li>▪ Completion of the SPA and the Supplemental SPA.</li><li>▪ Listing of and quotation for 10,200,000 Consideration Shares at the issue price of RM1.30 per Consideration Share on the Main Market of Bursa Securities.</li></ul>

## 16. EGM

The EGM, the notice which is set out in this Circular, will be conducted on a virtual basis at the Broadcast Venue at A5-06 Block A, Plaza Dwi Tasik, Jalan 5/106, Bandar Sri Permaisuri, 56000 Kuala Lumpur on **Tuesday, 19 September 2023 at 10:30 a.m.**, or at any adjournment thereof for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Acquisition. Online registration: <https://vps.megacorp.com.my/gHGqS9>. Please refer to the Administrative Guide.

You are entitled to attend and vote at our EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Form of Proxy at our Company's registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250, Kuala Lumpur, Wilayah Persekutuan, Malaysia or email to [EGM-support.CGB@megacorp.com.my](mailto:EGM-support.CGB@megacorp.com.my) not less than 48 hours before the time for holding the meeting or any adjournment thereof. The lodgement of the Form of Proxy shall not preclude you from attending and voting at our EGM should you subsequently wish to do so and, in such event, your Form of Proxy shall be deemed to have been revoked.

## 17. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

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

**DATO' FAISAL ZELMAN BIN DATUK ABDUL MALIK**  
Non-Independent Non-Executive Chairman



**PART B**

**INDEPENDENT ADVICE LETTER FROM DWA ADVISORY SDN BHD TO OUR  
NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION AND  
THE MATERIAL VARIATION TO THE FIRST SPA AND PGA**

*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 IAL. All references to "you" are references to the non-interested shareholders while references to "we", "us" or "our" are to DWA Advisory, being the Independent Adviser for the Proposed Acquisition and the material variation to the First SPA and PGA. 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 information of the Proposed Acquisition and the material variation to the First SPA and PGA, is intended to be a brief summary of this IAL prepared by DWA Advisory. 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 and the material variation to the first SPA and PGA at the forthcoming EGM of CGB.**

## **1. INTRODUCTION**

On 31 May 2023, on behalf of the Board, HLIB announced that CICC, a wholly-owned subsidiary of CGB, had on the same day, entered into the SPA with RYRT Holdings for the Proposed Acquisition.

By virtue of the interest of the Interested Director in the Proposed Acquisition as set out in Section 11 of Part A of the Circular, the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements of Bursa Securities. Pursuant thereto, the Board (save for the Interested Director), had on 26 May 2023, appointed DWA Advisory to act as the Independent Adviser to the non-interested directors and non-interested shareholders of CGB in respect of the Proposed Acquisition.

On 10 July 2023, on behalf of the Board, HLIB announced that CICC had on the same day, entered into the Supplemental SPA with the Guarantors to supplement the terms of the First SPA, the PGA and SPA in respect of the Proposed Acquisition.

On 12 July 2023, on behalf of the Board, HLIB announced and clarified that the Supplemental SPA to supplement the terms of the First SPA, the PGA and the SPA in respect of the Proposed Acquisition together with the SPA will subject to the approval from the shareholders at an EGM to be convened as part of the Proposed Acquisition.

On 14 July 2023, on behalf of the Board, HLIB announced and further clarified in respect of the Supplemental SPA, which give rise to the material variation to the First SPA and PGA pursuant to Paragraph 8.22(1)(b) of the Listing Requirements.

The purposes of this IAL are to provide the non-interested shareholders with an independent evaluation on the fairness and reasonableness of the terms of the Proposed Acquisition and the material variation to the First SPA and PGA, in so far as the non-interested shareholders are concerned and whether the Proposed Acquisition and the material variation to the First SPA and PGA is to detriment of the non-interested shareholders. This IAL will also provide recommendation in relation to the ordinary resolution pertaining to the Proposed Acquisition and the material variation to the First SPA and PGA.

## **2. EVALUATION OF THE PROPOSED ACQUISITION**

In forming our opinion to the non-interested shareholders, we have considered the following factors in our evaluation of the Proposed Acquisition.

**(i) Rationale and benefits of the Proposed Acquisition**

We are of the view that the rationale and benefits for the Proposed Acquisition are reasonable and not detrimental to the interest of the non-interested shareholders considering the amount of revenue and PBT contributed by RYRT International to the CGB Group since the completion of the Initial Acquisition on 20 April 2022. The full and final settlement of the Purchase Consideration via issuance of the Consideration Shares will enable CGB Group to conserve its cash and enhance its financial position without any impact on its cash flow position.

Please refer to Section 6.1 of this IAL for further details on the rationale and benefits of the Proposed Acquisition.

**(ii) Evaluation of the Purchase Consideration**

In arriving at the equity value of RYRT International, we have considered the DCF method as the most appropriate valuation methodology as we noted that the estimated future cash flows to be derived from RYRT International can be projected by the management of CGB.

In addition to the DCF Valuation, we have also assessed the fairness of the Purchase Consideration based on the price-to-earnings ratio (“**PER**”) method to compare the PER of RYRT International to that of its peers to give RYRT International’s value relative to its peers.

We are of the view that the basis and justification in arriving at the Purchase Consideration are fair and reasonable as it falls within the estimated range of the indicated equity value based on the DCF method and the PER based on the implied total Purchase Consideration of 100% equity interest of RYRT International is lower than low range of PER of the comparable companies based on the PER method.

Please refer to Section 6.2 of this IAL on our detailed valuation of the Purchase Consideration.

**(iii) Evaluation of the issue price of the Consideration Shares**

We noted that the Purchase Consideration of RM13.26 million will be wholly satisfied via issuance and allotment of 10,200,000 of the Consideration Shares at an issue price of RM1.30 per Consideration Share.

We have evaluated the issue price of the Consideration Shares as follows:

- the issue price of the Consideration Shares is equivalent to the closing market price of CGB Shares on 30 May 2023, immediately prior to the date of SPA; and
- the issue price of the Consideration Shares represents a premium of 100% to the audited NA per CGB Share of RM0.65 as at 31 December 2022.

Please refer to Section 6.3 of this IAL on our detailed evaluation of the issue price of the Consideration Shares.

**(iv) Evaluation of the salient terms of the SPA**

Based on our review of the salient terms of the SPA, we are of the view that the overall terms and conditions of the said SPA are reasonable and not detrimental to the interest of the non-interested shareholders.

Please refer to Section 6.4 of this IAL on our detailed evaluation of the salient terms of the SPA.

**(v) Evaluation of the salient terms of the Supplemental SPA**

Based on our review of the salient terms of the Supplemental SPA, we are of the view that the overall terms and conditions of the said Supplemental SPA are reasonable and not detrimental to the interest of the non-interested shareholders.

Please refer to Section 6.5 of this IAL on our detailed evaluation of the salient terms of the Supplemental SPA.

**(vi) Financial effects of the Proposed Acquisition**

- The Proposed Acquisition will increase the Company's issued share capital whilst simultaneously diluting the non-interested shareholders' shareholdings in the Company pursuant to the issuance of the Consideration Shares to satisfy the Purchase Consideration.
- We noted that CGB's pro forma NA attributable to the owners of CGB as at 31 December 2022 will increase from RM92.00 million to RM102.74 million upon subsequent issuance of 13.42 million new Shares arising from the exercise of 13.42 million Warrants at the exercise price of RM0.80 per Warrant, issuance of 0.63 million, 0.95 million, 0.33 million and 0.92 million new Shares arising from the SGS at the subscription price of RM0.9635 per Share, RM1.1085 per Share RM1.4434 and RM1.5240 per Share respectively (collectively, "Subsequent Events"). Following the Proposed Acquisition, the pro forma NA attributable to the owners of CGB will increase from RM102.74 million to RM110.17 million.
- Correspondingly, CGB's pro forma NA per Share will maintain at RM0.65 per Share pursuant to the Subsequent Events and the Proposed Acquisition.
- The pro forma gearing ratio of CGB as at 31 December 2022 will improve from 0.12 times to 0.11 times upon the Subsequent Events and further improve to 0.10 times upon completion of the Proposed Acquisition, as the Purchase Consideration shall be wholly satisfied by the issuance of Consideration Shares.
- The pro forma PAT attributable to the owners of CGB for the FYE 31 December 2022 will increase from RM7.47 million to RM12.60 million upon the completion of the Proposed Acquisition and after deducting the estimated expenses of approximately RM0.53 million in relation to the Proposed Acquisition. Subsequently, CGB Group's pro forma EPS for the same period will increase from 5.27 sen to 7.64 sen after taking into consideration the issuance of 10,200,000 Consideration Shares pursuant to the Proposed Acquisition.

Premised on the above, we are of the view that the financial effects arising from the Proposed Acquisition are reasonable and not detrimental to the interest of the non-interested shareholders.

Please refer to Section 6.6 of this IAL on our detailed evaluation of the financial effects of the Proposed Acquisition.

**(vii) Overview, industry outlook and future prospects**

The Malaysian economy expanded moderately in the second quarter of 2023, weighed mainly by slower external demand. The Malaysian economy is expected to maintain positive growth in 2023, though at a slower pace than in 2022. This is supported by factors such as sustained domestic demand, improved labour market conditions, and the recovery of tourist arrivals.

The construction sector growth remained strong at 6.2% contributed by positive performance in all subsectors, namely civil engineering, specialised construction activities, residential buildings, and non-residential buildings. The growth was driven by the acceleration of the implementation of infrastructure projects, housing construction as well as commercial and industrial buildings.

In view of the above, we noted that the prospects of the Proposed Acquisition are expected to be positive and thus the Proposed Acquisition is not detrimental to the interest of the non-interested shareholders.

Please refer to Section 6.7 of this IAL for further details on the overview and outlook of the Malaysian economy, overview and outlook of Malaysian construction industry as well as prospects of RYRT International.

**(viii) Risk factors associated with the Proposed Acquisition**

The risk factors associated with the Proposed Acquisition are, amongst others, transaction risk and investment risk.

Please refer to Section 6.8 of this IAL for further details on the risk factors associated with the Proposed Acquisition.

**3. CONCLUSION AND RECOMMENDATION**

Premised on the foregoing and our evaluation of the Proposed Acquisition and the material variation to the First SPA and PGA, DWA Advisory is of the opinion that the terms of the Proposed Acquisition and the material variation to the First SPA and PGA are **FAIR AND REASONABLE** and are **NOT DETRIMENTAL** to the interest of the non-interested shareholders of CGB.

Accordingly, DWA Advisory recommends that the non-interested shareholders **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Acquisition and the material variation to the First SPA and PGA 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 and the material variation to the First SPA and PGA.

The non-interested shareholders are also 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 and the material variation to the First SPA and PGA at the forthcoming EGM.



**Registered office:**

E-2-1, Block E, Oasis Square  
No. 2, Jalan PJU 1A/7A  
Ara Damansara  
47301 Petaling Jaya  
Selangor Darul Ehsan

4 September 2023

**To: The non-interested shareholders of CGB**

Dear Sir/Madam,

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF CGB IN RELATION TO THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA.**

---

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 DWA Advisory, being the Independent Adviser for the Proposed Acquisition and material variation to the First SPA and PGA. 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 31 May 2023, on behalf of the Board, HLIB announced that CICC, a wholly-owned subsidiary of CGB, had on the same day, entered into the SPA with RYRT Holdings for the Proposed Acquisition.

By virtue of the interest of the Interested Director in the Proposed Acquisition as set out in Section 11 of Part A of the Circular, the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements of Bursa Securities. Pursuant thereto, the Board (save for the Interested Director), had on 26 May 2023, appointed DWA Advisory to act as the Independent Adviser to the non-interested directors and non-interested shareholders of CGB in respect of the Proposed Acquisition.

On 10 July 2023, on behalf of the Board, HLIB announced that CICC had on the same day, entered into the Supplemental SPA with the Guarantors to supplement the terms of the First SPA, the PGA and SPA in respect of the Proposed Acquisition.

On 12 July 2023, on behalf of the Board, HLIB announced and clarified that the Supplemental SPA to supplement the terms of the First SPA, the PGA and the SPA in respect of the Proposed Acquisition together with the SPA will subject to the approval from the shareholders at an EGM to be convened as part of the Proposed Acquisition.

On 14 July 2023, on behalf of the Board, HLIB announced and further clarified in respect of the Supplemental SPA, which give rise to the material variation to the First SPA and PGA pursuant to Paragraph 8.22(1)(b) of the Listing Requirements.



The purposes of this IAL are to provide the non-interested shareholders with an independent evaluation on:

- (i) the fairness and reasonableness of the terms of the Proposed Acquisition and the material variation to the First SPA and PGA and, in so far as the non-interested shareholders are concerned; and
- (ii) whether the Proposed Acquisition and the material variation to the First SPA and PGA is to the detriment of the non-interested shareholders,

together with our recommendation on whether the non-interested shareholders should vote in favour of the ordinary resolution pertaining to the Proposed Acquisition and the material variation to the First SPA and PGA to be tabled at the forthcoming EGM of CGB. DWA Advisory's evaluation and recommendation are subject to the scope and limitation of our role as specified herein.

**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 PERTAINING TO THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA AT THE FORTHCOMING EGM.**

**THIS IAL IS SOLELY FOR THE USE OF THE NON-INTERESTED SHAREHOLDERS FOR THE PURPOSE OF CONSIDERING THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE. IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## **2. DETAILS OF THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA**

The full details of the Proposed Acquisition and material variation to the First SPA and PGA are set out in Section 2 of Part A of the Circular and should be read in its entirety by the non-interested shareholders.

## **3. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION AND THE MATERIAL VARIATION TO THE FIRST SPA AND PGA**

DWA Advisory was not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposed Acquisition and material variation to the First SPA and PGA. DWA Advisory has also not undertaken any independent investigation into the business, affairs, operations, financial position or prospects of CGB.

Our scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisition and material variation to the First SPA and PGA and whether it is to the detriment of the non-interested shareholders.



DWA Advisory is satisfied with the adequacy of information and documents provided by the Board and management of CGB in order for us to form the basis of our opinion. DWA Advisory wishes to highlight that the Board has collectively and individually confirmed to us that all relevant material facts and information critical to our evaluation has been disclosed to us. The Board has also accepted responsibility for the accuracy of the information provided to us by the Board, the management and/or its advisers which is reproduced herein and confirmed that, after making all reasonable enquiries and to the best of its knowledge and belief, there are no other information and/or facts, the omission of which would make any information provided to us misleading, incomplete or inaccurate.

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

- (i) the SPA dated 31 May 2023 entered into between CICC and RYRT Holdings in relation to the Proposed Acquisition;
- (ii) the Supplemental SPA dated 10 July 2023 entered into between CICC and the Guarantors in relation to the Proposed Acquisition;
- (iii) the information obtained or derived from CGB's announcements to Bursa Securities on 31 May 2023, 10 July 2023, 12 July 2023, 14 July 2023 and 16 July 2023 in relation to the Proposed Acquisition and the Supplemental SPA, respectively;
- (iv) the information contained in Part A of the Circular and the enclosed appendices;
- (v) the audited financial statements of RYRT International for the FYE 31 August 2021;
- (vi) the audited financial statements of RYRT International for the 6-month FPE 28 February 2023 together with the restated audited financial results for the FYE 31 August 2022;
- (vii) income statements and cash flow projections of RYRT International for the 5-year period from FYE 31 December 2023 to FYE 31 December 2027 together with the key underlying bases and assumptions provided by CGB;
- (viii) the audited financial statements of CGB for the FYE 31 December 2021 and 2022, and the unaudited financial statement of CGB for 6-month FPE 30 June 2023;
- (ix) the valuation report issued by Moore Advisory dated 30 May 2023 in relation to equity valuation of RYRT International;
- (x) other relevant information, documents, confirmations and representations provided to us by the Board and management of CGB;
- (xi) discussions and consultation with the management of CGB; and
- (xii) other publicly available information which we have deemed to be relevant.





DWA Advisory has relied on the Board and representatives of CGB to take due care and to ensure that all information, documents and representations provided to us by them to facilitate our evaluation are accurate, valid and complete in all material aspects. Accordingly, DWA Advisory has not independently verified the information provided to us for its feasibility, reliability, accuracy and/or completeness and we express no opinion on any such information and have not undertaken any independent investigation into the business and affairs of CGB and all relevant parties involved in the Proposed Acquisition and material variation to the First SPA and PGA. Nonetheless, DWA Advisory has made reasonable enquiries, and as at the date of this IAL, DWA Advisory has no reason to believe that the aforementioned information provided to us is unreliable, incomplete, misleading and/or inaccurate. The scope of our responsibility with regard to the evaluation and recommendation contained herein is confined to the financial terms and implications arising from the Proposed Acquisition and material variation to the First SPA and PGA.

DWA Advisory has evaluated the Proposed Acquisition and material variation to the First SPA and PGA and in rendering our advice, DWA Advisory has also considered the current situation of the capital market, economic, industry, regulatory, monetary, social-political and other factors prevailing on, and the general future plans of the CGB as well as the other information/documents made available to us as at the LPD. Such conditions may change significantly over a short period of time. DWA Advisory believes that these factors are of relevance and general importance to the assessment of the implications of the Proposed Acquisition and material variation to the First SPA and PGA and would be of relevance and general concern to the non-interested directors and the non-interested shareholders. This opinion is rendered solely for the benefit of the non-interested shareholders.

DWA Advisory's evaluation and recommendations expressed herein are confined to the Proposed Acquisition and material variation to the First SPA and PGA. DWA Advisory's scope as the Independent Adviser does not extend to expressing any opinion on the commercial merits, legal and tax implications arising from the Proposed Acquisition and material variation to the First SPA and PGA as this remains the sole responsibility of the Board.

DWA Advisory's views and recommendations contained in this IAL are to the non-interested shareholders at large and not to any non-interested shareholder individually. As such, in carrying out our evaluation, DWA Advisory has not given any consideration to any specific future plans nor to consider the specific objectives, financial situation and particular needs of any individual shareholder or specific group of shareholders.

DWA Advisory recommends that any individual non-interested shareholder or any specific group of non-interested shareholders who is in doubt of the action to be taken or require specific advice in relation to the Proposed Acquisition and material variation to the First SPA and PGA, in the context of their individual objectives, financial situation and particular needs, to consult with their stockbrokers, bankers, solicitors, accountants or other professional advisers. DWA Advisory shall not be responsible for any damage or loss of any kind sustained or suffered by any individual non-interested shareholder or any specific group of non-interested shareholders in reliance on the opinion stated herein for any purpose whatsoever other than for the purpose of considering the Proposed Acquisition and material variation to the First SPA and PGA at the forthcoming EGM.

After the dispatch of the Circular and this IAL, and until the date of the EGM, DWA Advisory will notify the non-interested shareholders if we become aware of the following:

- (i) significant change affecting the information contained in the IAL;
- (ii) there is a reason to believe that the statements in the IAL are misleading/deceptive; and
- (iii) there is a material omission in the IAL.



#### 4. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

DWA Advisory confirms that it is not aware of any circumstances which exist or are likely to give rise to a possible conflict of interest situation for DWA Advisory to carry out the role as the Independent Adviser in relation to the Proposed Acquisition and material variation to the First SPA and PGA.

Save for our role as the Independent Adviser for the Proposed Acquisition and material variation to the First SPA and PGA as at the LPD, DWA Advisory has not had any professional relationship with CGB and RYRT Holdings at any time during the past two (2) years.

DWA Advisory is an advisory firm incorporated in Malaysia and licensed by the SC (License No. CMSL/A0315/2013) to carry out the regulated activity of advising on corporate finance pursuant to Section 58 of the Capital Markets and Services Act 2007. DWA Advisory has also obtained approval from the SC to act as Independent Adviser under the Rules on Take-over, Mergers and Compulsory Acquisitions. DWA Advisory has undertaken the role as an Independent Adviser for corporate exercises in the past three (3) years prior to the Proposed Acquisition, which include the following:

- (i) conditional mandatory take-over offer by Wong Sak Kuan and Yau Ming Teck ("**Joint Offerors**") through KAF Investment Bank Berhad to acquire all the remaining ordinary shares in MESB Berhad ("**MESB**") not already owned by the Joint Offerors arising from the exercise of the outstanding warrants in MESB not already owned by the Joint Offerors ("**Offer Shares**") and all the remaining unexercised outstanding warrants in MESB not already owned by the Joint Offerors ("**Offer Warrants**") for a cash offer price of RM0.315 per Offer Share and RM0.015 per Offer Warrant, where our independent advice circular ("**IAC**") was issued on 12 November 2020;
- (ii) unconditional mandatory take-over offer by Ekovest Berhad ("**Offeror**") through RHB Investment Bank Berhad to acquire all the remaining ordinary shares in PLS Plantation Berhad not already held by the Offeror including any new PLS Shares that may be allotted prior to the closing date of the offer arising from the exercise of any of the 10-year warrants 2020/2030 issued by PLS ("**PLS Warrants**") and all the remaining PLS Warrants not already held by the Offeror, where our IAC was issued on 30 November 2020;
- (iii) unconditional mandatory take-over offer by Batu Kawan Berhad ("**Offeror**") through CIMB Investment Bank Berhad to acquire all the remaining ordinary shares in Chemical Company of Malaysia Berhad not already held by the Offeror ("**Offer Shares**") for a cash consideration of RM3.10 per Offer Share, where our IAC was issued on 7 January 2021;
- (iv) unconditional mandatory take-over offer by Datuk Tiah Thee Kian ("**Offeror**") through TA Securities Holdings Berhad to acquire all the remaining ordinary shares in TA Enterprise Berhad not already held by the Offeror ("**Offer Shares**") at a cash offer price of RM0.655 per Offer Share, where our IAC was issued on 14 January 2021;
- (v) unconditional mandatory take-over offer by Tiong Toh Siong Enterprises Sdn Bhd ("**Offeror**") through Kenanga Investment Bank Berhad to acquire all the remaining ordinary shares in Subur Tiasa Holdings Berhad (excluding treasury shares) not already held by the Offeror and the enlarged persons acting in concert with them ("**Offer Shares**") at a cash consideration of RM0.65 per Offer Share, where our IAC was issued on 30 September 2021;
- (vi) selective capital reduction and repayment exercise of KAF-Seagroatt & Campbell Berhad pursuant to Section 116 of the Companies Act 2016, where our independent advice letter was issued on 3 March 2022;

- (vii) conditional mandatory take-over offer by Dato' Lim Kian Onn ("**Offeror**") through Mercury Securities Sdn Bhd to acquire all the remaining ordinary shares in ECM Libra Group Berhad not already held by the Offeror and persons acting in concert with him ("**Offer Shares**") for a cash offer price of RM0.22 per Offer Share, where our IAC was issued on 7 July 2022;
- (viii) related party transaction by Al-'Aqar Healthcare REIT ("**Al-'Aqar**") involving the acquisition and leaseback of a building known as TMC Health Centre, a building forming part of KPJ Seremban Specialist Hospital and KPJ Pasir Gudang Specialist Hospital by AmanahRaya Trustees Berhad, acting solely in its capacity as trustee for and on behalf of Al-'Aqar, from several subsidiaries of KPJ Healthcare Berhad for a purchase consideration of RM192.0 million satisfied via cash and an issuance of Al-'Aqar units, where our independent advice letter was issued on 21 November 2022; and
- (ix) unconditional mandatory take-over offer by TIZA Global Sdn Bhd (formerly known as Citaglobal Sdn Bhd) ("**Offeror**") through KAF Investment Bank Berhad to acquire all the remaining ordinary shares, Warrant A, Warrant B and irredeemable convertible preference shares in Citaglobal Berhad (formerly known as WZ Satu Berhad) not already owned by the Offeror, Tan Sri Dato' Sri (Dr.) Mohamad Norza Bin Zakaria and persons acting in concert, where our IAC was issued on 9 December 2022.

Premised on the foregoing, DWA Advisory is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested directors and non-interested shareholders in relation to the Proposed Acquisition and material variation to the First SPA and PGA.

## **5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

The details of the Interested Director and/or persons connected with him who have an interest, directly and/or indirectly in the Proposed Acquisition are set out in Section 11 of Part A of the Circular. Save for those disclosed in Section 11 of Part A of the Circular, none of the other directors, major shareholders and/or persons connected with them have any interests, direct or indirect, in the Proposed Acquisition.

### **5.1 Interested Director of CGB**

Lee Chee Vui, the Interested Director, is an Executive Director of CGB and is also a director and substantial shareholder of RYRT Holdings. Accordingly, the Interested Director has abstained and will continue to abstain from deliberating and voting on any resolution pertaining to the Proposed Acquisition at the relevant Board meetings of CGB.

Further, the Interested Director will also abstain from voting in respect of his direct and/or indirect shareholdings in CGB on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of CGB.

The Interested Director will also ensure that persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings in CGB, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of CGB.

## 6. EVALUATION OF THE PROPOSED ACQUISITION

DWA Advisory has assessed various aspects of the Proposed Acquisition and material variation to the First SPA and PGA including the rationale and financial effects of the Proposed Acquisition as its implications to the non-interested shareholders. Hence, DWA Advisory's opinion on the fairness and reasonableness of the Proposed Acquisition and material variation to the First SPA and PGA is rendered on a holistic approach. In forming our opinion to the non-interested shareholders, we have considered the following factors in our evaluation of the Proposed Acquisition and material variation to the First SPA and PGA:

No.	Item	Sections in this IAL
(a)	Rationale and benefits of the Proposed Acquisition	6.1
(b)	Evaluation of the Purchase Consideration	6.2
(c)	Evaluation of the issue price of the Consideration Shares	6.3
(d)	Evaluation of the salient terms of the SPA	6.4
(e)	Evaluation of the salient terms of the Supplemental SPA	6.5
(f)	Financial effects of the Proposed Acquisition	6.6
(g)	Overview, industry outlook and future prospects	6.7
(h)	Risk factors associated with the Proposed Acquisition	6.8

### 6.1 Rationale and benefits of the Proposed Acquisition

The rationale and benefits of the Proposed Acquisition are set out in Section 3 of Part A of the Circular.

CGB Group is primarily involved in manufacturing and trading, and construction. The segmental revenue and PBT/(LBT) of CGB Group for FYE 31 December 2020, 2021 and 2022 as well as for FPE 30 June 2023 are summarised as follows:

	Audited for FYE 31 December 2020		Restated for 2021 31 December 2021		Audited for FYE 31 December 2022		Unaudited for FPE 30 June 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Revenue								
- Manufacturing and trading	52,480	44.58	60,137	56.18	57,610	27.28	23,682	21.35
- Construction contracts	65,240	55.42	46,915	43.82	153,560	72.72	87,253	78.65
- Others	-	-	-	-	-	-	-	-
<b>Total</b>	<b>117,720</b>	<b>100.00</b>	<b>107,052</b>	<b>100.00</b>	<b>211,170</b>	<b>100.00</b>	<b>110,935</b>	<b>100.00</b>
PBT / (LBT)								
- Manufacturing and trading	121	-	1,856	-	(874)	-	(2,977)	-
- Construction contracts	(4,697)	-	(5,863)	-	20,905	-	13,678	-
- Others	(1,179)	-	(2,713)	-	(3,020)	-	(3,049)	-
<b>Total</b>	<b>(5,755)</b>	<b>-</b>	<b>(6,720)</b>	<b>-</b>	<b>17,011</b>	<b>-</b>	<b>7,652</b>	<b>-</b>

*(Source: Annual Reports of CGB for the FYE 31 December 2021 and 2022, and quarterly report for FPE 30 June 2023)*

Upon completion of the Initial Acquisition on 20 April 2022, RYRT International became a 70%-owned subsidiary of CICC. Therefore, the capabilities and expertise of both CICC and RYRT International were integrated in managing the construction projects of the Group. The revenue from the construction contracts segment for FYE 31 December 2022 had increased significantly from the financial years before the Initial Acquisition. For FYE 31 December 2022, the construction contracts segment recorded a PBT of RM20.91 million which off-set the LBT from the manufacturing and trading, and others segments.

The revenue and PBT contribution of RYRT International for FYE 31 December 2022 to the Group was RM102.45 million and RM17.85 million which contributed 48.52% and 104.93% of the Group's total revenue and total PBT respectively. The revenue and PBT contribution of RYRT International to the Group for FPE 30 June 2023 was RM62.32 million and RM8.16 million which contributed 56.17% and 106.67% of the Group's total revenue and total PBT respectively.

Based on the restated financial statements for FYE 31 August 2022 and the audited financial statements for 6-month FPE 28 February 2023, RYRT International recorded a PAT of RM17.24 million for 18 months period and has become the largest contributor to the Group since the Initial Acquisition.

The Proposed Acquisition will allow CGB to recognise 100% of the financial results from RYRT International and stand to benefit from increasing its PAT attributable to the owners of CGB. RYRT International has an outstanding order book of RM204.63 million as at the 31 July 2023.

The Proposed Acquisition which will be wholly satisfied via issuance of the Consideration Shares, which will enable the Group to further enhance its financial position without any impact on its cash flow position as compared to settlement via cash and/or bank borrowings, as well as to conserve the Group's cash to fund general working capital requirements. As at 30 June 2023, the Group's cash and bank balances, fixed deposits placed with licensed banks and short term investment were RM13.07 million. Although the issuance of Consideration Shares to satisfy the Proposed Acquisition may have a dilutive effect on the existing non-interested shareholders' shareholdings, the Proposed Acquisition is expected to generate positive results to the Group in the future.

We noted that material variation to the First SPA and PGA pursuant to signing of the Supplemental SPA includes, amongst others, the revision to the profit guarantee period from 1 September 2021 to 31 August 2023, to 1 September 2021 to 31 December 2024, a higher profit guarantee amount of RM50.00 million for the Revised Profit Guarantee Period, and the Guarantors have agreed to guarantee 100% of the Revised Profit Guarantee Amount and if there is a profit shortfall, the Guarantors shall compensate CICC in cash equivalent to 100% of the aggregate shortfall or deficiency from the Revised Profit Guarantee Amount.

Following the completion of the Initial Acquisition, we noted that RYRT International had changed its financial year end from 31 August to 31 December to be in line with the Group's financial year end and as a result, RYRT International also adopted the Group accounting policy in respect of revenue recognition for construction projects. Prior to the Initial Acquisition, RYRT International recognise is construction revenue based on the Output Method whereby revenue was recognised in reference to the construction progress which was determined based on the physical proportion of contract work certified by professional consultants.

Under the Group, RYRT International now recognises construction revenue based on the Input Method which recognises construction revenue by reference to the construction progress determined based on the proportion of construction costs incurred for work performed to date over the estimated construction costs based on the approved budget. The change in accounting policy resulted in a restated PAT for FYE 31 August 2022 of RM8.37 million from RM22.87 million. We are of the view that RYRT International's change in accounting policy is reasonable, as the difference between the audited PAT of RM22.85 million and the restated PAT of RM8.37 million is expected to be recognised in the subsequent financial period, in line with the progress of RYRT International's construction projects under the Input Method.

Furthermore, we noted the Revised Profit Guarantee Amount of RM50.00 million was arrived based on the aggregate PAT of RYRT International of approximately RM17.24 million for the 18 months period from 1 September 2021 to 28 February 2023, the outstanding order book of RYRT International of RM204.63 million as at 31 July 2023 and the estimated date of completion of RYRT International's on-going projects namely Project Lahad Datu Phase 1 and Project Jalan Semawang ke Tanjung Kuala Gum-Gum which are expected to be completed in December 2023 and October 2025, respectively.

We also noted the contract values of Project Lahad Datu Phase 1 and Project Jalan Semawang ke Tanjung Kuala Gum-Gum were RM278.49 million and RM183.29 million respectively. Based on CGB management's estimates, the remaining revenue from Project Lahad Datu Phase 1 and Project Jalan Semawang ke Tanjung Kuala Gum-Gum which are expected to be recognised from 1 January 2023 until 31 December 2024 are RM101.01 million and RM183.28 million respectively. We also noted that Project Jalan Semawang ke Tanjung Kuala Gum-Gum is expected to be fully billed in the year 2024.

We noted that the purchase consideration of 70% equity interest in RYRT International pursuant to the Initial Acquisition amounted to RM30.10 million, whilst the purchase consideration for the remaining 30% equity interest in RYRT International pursuant to the Proposed Acquisition is RM13.26 million. In aggregate the purchase consideration for 100% equity interest in RYRT International is RM43.36 million ("**Total Purchase Consideration**"). The Revised Profit Guarantee of RM50.00 million is higher than the Total Purchase Consideration by RM6.64 million which translates to a surplus of 15.31%.

We noted the Revised Profit Guarantee Period from 1 September 2021 to 31 August 2023, to 1 September 2021 to 31 December 2024 is to accommodate the recognition of the difference between the audited PAT of RM22.85 million and the restated PAT of RM8.37 million pursuant to the change in RYRT International's accounting policy as well as the delay to the Project Lahad Datu Phase 1 from June 2023 to December 2023 in view of the delay in handing over the water treatment plant site arising from the delay in the land acquisition by the local Government in Sabah.

Lastly, we view that the Guarantors guaranteeing 100% of the Revised Profit Guarantee Amount is reasonable as it is equivalent to CGB's entire equity interest in RYRT International pursuant to the Proposed Acquisition.

For our view on the salient terms of the Supplemental SPA, please refer to Section 6.5 of this IAL.

**Premised on the above, we view that the rationale for the Proposed Acquisition and the material variation to the First SPA and PGA is reasonable and not detrimental to the interest of the non-interested shareholders.**



## 6.2 Evaluation of the Purchase Consideration

### 6.2.1 Basis and justification for the Purchase Consideration

As set out in Section 2.7 of Part A of the Circular, the Purchase Consideration was arrived at on a willing-buyer willing-seller basis and free from all encumbrances, after taking into consideration the following:

- (i) the rationale and benefits to be accrued to CGB through CICC arising from the Proposed Acquisition as set out in Section 3 of Part A of the Circular; and
- (ii) the equity value of 100% equity interest in RYRT International appraised by Moore Advisory range between RM41.9 million to RM44.2 million. Based on Moore Advisory's range of equity valuation of RYRT International, the equity value of the remaining 30% equity interest in RYRT International range between RM12.6 million and RM13.3 million.

We noted that the Company had taken into consideration the equity valuation of RYRT International as appraised by Moore Advisory in its valuation report dated 30 May 2023. In arriving at its valuation of RYRT International, Moore Advisory had adopted the DCF method. Further details of the key assumptions and parameters adopted by Moore Advisory in its DCF valuation, kindly refer to Section 2.7 of Part A and Appendix VII of the Circular.

### 6.2.2 Valuation of RYRT International

In evaluating the Purchase Consideration, we have considered various valuation methodologies, which are commonly used for the valuation of construction companies, taking into consideration RYRT International's future earnings generating capabilities, its sustainability as well as various business considerations and risk factors affecting its businesses, amongst others, shortage of materials, equipment and labour, fluctuations in construction cost and construction delays.

In arriving at the equity value of RYRT International, we are also of the view that the DCF method is the most appropriate valuation methodology as we noted that the estimated future cash flows to be derived from RYRT International can be projected by the management of CGB. The DCF method is a valuation method that considers both the time value of money and the future cash flows to be generated by RYRT International over a specified period of time. As the methodology entails the discounting of the future cash flows to be generated from RYRT International at a specified discount rate to arrive at the net present value, the riskiness of generating such cash flows will also be taken into consideration.

We have reviewed the future financial information of RYRT International for a 5-year period from FYE 31 December 2023 to FYE 31 December 2027 ("**Future Financials**") which was prepared by the management of CGB based on estimates and assumptions on a best effort basis. We have considered and evaluated the key bases and assumptions adopted in the Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at 31 March 2023, being the date of the valuation.

The key bases and assumptions adopted in the preparation of the Future Financials are as follows:

- (i) RYRT International will continue to operate on a going concern basis;
- (ii) there will be no significant changes in the principal activities, group structure, key management personnel, operating policies, accounting and business policies presently adopted by CGB Group;

- (iii) the Future Financials have been prepared based on prevailing economic conditions and information available as at the date of its preparation and do not encompass any assessment of the potential for future changes in the economic conditions in Malaysia which RYRT International has operations in;
- (iv) there will be no material changes in the political, social and economic conditions, taxation, monetary and fiscal policies and inflation in Malaysia which RYRT International has operations in that will have direct and indirect effects on the activities and performance of RYRT International and the business of RYRT International’s customers and suppliers;
- (v) there will be no material changes to the present legislation and government’s regulations and other operation regulations or restrictions affecting RYRT International’s activities or the market in which it operates;
- (vi) the statutory income tax rate and other relevant duty and tax rate applicable to RYRT International will remain at their respective existing rates with no significant changes in the bases of taxation and there will be no significant changes in the structure which would adversely affect the cash flow of RYRT International;
- (vii) there will be no material adverse effect from service disruptions, equipment breakdown or other similar occurrences, wars, epidemic, terrorist attacks and other natural risks, both domestic and foreign, which will adversely affect the operations, income and expenditure of RYRT International;
- (viii) the rate of inflation will not fluctuate significantly from their projected levels;
- (ix) there will be no significant changes in the wages, supplies, administration, overhead expenses and other costs other than those forecasted and projected;
- (x) there will be no termination of any significant agreements or contracts from which the legal rights accruing to RYRT International, in respect of the principal activities are derived; and
- (xi) there will be adequate supply of manpower and other relevant resources to RYRT International for its business activities.

In order to derive the equity value of RYRT International, we have discounted the free cash flow to the firm (“**FCFF**”) projected at the weighted average cost of capital (“**WACC**”) using the approach, together with the key bases and assumptions adopted as described below:

No	Key bases and assumptions		Descriptions
(i)	FCFF	Based on the Future Financials from the FYE 31 December 2023 until FYE 31 December 2027	FCFF is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movement in working capital and net investing cash flows. In order to arrive at the value to the equity holder, the debts will be subtracted from the enterprise value derived from the FCFF. We have reviewed the key bases and assumptions adopted in the Future Financials prepared by the management of CGB in deriving the FCFF and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the valuation date. As such, we have relied upon the Future Financials prepared by the management of CGB.



No	Key bases and assumptions		Descriptions
(ii)	Cost of equity ("K <sub>e</sub> ")	9.06%	<p>Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for RYRT International, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity based on the following formula:</p> $K_e = R_f + \beta (R_m - R_f)$
(iii)	Pre-tax cost of debt ("K <sub>d</sub> ")	6.55%	<p>The K<sub>d</sub> adopted is the effective rate that a company pays on its total borrowings. We have assumed that the effective interest rates for the existing borrowings under RYRT International would be the future estimated pre-tax cost of debt.</p> <p>We noted that Moore Advisory had adopted a K<sub>d</sub> of 6.40% based on Malayan Banking Berhad's base lending rate extracted from Bank Negara Malaysia.</p>
(iv)	Risk-free rate of return ("R <sub>f</sub> ")	3.55%	<p>Risk-free rate of return represents the expected rate of return from a risk-free investment. Based on the period of the Future Financials of 5 years from FYE 31 December 2023 and FYE 31 December 2027, the closest available approximation of the risk-free rate of return is the yield of 5-year Malaysian Government Securities ("MGS").</p> <p>As extracted from the Bank Negara Malaysia website, the said yield is 3.55% as at the valuation date.</p> <p>We noted that Moore Advisory had adopted a R<sub>f</sub> of 3.90% based on the yield of 10-year MGS as at 31 March 2023.</p>
(v)	Expected market rate of return ("R <sub>m</sub> ")	9.73%	<p>Expected market rate of return or equity risk premium ("ERP") represents the expected rate of return of investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.</p> <p>In our opinion, the expected market rate of return for the FTSE Bursa Malaysia Index is a good indicator of the equity market return in Malaysia as it is a forward-looking estimate of market return. As extracted from Bloomberg, the expected market rate of return for the FTSE Bursa Malaysia Index as at 31 March 2023 is 9.73%.</p> <p>We noted that Moore Advisory had adopted R<sub>m</sub> of 8.00% based on the Malaysian ERP data provided by Professor Aswath Damodaran as at January 2023.</p>

No	Key bases and assumptions		Descriptions																								
(vi)	Beta (“ $\beta$ ”)	0.89	<p>Beta is the sensitivity of an asset’s returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than one (1) signifies that the asset is riskier than the market and vice versa.</p> <p>RYRT International is not a listed company, as such in deriving the estimated beta of construction business, we have relied on the 5-year raw historical beta of the comparable companies listed on Bursa Securities up to the valuation date, which are principally involved in construction related businesses.</p> <p>There are no companies which are exactly similar or directly comparable to RYRT International in terms of, amongst others, the composition of business activities, geographical location of operations, historical performance, risk profile, customer profile and future prospect. However, we are of the view that the identified companies are reasonable to be adopted for the purpose of deriving the estimated beta of RYRT International.</p> <p>As the historical beta was extracted from Bloomberg based on the capital structure of the comparable companies, we have unlevered the raw beta of the comparable companies and derived a simple average beta for the comparable companies of RYRT International which we then re-levered it based on the capital structure of RYRT International.</p> <p>As RYRT International is principally involved in the business of construction, in arriving at the discount rates of the indicative values of RYRT International, we have selected profitable public listed comparable companies involved in the construction sector as the comparable companies (“<b>Comparable Companies</b>”) which we view as broadly comparable to RYRT International. The Comparable Companies identified and used in determining the estimated beta to derive the estimated indicative values of RYRT International are as follows:</p> <table border="1" data-bbox="683 1451 1410 1861"> <thead> <tr> <th>No.</th> <th>Company</th> <th>Market Capitalisation<sup>(1)</sup> (RM’ million)</th> <th>Un-levered beta</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Inta Bina Group Berhad</td> <td>120.43</td> <td>0.63</td> </tr> <tr> <td>(ii)</td> <td>TRC Synergy Berhad</td> <td>157.88</td> <td>0.95</td> </tr> <tr> <td>(iii)</td> <td>GDB Holdings Berhad</td> <td>201.56</td> <td>1.37</td> </tr> <tr> <td>(iv)</td> <td>Pintaras Jaya Berhad</td> <td>315.14</td> <td>0.59</td> </tr> <tr> <td colspan="3">Average un-levered beta</td> <td>0.89</td> </tr> </tbody> </table>	No.	Company	Market Capitalisation <sup>(1)</sup> (RM’ million)	Un-levered beta	(i)	Inta Bina Group Berhad	120.43	0.63	(ii)	TRC Synergy Berhad	157.88	0.95	(iii)	GDB Holdings Berhad	201.56	1.37	(iv)	Pintaras Jaya Berhad	315.14	0.59	Average un-levered beta			0.89
No.	Company	Market Capitalisation <sup>(1)</sup> (RM’ million)	Un-levered beta																								
(i)	Inta Bina Group Berhad	120.43	0.63																								
(ii)	TRC Synergy Berhad	157.88	0.95																								
(iii)	GDB Holdings Berhad	201.56	1.37																								
(iv)	Pintaras Jaya Berhad	315.14	0.59																								
Average un-levered beta			0.89																								

No	Key bases and assumptions		Descriptions															
			<p><i>Note:</i></p> <p><sup>(1)</sup> As at 31 March 2023.</p> <p>Further details on the Comparable Companies are in the ensuing section.</p> <p>We noted that Moore Advisory had adopted a <math>\beta</math> of 0.73 based on its comparable companies selected namely MGB Berhad, Pintaras Jaya Berhad, Kimlun Corp Berhad, GDB Holdings Berhad, Pesona Metro Holdings Berhad and TRC Synergy Berhad.</p>															
(vii)	Statutory corporate income tax rate	24.00%	The latest statutory corporate income tax rate in Malaysia applicable to RYRT International is 24.00%.															
(viii)	Illiquidity discount	4.00%	<p>As RYRT International is private company, we have applied a constant illiquidity discount of 4.00% to compensate for the lack of liquidity / marketability of the shares of RYRT International. The illiquidity discount of 4.00% is extracted from:</p> <p><a href="https://pages.stern.nyu.edu/~adamodar/pdfiles/country/illiquidity.pdf">https://pages.stern.nyu.edu/~adamodar/pdfiles/country/illiquidity.pdf</a>.</p>															
(ix)	WACC	8.87%	<p>The WACC is the weighted average of the rates of return required by each of the capital providers (usually just equity and debt) where the weights are the proportions of the firm's total market value from each capital source:</p> $WACC = E (K_e) + D(K_d) (1-T)$ <p>where:</p> <table border="1" data-bbox="683 1379 1275 1552"> <tr> <td>E</td> <td>=</td> <td>Proportion of equity to the capital structure</td> </tr> <tr> <td>D</td> <td>=</td> <td>Proportion of debt to the capital structure</td> </tr> <tr> <td>K<sub>e</sub></td> <td>=</td> <td>Cost of equity</td> </tr> <tr> <td>K<sub>d</sub></td> <td>=</td> <td>Pre-tax cost of debt</td> </tr> <tr> <td>T</td> <td>=</td> <td>Corporate tax of 24%</td> </tr> </table>	E	=	Proportion of equity to the capital structure	D	=	Proportion of debt to the capital structure	K <sub>e</sub>	=	Cost of equity	K <sub>d</sub>	=	Pre-tax cost of debt	T	=	Corporate tax of 24%
E	=	Proportion of equity to the capital structure																
D	=	Proportion of debt to the capital structure																
K <sub>e</sub>	=	Cost of equity																
K <sub>d</sub>	=	Pre-tax cost of debt																
T	=	Corporate tax of 24%																

Based on the above, the estimated indicative values of RYRT International are as follows:

	Low Range (RM'000)	High Range (RM'000)
Present value of FCFF <sup>(1)</sup>	43,335	45,601
Add: Cash <sup>(2)</sup>	1,640	1,640
Less: Debt <sup>(2)</sup>	(1,220)	(1,220)
<b>Equity value of 100% equity in RYRT International</b>	<b>43,755</b>	<b>46,021</b>
<b>Equity value of the remaining 30% equity in RYRT International</b>	<b>13,127</b>	<b>13,806</b>

Notes:

<sup>(1)</sup> The present value of projected FCFF is computed based on the following formula:

Value = Present value of the projected FCFF based on the Future Financials as per the following formula:

$$\text{Present value of FCFF} = \frac{\text{FCFF}}{(1 + \text{WACC})^n}$$

whereby, *n* represents time, in years into the future.

<sup>(2)</sup> Based on RYRT International's management account as at 31 March 2023.

Premised on the above, the estimated range of equity value of 30% equity interest in RYRT International is RM13.13 million to RM13.81 million.

**We noted that the Purchase Consideration of RM13.26 million is within the estimated range of indicated values of 30% equity interest in RYRT international of RM13.13 million to RM13.81 million based on the DCF method of valuation. As such, we are of the view that the Purchase Consideration is fair.**

In addition to the DCF Valuation, we have also assessed the fairness of the Purchase Consideration based on the price-to-earnings ratio ("PER") method.

The PER is an earnings-based valuation method and represents the ratio of a company's market capitalisation to its historical net profit (attributable to shareholders after interest, taxation, depreciation and amortisation). It can be useful to compare the PER of a company to that of its peers to give the company's value relative to its peers. A higher PER may indicate that investors are willing to pay more for an RM worth of earnings for a company. A relative valuation methodology such as the PER essentially values the subject matter against the valuation benchmark of comparable companies, premised on the fact that similar companies provide a relevant reference point for valuation due to the fact that, amongst others, they operate a broadly similar businesses and have broadly similar financial characteristics. Nonetheless, we wish to highlight that no single company is identical to our subject matter.

We have selected the Comparable Companies based on the following criteria:

- (i) involvement in the construction of civil engineering, residential and commercial projects;

- (ii) more than 75% of the Comparable Companies' latest financial year's consolidated revenue is derived from construction;
- (iii) companies that are listed on Bursa Securities with a market capitalisation of below RM350.00 million based on CGB's market capitalisation of RM167.52 million as at 31 March 2023; and
- (iv) companies that are profitable based on the latest financial statement.

A brief description of the Comparable Companies' principal activities and market capitalisation are as follows:

No.	Comparable Companies	Market capitalisation <sup>(1)</sup> (RM' million)	Percentage of revenue from construction (%)	PER <sup>(2)</sup> (times)	Principal activities
1.	Pintaras Jaya Berhad ("Pintaras")	315.14	90.60	7.66	The principal activities of Pintaras consists of investment holding and undertaking of piling contracts, civil engineering and building construction works and rental of plant and machinery.
2.	GDB Holdings Berhad ("GDB")	201.56	100.00	11.75	GDB is principally involved in the provision of construction services, focusing on high rise residential, commercial and mixed development projects as main contractor and principal works contractor.
3.	TRC Synergy Berhad ("TRC Synergy")	157.88	84.70	2.96 <sup>(3)</sup>	The principal activities of TRC Synergy are investment holdings, general contractors for supplying labour, provision of corporate, administrative, and financial support services to its subsidiaries.
4.	Inta Bina Group Berhad ("Inta Bina")	120.43	100.00	12.64	Inta Bina Group is principally engaged in the construction industry.
<b>Average</b>				<b>10.68</b>	

(Source: Bloomberg and the annual reports of the respective companies)

Notes:

<sup>(1)</sup> As at 31 March 2023.

<sup>(2)</sup> Based on the closing price as at the valuation date and EPS as stated in the annual reports of the respective companies.

<sup>(3)</sup> Deemed as an outlier.

Save for GDB, none of the Comparable Companies had construction projects in Sabah.

The table below provides an illustrative comparison of the implied PER of RYRT International vis-à-vis the Comparable Companies:

Comparable Companies	PER <sup>(1)</sup> (times)
Inta Bina	12.64
TRC Synergy	2.96 <sup>(2)</sup>
GDB	11.75
Pintaras	7.66
High	12.64
Low	7.66
Average	10.68
Based on RYRT International's restated PAT for FYE 31 August 2022	5.28 <sup>(3)</sup>

*(Source: Bloomberg and the annual reports of the respective companies)*

Notes:

<sup>(1)</sup> Based on the closing price as at the valuation date and EPS as stated in the annual reports of the respective companies.

<sup>(2)</sup> Deemed as an outlier.

<sup>(3)</sup> Calculated based on the implied total Purchase Consideration of 100% of equity interest in RYRT International of RM44.20 million ("**Implied Total Purchase Consideration**") divided by the restated PAT of RYRT International for FYE 31 August 2022 of RM8.37 million.

Based on the above, the PER of 5.28 times based on the Implied Total Purchase Consideration and the restated PAT of RYRT International for FYE 31 August 2022 is below the low range of PER of the Comparable Companies of 7.66 times.

**Premised on the above, we are of the view that the Purchase Consideration is fair and not detrimental to the interest of the non-interested shareholders.**

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

### 6.3 Evaluation of the issue price of the Consideration Shares

#### 6.3.1 Mode of settlement of the Purchase Consideration

As stated in Section 2.4 of Part A of the Circular, the Purchase Consideration will be wholly satisfied by the issuance and allotment of 10,200,000 Consideration Shares at an issue price of RM1.30 per Consideration Share to RYRT Holdings, subject to the terms and conditions of the SPA and the Supplemental SPA, at the Completion Date. There are no arrangements for payment on a deferred basis for the Proposed Acquisition.

The settlement via Consideration Shares will allow the Group to further enhance its financial position without any impact on its cash flow position as compared to the settlement via cash and/ or bank borrowings. As at 30 June 2023, the Group's cash and bank balances, fixed deposit with licensed banks and short term investment were RM13.07 million. Nevertheless, the issuance of Consideration Shares may have a dilutive effect on the non-interested shareholders' shareholding.

**Premised on the above, we are of the view that the mode of settlement is reasonable and not detrimental to the non-interested shareholders.**

#### 6.3.2 Basis and justification for the issue price of the Consideration Shares

Section 2.8 of Part A of the Circular sets out the basis and justification for the issue price of the Consideration Shares.

In assessing the fairness and reasonableness of the issue price of RM1.30 per Consideration Share to be issued pursuant to the Proposed Acquisition, we have taken into consideration the following:

- (i) the NA of RM0.65 per Share based on the audited consolidated accounts of CGB as at 31 December 2022;
- (ii) the closing market price of CGB Shares on 30 May 2023, being the last market day preceding the date of the SPA; and
- (iii) the respective VWAMPs as set out in the table below:

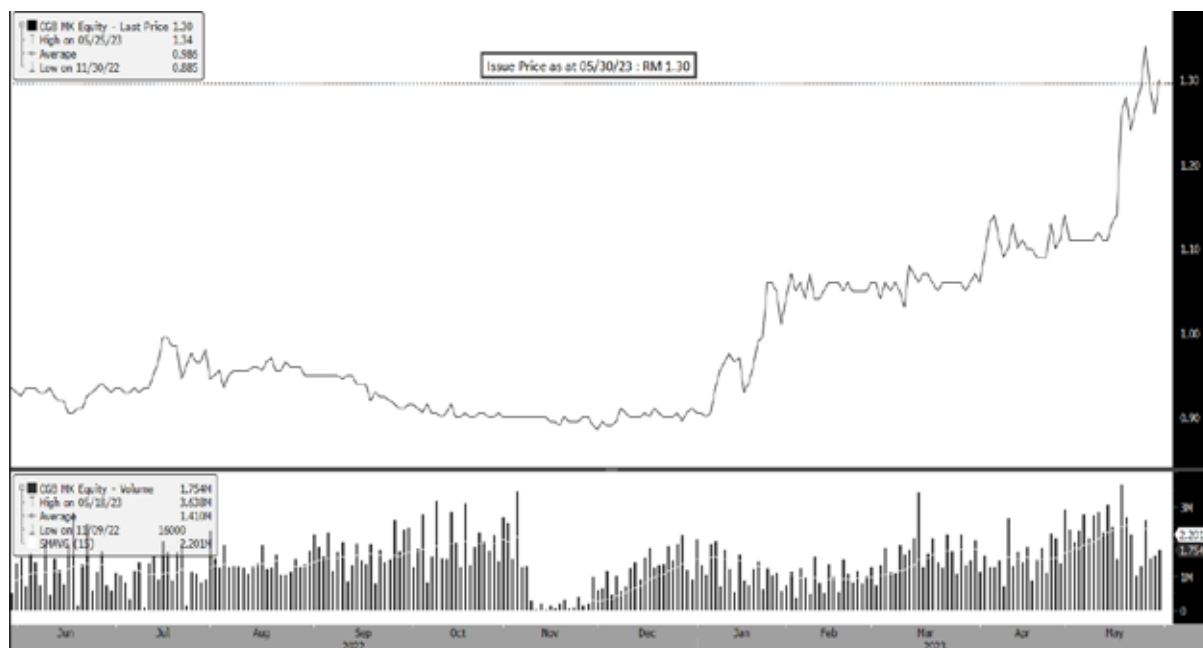
Basis of comparison based on	VWAMP / Closing price	Premium / (discount) over VWAMP / Closing price	
	(RM)	(RM)	(%)
Closing market price on 30 May 2023, being the date immediately prior to the date of the SPA	1.3000	-	-
VWAMP for the five (5)-day up to and including 30 May 2023	1.3060	(0.0060)	(0.46)
VWAMP for the one (1)-month up to and including 30 May 2023	1.1812	0.1188	10.06
VWAMP for the three (3)-month up to and including 30 May 2023	1.1216	0.1784	15.91
VWAMP for the six (6)-month up to and including 30 May 2023	1.0614	0.2386	22.48

*(Source: Bloomberg)*

Based on the above, DWA Advisory observed that:

- (i) the issue price of the Consideration Shares is equivalent to the closing market price of CGB on 30 May 2023, immediately prior to the date of SPA; and
- (ii) the issue price of the Consideration Shares represents a premium of 100% to the NA per CGB Share of RM0.65 as at 31 December 2022.

The movement of daily closing market price of CGB Shares on Bursa Securities for the past one (1)-year up to 30 May 2023, being the date immediately preceding the date of the SPA is as follows:



(Source: Bloomberg)

From the above, we noted the following:

- (i) the market price of CGB Shares was between RM0.89 and RM1.34 for the past one (1)-year between 31 May 2022 to 30 May 2023; and
- (ii) the average market price of CGB Shares was RM0.99 for the past one (1)-year between 31 May 2022 to 30 May 2023.

**Premised on the above, the issue price of the Consideration Shares is reasonable and is not detrimental to the interest of the non-interested shareholders.**



#### 6.4 Evaluation of the salient terms of the SPA

The salient terms of the SPA are set out in Appendix I of the Circular. DWA Advisory has made the following observations:

(i) Sale and purchase of the Sale Shares

This clause is reasonable as it serves to protect the interest of CGB Group as the Sale Shares purchased are free from encumbrances and with all rights, benefits and entitlement.

(ii) Conditions precedent

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 SPA and to be in compliance with the applicable laws and regulatory requirements.

We noted that the SPA is conditional upon the conditions precedent being satisfied within 3 months from the date of the SPA. We further noted that the SPA also provides the flexibility to allow for extension of time to such further period as may be mutually agreed upon by the parties. Based on the above, we are of the view that this clause is reasonable.

On 16 August 2023, HLIB on behalf of the Board, announced that Bursa Securities had, vide its letter dated 16 August 2023, resolved to approve the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition, subject to the conditions as contained in Section 1 of Part A of this Circular.

(iii) Completion

We noted that the completion of the sale and purchase of the Sale Shares shall take place within 14 days from the date the SPA becomes unconditional or such other date as CICC may determine at its absolute discretion.

The terms on delivery and/or exchange of documents are common and necessary for the completion of the SPA. These terms are reasonable and serve to protect the interest of CGB and RYRT Holdings as it sets out the obligations and repercussions of both parties in order to complete the Proposed Acquisition.

We also noted that the Proposed Acquisition is deemed completed upon the allotment and issuance of 10,200,000 Consideration Shares by CGB to RYRT Holdings to be credited as fully paid-up share capital in CGB at the issue price of RM1.30 per Consideration Share.

(iv) Representations, warranties and indemnities

These clauses on representations and warranties are typical terms for transactions of this nature which serve to safeguard the interests of CGB and RYRT Holdings.

The indemnities undertaken by RYRT Holdings to CICC are reasonable as RYRT Holdings will indemnify CICC and hold CICC harmless from and against all losses suffered by CICC in the event any of the situations described in Paragraph 4.4 of Appendix I of the Circular occurs.

(v) Rights to terminate

The terms are deemed reasonable which serve to safeguard the interests of non-defaulting party as the events of default are set out to enable the non-defaulting party to take the appropriate actions especially the right to terminate the SPA to protect its interest as stipulated in the SPA.

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

## 6.5 Evaluation of the salient terms of the Supplemental SPA

The salient terms of the Supplemental SPA are set out in Appendix II of the Circular. Our commentaries on the salient terms of the Supplemental SPA, are as follows:

No.	Salient Terms of the Supplemental SPA	Our Comment
(i)	<i>“based on the previous terms of the PGA, the profit guarantee period of 1 September 2021 to 31 August 2023 will be superseded and revised to between 1 September 2021 to 31 December 2024;”</i>	<p>We noted that the revision of the profit guarantee period is largely due to the alignment of the accounting policy of RYRT International with the Group’s accounting policy which saw RYRT International adopt the Input Method, that recognises construction revenue by reference to the construction progress determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs based on the approved budget.</p> <p>The change in RYRT International’s accounting policy resulted in a restated PAT for FYE 31 August 2022 of RM8.37 million from RM22.87 million.</p> <p>We are of the view that the extension of the profit guarantee period is reasonable, as the difference between the audited PAT of RM22.85 million and the restated PAT of RM8.37 million is expected to be recognised in the subsequent financial period, in line with the progress of RYRT International’s construction projects under the Input Method. The extension also takes into account the delay to Project Lahad Datu Phase 1 from June 2023 to December 2023.</p>
(ii)	<i>“the relevant terms and conditions relating to the PGA will be superseded;”</i>	<p>This clause is an ordinary term necessary to give effect to the revised terms and conditions in the Supplemental SPA and is allowed pursuant to PGA where variation to terms and conditions shall be effective with the mutual agreement by the parties in writing.</p> <p>As such, we are of the view that such clause is reasonable.</p>

No.	Salient Terms of the Supplemental SPA	Our Comment
(iii)	<i>“the profit guarantee amount for the Revised Profit Guarantee Period is RM50.0 million;”</i>	<p>The Revised Profit Guarantee Amount of RM50.00 million was arrived based on the aggregate PAT of RYRT International of approximately RM17.24 million for the 18 months period from 1 September 2021 to 28 February 2023, the order book of RYRT International of RM204.63 million as at 31 July 2023 and the estimated date of completion of RYRT International’s on-going projects namely Project Lahad Datu Phase 1 and Project Jalan Semawang ke Tanjung Kuala Gum-Gum which are expected to complete in December 2023 and October 2025, respectively.</p> <p>We noted the contract values of Project Lahad Datu Phase 1 and Project Jalan Semawang ke Tanjung Kuala Gum-Gum were RM278.49 million RM183.29 million respectively. Based on CGB management’s estimates, the remaining revenue from Project Lahad Datu Phase 1 and Project Jalan Semawang ke Tanjung Kuala Gum-Gum which are expected to be recognised from 1 January 2023 until 31 December 2024 are RM101.01 million and RM183.28 million respectively. We also noted that Project Jalan Semawang ke Tanjung Kuala Gum-Gum is expected to be fully billed in the year 2024.</p> <p>We are of the view that the Revised Profit Guarantee Amount is reasonable.</p>
(iv)	<i>“the CGB Shares that have been allotted to RYRT Holdings in accordance with the terms and conditions of the First SPA shall subject to the Revised Profit Guarantee Period and Revised Profit Guarantee Amount;”</i>	<p>This clause is ordinary term typical to revision and amendments to transactions of such nature and necessary to protect the interests of CGB Group and non-interested shareholders.</p>
(v)	<i>“the Guarantors shall agree to guarantee 100% of the Revised Profit Guarantee Amount;”</i>	<p>We noted that the percentage of the profit guarantee amount that will be guaranteed by the Guarantors is equivalent to CGB’s entire equity interest in RYRT International pursuant to the Proposed Acquisition.</p> <p>We are of the view that this clause is reasonable as it serves to protect the interests of CGB should there be a Profit Shortfall.</p>
(vi)	<i>“after audit confirmation is received on the audited aggregate financial results of RYRT International for the period from 1 September 2021 to 31 December 2024, if there is a profit shortfall, the Guarantors shall compensate CICC in cash equivalent to 100% of the Profit Shortfall;”</i>	<p>In the event of a profit shortfall, the Guarantors shall compensate 100% of the Profit Shortfall in cash to CICC which will ensure that the cash flow position and working capital requirements of CICC are not affected by the Profit Shortfall.</p> <p>We are of the view that this clause is reasonable.</p>

No.	Salient Terms of the Supplemental SPA	Our Comment
(vii)	<i>“apart from performing the statutory audit on the financial results of RYRT International for the FYE 31 December 2023 and 2024, no interim audit will be performed on the financial results of RYRT International for the financial period between 1 March 2023 to 31 December 2024.”</i>	We are of the view that this clause is reasonable to accommodate the change in Revised Profit Guarantee Period.

**Premised on the above, we are of the view that the salient terms of the Supplemental SPA are reasonable and not detrimental to the interest of the non-interested shareholders.**

## 6.6 Financial effects of the Proposed Acquisition

In our evaluation of the Proposed Acquisition, we have taken note of the effects of the Proposed Acquisition as set out in Section 6 of Part A of the Circular.

### 6.6.1 Issued share capital

The details of the pro forma effects of the Proposed Acquisition on the issued share capital of CGB Group are set out in Section 6.1 of Part A of the Circular.

The Proposed Acquisition will result in an increase in the issued share capital of CGB from RM114.39 million consisting of 158.01 million CGB Shares as at the LPD to RM127.65 million consisting of 168.21 million CGB Shares.

### 6.6.2 NA per Share and gearing

The details of the pro forma effects of the Proposed Acquisition on the NA per Share and gearing of CGB Group based on the audited financial statement of CGB Group as at 31 December 2022 are set out in Section 6.2 of Part A of the Circular.

We noted that CGB’s pro forma NA attributable to the owners of CGB as at 31 December 2022 will increase from RM92.00 million to RM102.74 million upon subsequent issuance of 13.42 million new Shares arising from the exercise of 13.42 million Warrants at the exercise price of RM0.80 per Warrant, issuance of 0.63 million, 0.95 million, 0.33 million and 0.92 million new Shares arising from the SGS at the subscription price of RM0.9635 per Share, RM1.1085 per Share RM1.4434 and RM1.5240 per Share respectively (collectively, “**Subsequent Events**”). Following the Proposed Acquisition, the pro forma NA attributable to the owners of CGB will increase from RM102.74 million to RM110.17 million.

Correspondingly, CGB’s pro forma NA per Share will maintain at RM0.65 per Share pursuant to the Subsequent Events and the Proposed Acquisition

The pro forma gearing ratio of CGB as at 31 December 2022 will improve from 0.12 times to 0.11 times upon the Subsequent Events and further improve to 0.10 times upon completion of the Proposed Acquisition, as the Purchase Consideration shall be wholly satisfied by the issuance of Consideration Shares.



### 6.6.3 Earnings and EPS

The details of the pro forma effects of the Proposed Acquisition on the earnings and EPS of CGB Group based on the audited financial statement of CGB Group for FYE 31 December 2022 are set out in Section 6.3 of Part A of the Circular.

The pro forma PAT attributable to the owners of CGB for the FYE 31 December 2022 will increase from RM7.47 million to RM12.60 million upon the completion of the Proposed Acquisition and after deducting the estimated expenses of approximately RM0.53 million in relation to the Proposed Acquisition. Subsequently, CGB Group's pro forma EPS for the same period will increase from 5.27 sen to 7.64 sen after taking into consideration the issuance of 10,200,000 Consideration Shares pursuant to the Proposed Acquisition.

Based on the above, the Proposed Acquisition is expected to contribute positively to the future earnings and financial performance of CGB.

### 6.6.4 Substantial shareholders' shareholdings

The details of the pro forma effects of the Proposed Acquisition on the substantial shareholders' shareholdings are set out in Section 6.4 of Part A of the Circular.

The Proposed Acquisition is dilutive to CGB's substantial shareholders' shareholdings, save for the collective shareholdings of RYRT Holdings and persons connected with them which is expected to increase from 7.79% as at the LPD up to 13.38% after the Proposed Acquisition. However, we noted that there will be no change in the control of CGB after the Proposed Acquisition.

### 6.6.5 Convertible securities

We noted that as at the LPD, save for the outstanding 38,015,820 Warrants and 148,639 shares awarded under the SGS, CGB does not have any outstanding warrants, options, convertible securities and uncalled capital.

We also noted that Proposed Acquisition will not give rise to an adjustment to the Warrants and share awards under the SGS.

**Premised on the above, we are of the view that the financial effects arising from the Proposed Acquisition are reasonable and not detrimental to the interest of the non-interested shareholders.**

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

## **6.7 Overview, industry outlook and future prospects**

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

#### **(i) Overview**

The Malaysian economy expanded moderately in the second quarter of 2023 (2.9%; 1Q 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages. Meanwhile, investment activity was underpinned by capacity expansion, progress of multi-year projects and higher fixed asset spending by the government. Continued recovery in inbound tourism partially offset the slower goods export growth. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when the economy experienced strong growth from reopening effects and policy measures. On the supply side, the services and construction sectors continued to support growth. Meanwhile, production in the agriculture and mining sectors were affected by hot weather and plant maintenance. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (1Q 2023: 0.9%).

Headline inflation during the quarter continued to moderate to 2.8% (1Q 2023: 3.6%). The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation, while declining, remained elevated relative to its long-term average (2011-2019 average: 2.0%). The moderation in core inflation (2Q 2023: 3.4%; 1Q 2023: 3.9%) was largely contributed by selected services. This included food away from home, telephone and telefax services, and personal transport repair and maintenance. Inflation pervasiveness declined as the share of Consumer Price Index (CPI) items recording monthly price increases moderated to 42.7% during the quarter (1Q 2023: 56.0%), below the second quarter long-term average (2011-2019) of 43.9%. Notably, inflation pervasiveness dropped in June after a transitory uptick in May following the festive season.

*(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2023, Bank Negara Malaysia)*

#### **(ii) Outlook**

Malaysia's economy is expected to maintain positive growth in 2023, though at a slower pace than in 2022. This is supported by factors such as sustained domestic demand, improved labour market conditions, and the recovery of tourist arrivals. However, uncertainties in the global economic recovery, especially in the US and EU, pose challenges for Malaysia's export-oriented sectors. Escalating trade tensions and geopolitical conflicts could disrupt trade and investment flows, while slower global demand and trade, market volatility, and supply chain disruptions may also impact the economy.

*(Source: Malaysian Economic Statistics Review, Vol 5, 2023, Department of Statistics Malaysia)*

## 6.7.2 Overview and outlook of the construction industry

### (i) Overview of Malaysia's construction sector

The construction sector growth remained strong at 6.2% contributed by positive performance in all subsectors, namely the civil engineering (10%); specialised construction activities (6.4%); residential buildings (6.1%); and non-residential buildings (2.3%). The rosy performance was driven by the acceleration of the implementation of infrastructure projects, housing construction as well as commercial and industrial buildings.

*(Source: Malaysian Economy Second Quarter 2023, Ministry of Finance Malaysia)*

The construction sector rose by 7.4% mainly attributed to positive performances in the civil engineering (15.9%); specialised construction activities (8.7%); and non-residential buildings (6.4%) subsectors. The expansion was driven by the acceleration in infrastructure projects and construction of commercial buildings.

*(Source: Malaysian Economic Statistics Review, Vol 5, 2023, Department of Statistics Malaysia)*

The value of work done in the Construction sector continued to increase for the fifth quarter with year-on-year growth of 8.1 per cent to record a total of RM32.4 billion in the second quarter of 2023 (Q1 2023: 9.4%). The increment was supported continuously by double-digit growth in Civil engineering with 10.4 per cent in this quarter (Q1 2023: 17.2%). In the meantime, the sub-sector of Special trade activities recorded higher growth in this quarter by 9.8 per cent as compared to 9.0 per cent in the previous quarter while the Non-residential buildings sub-sector grew modestly by 5.7 per cent (Q1 2023: 9.6%). Additionally, the work done value in the Residential buildings sub-sectors rebounded to 6.9 per cent from negative 2.2 per cent registered in the preceding quarter. A total of RM12.1 billion or 37.4 per cent of the Construction work done value was Civil engineering contributed mainly by the Construction of roads and railways activity with a value of RM6.5 billion in this quarter.

In the meantime, the value of work done for Non-residential buildings and Residential buildings was RM9.9 billion (30.7%) and RM7.3 billion (22.7%), respectively. The combined share of these two construction activities made up more than half of the work done value in this quarter, encompassing 53.4 per cent. Meanwhile, Special trade activities amounted to RM3.0 billion (9.2%), largely in Plumbing, heat and air-conditioning installation (RM0.9 billion); and Electrical installation (RM0.8 billion) activities.

The private sector remained as the main spurs to the growth in this quarter, with an increase of 17.3 per cent (Q1 2023: 10.6%). The value of work done by the private sector amounted to RM20.4 billion or 63.1 per cent of the total construction work done value. Nevertheless, the public sector with a share of 36.9 per cent or equivalents to RM11.9 billion, declined by 4.8 per cent during this quarter (Q1 2023: 7.4%).

Nearly one-fourth or 23.3 per cent of the work done value in the second quarter of 2023 was concentrated in Selangor, amounting to RM7.5 billion. The highest of the value of work done in Selangor was Civil engineering (RM2.4 billion), followed by Residential buildings (RM2.3 billion) and Non-residential buildings (RM2.1 billion). Meanwhile, Johor which was ranked second with a value of RM3.8 billion or 11.9 per cent share, was supported mainly by Non-residential buildings (RM1.4 billion) and Civil engineering (RM1.3 billion). In the meantime, the value of work done in Wilayah Persekutuan was RM3.7 billion (11.5%) and Sarawak with RM3.4 billion (10.5%).

*(Source: Construction Statistics Second Quarter 2023, Department of Statistics Malaysia)*

**(ii) Outlook of Malaysia's construction sector**

The construction sector is projected to turn around by 11.5% in 2022 on account of better performance in all its subsectors. The civil engineering subsector is anticipated to regain its positive growth, following the continuation and acceleration of major infrastructure projects, such as Light Rail Transit Line 3 (LRT3), Mass Rail Transit Line 3 (MRT3), Johor-Singapore Rapid Transit System (RTS) as well as the Pan Borneo highways in Sabah and Sarawak. Utility projects, including Baleh Hydroelectric, Sarawak Water Supply Grid Programme and Large-Scale Solar 3 plant, are also projected to spur growth. Similarly, the residential buildings subsector is expected to expand further in line with the Government's measures to address the shortage of affordable houses. The measures, among others, are the continuation of the Rent-to-Own scheme and full stamp duty exemptions for first-time home buyers as well as Rumah Mesra Rakyat and People's Housing programmes. In addition, the non-residential buildings subsector is anticipated to improve, backed by ongoing commercial projects, namely Kwasa Damansara, Tun Razak Exchange and KLIA Aeropolis.

*(Source: Economic Outlook 2022, Ministry of Finance Malaysia)*

**6.7.3 Overview and Outlook for Construction in Sabah**

**(i) Overview of Sabah's construction sector**

The value of construction work done in the second quarter of 2023 decreased by 14.9% compared to the previous quarter, from RM1,977,013 to RM1,683,332,000. The Special Trade Sector sub-sector recorded positive growth of 51.9% compared to the previous quarter, while other sub-sectors such as Civil Engineering, Non-residential buildings, and Residential buildings recorded decreases in their value respectively compared to the previous quarter.

On a quarter-on-quarter basis, the majority of construction sub-sectors showed negative growth. The Civil Engineering sub-sector remained the main contributor to the overall value of construction work done despite recording a declining rate of -19.8%, holding the largest share of 61.2%. This was followed by Non-residential buildings with a share of 19.2%, while Residential buildings and Special Trade activities sub-sector contributed 10.3% and 9.2% respectively.

*(Source: Construction Statistics Second Quarter 2023, Department of Statistics Malaysia)*

**(ii) Outlook of Sabah's construction sector**

In post-pandemic recovery period, we expect construction sector activities in the state to pick up steadily. As of Sep-22, Pan-Borneo Sabah Highway was at 65% completion. We believe the other 35% works will be rolled out in 2023 onwards. In addition, the expansion of Kalimantan, Indonesia will benefit Sabah state economy. The proposed road construction to connect Kalabakan and Serudong areas with Simanggaris, Indonesia which would be at initial stages will enhance greater connectivity between Sabah and Kalimantan. Growth in Sabah's construction sector will also be supported by implementation of other infrastructure projects such as Sabah-Sarawak Link Road (SSLR) Phase Two project, which will commence next year, and the resumption of Cinta Mata dam construction in Tawau.

*(Source: Exploring Sabah's Economic Pearls, MIDF Research Thematic Report, Malaysian Industrial Development Finance Berhad)*





### 6.7.3 Prospects of RYRT International

We noted the prospects of RYRT International as detailed in Section 4.3 of Part A of the Circular.

The historical performance of RYRT International for financial period from 18 June 2019 to 31 August 2020, FYE 31 August 2021, restated FYE 31 August 2022 and audited 6-month for the FPE 28 February 2023 are set out in Section 6 of Appendix V of the Circular. Save for the financial period from 18 June 2019 to 31 August 2020, RYRT International recorded revenues of RM11.68 million, RM127.80 million and RM48.08 million for the FYE 31 August 2021, restated FYE 31 August 2022 and 6-month FPE 28 February 2023, respectively. Notwithstanding its inception in June 2019, RYRT International recorded a LAT of RM0.15 million for FYE 31 August 2021 and PATs of RM8.37 million and RM8.87 million for the restated FYE 31 August 2022 and 6-month FPE 28 February 2023, respectively.

Moving forward, RYRT International has an existing outstanding order book of approximately RM204.63 million, which is expected to generate and contribute to the revenue and profit to the enlarged CGB Group for the next three (3) years up to FYE 31 December 2025. In addition, RYRT International is also actively bidding for new project and is invited to bid for project with an estimated value of RM3.85 billion that could be awarded over the next 24 months.

Furthermore, the construction sector in Sabah has favourable growth prospects as the civil engineering subsector is anticipated to regain its positive growth following the continuation and acceleration of major infrastructure projects in East Malaysia such as the Trans-Borneo highway in Sabah and Sarawak, Sabah-Sarawak Link Road Phase 2 as well as utility projects including Baleh Hydroelectric, Sarawak Water Supply Grid Programme, and the resumption of the Cinta Mata dam construction in Tawau.

The Proposed Acquisition will allow the CGB Group to maximise its investment in a profit generating company with a healthy cash flow as its wholly owned subsidiary by consolidating the earnings of RYRT International. Furthermore, the Proposed Acquisition will also enable the Group to mitigate additional integration costs as well as risks associated with the acquisition of a new business. With the positive prospect of the construction sector in Sabah and RYRT International's strong order book, the Board is of the view that the Proposed Acquisition will result in a better contribution to the financial performance of the Group.

**Premised on the above, we noted that the prospects of the Proposed Acquisition are expected to be positive and thus the Proposed Acquisition is not detrimental to the interest of the non-interested shareholders.**

### 6.8 Risk factors associated with the Proposed Acquisition

We have taken note of the risk factors in relation to the Proposed Acquisition as set out in Section 5 of Part A of the Circular.

The non-interested shareholders are advised to carefully consider the risk factors as set out in Section 5 of Part A of the Circular before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of CGB.

We set out below our views on certain risk factors pertaining to the Proposed Acquisition:

**(i) Transaction risk**

Pursuant to the SPA, we noted that the Proposed Acquisition is subject to the fulfilment or waiver of the conditions precedent as per in Appendix I of the Circular. In the event of failure to fulfill or waive the conditions precedent as well as non-performance by the relevant parties of their respective obligations under the SPA, the Proposed Acquisition will not be completed. Therefore, the potential benefits that are anticipated to be derived from the Proposed Acquisition by CGB may not be realised.

Nevertheless, we noted that the timeframe for the completion of the SPA may be mutually extended and that both CGB and RYRT Holdings will use their respective best endeavours that are within their control to ensure the conditions precedent are fulfilled.

We further noted that, if the ordinary resolution in respect of the Proposed Acquisition is not approved by the shareholder at the forthcoming EGM or the failure to fulfill or waive the condition precedent, the terms of the First SPA and PGA will prevail and remain valid. As such, if RYRT International does not achieve an aggregate PAT of RM43.00 million from 1 September 2021 to 31 August 2023, the Guarantors will jointly and severally compensate CICC in cash, being the amount equivalent to 70% of the profit shortfall.

**(ii) Investment risk**

We noted that, although the Proposed Acquisition is expected to benefit CGB Group, there can be no guarantee that the anticipated benefits of the Proposed Acquisition will materialise or that the CGB Group would be able to generate sufficient revenue and earnings to offset the costs incurred for the Proposed Acquisition. Additional cost and expenses may be incurred by CGB to mitigate the abovementioned risk, which may be substantial and adversely affect the net income of CGB.

We are of the view that the investment risk of the Proposed Acquisition is common aspect of similar acquisition proposals or arrangements. In addition, certain risk factors inherent in the construction industry are risk factors which CGB is currently subjected to as they already own 70% equity interest in RYRT International. In this regard, the business risk profile of CGB will not change significantly upon completion of the Proposed Acquisition.

We further noted that there is no guarantee that the Guarantors will fulfill their obligation to compensate CICC in cash should there be a profit shortfall based on the terms at the First SPA and PGA or the SPA and Supplemental SPA.

Nevertheless, we noted that the Guarantors have shown commitment over the business development and operations of RYRT International, including securing of Project Jalan Semawang ke Tanjung Kuala Gum-Gum with a contract value of RM183.29 million subsequent to the Initial Acquisition.

We also noted that the Board will continuously undertake necessary steps to mitigate such risk by conducting relevant assessment and review to oversee the business operation of RYRT International.



## 7. CONCLUSION AND RECOMMENDATION

Non-interested shareholders should take into account all the merits and demerits of the Proposed Acquisition and the material variation to the First SPA and PGA 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, DWA Advisory has considered the following factors, which the non-interested shareholders should consider in evaluating the Proposed Acquisition and the material variation to the First SPA and PGA as summarised below:

- (i) the rationale and benefits for the Proposed Acquisition and the material variation to the First SPA and PGA 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 is reasonable and not detrimental to the non-interested shareholders;
- (iv) the salient terms of the SPA and the Supplemental SPA are reasonable and not detrimental to the non-interested shareholders;
- (v) the financial effects of the Proposed Acquisition are reasonable and not detrimental to the non-interested shareholders;
- (vi) the prospects of RYRT International are positive; and
- (vii) the risk factors associated with the Proposed Acquisition.

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

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



Premised on the foregoing and our evaluation of the Proposed Acquisition and the material variation to the First SPA and PGA, DWA Advisory is of the opinion that the terms of the Proposed Acquisition and the material variation to the First SPA and PGA are **FAIR AND REASONABLE** and are **NOT DETRIMENTAL** to the interest of the non-interested shareholders of CGB.

Accordingly, DWA Advisory recommends that the non-interested shareholders **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Acquisition and the material variation to the First SPA and PGA at the forthcoming EGM.

Yours faithfully,  
For and on behalf of  
**DWA ADVISORY SDN BHD**

**Muhamad Sabberi Badrul Jamil**  
Senior Principal

**Dato' Wan Asmadi Wan Ahmad**  
Managing Principal