THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has approved the Proposed Regularisation Plan (as defined herein) contained in this Circular. The approval of Bursa Securities shall not be taken to indicate that Bursa Securities recommends the Proposed Regularisation Plan or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Circular.

Bursa Securities 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.

You should rely on your own evaluation to assess the merits and risks of the Proposed Regularisation Plan.

FSBM

FSBM HOLDINGS BERHAD
Registration No.: 198401003091 (115609-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

(I) PROPOSED CAPITAL REDUCTION;
(II) PROPOSED SHARES ISSUANCE; AND
(III) PROPOSED RIGHTS ISSUE WITH WARRANTS

(COLLECTIVELY, THE "PROPOSED REGULARISATION PLAN")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

Malacca Securities
Building Wealth Together

MALACCA SECURITIES SDN. BHD.
Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of FSBM Holdings Berhad ("**FSBM**" or "**Company**") will be held at Strive Room, Level M3, VE Hotel & Residence, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, on Monday, 22 May 2023 at 4.00 p.m., or at any adjournment thereof. The Notice of EGM together with the Form of Proxy are enclosed herewith in this Circular.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf.

The Form of Proxy should be completed and lodged at the Company's share registrar office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, not less than 24 hours before the time set for holding the EGM, as indicated below, or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Sunday, 21 May 2023 at 4.00 p.m.
Date and time of the EGM	:	Monday, 22 May 2023 at 4.00p.m. or at any adjournment thereof

This Circular is dated 28 April 2023

For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act, 2016 of Malaysia, as amended from time to time including any re-enactment thereof
Board	:	Board of Directors of FSBM
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
CAGR	:	Compounded annual growth rate
Circular	:	This Circular dated 28 April 2023 in relation to the Proposed Regularisation Plan
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time including any re-enactment thereof
COVID-19	:	Coronavirus disease
CSSA	:	Conditional share sale agreement dated 15 October 2021 entered into between FSBM and Dato' Tan in relation to the Proposed Disposals, which had been mutually terminated via an exchange of letter dated 15 November 2022
CTech	:	FSBM CTech Sdn. Bhd. (Registration No.: 199701011599 (427095-M)), a wholly-owned subsidiary of FSBM
Dato' Tan	:	Dato' Tan Hock San @ Tan Hock Ming, a Non-Independent Non-Executive Director of FSBM
DDoS	:	Distributed denial of service, where high volumes of requests are sent at the same time from multiple points on the Internet to overwhelm network system resources or overload the bandwidth of the network infrastructure
Deed Poll	:	Deed poll constituting the Warrants to be executed by the Company
Director	:	A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the CMSA
Disposal Companies	:	Collectively, CTech and Unos
Dr Chew	:	Dr Chew Weng Yew, a major shareholder of FSBM as at LPD
Dr Chew Undertaking Letter	:	The undertaking letter dated 28 September 2022 from Dr Chew in relation to his Undertaking

EGM	:	Extraordinary General Meeting
Entitled Shareholder(s)	:	Shareholder(s) whose name(s) appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date in order to be entitled to participate in the Proposed Rights Issue with Warrants
Entitlement Date	:	A date to be determined by the Board and announced later, on which the names of Shareholders must appear in the Record of Depositors of the Company as at the close of business on that date in order to be entitled to participate in the Proposed Rights Issue with Warrants
EPS	:	Earnings per share
Exercise Price	:	Exercise price of the Warrants of RM0.05 each
External Auditors or **Reporting Accountants**	:	Moore Stephens Associates PLT, the external auditors of FSBM
FPE	:	Financial period ended/ending, as the case may be
FSBM or the **Company**	:	FSBM Holdings Berhad (Registration No.: 198401003091 (115609-U))
FSBM Group or the **Group**	:	Collectively, FSBM and its subsidiaries
FSBM Share(s) or the **Share(s)**	:	Ordinary share(s) in FSBM
FSBM Shareholder(s) or the **Shareholder(s)**	:	The shareholder(s) of FSBM
FYE	:	Financial year ended/ending, as the case may be
INI	:	Internet protocol network intelligence, a system which comprises data, technology, algorithms, and techniques used to collect, analyse and visualise network information
IoT	:	Internet of things, which refers to a network of interconnected devices where communication between devices is facilitated to enable integrated operational activities
Issue Price	:	The issue price of RM0.03 per Rights Share
IT	:	Information technology
LAT	:	Loss after tax
LBT	:	Loss before tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	11 April 2023, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per share

Main Market	:	Main Market of Bursa Securities
Malacca Securities or the **Principal Adviser**	:	Malacca Securities Sdn. Bhd. (Registration No.: 197301002760 (16121-H)), the principal adviser for the Proposed Regularisation Plan
Market Day	:	A day on which Bursa Securities is open for trading in securities
Maximum Scenario	:	Assuming all the Entitled Shareholders will subscribe for their entitlements under the Proposed Rights Issue with Warrants
MCO	:	Movement control order
MES	:	Manufacturing execution systems
MFRS	:	Malaysian Financial Reporting Standard
Minimum Scenario	:	Assuming the Proposed Rights Issue with Warrants will be undertaken on a Minimum Subscription Level
Minimum Subscription Level	:	The minimum subscription level to raise gross proceeds of RM6.0 million pursuant to the Proposed Rights Issue with Warrants
Mr Low	:	Low Kang Wei, the Chief Technology Officer of FSBM
Mr Pang	:	Pang Kiew Kun, an Executive Director of FSBM
Mr Pang Undertaking Letter	:	The undertaking letter dated 15 April 2022 from Mr Pang in relation to his Undertaking
Mr Yeo	:	Yeo Ann Seck, a substantial shareholder of FSBM as at LPD
Mr Yeo Undertaking Letter	:	The undertaking letter dated 28 September 2022 from Mr Yeo in relation to his Undertaking
NA	:	Net assets
NL	:	Net liabilities
PAT	:	Profit after tax
PBT	:	Profit before tax
PN16	:	Practice Note 16 of the Listing Requirements
PN17	:	Practice Note 17 of the Listing Requirements
Proposed Capital Reduction	:	Proposed capital reduction exercise to be carried out by FSBM, pursuant to Section 116 of the Act to reduce the share capital of FSBM
Proposed Disposals	:	Proposed disposal of the Disposal Companies for a total cash consideration of RM2.0 million, which had been mutually terminated via an exchange of letter dated 15 November 2022
Proposed Regularisation Plan	:	Collectively, the Proposed Shares Issuance, Proposed Rights Issue with Warrants and Proposed Capital Reduction which was announced on 15 October 2021 and revised on 15 November 2022

Proposed Rights Issue with Warrants	:	Proposed renounceable rights issue of up to 236,659,300 Rights Shares on the basis of 1 Rights Share for every 1 existing FSBM Share held, together with up to 118,329,650 free detachable Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on the Entitlement Date
Proposed Shares Issuance	:	Proposed shares issuance of 60.0 million Subscription Shares to the Subscribers
Providence or the **Independent Market Researcher**	:	Providence Strategic Partners Sdn. Bhd. (Registration No.: 201701024744 (1238910-A)), the independent market researcher for the Proposed Regularisation Plan
Record of Depositors	:	A record of depositors established by Bursa Depository under the rules of Bursa Depository, as amended from time to time
Requisite Announcement	:	The requisite announcement dated 15 October 2022 in relation to the regularisation plan of FSBM
Rights Share(s)	:	New FSBM Share(s) to be issued pursuant to the Proposed Rights Issue with Warrants
RM and **sen**	:	Ringgit Malaysia and sen, respectively
Rules	:	Rules on Take-Overs, Mergers and Compulsory Acquisitions, as amended from time to time including any re-enactment thereof
SC	:	Securities Commission Malaysia
SOC	:	Security Operation Centre
Subscribers	:	Collectively, Tan Sri Syed Zainal, Mr Pang and Mr Low
Subscription Agreement(s)	:	The subscription agreements dated 15 October 2021 entered into between FSBM and the Subscribers in relation to the Proposed Shares Issuance, as amended via exchange of letters dated 12 October 2022
Subscription Price	:	The subscription price of RM0.08 per Subscription Share
Subscription Share(s)	:	New FSBM Share(s) to be issued pursuant to the Proposed Shares Issuance
Tan Sri Syed Zainal	:	Tan Sri Dato' Sri Syed Zainal Abidin Syed Mohd Tahir
TERP	:	Theoretical ex-rights price
Treasury Shares	:	1,090,700 FSBM Shares held as treasury shares as at LPD
TSB	:	Technitium Sdn. Bhd. (Registration No. 200101011760 (547516-X))
Undertakings	:	Undertakings procured from Mr Pang, Dr Chew and Mr Yeo to subscribe for their entitlements under the Proposed Rights Issue with Warrants
Unos	:	Unos Sdn. Bhd. (Registration No.: 200001011195 (513801-M)), a wholly-owned subsidiary of FSBM
VWAP	:	Volume weighted average market price

Warrants	:	Free detachable warrants in FSBM to be issued pursuant to the Proposed Rights Issue with Warrants
Warrants 2012/2022	:	Warrants issued pursuant to the rights issue with warrants which was completed in year 2012, and expired on 16 May 2022

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

All references to "**you**" in this Circular are to FSBM Shareholder(s).

Any reference in this Circular to any provision of a statute, rule, regulation, enactment, or rule of a stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of a stock exchange (as the case may be) as modified by any written law, or, if applicable, any amendment of re-enactment to the statute, rule, regulation, enactment or rule of a stock exchange for the time being in force. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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

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

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED REGULARISATION PLAN

PAGE

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

Key information	Description	Reference to this Circular
Details of the Proposed Regularisation Plan	(a) The Proposed Capital Reduction exercise is to be carried out by the Company pursuant to Section 116 of the Act to reduce the share capital of the Company. (b) The Proposed Shares Issuance entails the issuance of 60.0 million Subscription Shares to the Subscribers. (c) The Proposed Rights Issue with Warrants entails the issuance of up to 236,659,300 Rights Shares on the basis of 1 Rights Share for every 1 existing FSBM Share held, together with up to 118,329,650 free detachable Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on the Entitlement Date.	Section 2
Utilisation of proceeds	The Proposed Shares Issuance and Proposed Rights Issue with Warrants are expected to raise proceeds of up to RM11.9 million which the Company proposes to be utilised as follows:-	Section 3

	Minimum Scenario	**Maximum Scenario**	**Estimated timeframe for utilisation from receipt of proceeds**
Expansion of IT services	4,840	5,907	Within 36 months
General working capital	3,960	3,993	Within 24 months
Defray estimated expenses	2,000	2,000	Within 3 months
	10,800	**11,900**	

Key information	Description	Reference to this Circular
Rationale of the Proposed Regularisation Plan	The Proposed Regularisation Plan serves to regularise the financial condition of the Group in order to address and uplift the PN17 status of the Company as follows: (a) The Proposed Capital Reduction is to eliminate the accumulated losses of the Company with a view to rationalise the balance sheet of the Company to reflect more accurately the value of its underlying assets, and thus the financial position of the Company. (b) Proposed Shares Issuance is the most appropriate avenue to raise the requisite funds for its on-going IT services contracts. (c) The Proposed Rights Issue with Warrants will allow the Group to further raise fresh funds of up to RM7.1 million for the expansion of its IT services business, general working capital and estimated expenses in relation to the Proposed Regularisation Plan.	Section 5
Risk factors	The Proposed Regularisation Plan is subject to, amongst others, the following risks: (a) The Proposed Regularisation Plan may be delayed or terminated if approval from relevant authorities as well as shareholders of FSBM are not obtained. As the Proposed Share Issuance is also conditional upon the fulfilment of the conditions precedent set out in the Subscription Agreements, any non-fulfilment or waiver may cause the Subscription Agreements to be terminated. As the proposals comprised in the Proposed Regularisation Plan are inter-conditional, any termination of the Subscription Agreements will affect the implementation of the Proposed Regularisation Plan. (b) The Group's achievements are largely attributable to the continued efforts of the Executive Directors and key management personnel who are directly responsible for the strategic direction, leadership, business planning and development, and management of the Group's business operations. (c) The Group's ability to turnaround its operations and financial position is highly dependent on being able to complete the contracts at hand as well as to secure additional contracts which are usually secured on a project-by-project basis. Hence, the Group's revenue may fluctuate from year to year and such fluctuations may have a material adverse impact on its business operations and financial performance. (d) The Group may not be able to effectively manage the growth or successfully implement the Group's future plans and strategies.	Section 7

Key information	Description	Reference to this Circular
	(e) Rapid technological changes could limit the Group's ability to attract new customers and retain existing customers. (f) The operations and/or expansion projects of the customers might be affected due to the implementation of the lockdown imposed by the government of Malaysia which will affect the recognition of revenue by the Group, from the relevant projects as well as cause the projects to be terminated.	
Interests of Directors, major shareholders, chief executive and/or persons connected	Mr Pang, an Executive Director of FSBM is a Subscriber for the Proposed Shares Issuance and is thus, interested in the Proposed Shares Issuance. As the Proposed Shares Issuance is inter-conditional upon the rest of the proposals comprising the Proposed Regularisation Plan, Mr Pang has abstained and will continue to abstain from all deliberations and voting in respect of the Proposed Regularisation Plan at the relevant Board meetings of the Company. Save as disclosed above, none of the Directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Proposed Regularisation Plan.	Section 11
Directors' statement and recommendation	The Board takes cognisance that barring unforeseen circumstances, upon completion of the Proposed Regularisation Plan, the Group will no longer trigger any of the criteria of Paragraph 2.1 of PN17 as detailed in Section 5.6 of the Circular. The Board (save for Mr Pang, being the interested director), having considered all aspects of the Proposed Regularisation Plan, including but not limited to the rationale and effects of the Proposed Regularisation Plan, is of the opinion that the Proposed Regularisation Plan is in the best interest of the Company and its Shareholders. Accordingly, the Board (save for Mr Pang) recommends that FSBM Shareholders vote in favour of the resolutions pertaining to the Proposed Regularisation Plan to be tabled at the forthcoming EGM.	Section 14

FSBM HOLDINGS BERHAD
Registration No.: 198401003091 (115609-U)
(Incorporated in Malaysia)

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

28 April 2023

Board of Directors:

Pang Kiew Kun *(Executive Director)*
Tan Wan Yen *(Executive Director)*
Dato' Tan Hock San @ Tan Hock Ming *(Non-Independent Non-Executive Director)*
Mok Kar Foo *(Non-Independent Non-Executive Director)*
Ng Yew Soon *(Independent Non-Executive Director)*
Tey Giap Turn *(Independent Non-Executive Director)*

To: The Shareholders of FSBM Holdings Berhad

Dear Sir/Madam,

PROPOSED REGULARISATION PLAN

1. INTRODUCTION

On 16 October 2019, the Board announced that the Company had triggered Paragraph 8.03A(2) of the Listing Requirements whereby the Company has an insignificant business or operations and accordingly, the Company was classified as an affected listed issuer ("**First Announcement**"), as the Group recorded a revenue of RM0.1 million, representing 1.0% to the Company's share capital of RM10.1 million based on its unaudited consolidated financial statements for the 12-month FPE 30 June 2019.

From 31 October 2018 up to 31 December 2019, being the date of release of FSBM's annual report for the FYE 30 June 2018, the Board had requested several extensions for the issuance of FSBM's annual report for the FYE 30 June 2018. On 30 December 2019, the Board released its annual audited financial statements for the FYE 30 June 2018 and announced that FSBM had triggered the criteria prescribed under Paragraph 8.04 and Paragraph 2.1(d) of PN17, as a result of FSBM's auditors having expressed a disclaimer of opinion in the Company's audited financial statements for the financial year ended 30 June 2018. FSBM was classified as a PN17 company on even date.

Premised on the First Announcement dated 16 October 2019 and pursuant to Paragraph 8.04(3)(a) of the Listing Requirements, FSBM was required to submit a regularisation plan to the SC or Bursa Securities, as the case may be, within 12 months from the date of the First Announcement, which was on or before 15 October 2020, for approval to implement the regularisation plan. Following the government of Malaysia's announcement in March 2020 on the MCO to stem the rising number of coronavirus cases by limiting movement nationwide, Bursa Securities had vide its circular dated 26 March 2020 accorded additional relief measures to listed issuers, including amongst others, a longer timeframe for listed issuers which trigger the criteria under Paragraphs 8.03A or 8.04 (PN17) of the Listing Requirements and announce the criteria under Paragraph 4.1(a) in PN17 of the Listing Requirements from 2 January 2019 to 31 December 2020, to submit their regularisation plans to the relevant regulatory authorities within 24 months (instead of the existing 12 months) from the date of the first announcement. As such, FSBM was allowed to submit a regularisation plan to the relevant regulatory authorities on or before 15 October 2021 (instead of 15 October 2020), for approval to implement the regularisation plan.

On 23 August 2021, the Board announced that the Company had on even date submitted an application to Bursa Securities for an extension of time of 6 months from 15 October 2021 up to 15 April 2022 to submit a regularisation plan to the relevant regulatory authorities.

On 23 September 2021, the Board announced that Bursa Securities, after due consideration of the facts and circumstances of the aforementioned application, had decided to reject the extension of time application.

On 15 October 2021, on behalf of the Board, Malacca Securities announced the Proposed Regularisation Plan comprising the following:-

(a) a proposed shares issuance of 60.0 million Subscription Shares representing approximately 30% of FSBM's enlarged issued shares after the shares issuance to the Subscribers;

(b) the proposed disposal of the following subsidiaries:-

    (i) CTech, a wholly-owned subsidiary of FSBM; and

    (ii) Unos, a wholly-owned subsidiary of FSBM,

    for a total cash consideration of RM2.0 million;

(c) a proposed renounceable rights issue of up to 250,006,290 Rights Shares on the basis of 1 Rights Share for every 1 existing FSBM Share held, together with up to 125,003,145 free detachable Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on an entitlement date to be determined and announced later. For information, the maximum number of Rights Shares and Warrants to be issued had been revised to 236,659,300 Rights Shares and 118,329,650 Warrants respectively, after taking into consideration the actual number of new FSBM Shares which were issued pursuant to the exercise of Warrants 2012/2022, which had expired on 16 May 2022; and

(d) a proposed capital reduction exercise to be carried out by the Company, pursuant to Section 116 of the Act to reduce the share capital of the Company.

On even date, Malacca Securities had, on behalf of the Board, submitted an appeal to Bursa Securities for an extension of time of 6 months from 15 October 2021 to 15 April 2022 for FSBM to submit its regularisation plan.

On 8 November 2021 and 9 November 2021, Malacca Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 8 November 2021 approved the extension of time up to 15 April 2022 for FSBM to submit its regularisation plan.

On 15 April 2022, Malacca Securities had, on behalf of the Board, announced that the Company and Dato' Tan had on 15 April 2022 via an exchange of letter agreed to vary the condition precedent of the CSSA set out in Clause 3.1.3 as follows:

Existing	New
the special audit for the financial period ending 30 September 2021 to be conducted by the auditors of each Disposal Company, the results of which are to the satisfaction of the parties.	the audit for the financial year ended 31 December 2021 to be conducted by the auditors of each Disposal Company, the results of which are to the satisfaction of the parties

On 15 April 2022, Malacca Securities had, on behalf of the Board, announced that the application in relation to the Proposed Regularisation Plan had been submitted to Bursa Securities on even date.

On 21 April 2022, Malacca Securities had, on behalf of the Board, announced that the Company withdrew the Proposed Regularisation Plan application submitted to Bursa Securities on 15 April 2022, and on the same date submitted an application for extension of time up to 31 May 2022 to submit the Proposed Regularisation Plan to Bursa Securities.

On 26 April 2022, Malacca Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 26 April 2022 approved the extension of time up to 31 May 2022 for FSBM to submit its regularisation plan.

On 19 May 2022, Malacca Securities had, on behalf of the Board, announced that the application in relation to the Proposed Regularisation Plan had been submitted to Bursa Securities on 19 May 2022.

On 12 October 2022, Malacca Securities had, on behalf of the Board, announced the following:

(a) the Company and the Subscribers had on 12 October 2022 via exchange of letters, agreed for an extension of cut-off date for the fulfilment of the conditions precedent of the Subscription Agreements from 14 October 2022 to 14 January 2023; and

(b) the Company and Dato' Tan had on 12 October 2022 via an exchange of letter, agreed for an extension of cut-off date for the fulfilment of the conditions precedent of the CSSA from 14 October 2022 to 14 January 2023.

On 15 November 2022, Malacca Securities had, on behalf of the Board, announced the following:

(a) FSBM and Dato' Tan had on 15 November 2022 vide an exchange of letter, agreed to mutually terminate the CSSA in relation to the Proposed Disposals; and

(b) FSBM proposes to increase the amount of the Proposed Capital Reduction from RM10,800,000 to RM14,292,450.

In view of the recent development in relation to the disputes involving CTech (being amongst the subject of the Proposed Disposals) in connection with the works undertaken by CTech and/or the Company for Technitium Sdn Bhd including the disputes with its directors, Professor Emeritus Dr Azman Bin Awang and Haliza Binti Bidin and other disputes in relation thereto (the "**TSB Dispute**"), FSBM and Dato' Tan had mutually agreed to terminate the CSSA after taking into consideration, amongst others, the following:

(a) the Proposed Disposals were undertaken on the basis of amongst others, the potential recoverable amount from the TSB Dispute. The TSB Dispute had since been resolved whereby the Court of Appeal had made an order that the directors of TSB to pay RM1,948,330.45 together with interest accrued thereon, to TSB and RM120,000 costs to FSBM and CTech. All sums received by TSB will first be utilised to settle the professional expenses relating to the liquidation and the balance to creditors (including FSBM and CTech).

    As at 14 November 2022, being the latest practicable date prior to the date of termination of the CSSA, the liquidators of TSB had informed that TSB has yet to receive the RM1,948,330.45 and the interest accrued thereon from the directors of TSB. FSBM and CTech has also yet to receive the RM120,000 from the directors of TSB. Based on the aforementioned and that the TSB Dispute had commenced since 14 April 2010, the Board is of the opinion that the likelihood to recover any sum from TSB/directors of TSB to be low. Nevertheless, FSBM and CTech intend to continue to pursue to recover the sum from TSB/directors of TSB;

(b) the legal proceeding brought against FSBM and CTech had been set aside via the decision of the Court of Appeal on 22 February 2022;

(c) as at 14 November 2022 (being the date immediately prior to the date of termination of the CSSA), save for the payment to the solicitors for the TSB Dispute amounting to approximately RM0.5 million and amount owing to FSBM amounting to RM0.3 million, CTech and Unos do not have any other liabilities; and

(d) CTech and Unos have unabsorbed business losses of RM28.9 million and RM4.1 million respectively as at 14 November 2022, which may be utilised by the Group for tax purposes, for future financial years.

The Proposed Disposals were supposed to result in a gain on disposal of RM2.9 million based on the unaudited combined proforma NL position of the Disposal Companies of RM0.9 million. In view of the termination, the Group will cease to recognise the gain on disposal of RM2.9 million. However, the Disposal Companies will continue to be subsidiaries of the Group moving forward. The Group is of the view that retaining the loss-making Disposal Companies (which arise due to recognition of professional fees such as audit fee, tax services fee and secretarial fee) as subsidiaries of the Group will not have a material adverse impact to the profitability of the Group upon completion of the Proposed Regularisation Plan in view that the Group had secured/is in the midst of securing projects (i.e. platform and/or application development projects) undertaken/to be undertaken by the Disposal Companies. In addition, the Group intends to utilise the Disposal Companies which has unabsorbed business losses (amounting to an aggregate of RM33.0 million) for tax savings moving forward. Unos had on 14 March 2023 secured an application development project with a contract value of RM1.3 million. For the FYE 31 December 2022, CTech recorded an audited PAT of RM10,554 (mainly arising from the discount received from payables amounting to RM31,270) and Unos recorded an audited PAT of RM61,345 (mainly arising from the waiver of debts from third parties of RM73,711).

In view of the mutual termination of the CSSA, FSBM had in the same announcement dated 15 November 2022, revised the Proposed Capital Reduction to eliminate the accumulated losses of the Group based on the audited financial statements of the Group for the 6-month FPE 30 June 2022. Accordingly, the Proposed Capital Reduction entails the elimination of accumulated losses amounting to RM14,292,450.

On 21 December 2022, Malacca Securities had, on behalf of the Board, announced that FSBM proposed to change the sequence of implementation of the Proposed Regularisation Plan, to undertake the Proposed Capital Reduction prior to the Proposed Shares Issuance and Proposed Rights Issue with Warrants.

In view thereof, the Proposed Regularisation Plan had been revised to comprise the following:

(a) a proposed capital reduction exercise to be carried out by the Company, pursuant to Section 116 of the Act to reduce the share capital of the Company;

(b) a proposed shares issuance of 60.0 million Subscription Shares to the Subscribers; and

(c) a proposed renounceable rights issue of up to 236,659,300 Rights Shares on the basis of 1 Rights Share for every 1 existing FSBM Share held, together with up to 118,329,650 free detachable Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on an entitlement date to be determined and announced later. For information, the maximum number of Rights Shares and Warrants to be issued had been revised from 250,006,290 to 236,659,300 Rights Shares and 125,003,145 to 118,329,650 Warrants respectively, after taking into consideration the actual number of new FSBM Shares which were issued pursuant to the exercise of Warrants 2012/2022, which had expired on 16 May 2022.

On 13 January 2023, Malacca Securities had, on behalf of the Board, announced that the Company and the Subscribers via exchange of letters agreed the following:

(a) to include an additional Condition Precedent to the Subscription Agreement as follows:

"3.1 (c) the completion of the capital reduction exercise to be carried out by the Company pursuant to Section 116 of the Act to reduce the share capital of the Company."; and

(b) extension of the cut-off date for the fulfilment of the conditions precedent (including the additional Condition Precedent above) of the Subscription Agreements for a further period of 9 months, from 15 January 2023 to 14 October 2023.

On 10 April 2023, Malacca Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 7 April 2023 approved the Proposed Regularisation Plan as well as the:

(a) listing and quotation of 60,000,000 Subscription Shares to be issued pursuant to the Proposed Shares Issuance on the Main Market of Bursa Securities;

(b) listing and quotation of up to 236,659,300 Rights Shares and up to 118,329,650 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities; and

(c) listing and quotation of up to 118,329,650 new FSBM Shares to be issued pursuant to the exercise of Warrants on the Main Market of Bursa Securities,

subject to the conditions set out in Section 10 of this Circular.

1.1 Events that led FSBM to be an affected listed issuer pursuant to Paragraph 8.03A and PN17

On 16 October 2019, the Board announced that the Company had triggered Paragraph 8.03A(2) of the Listing Requirements whereby the Company has an insignificant business or operations as the Group's revenue was solely attributable to the development and subsequent maintenance of a hostel management system and was unable to secure new contracts due to continued pressure from competitors. Accordingly, the Company was classified as an affected listed issuer.

On 31 October 2018, the Board announced that the Company was unable to release its annual report that includes the annual audited financial statements together with the auditors' and directors' reports in respect of the FYE 30 June 2018 ("**Annual Report 2018**") as the Company was striving to resolve the outstanding issues relating to the recoverability of certain trade and other receivables. Pursuant to Paragraph 9.28(6) of the Listing Requirements, if FSBM fails to issue the Annual Report 2018 by 30 April 2019 which is within 6 months from the expiry of the timeframe, i.e. 31 October 2018, in addition to any enforcement action that Bursa Securities may take, de-listing procedures shall be commenced against FSBM. As such, Bursa Securities had on 2 May 2019 given FSBM a Notice to Show Cause on de-listing of the securities of FSBM. The Company had on 8 May 2019 submitted its written representations to Bursa Securities as to why FSBM's securities should not be removed from the Official List of Bursa Securities.

Bursa Securities had on 9 August 2019 decided to defer the de-listing of the securities of FSBM provided FSBM issues its Annual Report 2018 on or before 30 October 2019. On 22 October 2019, FSBM submitted a request to Bursa Securities for further extension of time until 31 December 2019 for the issuance of Annual Report 2018 and Bursa Securities had vide its letter dated 6 December 2019 (as announced on 20 December 2019) granted the extension. For information, the Annual Report 2018 was issued on 31 December 2019.

On 30 December 2019, the Board announced that FSBM had triggered the criteria prescribed under Paragraph 8.04 and Paragraph 2.1(d) of PN17, as a result of the External Auditors having expressed a disclaimer of opinion in the Company's audited financial statements for the FYE 30 June 2018 which was announced on 30 December 2019. FSBM was classified as a PN17 company on 30 December 2019.

Moore Stephens Associates PLT was appointed as the External Auditors by FSBM on 21 October 2019 upon the resignation of the previous auditors on 13 September 2019. The External Auditors were engaged to audit the financial statements of FSBM (both Group and Company levels) as at 30 June 2018.

For the audited financial statements for the FYE 30 June 2018, 18-month FPE 31 December 2019 and FYE 31 December 2020, the External Auditors did not express an opinion on the accompanying financial statements of the Group and of the Company due to the significance of the matters highlighted and they had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the said financial statements. The issues and matters highlighted by the External Auditors in the respective audited financial statements are generally as follows:-

(a) inability to obtain sufficient appropriate audit evidence of several account opening balances;

(b) inability to reconcile and ascertain several amounts owing from trade and non-trade receivables. Accordingly, the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of such amounts due;

(c) inability of the management to provide the External Auditors the requisite documentation and information on the financial statements of the Group and on the Company, the External Auditors were unable to obtain sufficient appropriate audit evidence and explanations as to whether the liabilities, contingent liabilities and commitments were properly recorded and accounted for and free from material misstatements;

(d) unable to obtain sufficient appropriate audit evidence to satisfy themselves with regards to the fair value of the investments in unquoted ordinary shares in a private limited entity in Malaysia; and

(e) the going concern of the Group and Company.

Further details of the issues and matters highlighted by the External Auditors are set out in Appendix IV of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE SHAREHOLDERS WITH THE RELEVANT INFORMATION ON THE PROPOSED REGULARISATION PLAN AND TO SEEK SHAREHOLDERS' APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED REGULARISATION PLAN TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED REGULARISATION PLAN TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.

2. PROPOSED REGULARISATION PLAN

The Board proposes to implement the Proposed Regularisation Plan in the following order:

(a) Proposed Capital Reduction;
(b) Proposed Shares Issuance; and
(c) Proposed Rights Issue with Warrants.

2.1 Proposed Capital Reduction

The Proposed Capital Reduction entails the elimination of the accumulated losses of the Group based on the audited financial statements of the Group for the 6-month FPE 30 June 2022 of RM14,292,450.

The Proposed Capital Reduction is to be carried out by the Company pursuant to Section 116 of the Act to reduce the share capital of the Company through the cancellation of the share capital of the Company that has been lost or is unrepresented by available assets. The credit will then be utilised to reduce the accumulated losses.

For illustrative purpose, the proforma effects of the Proposed Capital Reduction of RM14.3 million on the accumulated losses of the Company and Group based on the audited financial statements for the 6-month FPE 30 June 2022 and FYE 31 December 2022 are set out below:

	Audited			
	6-month FPE 30 June 2022		**FYE 31 December 2022**	
	Company	**Group**	**Company**	**Group**
	RM'000	RM'000	RM'000	RM'000
Accumulated losses[(a)]	(25,573)	(14,292)	(24,168)	(11,109)
Credit arising from the Proposed Capital Reduction	14,292	14,292	14,292	14,292
Proforma (accumulated losses) / retained profits	**(11,281)**	**-**	**(9,876)**	**3,183**

FSBM proposes to reduce the share capital of the Company by RM14.3 million as follows:-

	RM'000
Share capital as at LPD [(b)]	24,314
Less: Proposed Capital Reduction	(14,292)
Proforma share capital after the Proposed Capital Reduction	**10,022**

Notes:-

(a) For avoidance of doubt, the External Auditors have not express any disclaimer of opinion including the Group's ability to continue as going concern nor highlighted a material uncertainty related to going concern on the audited consolidated financial statements for the 6-month FPE 30 June 2022 and FYE 31 December 2022 notwithstanding that the Company and the Group have accumulated losses as at 30 June 2022 and 31 December 2022.

(b) Inclusive of treasury shares.

The amount of RM14.3 million, being the credit arising from the Proposed Capital Reduction as illustrated above, shall be applied to eliminate the accumulated losses of the Company as at 31 December 2022.

The Proposed Capital Reduction does not entail any outflow of cash or change in the NA of the Company.

There will be no change in the total number of issued Shares in the Company held by the shareholders immediately after the Proposed Capital Reduction, nor will the Proposed Capital Reduction involve the payment to any shareholders of any share capital of the Company.

The Proposed Capital Reduction will not result in any adjustment to the share price of the Company.

An order by the High Court of Malaya will be sought to confirm the Proposed Capital Reduction pursuant to Section 116 of the Act upon the approval being obtained from the shareholders of the Company for the Proposed Regularisation Plan at the forthcoming of EGM.

The effective date of the Proposed Capital Reduction will be the date of lodgement of the sealed court order of the High Court of Malaya for the Proposed Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

2.2 Proposed Shares Issuance

2.2.1 Proposed Shares Issuance

The Proposed Shares Issuance is proposed to be undertaken subsequent to the completion of the Proposed Capital Reduction. The Proposed Shares Issuance entails the issuance of 60.0 million Subscription Shares to the Subscribers at the Subscription Price of RM0.08 per Subscription Share.

Based on 176,659,300 FSBM Shares (excluding 1,090,700 Treasury Shares) as at LPD, the Proposed Shares Issuance will result in FSBM's share capital increasing to 236,659,300 FSBM Shares (excluding 1,090,700 Treasury Shares) upon completion of the Proposed Shares Issuance. The size of the Proposed Shares Issuance is equivalent to 25.35% of FSBM's enlarged share capital after the Proposed Shares Issuance.

2.2.2 Shares issuance arrangement

On 15 October 2021, FSBM had entered into the Subscription Agreements with the Subscribers for the subscription of 60.0 million Subscription Shares as follows:-

Subscribers		Number of Subscription Shares	%	Total consideration (RM)
(a)	Tan Sri Syed Zainal	30,000,000	50.0	2,400,000
(b)	Mr Pang	16,000,000	26.7	1,280,000
(c)	Mr Low	14,000,000	23.3	1,120,000
		60,000,000	**100.0**	**4,800,000**

The Subscribers had executed their respective Subscription Agreements and have confirmed that they have sufficient financial resources to subscribe for their respective Subscription Shares and such confirmations had been verified by Malacca Securities, being the Principal Adviser for the Proposed Regularisation Plan.

The Company and the Subscribers had on 12 October 2022 and 13 January 2023 via exchange of letters, agreed for an extension of the cut-off date for the fulfilment of the conditions precedents of the Subscription Agreements from 14 October 2022 to 14 October 2023.

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

For information, as the Proposed Rights Issue with Warrants will be undertaken after the Proposed Shares Issuance, the Subscribers will be entitled to subscribe for the Proposed Rights Issue with Warrants.

2.2.3 Details of the Subscribers

(a) Tan Sri Syed Zainal

Tan Sri Syed Zainal, Malaysian, aged 60, is a businessman and entrepreneur.

As at LPD, Tan Sri Syed Zainal is currently the Executive Chairman of Dagang NeXchange Berhad. He is also the Executive Chairman of SilTerra Malaysia Sdn Bhd and a director of several private limited companies. Under Dagang NeXchange Berhad and its related entity, Innovation Associates Consulting Sdn Bhd, he is involved in the roll-out of various digital initiatives relating to data and artificial intelligence and cloud to create joint offerings with products, services and solutions for data-led transformation in Malaysia's public services and government-link companies. He was also part of the digital steering committee of Petronas Dagangan Berhad and was involved in modernising Petronas petrol stations through automation and digitalisation such as using Setel, a mobile application that enables customers to purchase fuel at Petronas petrol stations.

He is presently the Independent and Non-Executive Chairman of Scanwolf Corporation Berhad.

He had previously held senior positions in oil and gas company and automobile companies. Subsequent to that, he also held various key positions in established corporations including Proton Holdings Berhad as Group Managing Director, RHB Bank Berhad and RHB Islamic Bank Berhad as Independent Non-Executive Director and he was a Chairman of Pan Asian E-Commerce Alliance, the first regional e-Commerce alliance in Asia that aims to promote and provide secure and value-adding IT infrastructure and facilities for efficient global trade and logistics. In July 2018, he was appointed as Chairman of the Board of Universiti Teknologi MARA until January 2021.

(b) Mr Pang

The details of Mr Pang are set out in Section 5.5(a)(i) of this Circular.

(c) Mr Low

The details of Mr Low are set out in Section 5.5(a)(ii) of this Circular.

2.2.4 Basis of determining and justification for the Subscription Price

The Subscription Price of RM0.08 per Subscription Share was negotiated and determined by the Company after taking into consideration the following:-

(a) a premium of approximately 7.24% to the 5-day VWAP of FSBM Shares up to 13 October 2021, being the latest practicable date preceding the date of the Subscription Agreement of RM0.0746;

(b) FSBM's audited consolidated NA of RM4.5 million as at 31 December 2020 equivalent to approximately RM0.0322 per FSBM Share, before a RM9.3 million impairment of receivables in CTech proposed by the Board. For information, FSBM has an audited consolidated NA of RM12.5 million as at 31 December 2022, equivalent to approximately RM0.0707 per FSBM Share.

The Board takes cognisance that FSBM Shares had traded at the high of RM0.38 and the low of RM0.05 over the past one year up to 13 October 2021. In negotiating the terms of the Subscription Agreements, the Board is of the opinion that the premium will result in lesser shares being issued to the Subscribers as compared to the number of shares to be issued should the 5-day VWAP of FSBM Shares or the NA per FSBM Share be used. Accordingly, the Board is of the opinion that the premium of 7.24% is reasonable.

Malacca Securities is of the view that the Subscription Price is fair and reasonable to FSBM and existing FSBM shareholders despite the increase in FSBM Share price since the date of the Requisite Announcement, after taking into consideration the above basis in determining the Subscription Price and the following:-

(a) the Subscription Price was fixed upfront to procure the Subscribers' commitments to subscribe for the Subscription Shares to ensure that the Company raise the requisite funds pursuant to the Proposed Regularisation Plan;

(b) FSBM was recording losses and had insignificant operations prior to the date of the Subscription Agreements; and

(c) FSBM has an audited consolidated NA per Share of RM0.0707 as at 31 December 2022.

2.2.5 Ranking of the Subscription Shares

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

2.2.6 Listing and quotation of the Subscription Shares

Bursa Securities had vide its letter dated 7 April 2023, approved the listing and quotation of 60.0 million Subscription Shares to be issued pursuant to the Proposed Shares Issuance as set out in Section 10 of this Circular, subject to the conditions as set out therein.

2.3 Proposed Rights Issue with Warrants

2.3.1 Basis and number of Rights Shares and Warrants to be issued

The Proposed Rights Issue with Warrants is proposed to be undertaken subsequent to the completion of the Proposed Shares Issuance.

The Proposed Rights Issue with Warrants entails an issuance of up to 236,659,300 Rights Shares at an Issue Price of RM0.03 for each Rights Share on the basis of 1 Rights Share for every 1 existing FSBM Share held by the Entitled Shareholders, together with up to 118,329,650 new Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on an Entitlement Date to be determined and announced by the Board at a later date.

The Proposed Rights Issue with Warrants is intended to be undertaken on a Minimum Subscription Level basis to raise gross proceeds of RM6.0 million.

The maximum number of Rights Shares and Warrants had been arrived at based on the following:-

(a) 176,659,300 issued FSBM Shares (excluding 1,090,700 Treasury Shares) as at LPD. To facilitate the Proposed Rights Issue with Warrants, the Board has decided not to resell any Treasury Shares or purchase additional treasury shares prior to the completion of the Proposed Rights Issue with Warrants; and

(b) issuance of 60,000,000 Subscription Shares pursuant to the Proposed Shares Issuance.

For information, as at 13 October 2021, being the latest practicable date prior to the Requisite Announcement, FSBM had 49,782,530 outstanding Warrants 2012/2022. The Warrants 2012/2022 had since expired on 16 May 2022 and 36,435,540 Warrants 2012/2022 had been exercised since the Requisite Announcement.

The Warrants are attached to the Rights Shares without cost and will be issued only to shareholders of FSBM who subscribe for the Rights Shares. The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately on the Main Market of Bursa Securities. The Warrants will be issued in registered form and constituted by a Deed Poll to be executed by FSBM. The Exercise Price of the Warrants had been fixed at RM0.05. The indicative salient terms of the Warrants are set out in Appendix III of this Circular.

The Proposed Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders who renounce all or any part of their entitlements to the Rights Shares provisionally allotted to them under the Proposed Rights Issue with Warrants will simultaneously relinquish any accompanying entitlement to the Warrants. For avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable.

In determining the entitlement of the Entitled Shareholders under the Proposed Rights Issue with Warrants, fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as the Board in its sole and absolute discretion deem fit or expedient and in the best interests of the Company.

The Rights Shares together with Warrants which are not taken up or validly taken up shall be made available for excess Rights Shares with Warrants application by the other Entitled Shareholders and/ or their renouncee(s) and/or transferee(s). The Board intends to allocate the excess Rights Shares together with Warrants in a fair and equitable manner on a basis to be determined by the Board.

The full details of the Proposed Rights Issue with Warrants will be set out in the abridged prospectus to be issued by the Company. The abridged prospectus together with the accompanying documents in relation to the Proposed Rights Issue with Warrants will not be sent to FSBM Shareholders whose addresses in the Company's Record of Depositors are not in Malaysia to avoid any violation on the part of the Company of any securities laws applicable outside Malaysia.

2.3.2 Basis of determining and justification for the Issue Price

The Issue Price of RM0.03 per Rights Share was determined by the Board after taking into consideration amongst others, the following:-

(i) the minimum gross proceeds of RM6.0 million to be raised from the Proposed Rights Issue with Warrants;

(ii) the resultant TERP of FSBM Shares of RM0.0518 computed based on the 5-day VWAP of FSBM Shares up to and including 13 October 2021, being the latest practicable date prior to the date of Requisite Announcement ("**LPDA**"), of RM0.0746, whereby the Issue Price of RM0.03 per Rights Share represents a discount of approximately 42.1% to the TERP of RM0.0518. In addition, the issue price of RM0.03 per Rights Share represents the following discount to the respective TERP based on the respective VWAP of FSBM Shares:-

	VWAP	**TERP (adjusted based on VWAP)**	**Discount (Issue Price – TERP)**	
	(RM)	**(RM)**	**(RM)**	**(%)**
Up to LPDA:				
5-day VWAP	0.0746	0.0518	0.0218	42.1
1-month VWAP	0.1230	0.0712	0.0412	57.9
3-month VWAP	0.2093	0.1057	0.0757	71.6
6-month VWAP	0.2068	0.1047	0.0747	71.3

	VWAP	TERP (adjusted based on VWAP)	Discount (Issue Price – TERP)	
	(RM)	(RM)	(RM)	(%)
Up to LPD:				
5-day VWAP	0.3054	0.1442	0.1142	79.2
1-month VWAP	0.2966	0.1406	0.1106	78.7
3-month VWAP	0.2823	0.1349	0.1049	77.8
6-month VWAP	0.2812	0.1345	0.1045	77.7

(Source: Bloomberg)

(iii) FSBM's audited consolidated NA of RM4.5 million as at 31 December 2020 equivalent to approximately RM0.0322 per FSBM Share, before the RM9.3 million impairment of receivables as mentioned in Section 2.2.4 of this Circular. For information, FSBM has an audited consolidated NA of RM12.5 million as at 31 December 2022, equivalent to approximately RM0.0707 per FSBM Share; and

(iv) the resultant TERP computed based on the 5-day VWAP of FSBM Shares up to LPDA, being the last market day immediately preceding the price-fixing date.

As FSBM is currently a PN17 entity, the Board is of the opinion that the discount of 42.1% to the TERP based on the 5-day VWAP up to LPDA is considered attractive to entice the Entitled Shareholders and/or their renouncee(s) and/or transferees to subscribe for their respective entitlements.

For information, the RM0.08 Subscription Price of the Subscription Shares was negotiated between the Company and the Subscribers with reference to the TERP based on the 5-day VWAP up to LPDA. The Board is of the opinion that the premium of 7.2% is reasonable as it will result in lesser shares being issued to the Subscribers as compared to the number of shares to be issued should the 5-day VWAP of FSBM Shares or the NA per FSBM Share be used. The RM0.03 Issue Price of the Rights Shares was priced lower than the Subscription Shares as it is available for subscription by all shareholders of FSBM and is intended to attract the Entitled Shareholders to subscribe for their respective entitlements in order for FSBM to raise higher proceeds under the Proposed Rights Issue with Warrants. The Proposed Rights Issue with Warrants involves the issuance of free Warrants as an added incentive for Entitled Shareholders to subscribe for the Rights Shares.

As detailed in Section 2.3.3 of the Circular, the RM0.05 Exercise Price of the Warrants has been fixed at approximately the TERP of FSBM Shares of RM0.0518 computed based on the 5-day VWAP of FSBM Shares up to and including the LPDA of RM0.0746. The slight discount to the TERP of FSBM Shares may encourage Warrant holders to exercise their Warrants and raise additional funding for FSBM's working capital purposes as detailed in Section 3 of the Circular.

Malacca Securities is of the view that the Issue Price is fair and reasonable to FSBM and existing FSBM shareholders despite the increase in FSBM Share price since the date of the Requisite Announcement, after taking into consideration the above basis in determining the Issue Price and the following:

(a) the Rights Shares are available for subscription by all shareholders of FSBM on a pro-rata basis;

(b) the discount of the Issue Price to the TERP of FSBM Shares is required to ensure that the Issue Price is attractive to entice the Entitled Shareholders and/or their renouncee(s) and/or transferees to subscribe for their respective entitlements; and

(c) FSBM has an audited consolidated NA per Share of RM0.0707 as at 31 December 2022.

2.3.3 Basis of determining and justification for the exercise price of Warrants

The Warrants are attached to the Rights Shares without cost and will be issued only to shareholders of FSBM who subscribe for the Rights Shares. The Board has decided to fix the Exercise Price of the Warrants at RM0.05 each.

The Exercise Price of RM0.05 per Warrant was determined by the Board after taking into consideration, amongst others, the following:-

(a) the Warrants will be issued at no cost to the Entitled Shareholders who subscribe for the Rights Shares; and

(b) the TERP of the Shares of RM0.0518 computed based on the 5-day VWAP of FSBM Shares up to and including the LPDA of RM0.0746.

Based on the 5-day VWAP up to LPDA of RM0.0746, the Exercise Price of RM0.05 per Warrant represents a discount of approximately 3.47% to the TERP of RM0.0518.

Based on the 5-day VWAP up to LPD of RM0.3054, the Exercise Price of RM0.05 per Warrant represents a discount of approximately 65.3% to the TERP of RM0.1442.

Malacca Securities is of the view that the Exercise Price of the Warrants is fair and reasonable to FSBM and existing FSBM shareholders despite the increase in FSBM Share price since the date of the Requisite Announcement, after taking into consideration the above basis in determining the Exercise Price and the following:

(a) the Warrants will be issued free to all FSBM shareholders who subscribe for the Rights Shares, and the Rights Shares are available for subscription by all shareholders of FSBM on a pro-rata basis; and

(b) the discount of the Exercise Price to the TERP of FSBM Share will encourage Warrant holders to exercise their Warrants to enable FSBM to raise further proceeds for the Group's working capital.

2.3.4 Minimum Subscription Level, undertakings and underwriting arrangements for the Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants is intended to be undertaken on a Minimum Subscription Level basis to raise gross proceeds of RM6.0 million, after taking into consideration the minimum level of funds that the Company requires to raise from the Proposed Rights Issue with Warrants for the proposed utilisation of proceeds as set out in Section 3 this Circular.

FSBM has procured Undertakings of RM2.3 million from the following parties:-

(i) Mr Pang vide the Mr Pang Undertaking Letter dated 15 April 2022 to subscribe for his entitlement under the Proposed Rights Issue with Warrants. Based on 2,790,000 Shares held by Mr Pang as at 27 April 2023 and 16.0 million Subscription Shares to be subscribed by Mr Pang, the undertaking by Mr Pang will be for an amount of RM0.6 million;

(ii) Dr Chew vide the Dr Chew Undertaking Letter dated 28 September 2022 to subscribe for his entitlement under the Proposed Rights Issue with Warrants. Based on 47,124,970 Shares held by Dr Chew as at 27 April 2023, the undertaking by Dr Chew will be for an amount of RM1.4 million; and

(iii) Mr Yeo vide the Mr Yeo Undertaking Letter dated 28 September 2022 to subscribe for his entitlement under the Proposed Rights Issue with Warrants. Based on 10,500,000 Shares held by Mr Yeo as at 27 April 2023, the undertaking by Mr Yeo will be for an amount of RM0.3 million,

(collectively, Mr Pang, Dr Chew and Mr Yeo referred to as the "**Undertaking Shareholders**").

The Undertaking Shareholders had confirmed in their respective undertaking letters that they have sufficient financial resources to subscribe for their entitlements under the Undertakings and such confirmations had been verified by Malacca Securities, being the Principal Adviser for the Proposed Regularisation Plan.

The entitlements of the Undertaking Shareholders under the Proposed Rights Issue with Warrants and the number of Rights Shares to be subscribed pursuant to their Undertakings, based on their shareholdings in FSBM and the Minimum Subscription Level is as follows:-

	As at 27 April 2023		After Proposed Shares Issuance		Rights Shares to be subscribed for pursuant to the Undertaking: Rights Entitlement		Rights Shares to be subscribed for pursuant to the Undertaking: Total Undertaking	
	No. of Shares	(%)	No. of Shares	(%)[a]	No. of Rights Shares	(%)[b]	No. of Rights Shares	(%)[b]
Mr Pang	2,790,000	1.58	18,790,000	7.94	18,790,000	9.40	18,790,000	9.40
Dr Chew	47,124,970	26.68	47,124,970	19.91	47,124,970	23.56	47,124,970	23.56
Mr Yeo	10,500,000	5.94	10,500,000	4.44	10,500,000	5.25	10,500,000	5.25

	After Proposed Rights Issue with Warrants		Assuming full exercise of Warrants	
	No. of Shares	(%)[c]	No. of Shares	(%)[d]
Mr Pang	37,580,000	8.61	46,975,000	8.75
Dr Chew	94,249,940	21.58	117,812,425	21.95
Mr Yeo	21,000,000	4.81	26,250,000	4.89

Notes:-

(a) Based on enlarged share capital of 236,659,300 FSBM Shares after the Proposed Shares Issuance.

(b) Based on 200,000,000 Rights Shares to be issued under the Minimum Subscription Level.

(c) Based on enlarged share capital of 436,659,300 FSBM Shares after the Proposed Rights Issue with Warrants under the Minimum Subscription Level.

(d) Based on enlarged share capital of 536,659,300 FSBM Shares assuming full exercise of all Warrants under the Minimum Subscription Level.

Assuming full exercise of Warrants by an Undertaking Shareholder under the Minimum Subscription Level (as illustrated above), this will not result in any Undertaking Shareholder and persons acting in concert with him to trigger the obligation to undertake a mandatory general offer for all the remaining FSBM securities not already held by him in accordance with Paragraph 4.01(a) of the Rules.

For avoidance of doubt, the Undertakings do not preclude the Undertaking Shareholders and persons acting in concert with them from subscribing for their entitlements and/or excess Rights Shares with Warrants, to which all the shareholders of the Company are similarly entitled. The Undertaking Shareholders and persons acting in concert with them will observe their obligations under the Rules in subscribing for their entitlements and excess Rights Shares with Warrants, including the exercise of their Warrants.

To meet the Minimum Subscription Level, the Board intends to procure underwriting arrangement(s) of up to RM3.7 million ("**Underwriting**"). Malacca Securities, being the Principal Adviser for the Proposed Regularisation Plan, had vide its letter dated 22 September 2022, informed the Company of its intention to participate as an underwriter to subscribe for the balance sum to meet the Minimum Subscription Level, subject to an underwriting agreement to be entered into. As the Proposed Rights Issue with Warrants is inter-conditional with the Proposed Regularisation Plan, the Company proposes to enter into underwriting agreement(s) with the underwriter(s) prior to the implementation of the other proposals comprising the Proposed Regularisation Plan.

FSBM will ensure that the Underwriting and Undertakings procured:-

(a) would not result in the underwriter, the Undertaking Shareholders and persons acting in concert with them to trigger the obligation to undertake a mandatory general offer for all the remaining FSBM securities not already held by them in accordance with Paragraph 4.01(a) of the Rules; and

(b) would not result in the public shareholding spread of the Company falling below 25% of the Company's enlarged issued share capital after the completion of the Proposed Rights Issue with Warrants in accordance with Paragraph 8.02(1) of the Listing Requirements.

The Undertakings shall be subject to the Company and Malacca Securities being satisfied with the sufficiency of financial resources of the undertaking shareholders for the purpose of subscribing for their entitlement of Rights Shares and/or excess Rights Shares.

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

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

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

2.3.6 Listing and quotation of the Rights Shares, Warrants and new FSBM Shares to be issued arising from the exercise of the Warrants

Bursa Securities had vide its letter dated 7 April 2023, approved the listing and quotation of such number of Rights Shares, Warrants and new FSBM Shares to be issued pursuant to the exercise of Warrants as set out in Section 10 of this Circular, subject to the conditions as set out therein.

3. UTILISATION OF PROCEEDS

The Proposed Shares Issuance and Proposed Rights Issue with Warrants are expected to raise proceeds of up to RM11.9 million which the Company proposes to be utilised as follows:-

		Proceeds received from						
		Minimum Scenario			Maximum Scenario			
Details of utilisation	**Notes**	**Proposed Shares Issuance**	**Proposed Rights Issue with Warrants**	**Total proceeds**	**Proposed Shares Issuance**	**Proposed Rights Issue with Warrants**	**Total proceeds**	**Estimated timeframe from date of receipt of proceeds**
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	
Expansion of IT services business	(a)	-	4,840	4,840	-	5,907	5,907	Within 36 months
General working capital	(b)	3,911	49	3,960	3,993	-	3,993	Within 24 months
Defray estimated expenses for the Proposed Regularisation Plan	(c)	889	1,111	2,000	807	1,193	2,000	Within 3 months
Total proceeds		**4,800**	**6,000**	**10,800**	**4,800**	**7,100**	**11,900**	

The allocation of estimated expenses of the Proposed Regularisation Plan under the Minimum Scenario and Maximum Scenario is based on the following formula:

$$= \frac{\text{Total proceeds raised from the Proposed Shares Issuance}}{\text{Total proceeds raised from the Proposed Regularisation Plan}} \text{ X total estimated expenses}$$

For avoidance of doubt, the above allocation of estimated expenses for the Proposed Regularisation Plan refers to the expected cash flows to be utilised, which differs from the proforma as set out in Section 8 of this Circular, which reflects the recognition of expenses for the respective proposals.

Notes:-

(a) Expansion of IT services business

The total proceeds earmarked for the Group's expansion of IT services business amount up to RM5.9 million (based on Maximum Scenario) which is proposed to be utilised as follows:

	Minimum Scenario	**Maximum Scenario**	**Estimated timeframe for utilisation**
	RM'000	RM'000	
Setting up SOC	1,200	1,200	Within 36 months
Continuing development of MES software and expansion of managed security services	1,700	1,700	Within 36 months
Other expansion opportunities	1,940	3,007	Within 36 months
	4,840	**5,907**	

The Group is seeking to expand its existing IT services business, including but not limited to, developing software applications and/or acquiring companies/ businesses/ assets/ applications involved in the IT services business. Such plans may include securing new platform design and development projects and expansion of smart manufacturing solution segment that enable digitalisation of business operations.

Since the announcement of the Proposed Regularisation Plan and up to the LPD, the Group had ventured into the managed security services business and provision of MES solutions, details of which are set out in Section 6.3.1(iv) and Section 6.3.1(v) of this Circular. As such, the Group had budgeted RM1.7 million to further enhance and upgrade the MES software as well as to expand the range of managed security services to include managed cloud security and integrated Secure Access Service Edge ("**SaSe**") solutions. The 36 months period is required as the continuing development of the Group's MES software is required to be undertaken over the period. In the event RM1.7 million is not fully utilised for the continuing development of MES software development and expansion of managed security services, such amount may be reallocated to proceeds earmarked for other business opportunities.

In addition, the Group intends to allocate up to RM1.2 million of the proceeds to set up a SOC to facilitate its managed security services business. This will be used to defray the acquisition of hardware such as servers, storage tapes, discs and racks; and software such as networking management and monitoring, endpoint management and traffic analysis software. For avoidance of doubt, the setting up of the SOC will depend on the scope of work required based on the contracts to be procured, and as such will only be set up should the Group successfully procure a contract which require a certain specification of the SOC. As such, the SOC will be set up in phases to suit the requirement of the managed security services team, based on the contracts obtained. The plans to set up a SOC bodes well with the business direction of the Group as set out in Section 6.3.2(v) of this Circular. As such, the 36 months period for utilisation is required. In the event RM1.2 million is not fully utilised to set up a SOC, such amount may be reallocated to proceeds earmarked for other business opportunities.

As at LPD, the Group's other business expansion opportunities are at its preliminary stages and may or may not materialise. The 36 months period is required for the Group to identify and effect such business expansion opportunities. FSBM will make the necessary announcements and/or seek its shareholders' approval when such opportunities materialise, where required pursuant to the Listing Requirements. If such business expansion opportunities do not materialise within the expected timeframe and/or the allocated amount is not fully utilised, FSBM proposes to utilise such balance proceeds for general working capital of the Group based on the proportion as set out in note (b) below.

(b) General working capital

Approximately RM4.0 million (based on Maximum Scenario) proceeds earmarked for working capital is proposed to be utilised to finance the day-to-day operations of the existing business of the Group, as and when the need arises as follows:

	Minimum Scenario	**Maximum Scenario**	**Estimated timeframe for utilisation**
	RM'000	RM'000	
Payment to trade creditors and/or advances from Directors and/or major shareholders, if any	2,000	2,000	Within 12 months
Staff-related costs such as staff salaries, bonuses, statutory contribution and welfare expenses	1,560	1,593	Within 24 months
General administrative and operating expenses such as rental, utilities, telephone charges and sundry expenses	400	400	Within 24 months
Total	**3,960**	**3,993**	

The aforementioned estimated timeframe for utilisation represents the estimated period for the Group to utilise the proceeds earmarked for its working capital.

As at LPD, the Group has secured the contracts as detailed in Section 6.3.1 of this Circular.

It should be noted that pending implementation of the Proposed Regularisation Plan, FSBM will require working capital to facilitate the aforementioned contracts or new contracts to be procured. As such, FSBM may procure advances (the quantum of which could be not determined at this juncture as it will depend on amongst others, the size and nature of the contracts to be procured) from its Directors and/or major shareholders to finance its working capital needs in the interim, if required. The Company proposes for such advances, if any, to be repaid as and when the proceeds are received from the Proposed Shares Issuance. As at LPD, the Group does not have any outstanding advances from Directors and/or major shareholders which were utilised as working capital to facilitate the aforementioned contracts.

The actual breakdown of the proceeds to be utilised for each component of working capital as disclosed above cannot be determined at this juncture and is dependent on the operating and funding requirements at the time of utilisation.

(c) Defray estimated expenses for the Proposed Regularisation Plan

The breakdown of estimated expenses for the Proposed Regularisation Plan is illustrated below:-

Details of utilisation	RM'000
Professional fees [(i)]	1,785
Fees to relevant authorities	105
Printing, despatch, meeting expenses and miscellaneous expenses	110
	2,000

Note:-

(i) Comprised estimated professional fees payable to the principal adviser, company secretary, share registrar, solicitors, internal control reviewer, auditors and independent market researcher for the Proposed Regularisation Plan

Any deviation in actual expenses for the Proposed Regularisation Plan will be adjusted to/from proceeds earmarked for general working capital of the Group.

Pending utilisation of the actual expenses for the Proposed Regularisation Plan, the proceeds will be placed in profit-bearing bank account, as deposits with licensed financial institution(s) and/or in short-term money market instruments as the Board deems fit. Any interests/profits earned from such deposits/investments shall be utilised for the general working capital of the Group as stated in note (b) above within 36 months from being earned.

Depending on the total number of Warrants issued under the Proposed Rights Issue with Warrants, assuming all Warrants are exercised at the Exercise Price of RM0.05 each, FSBM will receive proceeds of between RM5.0 million (based on Minimum Scenario) and RM5.9 million (based on Maximum Scenario). FSBM proposes to utilise such proceeds for working capital purposes as per the same percentage as detailed in note (b) above within 36 months from the time the proceeds are received. Pending utilisation of the proceeds from the exercise of the Warrants, the proceeds will be placed in profit-bearing bank account, as deposits with licensed financial institution(s) and/or in short-term money market instruments as the Board deems fit. Any interests/profits earned from such deposits/investments shall be utilised for the general working capital of the Group as stated in note (b) above within 36 months from being earned.

3.1 Fund raising exercise for the past 12 months

FSBM has not undertaken any equity fund raising exercises in the past 12 months up to LPD.

4. IMPLICATIONS OF PN16

FSBM takes cognisance of the potential proceeds arising from the Proposed Shares Issuance and Proposed Rights Issue with Warrants.

Pursuant to Paragraph 8.03(1) of the Listing Requirements, a listed issuer whose assets on a consolidated basis, consist of 70% or more of cash or short-term investments, or a combination of both would have triggered the "**Cash Criterion**" and be deemed as a "**Cash Company**" or a PN16 company. As a PN16 company, such a listed issuer will be required to amongst others, regularise its condition by submitting a proposal to acquire a new core business to the SC for its approval within 12 months from the date it receives the notice is deemed a Cash Company and to place at least 90% of its cash and short-dated securities (including existing cash balance and the consideration arising from the disposal) in an account opened with a financial institution licensed by Bank Negara Malaysia and operated by a custodian.

As at 31 December 2022, the Group has audited cash and bank balances amounting to RM4.5 million representing approximately 31.2% of the audited total assets of the Group of RM14.4 million.

For illustration purposes, based on the Report on the Compilation of the Proforma Consolidated Statement of Financial Performance of FSBM as at 31 December 2022 as set out in Appendix VII, the audited cash and bank balance over the total assets of FSBM Group after each proposal forming the Proposed Regularisation Plan are as follows:-

Minimum Scenario

		(I)	**(II)**	**(III)**	**(IV)**
	Audited as at 31 December 2022	**After Proposed Capital Reduction**	**After (I) and Proposed Shares Issuance**	**After (II) and Proposed Rights Issue with Warrants**	**After (III) and assuming exercise of Warrants**
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances b/f	4,503	4,503	4,503	9,215	14,290
Proceeds raised [(a)]	-	-	4,712	5,075	5,000
Cash and bank balances c/f	4,503	4,503	9,215	14,290	19,290
Total assets	14,441	14,441	19,035	23,241	28,241
% of cash and bank balance over total assets	31.2%	31.2%	48.4%	61.5%	68.3%

Maximum Scenario

		(I)	**(II)**	**(III)**	**(IV)**
	Audited as at 31 December 2022	**After Proposed Capital Reduction**	**After (I) and Proposed Shares Issuance**	**After (II) and Proposed Rights Issue with Warrants**	**After (III) and assuming exercise of Warrants**
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances b/f	4,503	4,503	4,503	9,221	15,390
Proceeds raised [(a)]	-	-	4,718	6,169	5,916
Cash and bank balances c/f	4,503	4,503	9,221	15,390	21,306
Total assets	14,441	14,441	19,051	24,341	30,257
% of cash and bank balance over total assets	31.2%	31.2%	48.4%	63.2%	70.4%

Note:-

(a) Net of estimated expenses for the Proposed Regularisation Plan.

Based on the aforementioned, FSBM will not trigger the Cash Criterion upon completion of the Proposed Regularisation Plan but prior to the full exercise of Warrants. Nevertheless, in implementing the Proposed Regularisation Plan, FSBM will remain mindful of the aforementioned PN16 implications and plan the proceeds to be received from the Proposed Shares Issuance and Proposed Rights Issue with Warrants as to not to trigger the Cash Criterion. In doing so, the Group will time the implementation of the proposals and plan its working capital requirements accordingly, including payment to creditors, and payment for existing and future capital commitments such as purchase of IT hardware for the Group's IT hardware leasing business.

5. RATIONALE OF THE PROPOSED REGULARISATION PLAN

The Group's PN17 status has adversely affected the Group's ability to negotiate favourable terms with its existing and potential customers as well as suppliers. Being a PN17 entity, the Group has also been unable to secure bank borrowings for working capital purposes, and thus the Group has not been able to secure contracts in the past.

The Proposed Regularisation Plan serves to regularise the financial condition of the Group in order to address and uplift the PN17 status of the Company. The Board believes that upon completion of the Proposed Regularisation Plan, the Group will be able to return to profitability and meet the criteria to uplift itself from being classified as a PN17 entity. The Board believes that this will also bode well for the Group as it will be able to provide confidence to its various stakeholders such as its shareholders, clients, financiers and employees of the Group's prospects moving forward.

5.1 Proposed Capital Reduction

The purpose of the Proposed Capital Reduction is to reduce the accumulated losses of the Company with a view to rationalise the balance sheet of the Company to reflect more accurately the value of its underlying assets, and thus the financial position of the Company. In addition, the reduction of accumulated losses is expected to enhance the credibility of the Company and the Group with the bankers, customers, suppliers, investors and other stakeholders.

5.2 Proposed Shares Issuance

Being a PN17 entity, it was challenging for FSBM to raise the requisite funds for its working capital as investors remained cautious. The Group is fortunate to have procured the support of the Subscribers which have the common objectives to grow and build a business in the IT services sector.

The Board, after due consideration of the Group's working capital requirements and the various fundraising methods, is of the view that the Proposed Shares Issuance is the most appropriate avenue to raise the requisite funds for its on-going contracts as detailed in Section 6.3.1 of this Circular. The Proposed Shares Issuance will also assist to relieve the cashflow pressure for the Group's day-to-day operations and allow the Group to be more competitive in their pitch for new contracts. Upon completion of the Proposed Shares Issuance, the enlarged share capital base is also expected to further strengthen the balance sheet position of the Group.

Further, it is the intention of the Company to leverage on the experience and expertise of Mr Pang and Mr Low to grow the Group's IT services business.

5.3 Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants will allow the Group to further raise fresh funds of up to RM7.1 million which will be utilised for the expansion of the Group's IT services business, general working capital and estimated expenses for the Proposed Regularisation Plan as detailed in Section 3 of this Circular.

After due consideration of the various options available, the Board is of the opinion that the Proposed Rights Issue with Warrants is the most suitable means of fund raising for the Company based on the following:-

(i) the quantum of the proceeds to be raised;

(ii) it will involve the issuance of new FSBM Shares without further diluting FSBM shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants and exercise their Warrants subsequently;

(iii) it provides an opportunity for FSBM shareholders to participate in the equity offering of the Company on a pro-rata basis, at an attractive price; and

(iv) it will enable the Company to raise the requisite funds without incurring additional interest expense from bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing costs.

5.4 Value creation and impact of the Proposed Regularisation Plan to the Group and its shareholders

The Proposed Regularisation Plan is required to be undertaken to facilitate FSBM's upliftment from its current PN17 status. After due consideration of the various avenues to form a regularisation plan for the Group, the Board is of the opinion that it remains FSBM's best opportunity to regularise its operations using its current IT services business. By securing funding through the Proposed Shares Issuance, the Group will be able to procure the requisite funding to implement the Group's secured contracts and also provide the much needed cashflow relief for its day-to-day operations.

The Group also proposes for the Proposed Rights Issue with Warrants to be undertaken on a Minimum Subscription Level basis to raise at least RM6.0 million to allow the Group sufficient funds to take on more contracts and grow its IT services business.

Upon obtaining all relevant approvals for the Proposed Regularisation Plan, the Group will be able to implement the Proposed Regularisation Plan to continue generating more revenue, profits and cashflow to enhance the Group's operations and financial position.

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

Since October 2021, the Group has undertaken the following measures/steps to improve its financial condition:-

(a) Securing/ pitching for new contracts

The Group has been continuously trying to secure new IT services contracts to boost its revenue and earnings. With RM4.0 million (based on Maximum Scenario) proceeds earmarked for the general working capital of the Group, FSBM envisages that it will have sufficient operating cashflows to undertake the contracts set out in Section 6.3.1 of this Circular, as well as new contracts to be procured. Previously, the Group did not have sufficient operating cashflows which inhibited the Group's ability to undertake new contracts to regularise the Group's operations and earnings position.

Up to 15 October 2021, being the date of Requisite Announcement of the Proposed Regularisation Plan, the Group had been awarded 3 IT contracts with a total contract value of RM27.0 million comprising RM7.0 million for 2 platform design and development contracts and up to RM20.0 million for 1 refurbishment services contract for pre-owned desktops and laptops. Since then and up to LPD, the Group had successfully pitched and secured additional 14 contracts with a total contract value of RM14.5 million comprising 3 platform and design contracts, 8 IoT contracts, 2 managed security services contracts and 1 lease/rental contracts. Moving forward, the Group will continuously try to pitch for new contracts to increase its pipeline. Please refer to the Section 2 of Appendix I(C) of this Circular for further details in relation to the Group's subsisting contracts.

FSBM believes that with the proceeds from the Proposed Regularisation Plan and anticipated cashflows from the aforementioned contracts, the Group will be in a better position to secure further contracts as well as to negotiate credit terms with their existing and new customers moving forward.

Hiring of new skills and expertise

Since October 2021 and up to the LPD, FSBM had appointed amongst others, the following personnel to improve the Group's operations and to identify more business opportunities:-

(i) Mr Pang, Malaysian, aged 50

Mr Pang graduated from Oxford Brookes University, United Kingdom with a Bachelor Degree in Electronic Engineering in 1997. Prior to that, he obtained a Higher Diploma in Electrical and Electronic Engineering / Computer Engineering from Wigan & Leigh College, United Kingdom, in 1995.

Mr Pang has 27 years of working experience in business development, sales and marketing in various multinational companies. He started his career in 1997 with KLA-Tencor Sdn Bhd (formerly known as ADE Corporation Sdn. Bhd.), engaged in developing and manufacturing of Silicon bare wafer inspection, metrology and data analysis systems. From 2001 till 2009, he worked with companies engaged in Semiconductor/IC Packaging Assembly and Testing, i.e., ASM Assembly Equipment (M) Sdn. Bhd. and Kulicke & Soffa Global Holding Corporation. From 2009 till 2016, he assumed the position as General Manager in GoIndustry-DoveBid (Malaysia) Sdn. Bhd. (an associate of a Liquidity Services provider listed in NASDAQ with headquarters located in Washington), a global solution provider in reserve supply chain management/manufacturing industrial equipment management.

In 2019, he founded Aresys Industries Sdn Bhd ("**Aresys Ind**"), an engineering services provider specialised in providing industry 4.0 transformation, IoT system integration and smart factory solutions. Prior to setting up of Aresys Ind, he was a freelance consultant to various multinational companies to manage their factory assets and system integration projects from year 2017 to 2018. Since incorporation, Aresys Ind has supported various Malaysian SME factories to embark on factory digitalization journey. Amongst the contracts procured includes a complete digitalization rollout for a plantwide system implementation for a factory under the Industry4WRD Intervention Fund; implementation of the Vision Inspection System and IoT and Digitalization for rubber glove manufacturers in Malaysia and Thailand. As at LPD, Mr Pang is the sole Director of Aresys Ind.

Mr Pang had on 22 September 2022, provided an undertaking letter (which superseded his undertaking letter dated 1 July 2022) where for so long as he is an Executive Director of FSBM, he will continue to develop and grow the smart manufacturing solution business segment on behalf of FSBM Group and he will not carry on any trade or business in relation to smart manufacturing solutions, i.e. MES and related modules that are in competition with FSBM Group. Similarly, the Company had on 22 September 2022, obtained an undertaking from Aresys Ind. that it will not carry on any trade or business in relation to smart manufacturing solutions, i.e. MES and related modules that are in competition with the Group.

He was appointed as the Executive Director of FSBM on 12 October 2021. For avoidance of doubt, based on his employment contract with FSBM, his position as Director of Aresys Ind does not breach the terms of his employment as Executive Director of FSBM.

(ii) Mr Low, Malaysian, aged 40

Mr Low graduated from Multimedia University with a Bachelor Degree (Honours) of Electronic Engineering majoring in Computer in 2006.

Mr Low started his career as a Researcher with Multimedia University in 2006 as an Intel Research Scholar for a research project titled “Workload Sharing in Distributed Environment with Networked Java Virtual Machine”. In 2008, he joined Accenture Technology Solutions Sdn. Bhd. as a Software Engineer, primarily engaged as a BizTalk Developer and Enterprise Application Integration Support and Development Analyst.

In 2010, he co-founded Hola Media Sdn. Bhd. (“**Hola Media**”), a company which is principally involved in digital signage system architecture design, enterprise software integration development, cloud and microservices software development and open-source technology. Amongst the contracts secured by Hola Media include corporate branding and public communication, dashboard data visualization, meeting rooms events integration, internal corporate communication, advanced content scheduling and brand consistency and industrial internet of things across various industries such as hospitality, energy and property development industries. Prior to joining the Group, Mr Low was principally involved in Hola Media as the Chief Technology Officer. He had since ceased to have an active role in Hola Media. As at LPD, he only holds a directorship with 45.0% equity interest in Hola Media.

He joined the Group as the Chief Technology Officer in October 2021 whereby he oversees the operations of both Technical division (undertaking platform design and development, refurbishment services and technical support and maintenance services) and Managed Security Services division and formulate the strategy and directions of the divisions to align with the Group’s objectives

(iii) Paul Ooi Cong Jen ("**Paul**"), Malaysian, aged 40

Paul graduated from Mantissa Institute with Advanced Diploma in Information and Communications Technology (Software Engineering) in year 2003.

Paul started his career as a web developer with Malaysiakini in 2003. In 2006, he joined AIMS Data Centre Sdn Bhd as a Chief Systems Engineer and was involved in Malaysia Internet Exchange systems and monitoring set-up which was launched in the same year. Subsequently, he was being seconded to Global Transit Communications Sdn Bhd as the Head of Systems and Security Engineering, a start-up focus on internet transit businesses in year 2007. In 2008, Paul was seconded to TIME dotCom Berhad as a Principal Engineer and was tasked to rebuild systems, security and operations support systems for systems and security engineering in core internet service provider ("**ISP**") team. In 2012, he joined ALTEL Communications Sdn Bhd, a 4G start-up mobile provider, as Head of Business Operations Support Systems and was involved in solutions sourcing in business operation system and operation support system. In 2018, he joined IPDC Solutions Pte Ltd as the Chief Operating Officer, whereby he led and managed the security engineering operation team.

He is the sole director and sole shareholder in Takizo Solutions Sdn Bhd ("**Takizo**") which was incorporated in year 2014. Takizo provides cloud, application, system and network consultancy services from small-medium enterprise to corporate companies. For avoidance of doubt, the business activities of Takizo does not conflict with the business activities of the Group. Since joining the Group in April 2022, Paul's involvement in Takizo is only on a part time basis (outside working hours) serving the recurring customers of Takizo. Paul has also given the Group assurance that he will devote full time for his role with the Group. He is also a co-founder of Malaysia Network Operators Group (MyNOG) (incorporated in year 2012), which is an initiative to bring together network operators in Malaysia to encourage sharing of knowledge, learning and co-operation among fellow counterparts. For clarification, MyNOG is not a business but merely a networking and knowledge-sharing initiative.

He joined the Group as Head of Operations, Managed Security Services division in April 2022 whereby he is involved in the day-to-day operations (including sales and marketing) of the Managed Security Services division.

Since October 2021, the Group had increased its number of employees to 33 employees as at LPD. The Group believes that it can leverage on the experience and expertise of its employees to build and grow its existing IT services business.

(b) Writing-off of salaries

The Board had on 15 October 2021 entered into letter agreements with Dato' Tan, Tan Ee Ern (Executive Director who resigned on 11 March 2022) and Tan Wan Yen (Executive Director) to write-off the outstanding salaries owing to them by the Group. The debts were accumulated as salaries accrued to them from April 2014 to September 2015. For information, Dato' Tan, Tan Ee Ern and Tan Wan Yen had not received any salary from the Group since September 2015.

The waiver resulted a one-off income of RM0.9 million for the Group in the FYE 31 December 2021.

(c) Impairment of receivables

As part of the Group's efforts to restructure its balance sheet, the Group had carried out an audit for the FYE 31 December 2021 to ascertain its account balances. Upon the completion of the audit, the Group had written-off RM8.6 million receivables in which there were insufficient appropriate audit evidence to justify the balance and recoverability. The Group believes that following the assessment, the remaining receivables of the Group should be healthy.

(d) Verification of the closing balances of the Group's assets and liabilities

The Group had received a disclaimer of opinion on its financial statements for the FYE 30 June 2018, 18-months FPE 31 December 2019, FYE 31 December 2020 and FYE 31 December 2021.

For the FYE 31 December 2021, the Group had carried out an audit to ascertain its accounts' closing balances. Following the audit, certain assets had been written off and/or written down to its recoverable amounts and certain liabilities have been stated based on the liabilities established vide the confirmation exercise conducted, and with provisions and accruals estimated based on the probability of outflow of resources required to settle these obligations. These adjustments have been taken as current year adjustments in the statement of comprehensive income for the FYE 31 December 2021.

Since the opening balances enter into the determination of the financial performance and cash flows, the External Auditors were unable to obtain sufficient appropriate audit evidence as to whether the adjustments made are appropriate in respect of the loss for the financial year reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows. The adjustments made may or may not be in relation to the FYE 31 December 2021 or prior financial years.

The External Auditors had expressed a disclaimer of opinion on the opening balance for the Group's audited financial statements for the FYE 31 December 2021. Save for the opening balance, the closing balance as at 31 December 2021 has been verified.

The Group had engaged the external auditors to perform a special audit for the consolidated financial statements for the 6-months FPE 30 June 2022 and the external auditors had not expressed an adverse or disclaimer opinion. However, without qualifying their opinion, the External Auditors had drawn attention that the Group has been classified as an affected issuer pursuant to Paragraph 8.03A(2) of the Listing Requirements since 17 October 2019 and Paragraph 2.1(d) of PN17 since 30 December 2019.

Based on the audited financial statements for the FYE 31 December 2022, the External Auditors had not expressed any disclaimer of opinion nor material uncertainty in relation to the going concern of the Group and the Company. Without qualifying their opinion, the External Auditors had drawn attention that the Group has been classified as an affected issuer pursuant to Paragraph 8.03A(2) of the Listing Requirements since 17 October 2019 and Paragraph 2.1(d) of PN17 since 30 December 2019. For information, Bursa Securities had on 7 April 2023 approved the Proposed Regularisation Plan.

The External Auditors also highlighted that in their audit report dated 14 April 2022 for the FYE 31 December 2021 whereby a disclaimer of opinion was issued pertaining to opening balances and going concern matters. The adjustments found to be necessary in respect of the matters pertaining to opening balances may consequently have significant impact on the statements of comprehensive income and statements of cash flows of the Group and of the Company, including related disclosures, for the FYE 31 December 2021 and prior, whereby the External Auditors were unable to obtain sufficient appropriate audit evidence as to correct accounting period in which the adjustments had pertained to. However, this matter will no longer have possible effects on the figures presented in the statement of financial position of the Group and of the Company as at 31 December 2021.

The Board is confident that the Proposed Regularisation Plan, once fully implemented will contribute positively to both the revenue and profitability of the Group.

5.6 Adequacy of the Proposed Regularisation Plan in addressing the Group's financial concerns

The proceeds from the Proposed Shares Issuance are expected to address the Group's cashflow requirements to fund the fulfilment of its existing contracts at hand. The Group believes that with careful planning and cost monitoring, the Group will be able to turnaround the losses of the Group and return to profitability.

After implementing the proposed steps in Section 5.5 of this Circular and upon completion of the Proposed Regularisation Plan, the Group will not have an insignificant business or operations in accordance with Paragraph 8.03A(2) of the Listing Requirements and will not trigger any criteria prescribed under Paragraph 8.04 and Paragraph 2.1(d) of PN17.

The Group had secured several new contracts as stated in Section 6.3.1 of this Circular and commenced recognising revenue from certain new contracts since October 2021. For the audited consolidated financial statements for the FYE 31 December 2022, the Group had recognised total revenue of RM12.5 million as compared to RM0.4 million in the FYE 31 December 2021. Based on the proforma share capital (excluding treasury shares) upon completion of the Proposed Regularisation Plan of RM20.3 million (under Maximum Scenario), the revenue recorded for the FYE 31 December 2022 of RM12.5 million represents 61.6% of the proforma share capital (i.e. more than 5.0% as required under Paragraph 8.03A of the Listing Requirements). Moving forward, the Group will continue to deliver its obligations for the contracts secured and bid for new contracts to increase its earnings and profitability.

The detailed steps and actions taken/ will be taken under the Proposed Regularisation Plan to address the Prescribed Criteria under Paragraph 2.1 of PN17 are as follows:-

	Criteria under Paragraph 2.1 of PN17	**Status**
(a)	the shareholders' equity of the listed issuer on a consolidated basis is 25% or less of the share capital (excluding treasury shares) of the listed issuer and such shareholders' equity is less than RM40 million;	Based on the audited consolidated financial statements of the Group as at 31 December 2022, the pro forma consolidated NA of the Group upon the completion of the Proposed Regularisation Plan (prior to the exercise of Warrants) is RM21.3 million, representing 110.8% to the share capital of RM19.2 million (under Minimum Scenario) and RM22.4 million, representing 110.5% to the share capital of RM20.3 million (under Maximum Scenario).

	Criteria under Paragraph 2.1 of PN17	Status
(b)	receivers or managers, or judicial managers have been appointed over the asset of the listed issuer, its subsidiary or associated company which asset accounts for at least 50% of the total assets employed of the listed issuer on a consolidated basis;	Not applicable as no receiver or manager was appointed over the assets of the Company, its subsidiaries or associated companies which asset accounts for at least 50% of the total assets employed of the Group as at LPD.
(c)	a winding up of a listed issuer's subsidiary or associated company which accounts for at least 50% of the total assets employed of the listed issuer on a consolidated basis;	Not applicable as there is no winding-up proceedings of the Company's subsidiaries or associated companies which assets account for at least 50% of the total assets employed of the Group as at LPD.
(d)	the auditors have expressed an adverse or disclaimer opinion in the listed issuer's latest audited financial statements;	For the audited consolidated financial statements of the Group as at 31 December 2022, the external auditors had not expressed an adverse or disclaimer opinion. However, without qualifying the auditors' opinion, the external auditors had drawn attention that the Group has been classified as an affected issuer pursuant to Paragraph 8.03A(2) of the Listing Requirements since 17 October 2019 and Paragraph 2.1(d) of PN17 since 30 December 2019. For information, the Proposed Regularisation Plan had been approved by Bursa Securities on 7 April 2023.
(e)	the auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in the listed issuer's latest audited financial statements and the shareholders' equity of the listed issuer on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the listed issuer; or	Based on the audited consolidated financial statements of the Group as at 31 December 2022, and the pro forma effects prepared based on the audited consolidated financial statements of the Group as at 31 December 2022, the Group's pro forma shareholders' equity upon the completion of the Proposed Regularisation Plan (prior to the exercise of Warrants) is RM21.3 million, representing 110.8% to the share capital of RM19.2 million (under Minimum Scenario) and RM22.4 million, representing 110.5% to the share capital of RM20.3 million (under Maximum Scenario). The External Auditors have not expressed any disclaimer of opinion including the Group's ability to continue as going concern nor highlighted a material uncertainty related to going concern by the external auditors on the audited consolidated financial statements for the 6-month FPE 30 June 2022 and FYE 31 December 2022 notwithstanding that the Company and the Group has accumulated losses as at 30 June 2022 and 31 December 2022.

	Criteria under Paragraph 2.1 of PN17	Status
		Based on the above, the Board is of the view that the Group will no longer trigger this criterion upon completion of the Proposed Regularisation Plan.
(f)	a default in payment by a listed issuer, its major subsidiary or major associated company, as the case may be, as announced by a listed issuer pursuant to paragraph 9.19A of the Listing Requirements and the listed issuer is unable to provide a solvency declaration to Bursa Securities.	Not applicable as there is no default in payment by the Group as announced pursuant to Paragraph 9.19A of the Listing Requirements as at LPD.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (3Q 2022: 9%). For 2022 as a whole, the economy expanded by 8.7% (2021: 3.1%).

All economic sectors registered growth in the fourth quarter of 2022. The services sector expanded by 8.9% (3Q 2022: 16.7%), supported by consumer-related subsectors amid better labour market conditions and the continued recovery in tourism activities. The sector also benefitted from improvements in real estate and business services activities. Domestic demand grew by 6.8% (3Q 2022: 13.1%), mainly supported by private sector expenditure.

Private consumption expanded by 7.4% (3Q 2022: 15.1%), supported by improving labour market conditions and policy measures. Spending was driven by consumption of necessities, particularly for transport as well as housing and utilities, and selected discretionary components such as recreational services and culture. Public consumption grew by 2.4% (3Q 2022: 4.5%), reflecting continued support from Government spending on emolument and supplies and services.

Gross fixed capital formation (GFCF) registered a growth of 8.8% (3Q 2022: 13.1%), supported by capital spending in both the private and public sectors. By type of assets, structures investment grew by 9.9% (3Q 2022: 16.7%), while machinery and equipment (M&E) and other assets increased by 8.6% (3Q 2022: 10.7%) and 3.0% (3Q 2022: 6.6%) respectively.

Private investment expanded by 10.3% (3Q 2022: 13.2%), driven by continued capital spending across all sectors. Investment in structures was supported by further progress of construction projects, particularly in the non-residential sector. Meanwhile, M&E investment benefited from firms' capacity expansion amid continued demand.

Public investment grew at 6.0% (3Q 2022: 13.1%), supported mainly by continued capital expenditure by public corporations.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 3.9% during the quarter (3Q 2022: 4.5%). As expected, the lower headline inflation was largely due to the lapse in the base effect of electricity inflation. The moderation was also amid the easing of key global commodity prices which partly led to lower inflation in some CPI items, including fuel. Inflation for some key staple food items, such as fresh meat and eggs, also moderated during the quarter.

However, the downward impact was partly offset by higher core inflation, which rose to 4.2% (3Q 2022: 3.7%). The increase reflected the continued strength in domestic demand. By components, the increase was driven mostly by core services4 and several discretionary spending categories. Correspondingly, price pressures remained pervasive during the quarter, although it has moderated. The share of CPI items recording monthly price increases remained above historical average (4Q 2022: 51.2%; 3Q 2022: 58.1%; 2011-2019 average: 45.6%).

Outlook

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity.

In line with earlier assessments, headline inflation averaged higher at 3.3% in 2022 (2021: 2.5%), having peaked at 4.7% in August 2022 and moderating thereafter, albeit remaining elevated. Underlying inflation, as measured by core inflation, also increased to 3.0% (2021: 0.7%).

Over the course of 2023, headline and core inflation are expected to moderate but remain at elevated levels amid lingering demand and cost pressures. Notably, recent core inflation rates are expected to persist in the near-term, especially given the low base in the first half of 2022. There are several factors which would continue to mitigate the extent of upward pressure to inflation going forward. These include existing fuel subsidies, price control measures, and the remaining spare capacity in the economy. The balance of risk to the inflation outlook is tilted to the upside, particularly reflecting any potential changes to domestic policy, global commodity price developments and prolonged supply-related disruptions.

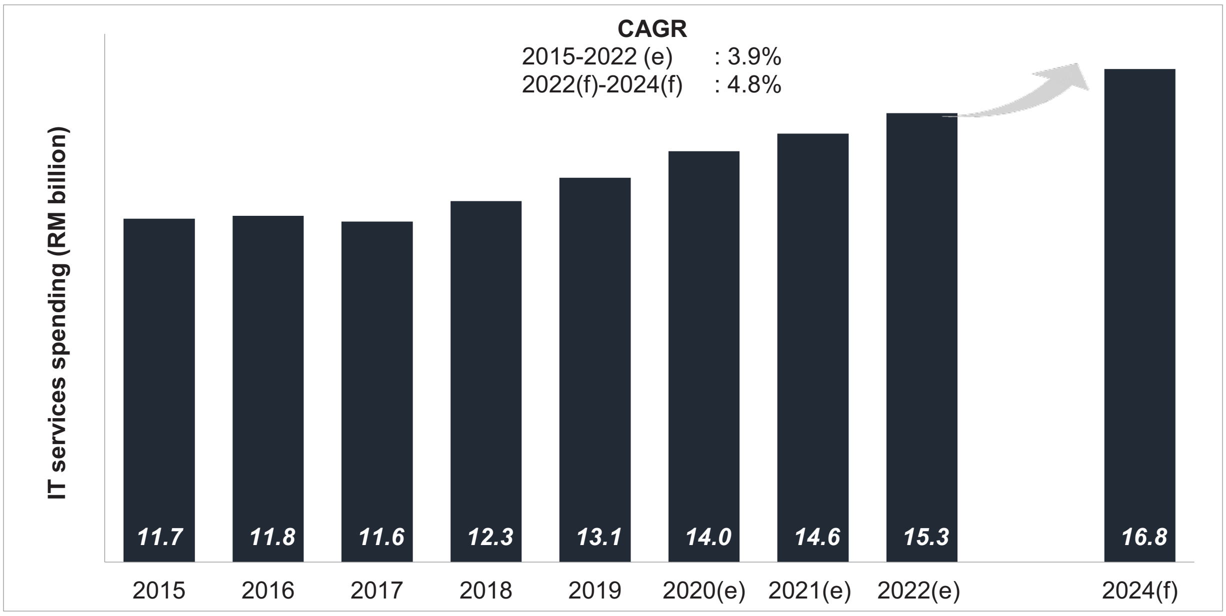
(Source: Quarterly Bulletin 4Q 2022, Bank Negara Malaysia)

6.2 Overview and outlook of the IT services industry in Malaysia

IT services refer to the provision of professional services supporting IT solutions, including design and development of IT solutions, maintenance services, refurbishment of IT hardware and managed IT services (such as managed security services).

The IT services industry in Malaysia, as measured by spending on IT services, grew from RM11.7 billion in 2015 to an estimated RM15.3 billion in 2022 at a CAGR of 3.9%. Moving forward, the IT services industry in Malaysia is forecast to grow by a further CAGR of 4.8%, from an estimated RM15.3 billion in 2022 to RM16.8 billion in 2024.

IT services industry size in Malaysia



Notes:-

(e) – estimate

(f) - Forecast

(Source: Independent Market Research Report, Providence)

The growth of the IT services industry in Malaysia is driven by:

(i) The digitalisation of the economy, leading to demand for IT hardware

The digitalisation of the economy is known as the "Digital Economy", which refers to the increasing adoption and utilisation of IT solutions in carrying out day-to-day operational tasks across various economic sectors in order to improve efficiency and facilitate globalisation. The pervasive impact of the Digital Economy can be observed throughout various economic sectors including the banking sector (where cash-based transactions have shifted to online based transactions) and retail sector (where stores are no longer limited to physical outlets but also e-commerce platforms). In Malaysia, the contribution of the Digital Economy to the country's gross domestic product (GDP) has grown from 18.2% in 2016 to an estimated 26.5% in 2021.

The Covid-19 pandemic has also played a part in driving the Digital Economy. In order to curb the spread of Covid-19, national lockdown measures were imposed globally, including in Malaysia, and this forced corporations and organisations to adapt to work-from-home arrangements. Thus, technological solutions such as file sharing, messaging platforms, video conferencing and project management tools became a necessity in facilitating collaboration.

The Digital Economy is expected to expand in the country and as such, the demand for IT platforms are expected to increase. As the demand for IT platforms increases, this will also lead to a greater need for IT services to design and develop these IT platforms.

(ii) Growing e-commerce transactions will encourage a shift towards retailing products via e-commerce

E-commerce refers to the sale and purchase of products and services via the Internet. The e-commerce market size in Malaysia, as depicted by e-commerce transaction values in the country, increased from RM195.1 billion in 2015 to an estimated RM454.7 billion in 2022 at CAGR of 12.8%. The recent and on-going COVID-19 pandemic led to the implementation of national lockdown policies in Malaysia which restricted travel, movement and/or business activities. As a result, consumers have been spending more time on the Internet to purchase products, and this has led to higher number of e-commerce transactions in 2020 and 2021.

The growth of the e-commerce market has been, and is expected to continue to be, driven by the growing broadband penetration, proliferation of mobile devices and increased acceptance of digital payments in the country.

As the e-commerce market continue to grow, an increasing number of corporations and organisations are expected to adopt e-commerce as a means to retail their products and services. This is expected to increase the need for IT services to design and develop e-commerce platforms.

(iii) Shift towards smart factories to fully automate operations

Smart factories refer to production facility environments where machinery and equipment are interconnected using IoT technology. The interconnectivity of machinery and equipment enables automation of not only the manufacturing processes but also all other processes in the production facility, from the receipt of raw materials and supplies to the production and assembly of end-products.

Minimal human intervention is required to operate such a production facility, as workers can remotely supervise, monitor and control the operations of the entire production facility from a control room. Further, smart factory solutions also enable data to be shared throughout the organisation, enabling the organisation to make better business decisions, identify areas of concern or improvement as well as better utilisation of resources.

The need for such level of automation was notable during the COVID-19 pandemic in 2020, and is still on-going, where many organisations were forced to adapt to remote working arrangements due to lockdowns imposed to curb the spread of virus, and reduce reliance on human resources.

As the companies involved in manufacturing activities begin to digitalise their operations and shift towards smart factories, new smart manufacturing solutions are expected to be in demand to enable this shift. This is thus expected to lead to an increase in demand for IT services to design, develop and implement these solutions.

(iv) The rapid pace of technological evolution

The evolution of the ICT sector which has given rise to technological concepts such as big data, artificial intelligence and IoT is leading to a shift in the way businesses are operated today. Big data refers to the technology of managing and processing large data sets within a short time frame. Meanwhile, artificial intelligence describes technology that can turn data analysis into meaningful solutions. The IoT refers to a network of devices and sensors that are able to communicate and transfer data between them and other parties in a seamless manner.

The National IoT Strategic Framework estimates that the market for IoT in Malaysia will reach RM42.5 billion by 2025. Meanwhile, the Government intends to accelerate the adoption of big data through the National Big Data Analytics Framework which would spur demand for big data in all sectors, catalyse adoption of big data in the public sector and build the big data industry in Malaysia. This will be undertaken through data science programmes conducted by local and foreign universities and data science institutes, as well as upskilling talent in Malaysia in this area.

With the use of IoT, big data and artificial intelligence in critical business operations, data recorded digitally is expected to grow accordingly. This illustrates a continuous need for corporations and organisations to obtain ICT solutions with larger capacities in order to keep up with the increasing volume of digital data, especially for storage of backup data. The adoption of these technologies in corporations and organisations will lead to an increase in demand for IT hardware with higher processing capabilities. In order to minimise capital expenditure on IT hardware, corporations and organisations are expected to acquire or rent or lease refurbished IT hardware.

(v) Government initiatives to encourage digitalisation among businesses

The Government launched the Industry Digitalisation Transformation Fund, offering RM3 billion worth of loans with an interest subsidy of 2% for all Malaysian companies interested to digitalise their businesses, in an effort to transform the country to a preferred location for high tech manufacturing. The fund aims to accelerate adoption of new technology including artificial intelligence, automation, big data and robotics among Malaysian companies.

The National Fiberisation and Connectivity Plan 2019-2023 will provide a favourable environment for the digitalisation of businesses, as it aims to provide higher quality broadband at lower prices and improve connectivity throughout the country. This will have a positive impact on digitalisation, as high-quality digital connectivity is crucial to create and share digital data.

Further, in an effort to cushion the headwinds arising from the COVID-19 pandemic, the Government also announced several initiatives including providing grants and loans to eligible enterprises under the SME Digitalisation Matching Grant totalling RM100 million, SME Technology Transformation Fund totalling RM500 million and Smart Automation Grant totalling RM100 million (capped at up to RM1 million per company). The Government also announced tax reliefs and exemptions to sustain work-from-home policies.

Additionally in 2021, the Government introduced the Malaysia Digital Economy Blueprint which aims to make Malaysia the regional leader in digital economy as well as to achieve inclusive, responsible, and sustainable socioeconomic development. The Blueprint has been divided into three separate phases that focuses on different aspects of the Digital Economy. Phase 1 begins in 2021 to 2022 and focuses on accelerating and strengthening the foundation of digital adoption. While Phase 2 begins from 2023 to 2025, which aims to drive the inclusivity of digital transformation. Phase 3 which starts in 2026 to 2030 will focus on strong and sustainable growth as well as positioning Malaysia to become a regional market player for digital products and digital solutions provider. The Government has allocated a total of RM21 billion through the National Digital Network (Jendela) as a method to boost the implementation of the initiative.

These Government initiatives are expected to drive businesses to adopt digitalisation, which will also benefit the IT services industry.

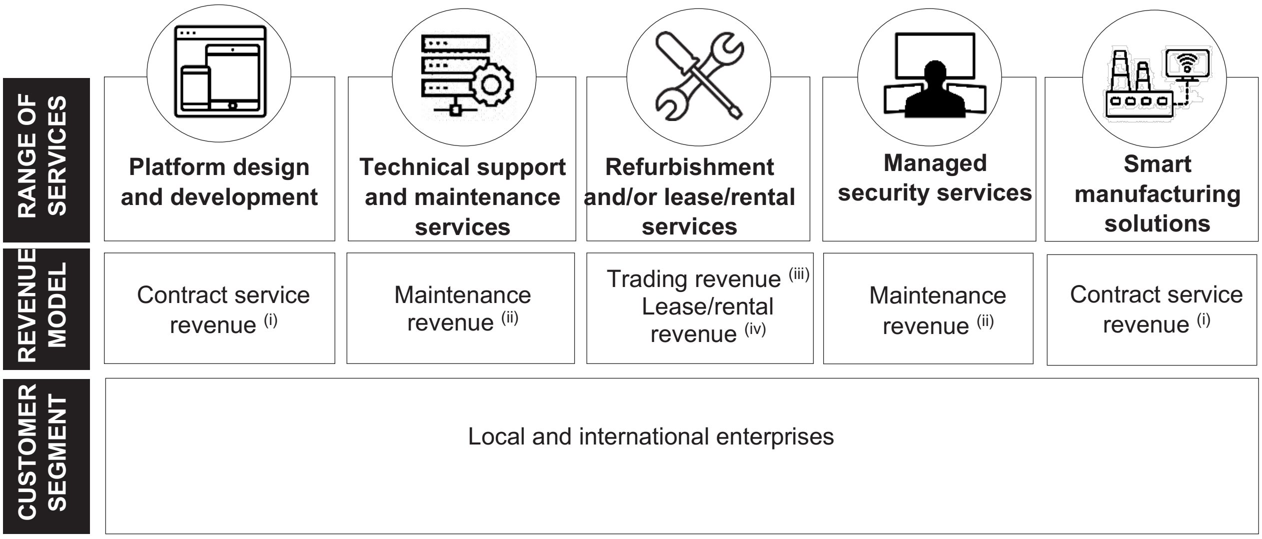
(Source: Independent Market Research Report by Providence)

6.3 Prospects of the Group

6.3.1 Present principal activities

The Group intends to focus on expanding its IT services segment, where the Group designs and develops customised IT solutions.

The range of services the Group provides as at LPD can be summarised in the diagram below:-



Notes:-

(i) Contract service revenue is a one-off revenue generated when the Group provides platform design and development services and smart manufacturing solutions.

(ii) Maintenance revenue is a recurrent revenue where customers pay for the Group to continually provide services on an annual basis, and/or when required.

(iii) Trading revenue is a one-off revenue charged based on the number of hardware the Group sells.

(iv) Lease/rental revenue is a recurrent revenue where customers pay for the Group to continually lease/rent refurbished IT hardware on a monthly basis.

The Group's range of services are as follows:

(i) Platform design and development

FSBM Group is principally involved in the development of web-based and mobile platforms for customers. The platforms developed for enterprises comprise commercial applications that are made available to their customers, suppliers and / or business associates; as well as for its customers' internal use by their employees.

With the present technical team of FSBM Group, the Group has the capability to undertake the development of customised platforms. This includes code creation and programming, as well as testing and debugging of the platform before it is commercialised.

Based on the customers' requirements and budget, FSBM Group will determine the functionalities required and design a suitable IT platform framework. The framework will outline the functions and capabilities of the IT platform. The Group also provides consultation services to its customers in regards to the design of user interfaces and user experience in order to enhance overall user satisfaction in terms of usability and accessibility of the platform.

Most platforms developed by the Group comprises a back-end system and front-end user interface, amongst others. The back-end system of the platform is a core system that stores and processes data input from front-end user interface, through its processing mechanisms embedded in programmed coding developed by the Group to perform the intended functions of the applications. Meanwhile, front-end user interfaces are developed in accordance to the customer requirements which are dependent on various factors such as the customers' corporate identity, function and features of the applications, and any integration with third party applications / software (e.g. third party social media platforms and payment gateways). A user-friendly front-end user interface is crucial in enhancing user experience and retaining users.

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As at LPD, the Group's subsisting platform design and development contracts are as follows:-

Customer	Services provided	Description	Date contract secured	Expected timeframe for completion / (status of progress)	Project value
MovingUp Mobile Sdn Bhd	Development of an e-commerce platform	• Web-based and mobile application that enable customers to browse, order and purchase products. • Administrative portal to enable back-end account management which allows users to add or remove new products, include discounts and promotions, and generate invoices or billing reports amongst others. • Ordering management system to enable users to view order status, manage orders and payments.	13 October 2021	18 months[(a)] (in progress)	RM5.0 million + RM534,800 for the provision of technical support and maintenance, which is renewable yearly
	Halal tracking system	• Traceability of *Halal* products using blockchain technology that enables users to trace the origin of products and product information via a QR code. • The system also includes an administrative portal to enable *Halal* food batch QR code generation and product batch management.			
	Frozen food vending system	• Setting up and configuration of vending machines. • Management system to remote monitor vending machines which will allow for inventory management, sales management and vending machine status monitoring.			
	Maintenance and support	Maintenance and technical support for the first 12 months.			

Customer	Services provided	Description	Date contract secured	Expected timeframe for completion / (status of progress)	Project value
Herbs Cell Nutrition Sdn. Bhd.	Development of an e-commerce platform	• Web-based and mobile application that enable customers to browse, order and purchase products. • Administrative portal to enable back-end account management which allows users to add or remove new products, include discounts and promotions, and generate invoices or billing reports amongst others. • Ordering management system to enable users to view order status, manage orders and payments.	13 October 2021	13 months (completed and delivered e-commerce platform and personalised product recommenda-tion tool in December 2022. Commenced maintenance services in March 2023)	RM2.0 million + RM534,800 for the provision of technical support and maintenance, which is renewable yearly
	Personalised product recommendation tool	An online self-assessment health tool which recommends suitable health and wellness products based on individual customers' health assessment.			
	Maintenance and support	Maintenance and technical support for the first 12 months.			
Cash rebates membership portal operator	Development of an online marketplace for digital vouchers	• Web-based and mobile application that enable customers to browse the available digital vouchers and redeem these vouchers. • Administrative portal to enable back-end management of rebate process. • System development kit to integrate payment gateway and vendor account system for management of orders and business-to-business ordering.	17 March 2022	5 months (completed and delivered in August 2022 and commenced maintenance services in November 2022)	RM1.0 million + RM198,000 for the provision of technical support and maintenance, which is renewable yearly
	Maintenance and support	Maintenance and technical support for the first 12 months.			

Customer	Services provided	Description	Date contract secured	Expected timeframe for completion / (status of progress)	Project value
Blockchain algorithm and smart contract technology provider	Development of a "blockchain-enabled application"	• Mobile application that enables consumers to, amongst others:- - Interact with one another via social media platforms and messaging tools; - browse, order and purchase products via a digital marketplace; and - pay using an e-wallet which uses blockchain technology to ensure token transactions are secure. • Administrative portal to enable back-end account management which allows users to add or remove new products, include discounts and promotions, and generate invoices or billing reports amongst others.	8 April 2022	16 months (in progress)	HKD13.0 million (approximately RM7.3 million[(b)]) + HKD5.0 million (approximately RM2.8 million [(b)]) for the provision of technical support and maintenance over a period of 3 years
	Maintenance and support	Maintenance and technical support for the first 36 months.			
Online employment company	Job posting and recruitment platform	• Web-based and mobile application that enable job seekers to post their career profile and employers to post job advertisements and search for talent. • Administrative portal to enable back-end management of job postings, track employability of students and generate job performance reports for employers, amongst other functions.	14 March 2023	18 months (in progress)	RM1.3 million

Notes:-

(a) The expected completion will be in June 2023 in view of the change in the specification as required by the customers.

(b) Based on RM/100HKD exchange rate of 56.2608 as at LPD *(source: Bank Negara Malaysia website)*.

(ii) Technical support and maintenance services

As part of the Group's after-sales service following the completion of platform design and development projects, the Group generally provide a complimentary technical support and maintenance services for a period ranging between 12 months and 36 months, after the platforms are deployed. Subsequent to that, the customers have the option to continue to engage the Group for technical support and maintenance for their mobile and web applications on a quarterly / bi-annual / annual basis.

At present, all technical support and maintenance services are managed and carried out by the in-house technical team. Moving forward, the Group may outsource some of the technical support and maintenance services to third-party IT support service providers (to be identified later), depending on the then manpower requirement of the Group.

The technical support services comprise troubleshooting and rectification of faults and issues faced by the users. Off-site technical support services will be provided to customers remotely from the Group's office. Users can log their problems through a third party online ticketing system, and these problems will be addressed accordingly. If the issues cannot be resolved remotely, the issues will be escalated and technical support will be provided on-site, whereby the issues will be rectified while at the customers' premises.

Meanwhile, maintenance services include software upgrades and/or consultation services relating to the required hardware to cater for the upgraded software, as well as maintenance services of related equipment.

(iii) Refurbishment and/or lease/rental services

FSBM Group has the capability to refurbish pre-owned IT hardware. The Group may also lease or rent such refurbished IT hardware.

In today's technology-enabled world, most if not all enterprises use IT hardware to carry out daily operational tasks or automate and digitise their operations. Thus, various IT hardware such as desktops, laptops, printers and projectors are essential in business operations.

Refurbished IT hardware can have the similar performance as new IT hardware, in addition to being relatively more cost effective. Refurbished IT hardware can also be obtained at a faster rate as it does not have any manufacturing waiting times. Due to these benefits, there is demand for refurbished pre-owned IT hardware amongst enterprises.

The Group's refurbishment and/or lease/rental services involve the following:

- Sourcing of pre-owned IT hardware;
- Cleaning and removal of any historical data in IT hardware;
- Re-programming software applications;
- Replacing hardware components which are faulty or outdated; and/or
- Rental and/or leasing of refurbished IT hardware.

The Group had, on 15 October 2021, secured a 3-year contract with a computer rental service provider to provide refurbishment services for pre-owned desktops and laptops, up to a value of RM20.0 million. Up to the LPD, the Group had recognised RM0.5 million revenue from this contract.

On 10 May 2022, the Group had also secured a 3-year contract with a computer rental service provider to lease IT hardware, including desktops, laptops and peripherals. As at LPD, the Group had delivered 1,781 IT hardware units amounting to a value of RM1.7 million.

(iv) Managed security services

The Group provides managed security services that protect its customers' networks against DDoS attacks. A typical DDoS attack is in the form of high volumes of requests sent at the same time from multiple points on the Internet to overwhelm network system resources or overload the bandwidth of the network infrastructure. Should a DDoS attack be successful, it will render a network infrastructure unstable or unavailable to its users. If the customers' network or services are inaccessible, this could damage the customers' industry reputation, which could materially and adversely impact its business operations.

Thus, the Group's managed security services involves the use of cybersecurity solutions to enable the following functions:

- Collect, monitor and analyse data traffic in real-time to create a baseline of the traffic behaviour;

- From the baselining, it will then detect an anomaly that indicates a possibility of a DDoS attack;

- Once detected, it will redirect the traffic to a mitigation platform to mitigate / filter allowing only the legitimate traffic to pass through; and

- Most importantly to keep the applications and business services available at all times.

The Group has set up a Managed Security Services division in April 2022, which is led by Paul, the Head of Operations, Managed Security Services division. The Group believes Paul and his team have the requisite expertise and experience to manage the Group's Managed Security Services division. Paul's profile is set out in Section 5.5(a)(iii). This division operates from its office in Glomac Damansara, Kuala Lumpur. The present facility, from which the Managed Security Services division operates, is equipped with the necessary cybersecurity solutions to enable DDoS protection throughout 24 hours on a daily basis.

As such, the mitigation of DDoS attacks is automated. Should there be any threats, incidents or problems, the Group's Managed Security Services personnel will be notified to further troubleshoot the incidents and problems.

The Group had secured 2 contracts from a company based in the Philippines which is principally involved in the business of network and security solutions, IT outsourcing and managed services to provide managed security services on 11 April 2022 and 1 August 2022, the salient details of which as set out as follows:-

Services provided	:	Provision of operational support for the Anti-DDoS and INI systems
Description	:	(i) Be the subject matter expert to oversee the Anti-DDoS & INI system deployment to be successfully implemented and operational. (ii) To be the Level 3 support to provide technical expertise on operating and maintaining the Anti-DDoS and INI system. (iii) To be able to standby 24x7 and be the point of contact for the support team to escalate for any problem resolutions. (iv) To assist and troubleshoot the problem in the event of the problem could not be resolved by the Level 1 and 2 engineers. (v) To develop and customize the Anti-DDoS and INI system portal within the capability of the system upon request by the end customers. Any new function or request will be approved by the management prior to development. (vi) To continuously improve and optimize the Anti-DDoS and INI system and software portal to ensure it is operating at optimum performance at all times. (vii) To lead and provide quarterly review, report, planning and provide technical expertise in the ongoing maintenance throughout the period of contract. (viii) To provide training and technical documentation for the Level 1 and 2 operational support team whenever new update or features are introduced.
Date contract secured	:	11 April 2022
Expected timeframe for completion	:	24 months
Project value	:	USD327,912 or approximately RM1.4 million* (or USD13,663 or approximately RM0.1 million* per month)

Note:-

* Based on RM/USD exchange rate of 4.4165 as at LPD *(source: Bank Negara Malaysia website)*.

Services provided	:	Provision of expert consultancy and operational support for the Anti-DDoS and INI systems
Description	:	(i) Be the Level 1 & 2 support team to oversee the Anti-DDoS and INI system deployment to be successfully implemented and operation. (ii) To be the Level 1 & 2 support to provide technical expertise on operating and maintaining the Anti-DDoS and INI system (iii) To be able to standby 24x7 and be the point of contact to assist and troubleshoot together with the customer for any problem resolutions or escalation. (iv) To maintain and operate the Anti-DDoS & INI system portal within the capability of the system upon request by the end customers. (v) To continuously improve and optimise the Anti-DDoS & INI system and software portal to ensure it is always operating at optimum performance. (vi) To lead and provide quarterly review, report, planning and provide technical expertise in the ongoing maintenance throughout the period of the contract.
Date contract secured	:	1 August 2022
Expected timeframe for completion	:	24 months
Project value	:	USD168,936 or approximately RM0.7 million* (or USD7,039 or approximately RM31,088* per month)

Note:-

* Based on RM/USD exchange rate of 4.4165 as at LPD *(source: Bank Negara Malaysia website)*.

For the aforementioned contracts, the Group had employed personnel with the requisite qualification to undertake the contracts in accordance with the scope of work required.

(v) **Smart manufacturing solutions**

Smart manufacturing solutions enable the digitisation of operations, production real time data transferring and automation of processes within manufacturing facilities. The interconnectivity of equipment and hardware will optimise production and enhance operational efficiency without much human intervention. These solutions are components of smart factories and will utilise IoT technology (which is the interconnection of machine, technology, humans and working culture towards the ultimate goal of improving business competitiveness).

As at LPD, the Group offers MES, which enables digitalisation and tracking of production data from raw material till finished goods. The Group's MES solution can be integrated with additional modules, depending on customers' needs and requirements. The Group's MES standard modules include:-

- **Overall Equipment Effectiveness** "**OEE" solutions,** which facilitates measuring of manufacturing productivity. OEE solutions measures and detects for equipment issues on a real-time basis so that the issue can be immediately remediated to improve operational efficiency and minimise losses. By measuring OEE and the underlying losses, this provides insights to improve manufacturing processes.

- **Quality Management System "QMS",** which automates the process of tracking and controlling product defects, manages documents for regulatory and audit compliance, and provides real-time visibility for corrective and preventive management. It automates quality control and assurance processes with digitised product specifications, automated controls, real-time trends, statistics and notifications, thus ensuring adherence to quality levels and standards.

- **Warehouse Management System "WMS",** which offers visibility of all inventories from the time supplies or goods enter the warehouse till the time they are delivered. This involves management of inventory using barcodes or QR codes to digitise and streamline product management, inventory report, material certificates, product move report, product categories management, input of raw material information, quantity data and stock level tracking.

- **Computerised Maintenance Management System "CMMS",** can enable scheduling of preventive maintenance and operations based on working hours and actual state of equipment, dispatching non-scheduled (emergency) repair and maintenance, and control execution of scheduled repairs. It also generates maintenance reports to monitor machine up and down time, and documentations for maintenance and repair operations.

- **Work-in-progress tracking system,** which tracks the entire manufacturing process while it is in progress and provides real-time data to optimise productivity and allow for targeted recalls of products. It provides traceability for the raw material, semi-finished and finished goods, thus enabling the manufacturer to track the manufactured products or materials throughout the entire production process.

The Group has the capability to customise the abovementioned MES solution and its modules to suit the customers' manufacturing needs and budget across various types of manufacturing related industries. The Group can also set up and configure the MES solution and its modules so that it is can be integrated with the customer's existing enterprise systems.

Since October 2021 and up to LPD, the Group has secured the following MES solution system contracts:-

(i) 2 orders from a factory automation solution provider on 27 June 2022 to act as a sub-contractor for the implementation and configuration of MES solution and its modules for 2 companies involved in food and beverage product manufacturing. Both projects are valued at RM250,000 and RM200,000, respectively, which were completed in December 2022;

(ii) 1 contract from an electrical and electronics manufacturer on 12 August 2022 for the development of semiconductor wafer identification scanning for a value of RM27,982;

(iii) 2 orders from an industrial research and technology organisation on 17 October 2022 and 30 November 2022 for the development of track and trace for delivery and packaging system for a value of RM38,000 and RM10,000, which were completed in December 2022;

(iv) 1 order from a coffee manufacturer and supplier on 28 November 2022 for the development of an overall equipment effectiveness solution for a value of RM140,000;

(v) 1 order from a trading company on 2 December 2022 for the development of an enterprise resource planning ("**ERP**") system for a value of RM291,500, which was completed in December 2022; and

(vi) 1 order from a tin and can wholesaler on 28 December 2022 for the development of an ERP system for a value of RM87,000, which was completed in December 2022.

6.3.2 Future plans and strategies

The Group intends to expand its business through the following avenues:-

(i) Securing new platform design and development projects

As at LPD, the Group has secured platform design and development projects, as elaborated in Section 6.3.1. These new platform design and development projects involve the design and development of software applications that allow for digitalisation of business operations.

The contracts that have been secured are centered on the design and development of the following platforms:-

- E-commerce platform

  The Group recognises the need for e-commerce platforms in light of the growing e-commerce market in the country. According to the Independent Market Research report by Providence, the e-commerce market size in Malaysia, as depicted by e-commerce transaction values in the country, increased from RM195.1 billion in 2015 to an estimated RM454.7 billion in 2022 at a CAGR of 12.8%. E-commerce platforms have also been essential in allowing the food and beverage as well as retail industries to operate during the MCOs, and it is anticipated that such platforms will continue supporting the growth of these industries even though the country has now entered the endemic phase of COVID-19.

- *Halal* tracking system

  Through the implementation of a *Halal* tracking system for its customer, the Group will be able to tap upon blockchain technology to develop its own *Halal* tracking system which would be customisable for other customers. With the *Halal* tracking system, the Muslim population will be able to trace supply chains, allowing them to understand the origins of the products they are consuming. This will provide credibility to the *Halal* product and minimise any disputes in the supply chain for *Halal* products.

  In 2022, the global Muslim population was estimated to be 1.9 billion or 23.5% of the total global population. The large Muslim population signifies the potential for *Halal* products and services. Given that there are limited *Halal* tracking systems available in the market, this leaves a considerable portion of this market relatively under-addressed.

- Vending machine system

  Vending machine systems are expected to grow in demand as advancement in technology has allowed for different types of food products to be dispensed and the growing need for convenience. Further, the COVID-19 pandemic has also led to operational restrictions and minimisation of workforce, and this is expected to bode well for vending machines which allows for automatic dispensing of food products. The trend of utilising vending machine systems is expected to continue as consumers in Malaysia are familiar with vending machines as an available option for purchasing food products. In light of the aforementioned factors, the Group sees potential in customising and setting up vending machine systems.

- *Blockchain-enabled* application

  "*Blockchain*" applications allow for various related and unrelated services on a single platform using blockchain technology. Blockchain enabled applications include applications that offer multiple services or products that users require on a daily basis. With the rise of applications such as "Grab" and "WeChat", the trend for development of blockchain enabled applications are expected to continue.

As the Group has developed or is in the midst of the design and development of the base platforms, the Group would have garnered expertise from the design and development of these platforms. Thus, the Group can leverage on these base platforms and expertise garnered to replicate the abovementioned types of platforms across different types of businesses and industries.

Should the need arise, the Group may also seek to acquire companies/ businesses/ assets/ applications involved in platform design and development. To this end, the Group may utilise the proceeds allocated for the expansion of its IT services business, for the development or customisation of new platforms and/or acquisition of suitable companies/ businesses/ assets/ applications, amongst others.

As at LPD, the Group has not identified any suitable companies/ businesses/ assets/ applications to acquire.

As at LPD, the Group has 16 technical personnel involved in platform design and development, and this division is led by the Group's Chief Technology Officer. The Group's present Technical division has the capacity to undertake planning, platform design, development which include coding of back-end platforms, management of coding for front-end platforms and testing, as well as configuration, testing, deployment and handover for the 5 subsisting projects.

In order to facilitate more projects from this segment, the Group intends to expand its workforce. In particular, the Group intends to hire an additional 1 software engineer by August 2023.

(ii) Expanding the technical support and maintenance service segment

The Group has already secured technical support and maintenance services to the existing customers of its platform design and development segment. Moving forward, the Group also intends to focus on growing its revenues from providing technical support and maintenance services.

The technical support services comprise troubleshooting and rectification of faults and issues faced by the users. Meanwhile, maintenance services include software upgrades and consultation relating to hardware used for the IT solution. Both of these services will entail the Group providing its solutions/services over a pre-determined period specified in a contract.

The Group currently has the required expertise and personnel to undertake the platform design and development on a project basis and as such, it can leverage on its resources to carry out technical support and maintenance services. To this end, the Group has begun selling its technical support and maintenance services to its existing customers.

The Group recognises the potential of providing technical support and maintenance services due to the benefits it offers to customers. Through providing technical support and maintenance services, the Group will enable its customers to lower its operating expenditure as customers need not maintain a large IT team to manage and maintain the solutions. At the same time, the Group will be also able to generate recurring revenue as these services will be provided over a pre-determined period.

As mentioned in Section 6.3.2(ii), the Group's 16 Technical personnel are sufficient to undertake technical support and maintenance services for the existing customers. The Group plans to expand its Technical division to 17 personnel by August 2023, thus enabling the Group to cater for more technical support and maintenance services contracts moving forward.

(iii) Expanding the IT hardware refurbishment service segment

The Group recognises a growing demand for refurbished IT hardware from IT hardware rental companies in light of:-

- the growing need for corporations and associations to lease or rent IT hardware to reduce their capital expenditure;
- constant need for replacement of IT hardware by these corporations and associations as technology advances.

The Group has already begun offering refurbishment services and/or leasing/rent these pre-owned IT hardware, and intends to grow its revenues from the IT hardware refurbishment service segment through the following:-

- increasing the number of projects to refurbish or lease/rent IT hardware from existing and new customers;
- expanding the range of IT hardware to be refurbished and/or lease/rent from desktops and laptops, to servers and mobile devices.

(iv) Expanding the smart manufacturing solutions segment

The Group had began offering MES solutions and its modules since June 2022, as elaborated in Section 6.3.1(v).

Mr Pang, the Executive Director of the Company, has garnered experience in digitisation of factories since 2016. On 22 September 2022, Mr Pang has provided an undertaking letter (which superseded his undertaking letter dated 1 July 2022) where for so long as he is an Executive Director of FSBM, he will continue to develop and grow the smart manufacturing solution business segment on behalf of FSBM Group and he will not carry on any trade or business in relation to smart manufacturing solutions, i.e. MES and related modules that are in competition with FSBM Group. Similarly, the Company had on 22 September 2022, obtained an undertaking from Aresys Ind. that it will not carry on any trade or business in relation to smart manufacturing solutions, i.e. MES and related modules that are in competition with the Group.

The Group intends to leverage on his knowledge and understanding of manufacturing operation process and strategy to implement factory digitalisation and professional network of customers to design and develop smart manufacturing solutions. By doing so, the Group will be able to tap upon the growing market trend in the manufacturing industry to shift towards smart factories.

As such, the Group intends to expand its smart manufacturing solution segment through the following avenues:-

- securing new contracts for its MES solutions and/or its modules

  The Group intends to carry out business development activities to secure more contracts for its MES solutions and/or its modules. The Group intends to target small to medium enterprises in the country which intend to improve their operational efficiency. Once secured, the Group will customise the MES solution and/or its modules to customers' businesses/ industries.

- expansion and enhancement of MES solution modules offered

  The Group intends to introduce new and enhanced MES modules that incorporate more advanced artificial intelligence features such as:-

  - smart recipe management which enables the design of new recipes based on previous recipes;

  - real-time equipment energy tracking and monitoring system which optimises energy usage to reduce energy cost; and

  - enhanced CMMS with predictive maintenance feature, which can identify potential issues before they occur. This system will be able to detect any abnormal profiles against the pre-defined historical healthy profiles by monitoring and analysing the current condition of equipment using IoT sensor devices on a real-time basis through a data-driven approach.

To this end, the Group may utilise the proceeds allocated for expansion of its IT services business to facilitate the costs involved for the expansion of this segment. This includes costs involved to customise the MES solution and its modules to customers' businesses/ industries as well as costs involved in expanding and enhancing the range of MES modules offered. In addition, the Group may also seek to acquire companies / businesses/ assets/ applications involved in smart solutions or related IT services that are synergistic in enhancing the Group's smart solution offerings or allowing the Group to expand its market reach. As at LPD, the Group had not identified any companies / businesses / assets / applications to be acquired to expand its smart manufacturing solution segment.

As at LPD, the Group has recruited an Operation Director (under IoT division and reporting to Mr Pang) to oversee the customisation, configuration and deployment and commissioning of MES solutions and its modules and the Operation Director is assisted by 1 Project Engineer. The Group intends to hire up to 3 additional personnel by end of 2023 to cater for its existing and future smart manufacturing solution contracts.

(v) Expansion of managed security service segment

The Group ventured into managed security services in April 2022. Its managed security services is primarily focused on the Anti-DDoS System and Platform with IP Network Intelligence tool for the detection, analysis and response to DDoS attacks in system integration solutions providers, small and medium enterprise and internet and hosting service providers. For information, the Group does not require any approval/license for the Group to carry out the managed security services.

Managed security services is an upcoming alternative avenue for customers to procure cybersecurity solutions without incurring substantial capital and operational expenses in setting up their own dedicated IT Security team. This enables the customer to focus on their core business while ensuring that their network infrastructure is well protected. The Group thus intends to grow revenues from this segment through the following avenues:-

(a) Expansion of managed security service offerings

The Group intends to expand its range of managed security services to include managed cloud security and integrated Secure Access Service Edge ("**SaSe**") solutions. Integrated SaSE solutions combines both network and cybersecurity functions into a single platform to enable secured and optimised traffic performance of the customers' network infrastructure.

(b) Setting up of a SOC

The Group intends to set up a next generation SOC at its office in Glomac Damansara, Kuala Lumpur. A SOC is a dedicated facility which facilitates the monitoring and management of cyber threats and attacks impacting an enterprise's IT infrastructure. For information, the Group does not require any approval/license for the Group to set up the SOC. As at LPD, the Group has yet to commence the set up of the SOC.

The intended development of a SOC will enable the Group to enjoy the following benefits:-

- provides the Group's potential customers with the assurance that the Group has the necessary facility and infrastructure to provide managed security services. This will enhance the Group's profile and ability to secure contracts which require more complex solutions;

- has the necessary integrated platform put in place so that the Managed Security Services personnel have better visibility of all cyber threats and attack incidents impacting the customers' IT infrastructure. This will allow the Group to provide customers with continuous, prompt and effective response 24 hours daily; and

- increases security visibility of the enterprise's IT infrastructure as it provides real-time monitoring of all assets in the IT infrastructure.

The Group estimates that it will cost RM1.2 million to set up a SOC. This will be used to defray the acquisition of hardware such as servers, storage tapes, discs and racks; and software such as networking management and monitoring, endpoint management and traffic analysis software. The cost for setting up a SOC will be funded via proceeds from the Proposed Regularisation Plan.

Barring any unforeseen circumstances, the management of the Group estimates that the SOC will be set up within 36 months from receipt of proceeds.

(c) Expansion of Managed Security Services division

In order to facilitate more managed security service contracts and expansion in range of services, the Group intends to expand its Managed Security Services division.

As at LPD, the division comprises 6 personnel. While the 6 Managed Security Services personnel are sufficient to cater for the existing contract secured and has the required capabilities to carry out managed security services focused on the Anti-DDoS System and Platform with IP Network Intelligence tool, the Group will require a larger Managed Security Services team as new contracts are secured. The Group intends to hire up to 2 additional personnel by end of 2023 for its Managed Security Services division.

With the setting up of the SOC and expansion of the Managed Security Services division, the Group believes that it would be well-positioned to secure more managed security service contracts in Asia Pacific. In particular, the Group intends to target telecommunication service providers, internet service providers as well as data centre and cloud hosting service providers based in the Asia Pacific region.

In the event the Group is not successful in setting up the SOC, the Group can still continue to provide its existing and future managed security services, i.e. Anti-DDoS System and Platform with IP Network Intelligence tool and integrated SaSe solutions, in its present facility. Nevertheless, the setting up of the SOC will provide the Group's potential customers with the assurance that the Group has the necessary facility and infrastructure to provide managed security services, thus enhancing the Group's profile and ability to secure contracts which require more complex solutions in the future.

(Source: Management of the Group)

7. RISK FACTORS

The risk factors (which may not be exhaustive) pertaining to the Proposed Regularisation Plan include but not limited to the following:-

7.1 Risks in relation to the industry in which FSBM Group operates

7.1.1 Business risks

The Group's ability to turnaround its operations and financial position is highly dependent on being able to complete the contracts at hand as well as to secure additional contracts. This is due to the nature of the business and the prevailing industry practice, where orders from customers are usually secured on a project-by-project basis. The nature of products and services provided by the Group varies according to the orders received from which is usually based on the customers' requirements and specifications. The frequency and value of orders would also vary from year to year. Hence, the Group's revenue may fluctuate from year to year and such fluctuations may have a material adverse impact on its business operations and financial performance.

Whilst the Group had been awarded several new contracts as set out in Section 6.3.1 of this Circular, the Group is continuously trying to pitch for new contracts to increase its pipeline. Upon completion of the Group's platform design and development contracts, the Group will continue to maintain the software developed for the customers via the operations and maintenance contract entered into. In addition, the Group had also secured managed security services contracts in April 2022 and August 2022 for the provision of operational support for the Anti-DDoS and IP Network Intelligence (INI) systems for a period of 2 years. The Board is of the view that such operations and maintenance contracts as well as managed security services contracts are sustainable as the cost of termination will be high to the customer.

Moving forward, the Group will continue to bid for new contracts with an aim to also provide operations and maintenance, so as to provide the Group with a stable flow of income. The Group believes that its competitive strengths, experience technical expertise and its well-equipped programming applications can provide a competitive edge when bidding for projects.

7.1.2 Competition risks

The Group is competing with the existing and new IT solutions providers, as such, the Group will experience stiff competitions during the project tendering stage. The rapid technological change could also limit the Group's ability to attract new customers and retain existing customers. Rapid change in technology and introduction of new industry standards, competitive pressure from dominant players, creative functionality, software piracy, freeware and open source technologies, technologies obsolesces are threats and risks associated with IT industry.

Future success and staying relevant in IT industry will depend significantly upon the Group's ability to respond to the change in the market demands and conditions such as change in customers' preferences as well as development of new products and design.

The Group will continuously adopt measures to improve productivity and the management team will keep themselves abreast with the latest trend in the industry to maintain its competitiveness to ensure customers' requirements are fulfilled.

Notwithstanding the foregoing, there can be no assurance that the Group will be able to continuously compete effectively with its peers.

7.1.3 Political, economic and regulatory risks

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

Although the management may take a prudent approach to manage these risks internally, these risks are generally beyond the management's control and there can be no assurance that the changes to political, economic and regulatory conditions will not affect the performance of the Group.

7.2 Risks in relation to business operations

7.2.1 Dependence on Directors and key management

The Group is dependent on its Directors and key management. The Group's achievements are largely attributable to the continued efforts of the Executive Directors and key management personnel who are directly responsible for the strategic direction, leadership, business planning and development, and management of the Group's business operations. The Group is also intending to rely on the experience and expertise of the new personnel detailed in Section 5.5(a) of this Circular to secure new contracts and build new areas of products for its IT services business.

The Group recognises the importance of the ability to retain its Executive Directors and key management personnel and have in place a human resource retention strategy, which includes maintaining a competitive remuneration package and providing opportunities for career development for employees. As part of its management succession plan, efforts have been made to promote and groom lower and middle management staff to gradually assume the responsibilities undertaken by the senior management team in order to ensure continuity in the Group's management team.

There is no assurance that the Group may be able to develop and retain and adequate number of skilled and motivated employees and find suitable replacements on a timely basis should any key personnel leave the Group which may in turn adversely affect the Group's operations and financial performance.

7.2.2 Failure in managing growth effectively or implementation of the Group's future plans and strategies

The Group may not be able to effectively manage the growth or successful implementation of the Group's future plans and strategies. In order to successfully implement its expansion plan, it is imperative that the Group remains competitive. Therefore, the Group is committed to continuously growing its business through the expansion of its market presence.

Although the Group's Executive Directors and key management personnel are experienced in this business to execute its future plans, there is no assurance that they will be successful in executing its future plans, nor can they assure that they will be able to anticipate, and accordingly mitigate with adequate measures, all business and operational risks arising from its future plans. There can also be no assurance that the results or outcome of the Group's future plans will achieve their desired results and contribute positively to its future financial performance.

7.2.3 Defect liabilities

The Group's products are generally subject to a warranty period of between 1 and 3 years, with the Group being responsible in the event of any product defects. The Group is thus obliged to ensure that its final products are fully functional in accordance with the specifications and requirements of the customers before delivery to the same.

Any occurrence of product defects will be reflected as a cost to the Group in the form of repair costs and/or product warranty claims, and may also have an adverse implication on the Group's industry reputation. An adverse reputation or negative perception regarding the quality of its products, or the Group in general, could also result in a decrease in demand for the Group's products.

Nevertheless, the Group has in place in-process quality assurance procedures for its manufacturing processes which, to a certain extent, enables them to minimise the occurrence of product defects or failures.

Although the Group has not incurred any material cost on repair and/or replacement of its products sold to customers due to product defects, no assurance can be given that any occurrence of product defects in the future will not have an adverse impact on the Group's financial performance.

7.2.4 Financing risk

The Group intends to expand its businesses through various avenues stated in Section 6.3 of this Circular. However, the implementation of the Group's plan depends on amongst others, the ability of the Group to procure sufficient financing which may include obtaining external financing. The extent of such external financing is subject to various factors including the Group's financial condition and cash flows, the overall Malaysian economy and prevailing interest rates, the cost of financing and the condition of financial markets affecting the banks' willingness and ability to provide new loans.

The Group had earmarked RM5.9 million of the total proceeds (based on Maximum Scenario) for the expansion of its IT services business. As at LPD, the expansion plans of the Group are at its preliminary stages and may or may not materialise. In the event the Group requires funds in excess of the RM5.9 million for the expansion of its IT services business, the Group may procure external financing.

There can be no assurance that the necessary financing will be available in amounts or on terms acceptable to the Group. If adequate funding is not available when needed, or is available only on unfavourable terms, taking advantage of business opportunities or responding to competitive pressures may become challenging, which could have a material and adverse effect on the business, financial condition and results of operations of the Group. Nevertheless, the Group will monitor and review its debt portfolio from time to time, which include taking into consideration our Group's gearing level, interest costs and cash flows in achieving an overall optimal capital structure.

7.2.5 Fluctuation in foreign currency risk

As at LPD, the Group has 1 blockchain application contract denominated in HKD and 2 managed security services contracts denominated in USD. Moving forward, the Group may need to enter into further contracts denominated in foreign currency, depending on negotiations with future clients. As such, the Group is exposed and may continue to be exposed to foreign currency risk.

The Group will coordinate the foreign currency sales and purchases to be in the same currency to the best extent possible, in order to minimise such foreign exchange exposure as a form of natural hedging. If required, the Group will also enter into hedging contract in order to hedge the foreign currency risk.

However, there can be no assurance that any adverse fluctuations in foreign currencies against the RM will not result in an adverse impact on the Group's financial performance.

7.3 Risks in relation to the Proposed Regularisation Plan

7.3.1 Delays in implementation or non-completion of the Proposed Regularisation Plan

The regularisation of the Group is, to a large extent, dependent on the effective and timely implementation of the Proposed Regularisation Plan. The successful implementation of the Proposed Regularisation Plan is further subject to the approvals of the relevant authorities as well as the shareholders of FSBM at an EGM to be convened. In the event that such approvals are not obtained, the Proposed Regularisation Plan may be delayed or terminated.

Besides, the Proposed Shares Issuance which form part of the Proposed Regularisation Plan is conditional upon the fulfilment of the conditions precedent in the Subscription Agreements set out in Appendix II of this Circular. If any of the condition precedent is not fulfilled within the stipulated time frame, the Subscription Agreements may be terminated. FSBM's management will endeavour to take all reasonable steps to comply with all requirements and satisfy the conditions precedent under all agreements in a timely manner.

Pursuant to Paragraph 6.18(4) of the Listing Requirements and Section 243(2) of the CMSA, where the Minimum Subscription Level is not achieved, the implementation of the rights issue of securities must be terminated and all consideration received will be immediately returned to all subscribers. As such, if the Minimum Subscription Level is not achieved for any reason, our Company will not proceed with the implementation of the Proposed Rights Issue with Warrants.

Nevertheless, as at LPD, FSBM had procured undertakings from the its substantial shareholders namely, Mr Pang, Dr Chew and Mr Yeo for a total subscription sum of RM2.3 million. In addition, Malacca Securities, being the Principal Adviser for the Proposed Regularisation Plan, had vide its letter dated 22 September 2022, informed the Company of its intention to participate as an underwriter to subscribe for the balance sum to meet the Minimum Subscription Level, subject to an underwriting agreement to be entered into. As the Proposed Rights Issue with Warrants is inter-conditional with the Proposed Regularisation Plan, the Company proposes to enter into underwriting agreement(s) with the underwriter(s) prior to the implementation of the other proposals comprising the Proposed Regularisation Plan.

7.4 Risk from the COVID-19 pandemic

Since March 2020, lockdown or similar measures have been imposed by the government of Malaysia to curb the spread of COVID-19. These have had an adverse impact to the performance of the Malaysian economy. The operations and/or expansion projects of the customers might be affected due to the implementation of the lockdown imposed by the government of Malaysia. Any restriction in customers' operations or delay in the expansion projects will affect the recognition of revenue from the relevant projects as well as cause the projects to be terminated.

The Group will proactively engage customers and will continually review and monitor the impact of their businesses caused by COVID-19 pandemic. Although Malaysia has entered the endemic phase of COVID-19 and there are no longer any lockdowns or similar measures imposed by the government since then, there can be no assurance that any prolonged adverse development arising from the COVID-19 pandemic, the movement control order and/or any other external factors which are beyond of the Group will not occur and adversely affect the financial performance and operations of the Group.

8. FINANCIAL EFFECTS OF PROPOSED REGULARISATION PLAN

The pro forma financial effects have been prepared based on the following basis:-

Minimum Scenario	:	Assuming the Proposed Rights Issue with Warrants will be undertaken on a Minimum Subscription Level basis
Maximum Scenario	:	Assuming all the Entitled Shareholders will subscribe for their entitlements under the Proposed Rights Issue with Warrants

8.1 Share capital

The proforma effects of the Proposed Regularisation Plan on the Company's issued share capital are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of FSBM Shares ('000)	RM'000	No. of FSBM Shares ('000)	RM'000
As at LPD [(a)]	176,659	23,602	176,659	23,602
Proposed Capital Reduction [(b)]	-	(14,292)	-	(14,292)
After Proposed Capital Reduction	**176,659**	**9,310**	**176,659**	**9,310**
Proposed Shares Issuance	60,000	[(c)] 4,594	60,000	[(d)] 4,610
After Proposed Shares Issuance	**236,659**	**13,904**	**236,659**	**13,920**
Proposed Rights Issue with Warrants	200,000	[(e)] 5,313	236,659	[(f)] 6,350
After Proposed Rights Issue with Warrants	**436,659**	**19,217**	**473,318**	**20,270**
Assuming full exercise of Warrants	100,000	[(g)] 5,000	118,330	[(h)] 5,916
Enlarged share capital	**536,659**	**24,217**	**591,648**	**26,186**

Notes:-

(a) Net of treasury shares.

(b) After cancellation of RM14.3 million of the Company's capital pursuant to the Proposed Capital Reduction.

(c) Assuming the issuance of 60.0 million Subscription Shares at the Subscription Price of RM0.08 each pursuant to the Proposed Shares Issuance and after accounting for estimated expenses of RM0.2 million pursuant to the Proposed Shares Issuance.

(d) Assuming the issuance of 60.0 million Subscription Shares at the Subscription Price of RM0.08 each pursuant to the Proposed Shares Issuance and after accounting for estimated expenses of RM0.2 million pursuant to the Proposed Shares Issuance.

(e) Assuming the issuance of 200.0 million Rights Shares at the Issue Price of RM0.03 each and after accounting for estimated expenses of RM0.7 million pursuant to the Proposed Rights Issue with Warrants.

(f) Assuming the issuance of 236.7 million Rights Shares at the Issue Price of RM0.03 each and after accounting for estimated expenses of RM0.8 million pursuant to the Proposed Rights Issue with Warrants.

(g) Assuming the issuance of 100.0 million FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each.

(h) Assuming the issuance of 118.3 million FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each.

8.2 NA and gearing

The pro forma effects of the Proposed Regularisation Plan on the NA, NA per share and gearing position of the Group, based on its audited consolidated statement of financial position as at 31 December 2022 and assuming that the Proposed Regularisation Plan had been effected as at 31 December 2022 are as follows:-

Minimum Scenario

	Audited 31 December 2022	(I) After Proposed Capital Reduction	(II) After (I) and Proposed Shares Issuance	(III) After (II) and Proposed Rights Issue with Warrants	(IV) After (III) and assuming exercise of all Warrants
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Share capital	24,314	(a) 10,022	(b) 14,616	(c) 19,929	(f) 24,929
Treasury shares	(712)	(712)	(712)	(712)	(712)
Capital reduction reserve	-	(a) 3,183	3,183	3,183	3,183
Other reserve	-	-	-	(d) (1,583)	-
Warrants reserve	-	-	-	(d) 1,583	-
Accumulated losses	(11,109)	(a) -	-	(e) (1,107)	(1,107)
NA	**12,493**	**12,493**	**17,087**	**21,293**	**26,293**
Non-controlling interest	(2,062)	(2,062)	(2,062)	(2,062)	(2,062)
Total equity	**10,431**	**10,431**	**15,025**	**19,231**	**24,231**
No of FSBM Shares *('000)*	176,659	176,659	236,659	436,659	536,659
NA per FSBM Share *(RM)*	0.07	0.07	0.07	0.05	0.05
Borrowings *(RM'000)*	-	-	-	-	-
Gearing *(times)*	n/a	n/a	n/a	n/a	n/a

Notes:-

(a) After cancellation of RM14.3 million of the Company's capital pursuant to the Proposed Capital Reduction and the surplus from the capital reduction will be transferred to capital reduction reserve.

(b) Assuming the issuance of 60.0 million Subscription Shares at the Subscription Price of RM0.08 each and after accounting for estimated expenses of RM0.2 million pursuant to the Proposed Shares Issuance.

(c) Assuming the issuance of 200.0 million Rights Shares at the Issue Price of RM0.03 each and after accounting for estimated expenses of RM0.7 million pursuant to the Proposed Rights Issue with Warrants.

(d) Creation of other reserve account and warrants reserve account to capture the issuance of Warrants pursuant to the Proposed Rights Issue with Warrants, which was computed based on the allocation of the proceeds between the Rights Shares and Warrants, on a proportionate basis based on their fair value relative ratio. The Warrant's fair value relative ratio is approximately 26.4%, as illustrated in Appendix VII of the Circular.

(e) After accounting for estimated expenses in relation to the Proposed Regularisation Plan of RM1.1 million, which will be expensed off to the statement of comprehensive income upon the completion of the Proposed Regularisation Plan.

(f) Assuming the issuance of 100.0 million FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each.

Maximum Scenario

		(I)	(II)	(III)	(IV)
	Audited 31 December 2022	**After Proposed Capital Reduction**	**After (I) and Proposed Shares Issuance**	**After (II) and Proposed Rights Issue with Warrants**	**After (III) and assuming exercise of all Warrants**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Share capital	24,314	[a] 10,022	[b] 14,632	[c] 20,982	[f] 26,898
Treasury shares	(712)	(712)	(712)	(712)	(712)
Capital reduction reserve	-	[a] 3,183	3,183	3,183	3,183
Other reserve	-	-	-	[d] (1,874)	-
Warrants reserve	-	-	-	[d] 1,874	-
Accumulated losses	(11,109)	[a] -	-	[e] (1,060)	(1,060)
NA	**12,493**	**12,493**	**17,103**	**22,393**	**28,309**

		(I)	(II)	(III)	(IV)
	Audited 31 December 2022	**After Proposed Capital Reduction**	**After (I) and Proposed Shares Issuance**	**After (II) and Proposed Rights Issue with Warrants**	**After (III) and assuming exercise of all Warrants**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-controlling interest	(2,062)	(2,062)	(2,062)	(2,062)	(2,062)
Total equity	**10,431**	**10,431**	**15,041**	**20,331**	**26,247**
No of FSBM Shares *('000)*	176,659	176,659	236,659	473,318	591,648
(NL)/NA per FSBM Share *(RM)*	0.07	0.07	0.07	0.05	0.05
Borrowings *(RM'000)*	-	-	-	-	-
Gearing *(times)*	n/a	n/a	n/a	n/a	n/a

Notes:-

(a) After cancellation of RM14.3 million of the Company's capital pursuant to the Proposed Capital Reduction and the surplus from the capital reduction will be transferred to capital reduction reserve.

(b) Assuming the issuance of 60.0 million Subscription Shares at the Subscription Price of RM0.08 each and after accounting for estimated expenses of RM0.8 million pursuant to the Proposed Shares Issuance.

(c) Assuming the issuance of 236.7 million Rights Shares at the Issue Price of RM0.03 each and after accounting for estimated expenses of RM1.2 million pursuant to the Proposed Rights Issue with Warrants.

(d) Creation of other reserve account and warrants reserve account to capture the issuance of Warrants pursuant to the Proposed Rights Issue with Warrants, which was computed based on the allocation of the proceeds between the Rights Shares and Warrants, on a proportionate basis based on their fair value relative ratio. The Warrant's fair value relative ratio is approximately 26.4%, as illustrated in Appendix VII of the Circular.

(e) After accounting for estimated expenses in relation to the Proposed Regularisation Plan of RM1.1 million, which will be expensed off to the statement of comprehensive income upon the completion of the Proposed Regularisation Plan

(f) Assuming the issuance of 118.3 million FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each.

8.3 Substantial shareholders' shareholdings

The Proposed Capital Reduction will not have any effect on FSBM's substantial shareholders' shareholdings.

The proforma effect of the Proposed Shares Issuance and Proposed Rights Issue with Warrants on FSBM's substantial shareholders' shareholdings are as follows:-

Minimum scenario

	As at 27 April 2023				(I) After Proposed Shares Issuance				(II) After (I) and Proposed Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Dr Chew	47,124,970	26.68	-	-	47,124,970	19.91	-	-	94,249,940	21.58	-	-
Mr Yeo	10,500,000	5.94	-	-	10,500,000	4.44	-	-	21,000,000	4.81	-	-
Tan Sri Syed Zainal	-	-	-	-	30,000,000	12.68	-	-	30,000,000	6.87	-	-
Mr Pang	2,790,000	1.58	-	-	18,790,000	7.94	-	-	37,580,000	8.61	-	-
Mr Low	-	-	-	-	14,000,000	5.92	-	-	14,000,000	3.21	-	-

	(III) After (II) and assuming exercise of all Warrants			
	Direct		Indirect	
	Number of Shares	%	Number of Shares	%
Dr Chew	117,812,425	21.95	-	-
Mr Yeo	26,250,000	4.89	-	-
Tan Sri Syed Zainal	30,000,000	5.59	-	-
Mr Pang	46,975,000	8.75	-	-
Mr Low	14,000,000	2.61	-	-

Maximum Scenario

	As at 27 April 2023				(I) After Proposed Shares Issuance				(II) After (I) and Proposed Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Dr Chew	47,124,970	26.68	-	-	47,124,970	19.91	-	-	94,249,940	19.91	-	-
Mr Yeo	10,500,000	5.94	-	-	10,500,000	4.44	-	-	21,000,000	4.44	-	-
Tan Sri Syed Zainal	-	-	-	-	30,000,000	12.68	-	-	60,000,000	12.68	-	-
Mr Pang	2,790,000	1.58	-	-	18,790,000	7.94	-	-	37,580,000	7.94	-	-
Mr Low	-	-	-	-	14,000,000	5.92	-	-	28,000,000	5.92	-	-

	(III) After (II) and assuming exercise of all Warrants			
	Direct		Indirect	
	Number of Shares	%	Number of Shares	%
Dr Chew	117,812,425	19.91	-	-
Mr Yeo	26,250,000	4.44	-	-
Tan Sri Syed Zainal	75,000,000	12.68	-	-
Mr Pang	46,975,000	7.94	-	-
Mr Low	35,000,000	5.92	-	-

8.4 Public shareholdings spread

The Proposed Capital Reduction will not have any effect on the public shareholding spread of FSBM.

The public shareholding spread of FSBM based on the Record of Depositors maintained by Bursa Depository as at LPD and the changes in shareholdings of substantial shareholders up to 27 April 2023, is approximately 65.7% held by 1,033 public shareholders.

The changes in the public shareholdings spread of FSBM based on the Record of Depositors maintained by Bursa Depository as at LPD and the changes in shareholdings of substantial shareholders up to 27 April 2023, pursuant to the Proposed Regularisation Plan is as follows:-

		As at LPD	**After Proposed Capital Reduction**	**After Proposed Shares Issuance**	**After Proposed Rights Issue with Warrants**	**Assuming exercise of all Warrants**
Minimum Scenario	Number of public shareholders	1,033	1,033	1,035	1,036	1,036
	Public shareholding spread	65.7%	65.7%	53.5%	62.9%	63.7%
Maximum Scenario	Number of public shareholders	1,033	1,033	1,035	1,035	1,035
	Public shareholding spread	65.7%	65.7%	53.5%	53.5%	53.5%

Premised on the above, the Proposed Regularisation Plan is not expected to result in the Company breaching the public shareholding spread requirement under Paragraph 8.02(1) of the Listing Requirements.

8.5 Earnings and EPS of the Group

The Proposed Capital Reduction is not expected to have a material impact on the earnings and EPS of the Group. Nonetheless, the Group will incur some expenses in implementing the Proposed Capital Reduction, which include amongst others, expenses relating to the application to High Court.

The Proposed Shares Issuance and Proposed Rights Issue with Warrants will result in an immediate dilution in FSBM's EPS as a result of the increase in the number of FSBM Shares in issue upon issuance of the Subscription Shares and Rights Shares. Moving forward, the Proposed Shares Issuance and Proposed Rights Issue with Warrants are expected to contribute positively to the consolidated earnings of FSBM as and when the benefits of the proposed utilisation of proceeds materialise.

8.6 Convertible securities

FSBM does not have any convertible securities as at LPD.

9. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of FSBM Shares as traded on the Main Market of Bursa Securities for the past 12 months from April 2022 to March 2023 are as follows:-

	High	Low
	RM	RM
2022		
April	0.330	0.280
May	0.375	0.295
June	0.305	0.230
July	0.280	0.235
August	0.285	0.180
September	0.235	0.195
October	0.300	0.235
November	0.295	0.260
December	0.280	0.220
2023		
January	0.270	0.240
February	0.300	0.230
March	0.275	0.245
The last transacted market price of FSBM Shares on 14 October 2021 (being the last trading day prior to the Requisite Announcement comprising the Proposed Shares Issuance and Proposed Rights Issue with Warrants)		0.145
The last transacted market price of FSBM Shares as at LPD		0.300

(Source: Bloomberg)

10. APPROVALS REQUIRED AND CONDITIONALITY

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

(i) Bursa Securities:-

(a) for the Proposed Regularisation Plan;

(b) for the listing and quotation of 60,000,000 Subscription Shares to be issued pursuant to the Proposed Shares Issuance on the Main Market of Bursa Securities;

(c) for the listing and quotation of up to 236,659,300 Rights Shares and up to 118,329,650 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities; and

(d) for the listing and quotation of up to 118,329,650 new FSBM Shares to be issued pursuant to the exercise of Warrants on the Main Market of Bursa Securities.

The approval by Bursa Securities for the above was obtained vide its letter dated 7 April 2023, subject to the following conditions:

No.	Conditions	Status of Compliance
(1)	FSBM and Malacca Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Regularisation Plan;	To be complied

No.	Conditions	Status of Compliance
(2)	FSBM and Malacca Securities to confirm all approvals of relevant authorities have been obtained for the implementation of the Proposed Regularisation Plan and furnish a copy of all approval letters from the relevant authorities;	To be complied
(3)	FSBM and Malacca Securities to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders at the general meeting for the Proposed Regularisation Plan;	To be complied
(4)	FSBM and Malacca Securities to ensure compliance with Paragraph 8.02 of the Listing Requirements prior to the quotation for the Subscription Shares and Rights Shares to be issued pursuant to the Proposed Regularisation Plan and furnish Bursa Securities with the public shareholding spread pursuant to Appendix 8E of the Listing Requirements upon allotment and issuance of all the Subscription Shares and Rights Shares to be issued pursuant to the Proposed Regularisation Plan; and	To be complied
(5)	FSBM and Malacca Securities to inform Bursa Securities upon the completion of the Proposed Regularisation Plan and furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Regularisation Plan is completed.	To be complied

(ii) the approvals of the FSBM Shareholders for the Proposed Regularisation Plan at the forthcoming EGM. For information, in accordance with Section 85 of the Act and Clause 8.2 and Clause 54 of the Company's Constitution, FSBM Shareholders have pre-emptive rights to be offered the Subscription Shares to be issued pursuant to the Proposed Shares Issuance. In the event the resolutions for the Proposed Regularisation Plan are approved by shareholders of the Company at the forthcoming EGM, shareholders will be waiving their pre-emptive rights under Section 85 of the Act and Clause 8.2 and Clause 54 of the Constitution of the Company;

(iii) The confirmation of the High Court of Malaya for the Proposed Capital Reduction; and

(iv) the approval of any other relevant authorities and/or parties if required.

The proposals comprising the Proposed Regularisation Plan are inter-conditional upon each other. For the avoidance of doubt, the inter-conditionality of all the proposals within the Proposed Regularisation Plan will only apply in terms of the approvals required as set out above and shall not apply to the manner of the implementation of the Proposed Regularisation Plan.

For information, the proposals within the Proposed Regularisation Plan are intended to be undertaken in the following sequence:

(a) Proposed Capital Reduction;

(b) Proposed Shares Issuance; and

(c) Proposed Rights Issue with Warrants.

The Proposed Regularisation Plan is not conditional upon any other corporate proposals to be implemented by the Company.

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

Save as disclosed below, none of the directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Proposed Regularisation Plan.

Mr Pang, an Executive Director of FSBM is a Subscriber for the Proposed Shares Issuance and is thus interested in the Proposed Shares Issuance ("**Interested Director**").

As at LPD, the direct and indirect shareholdings of Mr Pang is set out below:

	As at LPD			
	Direct		Indirect	
	Number of Shares	%	Number of Shares	%
Mr Pang	2,790,000	1.58	-	-

As the Proposed Shares Issuance is inter-conditional upon the rest of the proposals comprising the Proposed Regularisation Plan, the Interested Director has abstained and will continue to abstain from all deliberations and voting in respect of the Proposed Regularisation Plan at the relevant Board meetings of the Company.

The Interested Director will also abstain from voting and have undertaken to ensure that any persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in FSBM on the resolutions pertaining to the Proposed Regularisation Plan at the Company's EGM.

For information, prior to the termination of the Proposed Disposals, Dato' Tan, the Non-Independent Non-Executive Director of FSBM was interested in the Proposed Disposals. Tan Wan Yen is the Executive Director of FSBM and daughter to Dato' Tan, and was thus interested in the Proposed Disposals. As the Proposed Disposals were inter-conditional upon the rest of the proposals comprising the Proposed Regularisation Plan, Dato' Tan and Tan Wan Yen had abstained from all deliberations and voting in respect of the Proposed Regularisation Plan at the relevant Board meetings of the Company. As the Proposed Disposals have been terminated, Dato' Tan and Tan Wan Yen will no longer be interested in the Proposed Regularisation Plan, and thus will not be required to abstain from all deliberations and voting in respect of the Proposed Regularisation Plan at the relevant Board meetings of the Company moving forward. Dato' Tan and Tan Wan Yen and persons connected to them will also not be required to abstain from voting in respect of their direct and/or indirect shareholdings (if any) in FSBM on the resolutions pertaining to the Proposed Regularisation Plan at the Company's EGM.

12. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at LPD, save for the Proposed Regularisation Plan, the Company does not have any outstanding proposals that have been announced but pending completion.

13. TENTATIVE TIMELINE FOR THE PROPOSED REGULARISATION PLAN

Barring any unforeseen circumstances and subject to all the approvals/consents of the relevant authorities being obtained, the Proposed Regularisation Plan is expected to be completed in the 3rd quarter of calendar year 2023. The tentative timeline for the Proposed Regularisation Plan is as follows:-

Tentative timeline	Events
22 May 2023	- EGM for the Proposed Regularisation Plan
End May 2023	- Submission of High Court order for the Proposed Capital Reduction
End July 2023	- High Court order obtained for the Proposed Capital Reduction - Completion of the Proposed Capital Reduction
Mid August 2023	- Completion of the Proposed Shares Issuance
End August 2023	- Submission of Abridged Prospectus to SC in relation to the Proposed Rights Issue with Warrants
End September 2023	- Completion of the Proposed Rights Issue with Warrants - Completion of the Proposed Regularisation Plan

14. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Director) having considered the following:-

(a) the gross proceeds to be raised from the Proposed Shares Issuance and Proposed Rights Issue with Warrants of RM10.8 million (under Minimum Scenario) and the pro forma cash flows position of the Group upon the completion of the Proposed Regularisation Plan;

(b) the contracts secured up to the LPD, as set out in Section 6.3.1 of this Circular;

(c) the future plans and strategies of the Group which is aimed at securing additional revenue sources via the undertaking of additional business activities while growing its existing core operations; and

(d) notwithstanding the net cash flow used in operating activities of RM3.2 million for the FYE 31 December 2022 (being the year the Group became operationally active, and having carried out its scope in accordance with the contracts secured) due to the reasons as set out in Section 5(i) of Appendix I(B) of this Circular, the Board believes that the Group will continue to generate operational profit before changes in working capital moving forward, based on the contracts secured up to LPD,

is of the view that the Group will have sufficient working capital available for a period of 12 months from the date of this Circular, and that barring unforeseen circumstances, the Group will be able to record a net profit in 2 consecutive quarterly results following the completion of the Proposed Regularisation Plan.

The Board also takes cognisance that barring unforeseen circumstances, upon completion of the Proposed Regularisation Plan, the Group will no longer trigger any of the criteria of Paragraph 2.1 of PN17 as detailed in Section 5.6 of the Circular.

The Board (save for the Interested Director), having considered all aspects of the Proposed Regularisation Plan, including but not limited to the rationale and effects of the Proposed Regularisation Plan, is of the opinion that the Proposed Regularisation Plan is in the best interest of the Company and its Shareholders.

Accordingly, the Board (save for the Interested Director) recommends that FSBM Shareholders vote in favour of the resolutions pertaining to the Proposed Regularisation Plan to be tabled at the forthcoming EGM.

15. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Strive Room, Level M3, VE Hotel & Residence, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, on Monday, 22 May 2023 at 4.00 p.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposed Regularisation Plan. The resolutions pertaining to the Proposed Regularisation Plan are set out in our Notice of EGM which is enclosed with this Circular.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy the instructions contained therein, to be deposited at the Company's share registrar office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, not later than 24 hours before the time stipulated for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude the FSBM Shareholders from attending and voting in person at the EGM should the FSBM Shareholders subsequently wish to do so and in such an event, your Form of Proxy shall be revoked accordingly.

16. FURTHER INFORMATION

You are advised to refer to the Appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
FSBM HOLDINGS BERHAD

MOK KAR FOO
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

1. BACKGROUND AND HISTORY

FSBM was incorporated in 1984 as Talasco Computers Sdn Bhd. At the time, the Company was the sole distributor of Fujitsu branded IT hardware in Malaysia. In 1991, Talasco Computers Sdn Bhd changed its name to Fujitsu Systems Business (Malaysia) Sdn Bhd and was subsequently listed on Main Board of Kuala Lumpur Stock Exchange (now known as Main Market of Bursa Securities) in 1994.

In 2001, the Company diversified its business to sell non-Fujitsu products and services and extended its business activities outside of Malaysia, resulting in a change in company name to its present name, FSBM Holdings Berhad. The Company subsequently transferred to the Main Market of Bursa Securities following the merger of the Main Board of Bursa Securities and the Second Board of Bursa Securities. During that time, the Company has been focused on 4 business divisions, namely provision of IT services, communications and networking services, education and training services and healthcare solutions.

As part of its Proposed Regularisation Plan, the Group intends to focus on developing its IT services segment. Thus, the Group had entered into agreements with several enterprises to design and develop customised IT solutions. On 13 October 2021, the Group, through its wholly owned subsidiary FSBM I-Design Sdn Bhd, entered into an agreement with a frozen food manufacturer and retailer as well as a health and wellness product retailer, where the Group is to design and develop a suite of web-based and mobile platforms for these parties. In addition, FSBM I-Design Sdn Bhd had entered into an agreement with a computer rental service provider to provide refurbishment of IT hardware on 15 October 2021.

On 8 April 2022, the Company, through FSBM I-Design Sdn Bhd, entered into an agreement with a blockchain algorithm and smart contract technology provider, to design and develop a blockchain enabled application. The Group, through its wholly owned subsidiary FSBM I-Design Sdn Bhd, also secured another agreement with a cash rebates membership portal operator, to design and develop an online marketplace for promotional vouchers on 17 March 2022.

The Group subsequently expanded its range of IT service offering to include managed security services when the Group commenced its Managed Security Services division in April 2022. The Group, through FSBM I-Design Sdn Bhd, secured a contract from a company based in the Philippines which is principally involved in the business of network and security solutions, IT outsourcing and managed services, on 11 April 2022.

The Group ventured into MES solutions in June 2022 when it secured 2 orders from a factory automation solution provider to act as a sub-contractor for the implementation of MES solution and its modules for 2 companies involved in food and beverage manufacturing. The Group later secured a contract from an electrical and electronics manufacturer for the development of a MES solution in August 2022 and 2 orders from an industrial research and technology organisation in October 2022 and in 30 November 2022. The Group later secured orders from a coffee manufacturer and supplier on 28 November 2022, a trading company on 2 December 2022, and a tin and can wholesaler on 28 December 2022 for the development and implementation of MES solutions.

2. SHARE CAPITAL

As at LPD, the issued share capital of FSBM is RM24,313,184 comprising 177,750,000 FSBM Shares. As at LPD, the Treasury Shares is RM711,642 comprising 1,090,700 Treasury Shares.

3. BOARD OF DIRECTORS

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

		Direct		Indirect	
	Date of Appointment	**Number of Shares**	**%**	**Number of Shares**	**%**
Mr Pang *(Executive Director)*	12 October 2021	2,790,000	1.58	-	-
Tan Wan Yen *(Executive Director)*	27 November 2008	1,900	*	-	-
Dato' Tan *(Non-Independent Non-Executive Director[(a)])*	27 February 1984	-	-	106,200[(b)]	0.06
Mok Kar Foo *(Non-Independent Non-Executive Director)*	12 October 2021	-	-	-	-
Ng Yew Soon *(Independent Non-Executive Director)*	27 August 2020	-	-	-	-
Tey Giap Turn *(Independent Non-Executive Director)*	12 April 2022	-	-	-	-

All the directors are Malaysians.

Notes:-

* Less than 0.1%

(a) Redesignated from Managing Director to Non-Independent Non-Executive Director on 12 April 2022.

(b) Deemed interested via spouse and daughter by virtue of Section 8 of the Act.

4. SUBSTANTIAL SHAREHOLDERS

As at 27 April 2023, the substantial shareholders of the Company and their respective shareholdings in the Company are as follows:

	Date emerged as substantial shareholder	Direct		Indirect	
		Number of Shares	%	Number of Shares	%
Dr Chew	Prior to 2 February 2000	47,124,970	26.68	-	-
Mr Yeo	8 March 2022	10,500,000	5.94	-	-

(Source: Announcements from Bursa Securities' website)

5. SUBSIDIARIES AND ASSOCIATED COMPANY

As at LPD, the subsidiaries of the Company are as follows:

Name	Country / Date of incorporation	Effective equity interest (%)	Principal activities	Status (Active / Inactive)
Asian Technology Resources Sdn. Bhd.	Malaysia 3 June 1997	100	Provision of car park management services and investment holdings	Inactive. However, this is the parent company of Televas Holdings Sdn Bhd which is currently active
CTech	Malaysia 10 April 1997	100	Development of software applications and systems integration	Inactive. Nevertheless, FSBM intends to utilise CTech to procure contracts moving forward
FSBM Datatech Sdn. Bhd.	Malaysia 28 August 2001	100	Investment holding	Inactive
FSBM I-Centre Sdn. Bhd.	Malaysia 29 January 2001	100	Development and delivery of multimedia learning and teaching products and services	Inactive
FSBM I-Command Sdn. Bhd.	Malaysia 31 October 2000	100	Development of intelligent city, municipal and building solutions and the provision of related system engineering services	Inactive
FSBM I-Design Sdn. Bhd.	Malaysia 25 May 2000	100	Provider of enterprise-wide ICT and systems integration services	Active

Name	Country / Date of incorporation	Effective equity interest (%)	Principal activities	Status (Active / Inactive)
FSBM MES Elite Sdn. Bhd. (formerly known as FSBM Learning Media Sdn. Bhd.)	Malaysia 10 March 1999	100	Provision of industry digitalisation transformation, IoT, manufacturing execution system integration and smart manufacturing solutions.	Active
FSBM Mantissa (Malaysia) Sdn. Bhd.	Malaysia 13 September 1993	100	Development and provision of study plans, programs and courses including instruct, teach and delivery of courses	Inactive
FSBM MSC Gateway Sdn. Bhd.	Malaysia 14 July 1999	100	Provider of communication and networking services	Inactive
FSBM M2B Sdn. Bhd.	Malaysia 26 February 2001	54	Contents syndication and distribution, contents aggregation, channel development, electronic programming, consultancy and design	Inactive
FSBM Net Media Sdn. Bhd.	Malaysia 9 June 1999	100	Provider of communication and networking services	Inactive
FSBM Smart Comm Sdn. Bhd.	Malaysia 19 August 1997	100	Property management	Inactive
Jaring Sekitar Sdn. Bhd.	Malaysia 12 March 2003	100	Investment holding	Inactive
MyUnos Sdn. Bhd.	Malaysia 28 June 1993	100	Provider of communication and networking services	Inactive
FSBM Smart 360 Sdn. Bhd.	Malaysia 30 September 2000	100	Development and delivery of training products and services for schools and teachers	Inactive
Unos	Malaysia 9 May 2000	100	Provider of communication and networking services	Active

Name	Country / Date of incorporation	Effective equity interest (%)	Principal activities	Status (Active / Inactive)
FSBM Solutions Sdn. Bhd.	Malaysia 27 April 2022	100	Provision of managed services including network, security solutions and IT related services	Active
Subsidiary of Asian Technology Resources Sdn. Bhd.				
Televas Holdings Sdn. Bhd.	Malaysia 24 July 2006	51	Project management	Active

For information, save for FSBM I-Design Sdn. Bhd., FSBM Solutions Sdn. Bhd., and Televas Holdings Sdn. Bhd. which generated revenue and profits for the FYE 31 December 2021 and/or FYE 31 December 2022; FSBM MES Elite Sdn. Bhd. which started to generate revenue in September 2022 and Unos which had on 14 March 2023 secured an application development project with a contract value of RM1.3 million, the remaining subsidiaries of the Group are dormant for the FYE 31 December 2021 and FYE 31 December 2022, and up to the LPD.

As at LPD, the Company does not have any associated company.

1. Summary of business operations

Up until FYE 30 June 2018, the Group had classified its operating segments as follows:-

(i)	Solution	:	Distribution of computer products and provision of related services, and development of software applications and system integrations.
(ii)	Communication and multimedia	:	Provider of communication and networking services, development and production services and content syndication and distribution.
(iii)	Education	:	Institution of higher learning, provider of teacher training, development of online multimedia courseware and delivering education related products and services.
(iv)	Investment holding and others	:	Other business segments include investment holding and other information communication technology services, neither of which constitutes a separately reportable segment.

From 18-month FPE 31 December 2019 to FYE 31 December 2020, the Group had only reported one business segment being contract system and services which is purely attributable to the development and subsequent maintenance of a hostel management system.

For FYE 31 December 2021, the Group had reported only one business segment, being contract services and application solution (i.e. software application development contracts where the Group act as the independent contractor for the purpose of designing and developing an software application solution for its customers.)

Starting from FYE 31 December 2022, the Group is principally an IT service provider, where the Group designs and develops customised IT solutions. The range of services the Group provides include the following:-

(i)	Platform design and development	:	Development of web-based and mobile platforms for customers.
(ii)	Technical support and maintenance services	:	After-sales service following the completion of platform design and development projects
(iii)	Refurbishment services	:	Refurbishment of pre-owned IT hardware
(iv)	Managed security services	:	Provision of cybersecurity solutions to enable DDoS protection
(v)	Lease/Rental services	:	Leasing of IT hardware
(vi)	Smart manufacturing solutions	:	Provision of smart manufacturing solutions

2. Historical financial statements

The Group had completed the audits on the financial statements for the FYE 30 June 2017, FYE 30 June 2018, 18-month FPE 31 December 2019, FYE 31 December 2020, FYE 31 December 2021, 6-month FPE 30 June 2022 and FYE 31 December 2022.

2.1 Consolidated Statements of Comprehensive Income

The following table sets out a summary of the audited consolidated statements of comprehensive income for the past FYE 30 June 2017, FYE 30 June 2018, 18-month FPE 31 December 2019, FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 of the Group.

		Audited					
	Section	[b] **FYE 30 June 2017**	[b] **FYE 30 June 2018**	[b] [a] **18-month FPE 31 December 2019**	[b] **FYE 31 December 2020**	[b] **FYE 31 December 2021**	**FYE 31 December 2022**
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	*3(i)*	2,415	1,260	191	128	405	12,514
Direct operating cost	*3(ii)*	(2,171)	(1,174)	(107)	(80)	(224)	(6,303)
Gross profit	*3(iii)*	**244**	**86**	**84**	**48**	**181**	**6,211**
Other income	*3(iv)*	54	1,744	287	32	2,394	1,436
Administrative expenses	*3(v)*	(186)	(124)	(73)	(50)	(48)	(1,176)
Selling and marketing expenses	*3(vi)*	(43)	(8)	(8)	(6)	(4)	(136)
Other expenses	*3(vii)*	(3,300)	(2,364)	(862)	(689)	(11,793)	(1,490)
Finance costs	*3(viii)*	-	-	-	-	-	(8)
(LBT)/PBT		**(3,231)**	**(666)**	**(572)**	**(665)**	**(9,270)**	**4,837**
Tax expense	*3(ix)*	-	(3)	-	-	-	(391)
(LAT)/PAT	*3(x)*	**(3,231)**	**(669)**	**(572)**	**(665)**	**(9,270)**	**4,446**
(LAT)/PAT attributable to:							
- Equity holders of parent		(3,243)	(681)	(602)	(682)	(9,326)	4,415
- Non-controlling interests		12	12	30	17	56	31
		(3,231)	**(669)**	**(572)**	**(665)**	**(9,270)**	**4,446**
Net (LAT)/PAT		**(3,231)**	**(669)**	**(572)**	**(665)**	**(9,270)**	**4,446**
Excluding: One-off items							
- Discount received from payables		-	-	-	-	-	(33)
- Fair value loss/(gain) on marketable securities		-	114	(170)	57	278	3
- Reversal of rental expenses		-	-	-	-	-	-
- Reversal of provision of penalty and late charges		-	-	-	-	-	(873)

	Section	Audited					
		[b] FYE 30 June 2017	[b] FYE 30 June 2018	[b] [a] 18-month FPE 31 December 2019	[b] FYE 31 December 2020	[b] FYE 31 December 2021	FYE 31 December 2022
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
- Reversal of over-accrual of staff cost		-	(1,744)	-	-	-	(514)
- Impairment loss on receivables		130	1,616	-	167	-	-
- Receivables written-off		-	-	-	-	8,522	-
- Tax recoverable written-off		-	-	-	-	35	-
- Loss on striking-off subsidiaries		1,119	-	-	-	-	-
- Impairment loss on club membership		66	126	59	-	-	-
- Unreconciled intercompany balances		88	-	-	-	705	-
- Professional fee in relation to the Proposed Regularisation Plan		-	-	-	-	347	-
- Fair value gain on disposal of other investment		-	-	-	-	(60)	-
- Payables written back		-	-	-	-	(2,084)	-
- Reversal of allowance for impairment of trade receivables		(54)	-	-	-	-	-
Adjusted (LAT)/PAT in compliance with Paragraph 2.2(e) of PN17		**(1,882)**	**(557)**	**(683)**	**(441)**	**(1,527)**	**3,029**
Gross profit margin (%)		10.10	6.83	43.98	37.50	44.69	49.63
(LBT)/PBT margin (%)		(133.79)	(52.86)	(299.48)	(519.53)	(2,288.89)	38.65
(LAT)/PAT margin (%)		(133.79)	(53.10)	(299.48)	(519.53)	(2,288.89)	35.53
Weighted average number of Shares ('000)		140,224	140,224	140,224	140,224	140,224	163,935
Basic (LPS) / EPS (sen)		(2.31)	(0.49)	(0.43)	(0.49)	(6.65)	2.69

For information, the net profit achieved by the Group for the 3-month FPE 31 March 2022, 3-month FPE 30 June 2022, 3-month FPE 30 September 2022 and 3-month FPE 31 December 2022 are in compliance with Paragraph 2.2(e) of PN17 after the adjustment of the one-off items as below:

	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Audited**
	Individual period	**Individual period**	**Individual period**	**Individual period**	**Cumulative period**
	3-month FPE 31 March 2022 (Q1 2022)	**3-month FPE 30 June 2022 (Q2 2022)**	**3-month FPE 30 September 2022 (Q3 2022)**	**3-month FPE 31 December 2022 (Q4 2022)**	**FYE 31 December 2022**
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,894	2,987	3,514	4,119	12,514
Net profit	591	644	942	2,269	4,446
Excluding: One-off items					
- Discount received from payables	-	(33)	-	-	(33)
- Fair value loss on marketable securities	-	3	-	-	3
- Reversal of provision of penalty and late charges	-	-	-	(873)	(873)
- Reversal of over-accrual of staff cost	-	-	-	(514)	(514)
Adjusted net profit in compliance with Paragraph 2.2(e) of PN17	**591**	**614**	**942**	**882**	**3,029**

Notes:-

(a) On 27 June 2019, the Board resolved to change the financial year of the Company from 30 June to 31 December. Hence, the audited financial statements shall be for a period of 18-month from 1 July 2018 to 31 December 2019.

(b) The Group had since FYE 30 June 2017, received various forms of qualified opinions from its external auditors. During the 18-month FPE 31 December 2019, FSBM was classified as an Affected Listed Issuer pursuant to paragraph 8.03A of the Listing Requirements for having an insignificant business or operations and was subsequently classified as a PN17 company on 30 December 2019.

2.2 Consolidated Statement of Financial Position

		Audited					
	Section	**As at 30 June 2017**	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
ASSETS							
Non-current assets	*4(i)*						
Property, plant and equipment		26	8	7	7	-	1,873
Intangible assets		-	-	-	-	-	405
Right-of-use assets		-	-	-	-	-	169
Other investments		185	59	300	300	360	-
Deferred tax assets		-	-	-	-	-	268
		211	**67**	**307**	**307**	**360**	**2,715**
Current assets	*4(ii)*						
Trade receivables		7,508	6,800	6,382	6,203	153	5,045
Other receivables		3,555	3,294	2,345	2,347	-	1,356
Contract assets		-	-	-	-	123	818
Marketable securities		286	172	342	285	7	4
Tax recoverable		38	35	35	35	-	-
Cash and cash equivalents		34	254	113	45	229	4,503
		11,421	**10,555**	**9,217**	**8,915**	**512**	**11,726**
Total assets		**11,632**	**10,622**	**9,524**	**9,222**	**872**	**14,441**
EQUITY AND LIABILITIES							
EQUITY	*4(iii)*						
Share capital		10,064	10,064	10,064	10,064	10,064	24,314
Treasury shares		(712)	(712)	(712)	(712)	(712)	(712)
Warrants reserve		4,534	4,534	4,534	4,534	4,534	-
Accumulated losses		(7,401)	(8,082)	(8,684)	(7,414)	(16,740)	(11,109)
Equity attributed to Owners of the Company		**6,485**	**5,804**	**5,202**	**6,472**	**(2,854)**	**12,493**
Non-controlling interest		(256)	(244)	(214)	(2,149)	(2,093)	(2,062)
Total Equity		**6,229**	**5,560**	**4,988**	**4,323**	**(4,947)**	**10,431**
LIABILITIES							
Non-Current liability	*4(iv)*						
Lease liabilities		-	-	-	-	-	77
Deferred tax liabilities		-	-	-	-	-	166
		-	-	-	-	-	**243**

		Audited					
	Section	**As at 30 June 2017**	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Current liabilities	*4(iv)*						
Trade payables		680	1,204	751	820	76	1,242
Other payables		4,723	3,858	3,785	4,079	5,743	2,238
Lease liabilities		-	-	-	-	-	94
Tax payables		-	-	-	-	-	193
		5,403	**5,062**	**4,536**	**4,899**	**5,819**	**3,767**
Total liabilities		**5,403**	**5,062**	**4,536**	**4,899**	**5,819**	**4,010**
Total equity and liabilities		**11,632**	**10,622**	**9,524**	**9,222**	**872**	**14,441**
Current ratio (times)		2.11	2.09	2.03	1.82	0.09	3.11
Gearing ratio (times)		-	-	-	-	-	-
Trade receivables turnover period (day) [(a)]		1,135	1,970	12,196	17,688	138	147
Trade payables turnover period (day) [(b)]		114	374	2,562	3,741	124	92

Notes:-

(a) Based on formula trade receivables / revenue x 365 days.

(b) Based on formula trade payables / direct operating costs (excluding depreciation charges) x 365 days.

2.3 Consolidated Statements of Cash Flows

The following table sets out a summary of the audited consolidated statements of cash flows for the FYE 30 June 2017, FYE 30 June 2018, 18-month FPE 31 December 2019, FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022.

		Audited					
	Section	**[b] FYE 30 June 2017**	**[b] FYE 30 June 2018**	**[b] [a] 18-month FPE 31 December 2019**	**[b] FYE 31 December 2020**	**[b] FYE 31 December 2021**	**FYE 31 December 2022**
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Net cash (used in) / generated from operating activities	*5(i)*	(3,122)	220	159	(34)	(990)	(3,195)
Net cash (used in) / generated from investing activities	*5(ii)*	-	-	(300)	-	-	(2,154)
Net cash generated from / (used in) financing activities	*5(iii)*	2,831	-	-	(34)	1,174	9,623
Net (decrease)/ increase in cash and cash equivalents		**(291)**	**220**	**(141)**	**(68)**	**184**	**4,274**
Cash and cash equivalents at the beginning of the financial year		325	34	254	113	45	229
Cash and cash equivalents at the end of the financial year		**34**	**254**	**113**	**45**	**229**	**4,503**

Notes:-

(a) On 27 June 2019, the Board resolved to change the financial year of the Company from 30 June to 31 December. Hence, the audited financial statements shall be for a period of 18-month from 1 July 2018 to 31 December 2019.

(b) The Group had since FYE 30 June 2017, received various forms of qualified opinions from its external auditors. During the 18-month FPE 31 December 2019, FSBM was classified as an Affected Listed Issuer pursuant to paragraph 8.03A of the Listing Requirements for having an insignificant business or operations and was subsequently classified as a PN17 company on 30 December 2019.

3. Commentary of historical financial performance

(i) Revenue

	Audited				
	FYE 30 June 2017	FYE 30 June 2018	18-month FPE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Contract system and services	2,351	1,260	191	128	405
- Contract services	-	-	-	-	265
- Solution	2,174	1,260	191	128	140
- Communication and multimedia	177	-	-	-	-
- others	-	-	-	-	-
Rental income	64	-	-	-	-
- Investment holding and others	64	-	-	-	-
Revenue	**2,415**	**1,260**	**191**	**128**	**405**

	Audited
	FYE 31 December 2022
	RM'000
Platform design and development	10,213
Technical support and maintenance services	161
Refurbishment services	458
Managed security services	500
Lease/Rental service	311
Smart manufacturing solutions	871
Revenue	**12,514**

The Group's revenue has been declining over the years and the Group was classified as an Affected Listed Issuer for having insignificant business operations pursuant to paragraph 8.03A of the Listing Requirements on 16 October 2019. The Group started to recognise the revenue from the development project during the 9-month FPE 30 September 2022.

<u>FYE 30 June 2017 ("**FYE 2017**")</u>

The Group's revenue for the FYE 2017 decreased by RM2.2 million or 47.9% to RM2.4 million as compared to RM4.6 million in FYE 30 June 2016 ("**FYE 2016**") mainly attributable to the decrease in the Group's Solutions segment as a result of the tail-end of several previously secured software development contracts being completed during FYE 2017 and the Group being unable to secure new contracts due to stiffer competition.

The Group' Communications and Multimedia segment recorded a revenue of RM0.2 million for FYE 2017 as compared to RM0.3 million the year before from the segment's winding down/end-of-support for existing clients which was in line with the Group's intention to exit the mobile banking scene. The Group recorded revenue of RM64,000 from rental of office and car park during the year.

FYE 30 June 2018 ("**FYE 2018**")

The Group's revenue for FYE 2018 decreased by RM1.2 million or 47.8% to RM1.3 million as compared to RM2.4 million in FYE 2017. The Group's revenue contribution for FYE 2018 was solely contributed by its Solution segment. The Group had completed the balance Solution contracts secured and was unable to obtain new contracts due to continued pressure from competitors.

18-month FPE 31 December 2019 ("**FPE 2019**")

Notwithstanding a longer financial period for FPE 2019, the Group recorded a decrease in revenue of RM1.1 million or 84.8% to RM0.2 million as compared to RM1.3 million in FYE 2018. The revenue recognised during the financial period was solely attributable to the development and subsequent maintenance of a hostel management system. The Group had not been able to secure new contracts and was classified as an Affected Listed Issuer during the FPE 2019 for having insignificant business operations.

FYE 31 December 2020 ("**FYE 2020**")

During the FYE 2020, the Group continued to have insignificant business operations. The Group recorded revenue of RM0.1 million during the year. The revenue recognised is purely from the aforementioned maintenance contract for a hostel management system.

FYE 31 December 2021 ("**FYE 2021**")

During the FYE 2021, the Group continued to have insignificant business operations. The Group recorded revenue of RM0.4 million during the year.

Notwithstanding the above, the Group had on 15 October 2021, announced the Proposed Regularisation Plan. As part and parcel of the Group's efforts to turn-around its financial position and operations, the Group had secured various contracts. Save for RM0.1 million revenue contribution from the hostel management system maintenance contract in the first 3 quarters of the FYE 2021, the Group's balance RM0.3 million revenue was derived from new contracts secured by the Group in the last quarter of the FYE 2021. The Group had started recording revenue from the F&B related contract and health and wellness contract.

FYE 31 December 2022 ("**FYE 2022**")

The Group's revenue for the FYE 2022 was primarily contributed by the following:

(a) platform design and development of RM10.2 million contributed by the F&B related contract, health and wellness, digital voucher contract and blockchain enable application contract;

(b) smart manufacturing solutions of RM0.8 million; and

(c) managed security services of RM0.5 million.

For clarification, the revenue contribution from the hostel management system maintenance contract which was previously classified under "contract system and services" in previous years, had been reclassified under "technical support and maintenance services" in FYE 2022.

(ii) Direct operating cost

	Audited					
	FYE 30 June 2017	**FYE 30 June 2018**	**(a) 18-month FPE 31 December 2019**	**FYE 31 December 2020**	**FYE 31 December 2021**	**FYE 31 December 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Purchase of system and services	2,171	1,090	-	-	-	412
Outsource supplier costs	-	-	107	80	224	4,347
Others	-	84	-	-	-	1,544
Direct operating cost	**2,171**	**1,174**	**107**	**80**	**224**	**6,303**

FYE 2017

The Group's direct operating cost reduced by RM2.0 million or 48.0% to RM2.2 million in FYE 2017 as compared to RM4.2 million in FYE 2016 mainly due to the aforementioned decrease in revenue from its Solution segment.

FYE 2018

The Group recorded RM1.0 million or 46.0% lower direct operating cost in FYE 2018 of RM1.2 million as compared to RM2.2 million in FYE 2017 mainly due to the decline in revenue from its Solution segment.

FPE 2019

The Group recorded marginal direct operating cost of RM0.1 million during the year.

FYE 2020

The Group continues to record marginal direct operating cost of RM0.1 million during the year.

FYE 2021

The Group's direct operating cost in FYE 2021 of the Group increased marginally by RM0.1 million to RM0.2 million mainly due to the increase in contracts secured in the last quarter of FYE 2021. The Group had started providing services for the F&B related contract and health and wellness contract.

FYE 2022

The Group's direct operating cost had increased as these costs are incurred as part of the development of the F&B related contract, health and wellness, digital voucher contract and blockchain enable application contracts, cost of purchase hardware for its refurbishment services as well as direct staff costs.

(iii) Gross Profit

	Audited									
	FYE 30 June 2017		**FYE 30 June 2018**		**18-month FPE 31 December 2019**		**FYE 31 December 2020**		**FYE 31 December 2021**	
	RM'000	*Margin (%)*	*RM'000*	*Margin (%)*	*RM'000*	*Margin (%)*	*RM'000*	*Margin (%)*	*RM'000*	*Margin (%)*
Contract system and services	180	7.7	86	6.8	84	44.0	48	37.5	181	44.7
- Contract services	-	-	-	-	-	-	-	-	101	38.1
- Solution	20	0.9	86	6.8	84	44.0	48	37.5	80	57.1
- Communication and multimedia	160	90.2	-	-	-	-	-	-	-	-
Rental income	64	100.0	-	-	-	-	-	-	-	-
Gross Profit	**244**		**86**		**84**		**48**		**181**	

	Audited	
	FYE 31 December 2022	
	RM'000	*Margin (%)*
Platform design and development	5,208	51.0
Technical support and maintenance services	85	52.8
Managed security services	16	3.2
Refurbishment services	43	9.4
Lease/Rental income	125	40.2
Smart manufacturing solutions	734	84.3
Gross Profit	**6,211**	

FYE 2017

The gross profit margin from Solution segment was low as a result of the tail-end of several previously secured software development contracts being completed during FYE 2017 and the Group being unable to secure new contracts due to stiffer competition.

The gross profit margin from Communications and Multimedia segment was high as the segment only incurred minimal manpower cost to carry out the maintenance services.

FYE 2018

The gross profit margin from the Solution segment was higher than FYE 2017 due to completion of the balance Solution contracts secured.

18-month FPE 2019

The gross profit margin had increased to 44.0% from 6.8% in FYE 2018 due to recognition of revenue from the development and subsequent maintenance of a hostel management system.

FYE 2020

The gross profit margin had reduced to 37.5% from 44.0% in FPE 2019 as the Group's revenue was solely attributable to the development and subsequent maintenance of a hostel management system.

FYE 2021

The increase in the gross profit margin from the Solution segment from 37.5% to 57.1% was due to the over charge of direct operating cost in FYE 2020 which was being reversed in FYE 2021.

The gross profit from the contract services was from the new contracts secured in October 2021.

FYE 2022

The gross profit generated from the development of e-commerce platform had increased from 38.1% to 51.0% in FYE 2022 due to recognition of revenue from the new contracts secured.

In FYE 2022, the Group also generated profit from technical support and services, managed security services, refurbishment services, lease/rental and smart manufacturing solutions segments.

(iv) Other income

	Audited					
	FYE 30 June 2017	**FYE 30 June 2018**	**18-month FPE 31 December 2019**	**FYE 31 December 2020**	**FYE 31 December 2021**	**FYE 31 December 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Fair value gain on marketable securities	-	-	170	-	-	-
Fair value gain on other investments	-	-	-	-	60	-
Reversal of allowance for impairment of:						-
- trade receivables (third parties)	54	-	-	-	-	-
- other payables	-	-	-	-	-	-
Reversal of accruals of staff costs	-	1,744	-	-	-	514
Reversal of provision of penalty	-	-	-	-	-	873
Payables written back	-	-	-	-	2,084	-
Others	-	-	117	32	250	49
Other income	**54**	**1,744**	**287**	**32**	**2,394**	**1,436**

<u>FYE 2017</u>

The Group recorded marginal other income of RM54,000 from reversal of provision for impairment of trade receivables.

<u>FYE 2018</u>

The other income in FYE 2018 of the Group had increased to RM1.7 million as compared to RM54,000 in FYE 2017 mainly due to a one-off reversal of over accruals of staff costs amounting to RM1.7 million.

<u>FPE 2019</u>

The Group recorded other income amounting to RM287,000 during the FPE 2019 mainly from fair value adjustments to its investment in Amaru, Inc.

<u>FYE 2020</u>

The Group recorded marginal other income amounting to RM32,000 during the FYE 2020.

<u>FYE 2021</u>

The Group recorded other income of RM2.4 million in FYE 2021 mainly due to the following:-

(a) reversal of accruals of salaries owed to Dato' Tan, Tan Ee Ern and Tan Wan Yen amounting to RM0.9 million; and

(b) write back of unsupported payables amounting to RM1.1 million following the "proof-of debt" exercise during the audit. For information, based on confirmation of payables sent by the Group, the amount had been restated based on the confirmations received. The RM1.1 million charged to the income statement represents the difference between the payables balance recorded in the accounts versus the balance confirmed.

FYE 2022

The Group recorded other income of RM1.4 million which was mainly due to:-

(a) reversal of provision of penalty RM0.9 million accrued in FYE 2021 in relation to unpaid statutory payments as the Group had come to settlement with the former employees to resolve the amount due and there will be no penalty; and

(b) reversal of overprovision of staff costs amounting to RM0.5 million as the Group had come to settlement with the former employees and the Directors to resolve the amount due.

(v) Administrative expenses

	Audited					
	FYE 30 June 2017	**FYE 30 June 2018**	**18-month FPE 31 December 2019**	**FYE 31 December 2020**	**FYE 31 December 2021**	**FYE 31 December 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Directors' remuneration and allowance	67	87	19	10	-	618
Staff remuneration and allowance	111	37	54	40	31	441
Others	8	-	-	-	17	117
Administrative expenses	**186**	**124**	**73**	**50**	**48**	**1,176**

FYE 2017

The increase in the administrative expenses from RM147,000 in FYE 2016 to RM186,000 in FYE 2017 was due to increase in the staff remuneration and allowance.

FYE 2018

The decrease in the administrative expenses from RM186,000 in FYE 2017 to RM124,000 in FYE 2018 was due to decrease in the staff remuneration and allowance due to resignation of employees.

FPE 2019

The decrease in administrative expenses from RM124,000 in FYE 2018 to RM73,000 in FPE 2019 was mainly due to decrease in the Directors' remuneration and allowance of RM68,000.

FYE 2020

The decrease in the administrative expenses from RM73,000 in FPE 2019 to RM50,000 in FYE 2020 was mainly due to decrease in meeting allowance to the Directors of RM9,000 and decrease in staff remuneration of RM14,000.

FYE 2021

The decrease in the administrative expenses from RM50,000 in FYE 2020 to RM48,000 in FYE 2021 was mainly due to decrease in the staff remuneration arising from the reduced working hour of employees.

FYE 2022

The increase in the administrative expenses from RM48,000 in FYE 2021 to RM1.2 million in FYE 2022 which was mainly due to increase in the Directors' remuneration and allowance as the Group become operational active since the last quarter of FYE 2021 as well as the increase in the staff remuneration and allowance due to increase in the headcount.

(vi) Selling and marketing expenses

FYE 2017, FYE 2018, FPE 2019, FYE 2020 and FYE 2021

The selling and marketing expenses were mainly arising from the travelling expenses and advertisement incurred to procure new sales to the Group. The selling and marketing expenses were minimal as the Group had been relatively inactive for the past FYE 30 June 2017, FYE 30 June 2018, 18-month FPE 31 December 2019, FYE 31 December 2020 and FYE 31 December 2021.

FYE 2022

The selling and marketing expenses in FYE 2022 were mainly derived from local travelling and accommodation, advertising expenses, entertainment expenses as well as expenses incurred in relation to website creation and migration of domain, web and email to new server hosting.

(vii) Other expenses

	FYE 30 June 2017	FYE 30 June 2018	18-month FPE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Office rental	1,022	99	149	75	75	21
Professional fee	405	239	481	248	1,005	771
Impairment loss on receivables	130	1,616	-	167	-	-
Receivables written-off	-		-	-	8,522	-
Provision for penalty	-	-	-	-	873	-
Fair value loss on marketable securities	-	114	-	57	278	3
Loss on striking-off subsidiaries	1,119	-	-	-	-	-
Loss on unrealised exchange difference	162	3	-	-	-	80
Impairment loss on club membership	66	126	-	-	-	-
Depreciation	-	-	-	-	-	114

	FYE 30 June 2017	FYE 30 June 2018	18-month FPE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Unreconciled intercompany balances	88	-	-	-	705	-
Outsource contract service	-	-	-	-	-	95
Others	308	167	232	142	335	406
Other expenses	**3,300**	**2,364**	**862**	**689**	**11,793**	**1,490**

FYE 2017

The decrease in the other expenses by RM2.8 million from RM6.1 million in FYE 2016 to RM3.3 million in FYE 2017 was mainly due to the following:

(a) RM3.2 million inventories written down in FYE 2016 which was not present in FYE 2017; and

(b) RM0.6 million lower rental payments for buildings in FYE 2017;

which was negated by loss on striking-off 3 subsidiaries namely, Mediacity (BVI) Ltd, Asian, Technology Resources (BVI) Ltd and Unos Development (BVI) Ltd during the year of RM1.1 million in FYE 2017.

FYE 2018

The decrease in the other expenses by RM0.9 million from RM3.3 million in FYE 2017 to RM2.4 million in FYE 2018 was mainly due to the following:

(a) RM1.1 million loss recorded on striking-off 3 subsidiaries which was only present in FYE 2017;

(b) RM0.9 million lower rental expenses in the FYE 2018 due to the Group ceasing the tenancy of the office unit in Axis Eureka Cyberjaya; and

(c) RM0.2 million lower professional fees i.e. tax advisory and secretarial fees,

which was negated by increase in the impairment loss on receivables of RM1.6 million.

18-month FPE 2019

The Group was classified as an Affected Listed Issuer due to its insignificant level of operations in the current year. The decrease in the other expenses in 18-month FPE 2019 was mainly due to one-off provision of doubtful debts for long outstanding receivables in FYE 2018 which was not present in the current year.

FYE 2020

The Group continues to have insignificant level of operations in the current year. The decrease in the other expenses was mainly due to decrease in the professional fee (i.e. audit fee and tax advisory fee).

FYE 2021

During the current financial year, the Group carried out an audit to ascertain its account balances which saw the Group writing off unsupported balances. The increase in the other expenses was mainly due to the following:

(a) RM6.3 million and RM3.0 million write-off of trade and other receivables respectively in the current year;

(b) increase in the professional fees due to the Proposed Regularisation Plan;

(c) unreconciled intercompany balances of RM0.7 million charged to profit and loss upon completion of audit, which present in FYE 2021; and

(d) provision of penalty of RM0.9 million due to unpaid statutory payments.

FYE 2022

The other expenses for FYE 2022 was mainly comprised of professional fee i.e. audit fee, tax fee, management consultant and advisory fees and depreciation charges.

(viii) Tax expense

There were no provision of tax for the respective years under review as there is no taxable income as a result of the Group was dormant, save for FYE 30 June 2018 whereby there was a tax expense of RM3,000 due to under provision of tax in prior year.

Despite the Group's revenue increasing significantly for the FYE 2022, the tax expense recognised during FYE 2022 is RM391,000 as the Group was able to utilise its unabsorbed business losses in FYE 2022.

(ix) LAT / PAT

FYE 2017

The Group's recorded a RM1.6 million or 32.8% decrease in LAT to RM3.2 million as compared to RM4.8 million in FYE 2016 primarily due to the following:-

(a) RM3.2 million inventories written down in FYE 2016 which was not present in FYE 2017;

(b) RM0.6 million lower rental payments for buildings in FYE 2017;

(c) RM0.3 million lower fair value loss on financial assets,

which was negated by:-

(a) RM1.0 million lower other income in the FYE 2017 as compared to the year before; and

(b) RM1.1 million loss recorded on the striking-off subsidiaries.

FYE 2018

The Group recorded RM2.6 million or 79.3% lower LAT to RM0.7 million in FYE 2018 as compared to RM3.2 million in FYE 2017 mainly due to the following:-

(a) RM1.1 million loss on striking off of subsidiaries in FYE 2017 which was not present in the current year;

(b) RM0.9 million lower rental expenses in the current year;

(c) RM1.7 million other income from a one-off reversal of accrual of staff cost in FYE 2018,

which was negated by RM1.2 million higher impairment loss on trade receivables owing from a former business partner, TSB, in FYE 2018.

For information, FSBM and CTech, a wholly-owned subsidiary of FSBM had taken legal action against TSB for the recovery of debts. The Group and the Company had on 22 April 2014 filed a suit in the High Court for the recovery of debts amounting to RM32,409,435 and RM8,563,213 respectively, against the two Directors of TSB and an individual.

<u>18-month FPE 2019</u>

The Group was classified as an Affected Listed Issuer due to its insignificant level of operations in the current year. The Group's LAT for the 18-month FPE 2019 decreased marginally by RM0.1 million or 14.5% to RM0.6 million as compared to RM0.7 million in FYE 2018.

<u>FYE 2020</u>

The Group's LAT for the FYE 2020 of the Group had increased marginally by RM0.1 million or 16.3% to RM0.7 million as compared to RM0.6 million in 18-month FPE 2019. The Group continues to have insignificant business operations.

<u>FYE 2021</u>

During the current financial year, the Group carried out an audit to ascertain its account balances which saw the Group writing off unsupported balances or vice versa, the writing back of balances which now can be supported. The LAT in FYE 2021 of the Group had increased by RM8.6 million or 1294.0% to RM9.3 million as compared to RM0.7 million in FYE 2020 primarily as a result of the following:-

(a) RM6.3 million and RM3.0 million write-off of trade and other receivables respectively in the current year;

(b) RM0.7 million and RM1.5 million write-back of trade and other payables respectively in the current year,

which was partially negated by the following:-

(a) reversal of accruals of salaries owed to Dato' Tan, Tan Ee Ern and Tan Wan Yen amounting to RM0.9 million; and

(b) write back of unsupported payables amounting to RM1.1 million following the "proof-of debt" exercise during the audit.

<u>FYE 2022</u>

During FYE 2022, the Group managed to turnaround to record a PAT of RM4.4 million as compared to LAT of RM9.3 million for the FYE 31 December 2021. This was due to the Group becoming operational active during the FYE 2022 whereby the Group commenced generating revenue from the secured contracts and new income stream from technical support and services, managed security services, refurbishment services, lease/rental and smart manufacturing solutions segments.

4. Commentary of historical statement of financial position

(i) Non-current assets

	Audited					**Unaudited**
	As at 30 June 2017	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment ("**PPE**")	26	8	7	7	-	1,873
Intangible assets	-	-	-	-	-	405
Right-of-use assets	-	-	-	-	-	169
Other investments	185	59	300	300	360	-
Deferred tax assets	-	-	-	-	-	102
	211	**67**	**307**	**307**	**360**	**2,549**

<u>PPE</u>

The Group's PPE as at 30 June 2017, 30 June 2018, 31 December 2019, 31 December 2020 and 31 December 2021 relates to leasehold improvements and office renovations, motor vehicles and furniture and fittings, which had been fully depreciated as at LPD.

During the FYE 2022, FSBM Group had purchased computer equipment of RM1.4 million for its new leasing business, motor vehicles for staff use of RM0.1 million and incurred renovation cost of RM0.2 million for new corporate office.

<u>Intangible assets</u>

The intangible assets are in relation to the trademark registration for FSBM logo as well as software development in relation to the enhancement of the functionality and features of the Group's MES software.

<u>Right-of-use assets</u>

The adoption of MFRS 16 - Leases in FYE 2019 required all the lessees to recognise their leased assets and the related lease obligations in the statement of financial position.

Leases are recognised as right-of-use assets and corresponding lease liabilities at the commencement date on which the leased assets are available for use by the Group. The leased assets consist of office units.

Other investments

Other investments relate to an investment in 300,000 unquoted shares of Mizzans MM Sdn. Bhd. ("**Mizzans MM**"), a company incorporated in Malaysia, which was made by FSBM on 22 February 2019. For information, subsequent to 31 December 2021, the Group received a notification by the shareholders of Mizzans MM on 23 March 2022 to exercise their right (granted to them pursuant to a shareholders' agreement dated 22 February 2019 entered into between Mizzans MM, the then shareholders of Mizzans MM and new shareholders of Mizzans MM (including FSBM)) to require FSBM to sell the 300,000 shares in Mizzans MM at the call option price of RM1.20 each, being a premium on investment of RM0.20 per share. In view thereof, the Group recognised a fair value gain of RM60,000 for the FYE 2021. The disposal of 300,000 shares in Mizzans MM was completed on 15 June 2022.

Deferred tax assets

The deferred tax assets arising from the unutilised business loss from FSBM MES Elite Sdn Bhd of RM268,000 was recognised as it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilised which is netted off with the deferred tax liabilities of RM166,000 arising from FSBM I-Design Sdn Bhd.

(ii) Current Assets

		Audited					
	Note	**As at 30 June 2017**	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Trade receivables	*a*	7,508	6,800	6,382	6,203	153	5,045
Other receivables	*b*	3,555	3,294	2,345	2,347	-	1,356
Contract assets	*c*	-	-	-	-	123	818
Marketable securities	*d*	286	172	342	285	7	4
Tax recoverable		38	35	35	35	-	-
Cash and cash equivalents		34	254	113	45	229	4,503
		11,421	**10,555**	**9,217**	**8,915**	**512**	**11,726**

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(a) Trade receivables

	Audited					
	As at 30 June 2017	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
External parties*	35,841	36,330	35,910	35,898	153	4,629
Related party	-	-	-	-	-	416
	35,841	36,330	35,910	35,898	153	5,045
Less: Accumulated impairment loss						
At the beginning of the financial year/ period	(28,333)	(28,333)	(26,530)	(29,528)	(29,695)	-
Addition	-	(1,197)	-	(167)	-	-
Written off	-	-	2	-	29,695	-
At end of the financial year/ period	(28,333)	(29,530)	(29,528)	(29,695)	-	-
	7,508	**6,800**	**6,382**	**6,203**	**153**	**5,045**

Note:-

* Included in trade receivables from external parties are amount due from TSB.

For the past 5 years, the overall trade receivables had decreased from RM7.5 million as at 30 June 2017 to RM6.2 million as at 31 December 2020 due to additional provisions throughout the years. Following the audit conducted for the FYE 31 December 2021, the Group had written off RM29.7 million long outstanding and unrecovered trade receivables which was previously provided for. The Group's trade receivable balance stands at RM0.2 million as at 31 December 2021 which can be supported and verified.

The increase in the trade receivables balance as at 31 December 2022 was due to the Group becoming operational active during the FYE 31 December 2022, whereby the Group had commenced the development projects based on the secured contracts as well as the new revenue stream from technical support and services, managed security services, refurbishment services, lease/rental and smart manufacturing solutions segments.

For information, the normal credit terms of trade receivables of the Group range from 1 day to 90 days.

The ageing of the trade receivables as at 31 December 2022 is as follows:-

	Trade receivables as at 31 December 2022		**Collections from 31 December 2022 to 11 April 2023**	**Balance trade receivables as at 11 April 2023**
	RM'000	**Percentage of trade receivables**	**RM'000**	**RM'000**
	(a)	**(a)/total of (a)**	**(b)**	**(c) = (a)-(b)**
Neither past due nor impaired	3,388	67.2	1,940	1,448
Past due but not impaired:	1,657	32.8	1,657	-
- less than 31 days	1,657	32.8	1,657	-
- 31 to 60 days	-	-	-	-
- 61 to 90 days	-	-	-	-
- 91 to 180 days	-	-	-	-
- more than 180 days	-	-	-	-
	5,045	**100.0**	**3,597**	**1,448**

As at LPD, RM3.6 million of the trade receivables of the Group as at 31 December 2022, have been collected. The remaining balances of RM1.4 million have yet to be collected as at LPD are within the credit period granted. No impairment were made on the past due amounts as the Group is confident on the collection based on the historical payment record by the customers.

(b) Other receivables

			Audited			
	As at 30 June 2017	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
External parties	9,680	9,713	8,695	8,697	-	37
Staff advances	1	37	37	37	-	-
GST receivables	-	26	-	-	-	-
Deposits	17	5	-	-	-	332
Prepayment	2	2	100	100	-	987
	9,700	**9,783**	**8,832**	**8,834**	**-**	**1,356**
Less: Accumulated impairment loss						
At the beginning of the financial year/ period	(6,015)	(6,145)	(6,489)	(6,487)	(6,487)	-
Written off	-	75	-	-	6,487	-
Addition	(130)	(419)	2	-	-	-
At end of the financial year/ period	**(6,145)**	**(6,489)**	**(6,487)**	**(6,487)**	**-**	**-**
	3,555	**3,294**	**2,345**	**2,347**	**-**	**1,356**

The other receivables over the past 5 years have also decreased from RM3.6 million as at 30 June 2017 to RM2.3 million as at 31 December 2020. Following the audit conducted for the FYE 31 December 2021, the Group had fully written-off RM6.5 million long outstanding and unrecovered other receivables which has previously been provided for.

As at 31 December 2022, the Group has other receivables of RM1.4 million of which RM1.0 million are in relation to the recognition of the expenses in relation to the Proposed Regularisation Plan.

(c) Contract assets

Contracts assets are in relation to the Group's right to consideration for work completed on application solution but not yet billed at the reporting date. The increase in the contract assets from RM0.1 million as at 31 December 2021 to RM0.8 million as at 31 December 2022 due to the work completed on the application solutions i.e. food and beverage related contract (as detailed in Section 2 of Appendix I(C)) which has yet to be billed to customers as at 31 December 2022.

(d) Marketable securities

Marketable securities relate to investment in quoted shares outside of Malaysia. The Group had invested in 8,364,800 shares in Amaru, Inc., a company listed on the Over-the-Counter Bulletin Board for United States of America stocks. The shares are marked to market. As at 31 December 2022, the shares have a fair value of RM3,685.

(iii) Equity

		Audited					
	Note	**As at 30 June 2017**	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Share capital	*a*	10,064	10,064	10,064	10,064	10,064	24,314
Treasury shares	*a*	(712)	(712)	(712)	(712)	(712)	(712)
Warrants reserve	*b*	4,534	4,534	4,534	4,534	4,534	-
Accumulated losses		(7,401)	(8,082)	(8,684)	(7,414)	(16,740)	(11,109)
Equity attributed to Owners of the Company		**6,485**	**5,804**	**5,202**	**6,472**	**(2,854)**	**12,493**
Non-controlling interest		(256)	(244)	(214)	(2,149)	(2,093)	(2,062)
Total Equity		**6,229**	**5,560**	**4,988**	**4,323**	**(4,947)**	**10,431**

For the FYE 30 June 2017 to FYE 31 December 2021, the Group's net assets have been declining year on year due to the loss after tax recognised. Kindly refer to Section 3 of this Appendix I(B) for further information on the financial performance of the Group.

(a) Share capital & treasury shares

The Company's share capital remained unchanged for the FYE 30 June 2017 to FYE 31 December 2021.

During FYE 2022, 36,435,540 Shares had been issued pursuant to the exercise of Warrants 2012/2022.

As at LPD, the Company has 177,750,000 ordinary shares in issue, of which 1,090,700 shares are retained as treasury shares.

(b) Warrants reserve

The Warrants 2012/2022 had expired on 16 May 2022. For information, 36,435,540 Warrants 2012/2022 had been exercised since 1 April 2022 up to expiry of the Warrants 2012/2022 on 16 May 2022, and the remaining 13,346,990 Warrants 2012/2022 had lapsed.

(iv) Liabilities

Non-current liabilities

	Audited					
	As at 30 June 2017	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Lease liabilities	-	-	-	-	-	77
Deferred tax liabilities	-	-	-	-	-	166
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**	**243**

Current liabilities

	Audited					
	As at 30 June 2017	**As at 30 June 2018**	**As at 31 December 2019**	**As at 31 December 2020**	**As at 31 December 2021**	**As at 31 December 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Trade payables	680	1,204	751	820	76	1,242
Other payables:-	4,723	3,858	3,785	4,079	5,743	2,238
- External parties	1,902	2,339	2,337	2,450	2,949	1,843
- Deposits	47	47	47	47	-	-
- Accruals	2,236	1,203	1,264	1,479	1,517	365
- Amount owing to a director	538	269	137	103	1,277	30
Tax payables	-	-	-	-	-	193
Lease liabilities	-	-	-	-	-	94
Total current liabilities	**5,403**	**5,062**	**4,536**	**4,899**	**5,819**	**3,767**

Lease liabilities

The adoption of MFRS 16 - Leases in FYE 2019 required all the lessees to recognise their leased assets and the related lease obligations in the statement of financial position.

Leases are recognised as right-of-use assets and corresponding lease liabilities at the commencement date on which the leased assets are available for use by the Group. The leased assets consist of office units.

Deferred tax liabilities

The deferred tax liabilities arise from the temporary differences between plant and equipment and right-of-use assets with their tax base.

Trade and other payables

During FYE 2021, the Directors of the Group and of the Company had conducted a review of the trade and other payables as these balances have been long outstanding for many years. As part of the process, a confirmation exercise, similar to a "proof of debt" exercise, was performed whereby confirmation letters (via lawyers) were sent to the respective payables on a best effort basis based the available information and, predicated on the replies together with the judgements made by the management, the carrying amounts of these payables as at 31 December 2021 have been determined based on the liabilities established through the confirmation exercise and with provisions and accruals estimated based on the probability of outflow of resources required to settle these obligations.

During FYE 2022, the decrease in the other payables of RM3.5 million from RM5.7 million as at 31 December 2021 to RM2.2 million as at 31 December 2022 was due to the following:

(a) reversal of accruals upon receipt of invoices from the other payables subsequent to 31 December 2021;

(b) decrease in the amount owing to a director by RM1.2 million due to repayment;

(c) reversal of provision of penalty RM0.9 million accrued in FYE 2021 in relation to non-payment of statutory contribution as the Group had come to a settlement with the former employees to resolve the amount due and there is no penalty; and

(d) reversal of over accruals of staff costs amounting to RM0.5 million as the Group had come to a settlement with the former employees and the directors to resolve the amount due.

The ageing of the trade payables as at 31 December 2022 is as follows:-

	Trade payables as at 31 December 2022		**Payment from 31 December 2022 to 11 April 2023**	**Balance trade payables as at 11 April 2023**
	RM'000	**Percentage of trade payables**	**RM'000**	**RM'000**
	(a)	**(a)/total of (a)**	**(b)**	**(c) = (a)-(b)**
Neither past due nor impaired	1,194	96.1	1,194	-
Past due but not impaired	48	3.9	16	32
- less than 31 days	-	-	-	-
- 31 to 60 days	-	-	-	-
- 61 to 90 days	14	0.1	14	-
- 91 to 180 days	-	-	-	-
- more than 180 days	34	3.8	2	32
	1,242	**100.0**	**1,210**	**32**

As at LPD, RM1.2 million of the trade payables of the Group as at 31 December 2022 have been paid. The RM32,000 which have yet to be paid as at LPD which had been past due, was due to a long term payable which arose from the purchase of computer hardware in year 2010.

For information, the normal credit terms of trade payables of the Group range from 1 day to 60 days.

Tax payables

The recognition of tax payable of RM0.2 million as the Group has started to generate revenue for the FYE 2022.

5. Commentary of historical cash flows

(i) Net cash generated from/(used in) operating activities

FYE 2017

The Group had a net cash flow used in operating activities of RM3.1 million for the FYE 2017 after accounting for, amongst others, the following:

(a) operational loss before changes in working capital of RM1.7 million after adjusting its LBT of RM3.2 million for, amongst others, the loss on striking-off of subsidiaries i.e. Mediacity (BVI) Ltd, Asian, Technology Resources (BVI) Ltd and Unos Development (BVI) Ltd of RM1.1 million;

(b) decrease in trade and other receivables of RM1.8 million which was mainly due to impairment loss on receivables and repayment of receivables; and

(c) decrease in trade and other payables of RM3.2 million which was mainly due to repayment to director of RM1.2 million and settlement of outstanding office rental of RM1.6 million.

FYE 2018

The Group had a net cash flow generated from operating activities of RM0.2 million for the FYE 2018 after accounting for, amongst others, the following:

(a) operational loss before changes in working capital of RM0.2 million after adjusting its LBT of RM0.7 million for, amongst others, the writing-off of receivables of RM1.6 million and reversal of accruals of staff cost of RM1.7 million;

(b) increase in trade and other receivables of RM1.0 million which was mainly due to the sale of RM0.5 million towards the end of the year, staff advances and goods and services tax receivables of RM0.1 million; and

(c) decrease in trade and other payables of RM1.4 million which was mainly due to purchase of goods and services of RM0.5 million on credit and increase in accrued audit fee and tax fee of RM0.2 million and repayment to directors of RM0.3 million.

FYE 2019

The Group had a net cash flow generated from operating activities of RM0.2 million for the FYE 2019 after accounting for, amongst others, the following:

(a) operational loss before changes in working capital of RM0.7 million after adjusting its LBT of RM0.6 million for, amongst others, fair value gain on marketable securities of RM0.2 million arising from investment in Amaru, Inc.;

(b) decrease in trade and other receivables of RM1.4 million which was mainly due to receipts from debtors of RM0.9 million; and

(c) decrease in trade and other payables of RM0.5 million which was mainly due to netting of RM0.3 million with trade receivables account.

FYE 2020

The Group had a net cash flow used in operating activities of RM34,000 for the FYE 2020 after accounting for, amongst others, the following:

(a) operational loss before changes in working capital of RM0.4 million after adjusting its LBT of RM0.7 million for, amongst others, impairment loss on trade receivables of RM0.2 million; and

(b) increase in trade and other payables of RM0.4 million which was mainly due to increase in the payable and accrual of professional fees i.e. audit fee, tax advisory fee and secretarial fee as well as listing fee which was incurred in FYE 2020,

FYE 2021

The Group had a net cash flow used in operating activities of RM1.0 million for the FYE 2021 after accounting for, amongst others, the following:

(a) operational loss before changes in working capital of RM2.6 million after adjusting its LBT of RM9.3 million for, amongst others, the written-off of receivables of RM8.5 million and write-back of payables of RM2.1 million; and

(b) increase in trade and other payables of RM1.8 million which was mainly due to advance from directors of RM1.1 million and provision of penalty and late payment interest of RM 0.9 million arose from the non-payment of statutory contribution.

FYE 2022

The Group has been relatively inactive for the past few financial years. During the FYE 31 December 2021, the Group had secured 3 contracts, which commenced only in December 2021, as such, the Group had been relatively inactive throughout the FYE 31 December 2021. Since the first quarter of 2022, the Group became operationally more active, having carried out its scope in accordance with the contracts secured.

The Group had a net cash flow used in operating activities of RM3.2 million for the FYE 2022 after accounting for, amongst others, the following:

(a) operational profit before changes in working capital of RM3.8 million after adjusting its PBT of RM4.9 million for, amongst others, reversal of provision of penalty of RM0.9 million, other payables written off of RM0.5 million and depreciation of property, plant and equipment of RM0.2 million;

(b) increase in trade and other receivables of RM6.3 million which was mainly due to increase in the revenue. For information, RM3.3 million of the trade receivables as at 31 December 2022 were billed in December 2022 in relation to work completed;

(c) increase in contract assets of RM0.7 million which was mainly due to the work completed on the application solutions which has yet to be billed to customers as at 31 December 2022; and

(d) increase in trade and other payables of RM0.3 million which was mainly due to increase in cost of sales.

Notwithstanding that the Group recorded an operational profit before changes in working capital of RM3.7 million for the FYE 2022, the Group recorded a net cash outflow for its operating activities which arose mainly due to the work completed and billed in December 2022. For information, all the trade receivables as at 31 December 2022 are within the credit period granted, as set out in Section 4(ii)(a) of Appendix I(B) of this Circular.

(ii) Net cash generated from/(used in) investing activities

FYE 2017

There is no cash flow generated from/used in investing activities in FYE 2017.

FYE 2018

There is no cash flow generated from/used in investing activities in FYE 2018.

FYE 2019

The Group had a net cash flow used in investing activities of RM0.3 million for the FYE 2019 which was due to purchase of 300,000 unquoted shares of Mizzans MM.

FYE 2020

There is no cash flow generated from/used in investing activities in FYE 2020.

FYE 2021

There is no cash flow generated from/used in investing activities in FYE 2021.

FYE2022

The Group had a net cash flow used in investing activities of RM2.2 million for the FYE 2022 after accounting for, amongst others, the following:

(a) purchase of new property, plant and equipment of RM2.1 million;

(b) cost incurred for the research and development of RM0.4 million; and

(c) proceeds received from the disposal of other investment i.e. unquoted shares in Mizzans MM of RM0.4 million.

(iii) Net cash generated from/(used in) financing activities

FYE 2017

The Group had a net cash flow generated from financing activities of RM2.8 million for the FYE 2017 which was due to receipts of proceeds from a private placement exercise and the exercise of Warrants 2012/2022 by the holders.

FYE 2018

There is no cash flow generated from/used in financing activities in FYE 2018.

FYE 2019

There is no cash flow generated from/used in financing activities in FYE 2019.

FYE 2020

The Group had a net cash flow used in financing activities of RM34,000 for the FYE 2020 which was due to repayment of advances to director.

FYE 2021

The Group had a net cash flow generated from financing activities of RM1.2 million for the FYE 2021 which was due to advances from director.

FYE 2022

The Group had a net cash flow generated from financing activities of RM9.6 million for the FYE 2022 which was mainly due to the receipt of proceeds from the exercise of Warrants 2012/2022 by the holders of RM10.9 million, which was negated by the repayment of advances due to directors of RM1.3 million.

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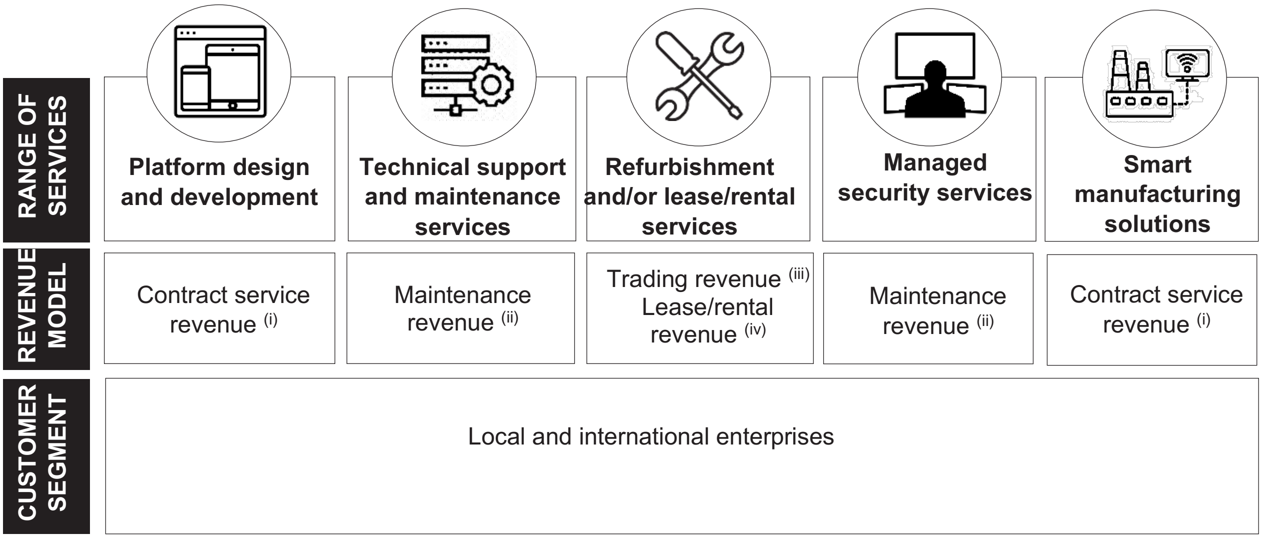
1. PRINCIPAL ACTIVITIES AND SERVICES

The Group was primarily focusing on 4 business divisions, namely provision of IT services, communications and networking services, education and training services and healthcare solutions.

The Group intends to focus on developing its IT services segment, where the Group designs and develops customised IT solutions.

The range of services the Group provides as at LPD can be summarised in the diagram below:-



Notes:-

(i) Contract service revenue is a one-off revenue generated when the Group provides platform design and development services and smart manufacturing solutions. It is milestone based contracts with revenue recognised based on a percentage of completion of predetermined milestones.

(ii) Maintenance revenue is a recurrent revenue where customers pay for the Group to continually provide services on an annual basis, and/or when required. The recurrent revenue recognised over a contracted period for maintenance and support services provided to customers.

(iii) Trading revenue is a one-off revenue charged based on the number of hardware the Group sells i.e. purchasing, refurbishment and sale of pre-owned desktops and laptops.

(iv) Lease/rental revenue is a recurrent revenue where customers pay for the Group to continually lease/rent refurbished IT hardware on a monthly basis.

Please refer to Section 6.3.1 of this Circular for the details in relation to the services provided by the Group.

2. CONTRACTS AND ORDER BOOK

As at LPD, the Group's subsisting contracts are as follows:

Client	Principal market	Services provided	Revenue group	Expected commencement/ (completion) date	Project value
MovingUp Mobile Sdn Bhd, frozen food manufacturer and trader	Malaysia	(1) Development of an e-commerce platform (2) *Halal* tracking system (3) Frozen food vending system	Contract services *(F&B related contract)*	System development – Commenced in Q4 FYE 2021 / (Q2 FYE 2023)	RM5.0 million
		(4) Maintenance and support	Maintenance *(F&B related contract)*	Maintenance – Q2 FYE 2023 and renewable until terminated	RM534,800, which is renewable yearly
Herbs Cell Nutrition Sdn. Bhd., health and wellness product retailer	Malaysia	(1) Maintenance and support	Maintenance *(Health and wellness contract)*	Maintenance – Q1 FYE 2023 and renewable until terminated	RM534,800, which is renewable yearly
Cash rebates membership portal operator (a subsidiary of a company listed on NASDAQ stock exchange) *	Malaysia	(1) Maintenance and support	Maintenance *(Digital voucher contract)*	Maintenance – Q4 FYE 2022 and renewable until terminated	RM198,000, which is renewable yearly
Blockchain algorithm and smart contract technology provider *	Malaysia, Singapore, Indonesia, Vietnam and Philippines	(1) Development of a "blockchain-enabled application"	Contract services *(Blockchain application contract)*	System development – Q3 FYE 2022[(a)] / (Q3 FYE 2023)	HKD13.0 million (approximately RM7.3 million[(b)])
		(2) Maintenance and support	Maintenance *(Blockchain application contract)*	Maintenance – Q3 FYE 2023 / (Q2 FYE 2026)	HKD5.0 million (approximately RM2.8 million[(b)]) over a period of 3 years

Client	Principal market	Services provided	Revenue group	Expected commencement/ (completion) date	Project value
Online employment company	Job posting and recruitment platform	Development of a job posting and recruitment platform	Contract services *(Blockchain application contract)*	Q1 FYE 2023 / (Q3 FYE 2024)	RM1.3 million
Computer rental service provider, a subsidiary of a private company in Malaysia*	Malaysia	(1) Refurbishment services for pre-owned desktops and laptops	Trading	Q4 FYE 2021 / (Q4 FYE 2024)	RM20.0 million
		(2) Leasing of IT hardware	Lease/Rental	Q2 FYE 2022/ (Q2 FYE 2025)	RM854,712
		(3) Leasing of IT hardware	Lease/Rental	Q3 FYE 2022/ (Q3 FYE 2025)	RM868,716
Hostel management company, a subsidiary of a private company in Malaysia*	Malaysia	(1) Design, configure, setup and commissioning of a hostel management system	Maintenance *(Hostel management system contract)*	Continuing and renewable until terminated	RM383,400, which is renewable yearly
Telecommunications service provider*	Cambodia, Vietnam and Philippines	(1) Provide managed security services	Maintenance *(Managed security services contract)*	Commenced in Q3 FYE 2022 / (Q2 FYE 2024)	USD327,912 (approximately RM1.4 million[(c)]) over a period of 2 years
		(2) Provide managed security services	Maintenance *(Managed security services contract)*	Commenced in Q3 FYE 2022 / (Q3 FYE 2024)	USD168,936 (approximately RM0.7 million[(c)]) over a period of 2 years

Client	Principal market	Services provided	Revenue group	Expected commencement/ (completion) date	Project value
Electrical and electronics manufacturer, a subsidiary of a company listed on Bursa Securities ("**E&E**")*	Malaysia and Singapore	(1) Provide MES solutions	Contract services *(MES solution)*	Commenced in Q3 FYE 2022 / (Q2 FYE 2023)	RM27,982
Coffee manufacturer and supplier *	Malaysia	(1) Provide MES solutions	Contract services *(MES solution)*	Commenced in Q1 FYE 2023 / (Q4 FYE 2023)	RM140,000

Notes:-

* The identities of the clients could not be disclosed as the Group is unable to obtain the consent of the respective client (in accordance with the terms of the contract) / the Group is of the view that the disclosure of such details of customers may be detrimental to the Group as the list of the Group's customers will be made available to the public, whereby there may be risk of these customers being poached by competitors in the future.

(a) The system development for the blockchain enabled application has commenced in Q3 FYE 2022 based on the projected timeline set by the client to launch the application in Q2 FYE 2023. Nevertheless, the system development for this application will only be completed Q3 FYE 2023 as there will be further development of this application post launch.

(b) Based on RM/100HKD exchange rate of 56.2608 as at LPD (source: Bank Negara Malaysia website).

(c) Based on RM/USD exchange rate of 4.4165 as at LPD (source: Bank Negara Malaysia website).

As at LPD, the order book of the Group are as follows:

Contract	Contract value	Estimated direct costs / expenses	% completed as at LPD	Balance contract value to be recognised FYE 2023	Balance contract value to be recognised FYE 2024
	(RM'000)	*(RM'000)*	*(%)*	*(RM'000)*	*(RM'000)*
Contract Services					
F&B related contract	5,000	2,619	95.5%	227	-
Blockchain application contract	(a) 7,314	5,072	71.2%	(a) 2,105	-
E&E MES solutions	28	18	50.0%	14	-
F&B MES solutions	140	98	30.0%	98	-
Online employment company	1,300	452	1.5%	582	698
	13,782	**8,259**		**3,026**	**698**
Maintenance					
F&B related contract	535 p.a.	348 p.a.	Expected to commence in Q2 FYE 2023 (b)	312	535
Health and wellness contract	535 p.a.	115 p.a.	Commenced in Q1 FYE 2023 (b)	446	535
Digital voucher contract	198 p.a.	112 p.a.	Q4 FYE 2022 (b)	198	198
Hostel management system contract	128 p.a.	60 p.a.	Continuing (b)	128	128
Blockchain application contract	(a) 2,813 over 3 years	1,124 over 3 years	Expected to commence in Q3 FYE 2023	(a) 472	(a) 937
Managed security services contract	(c) 1,448 over 2 years	(c) 1,237 over 2 years	Commenced in Q3 FYE 2022	(c) 724	(c) 362
Managed security services contract	(c) 746 over 2 years	(c) 627 over 2 years	Commenced in Q3 FYE 2022	(c) 373	(c) 249

Contract	Contract value	Estimated direct costs / expenses	% completed as at LPD	Balance contract value to be recognised	
				FYE 2023	FYE 2024
	(RM'000)	*(RM'000)*	*(%)*	*(RM'000)*	*(RM'000)*
Trading					
Refurbishment services for pre-owned desktops and laptops	[d] 20,000	[d] 18,400	4.4%	[d]	[d]
Lease/Rent IT hardware	1,723 over 3 years	[e] 1,077 over 3 years	29.1%	383	574

Notes:-

p.a. Per annum

(a) Based on RM/100HKD exchange rate of 56.2608 as at LPD (source: Bank Negara Malaysia website).

(b) Renewable yearly until terminated.

(c) Based on RM/USD exchange rate of 4.4165 as at LPD (source: Bank Negara Malaysia website).

(d) Up to RM20.0 million in value for a period of up to 3 years from the 4th quarter of FYE 31 December 2021. For information, the value of contract for each of the FYE 31 December 2023 and FYE 31 December 2024 could not be ascertained as this would depend on the order by the customer at the material time.

(e) Represents the depreciation charges of the IT hardware.

FYE 31 December 2022

The Group's revenue for the FYE 31 December 2022 were contributed from the following contracts:-

(i) Contract services: F&B related contract;
(ii) Contract services: Health and wellness contract *(completed)*;
(iii) Contract services: Digital voucher contract *(completed)*;
(iv) Contract services: Blockchain application contract;
(v) Contract services: 2 F&B MES solutions contracts *(completed)*;
(vi) Contract services: Electrical and electronic MES solutions contract;
(vii) Contract services: 2 Research MES solutions contract *(completed)*;
(viii) Contract services: 2 Trading smart manufacturing solutions contract *(completed)*;
(ix) Maintenance: Digital voucher contract;
(x) Maintenance: Hostel management system contract;
(xi) Maintenance: 2 Managed security services contracts;
(xii) Trading: Refurbishment services for pre-owned desktops and laptops; and
(xiii) Lease/Rent of IT hardware: Leasing and/or renting of IT hardware.

The support and maintenance for the digital voucher contract are expected to commence in the 4th quarter of FYE 31 December 2022 upon completion of part or all of the contract services portion of the said contract, as the case may be. The Group will continue to provide support and maintenance under the hostel management system contract and had commenced services on the managed security services contracts in the 3rd quarter of FYE 31 December 2022. Save for the 2 managed security services contracts which the Group expects to renew upon expiry of the initial 2 year term, the other maintenance contracts secured as at LPD are renewable yearly.

In addition to the Group's revenue from the contract services and maintenance contracts which are based on stipulated milestones, the Group is also expected to derive revenue from its trading and lease contracts, whereby the delivery of refurbished desktops and laptops and leasing/renting of IT hardware shall be based on customers' demand at the material time. For information, the Group had delivered 440 laptops to the customer in relation to its trading contract and leased 1,781 IT hardware to its customer in FYE 31 December 2022.

FYE 31 December 2023

Based on the contracts secured as at LPD, the Group's revenue for the FYE 31 December 2023 is expected to be contributed from the following contracts:-

(i) Contract services: F&B related contract;
(ii) Contract services: Blockchain application contract;
(iii) Contract services: F&B MES solutions contracts;
(iv) Contract services: Electrical and electronic MES solutions contract;
(v) Contract services: Job hiring application contract
(vi) Maintenance: F&B related contract;
(vii) Maintenance: Health and wellness contract;
(viii) Maintenance: Digital voucher contract;
(ix) Maintenance: Blockchain application contract;
(x) Maintenance: Hostel management system contract;
(xi) Maintenance: 2 Managed security services contracts;
(xii) Trading: Refurbishment services for pre-owned desktops and laptops; and
(xiii) Lease/Rent of IT hardware: Leasing and/or renting of IT hardware.

The support and maintenance for the blockchain contract is expected to commence in the 3rd quarter of FYE 31 December 2023 upon completion of the contract services for the blockchain contract. In addition, the Group will continue to provide support and maintenance for the F&B related contract, health and wellness contract, digital voucher contract, blockchain application contract and hostel management system contract, and continue the performance of the managed security services contracts.

The Group is also expected to continue deriving revenue from the trading and lease contracts in FYE 31 December 2023.

Moving forward, the Group is expected to continue to derive revenue from its maintenance contracts which are recurring in nature (as such contracts are on a renewable basis), whilst continue to tender and bid for new IT related contracts to enhance its order books.

3. PRINCIPAL MARKETS

The Group has been relatively inactive for the past few financial years. During the FYE 31 December 2021, the Group had secured 3 contracts, which commenced only in December 2021, as such, the Group had been relatively inactive throughout the FYE 31 December 2021. Since the first quarter of 2022, the Group became operationally more active, having carried out its scope in accordance with the contracts secured and successfully pitched for and secured 14 additional contracts up to LPD.

The Group's revenue had been derived in the Malaysia market for the 18-month FPE 31 December 2019 and the past 3 FYEs 31 December 2020 to 2022 as follows:

	Audited							
	18-month FPE 31 December 2019		FYE 31 December 2020		FYE 31 December 2021		FYE 31 December 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	191	100.0	128	100.0	405	100.0	12,514	100.0

For information, all the services and products of the Group are being rendered and delivered in Malaysia. Nevertheless, as at LPD, the Group has 3 contracts (i.e. a blockchain application contract and 2 managed security services contracts) denominated in foreign currency. Despite the contracts being rendered and delivered in Malaysia, the 3 contracts are denominated in foreign currency on a negotiated basis to provide flexibility to the clients to make payment in foreign currency, to enable the Group to remain competitive to bid for the contracts.

The breakdown of the Group's revenue by services for the 18-month FPE 31 December 2019 and the past 3 FYEs 31 December 2020 to 2022 are as follows:

	Audited							
	18-month FPE 31 December 2019		FYE 31 December 2020		FYE 31 December 2021		FYE 31 December 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Contract services	-	-	-	-	265	65.4	10,213	81.6
Maintenance	191	100.0	128	100.0	140	34.6	161	1.3
Refurbishment services	-	-	-	-	-	-	458	3.6
Managed security services	-	-	-	-	-	-	500	4.0
Lease/Rental	-	-	-	-	-	-	311	2.5
Smart manufacturing services	-	-	-	-	-	-	871	7.0
	191	**100.0**	**128**	**100.0**	**405**	**100.0**	**12,514**	**100.0**

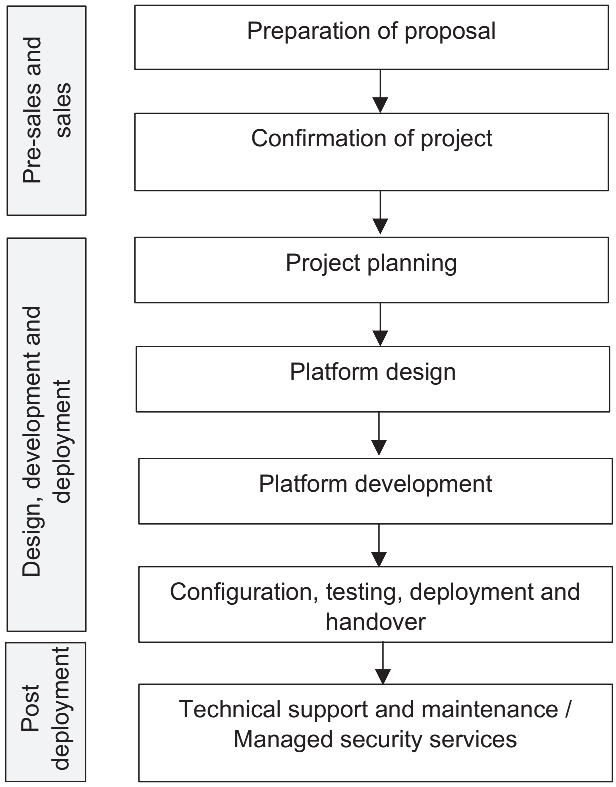
4. SEASONALITY

The Group does not experience any seasonality and cyclicality in its business as IT services market is not seasonal or cyclical in nature.

5. PROCESS FLOW

<u>Platform design and development, technical support and maintenance, managed security services and smart manufacturing solutions segments</u>

The Group's operational flow are summarised as follows:



(i) Preparation of proposal

After receiving invitations to quote from potential customers or referrals, the Group will have a meeting with the potential customer to gather details of the project from its customers, including detailed requirements of the web and/or mobile application, project timeline and budget as well as understand the issues faced with existing operational processes or workflows. This will allow the Group to evaluate the feasibility of the project and propose suitable IT solutions to its customers.

If the project is feasible, the Group will prepare a quotation and scope of project specifying its responsibilities, detailed requirements of the potential customers' platform and project timeline, amongst others, which will be submitted to the potential customer for approval.

(ii) Confirmation of project

Once all requirements of the project are finalised, a signed agreement will be provided to the Group to confirm its appointment. The details of the project will then be used for project planning.

(iii) Project planning

The Group will then assemble a project team, which will be responsible for the development and delivery of the project. The project team will be led by a project leader and will comprise software developers and software engineers. An internal kick off meeting will then be held where the project team will be briefed on the details of the project.

The project leader will then prepare a project charter which will outline items such as the project's objectives, requirements, risks as well as schedules and milestones. If the project secured is an extension or revamp of a legacy application, the project team will obtain the details of the legacy application such as its source code and design source file.

(iv) Platform/ Solution design

The project team will gather information to understand the customers' business workflow which the customers intend to digitalise through application development or using the MES solution and/or its modules. In addition, the project team will also gather information required on the customers' specific requirements such as software requirements, unit testing, coding standard and preparation of audit trail, where applicable.

Based on all the information provided by its customers, the project will plan the platform or solution design and determine the customised functions or modules to be developed, integrated and linked between components, user interface layouts, colour schemes, type of programming language to be used, amongst others. The required hardware that will be required will also be sourced from third-party hardware developers.

For smart manufacturing solutions, the Group's Technical division has the capability to determine the design of the MES solutions and/or its modules.

(v) Platform development

For platform design and development segment, upon the completion of the product design plan, the project team will begin developing the web-based and/or mobile platform based on the product design specifications. The development process of the platform is divided into several stages depending on the complexity of the project. Each stage focuses on the development of a function of the application and undergoes quality assurance testing upon completion to test aspects such as user experience, functionality, performance under expected load (user traffic), security and compatibility with devices and platforms.

For platform design and development, the Technical division generally perform coding and testing for front-end platforms and will directly liaise with the respective customer on the platform requirements in terms of its user interface and functions. The Group may partially outsource the coding for back-end platforms to third-party software developers, who will undertake the coding based on the Group's in-house platform design. The Group's Technical division will undertake the testing of the platforms coded by third-party software developer(s) post its completion.

The base MES solution and/or its modules have been developed, though these solutions will be customised to the Group's customers' business/industry. The Group's Executive Director, Mr. Pang and the new division for the smart manufacturing solutions have the capability to undertake these customisation and implementation works. Any hardware and ancillary software such as data analytic tools, IoT sensors, control panels and display screens, and wireless handheld devices, required in the implementation of MES solutions and/or its modules will be procured from third-party hardware and software developers.

(vi) Configuration, testing, deployment and handover

Should there be any equipment such as vending machines required, the project team will oversee and/or execute the configuration and installation of these equipment according to the solution design.

Thereafter, the project team will conduct user acceptance testing by providing access to its customers to download and test the application for a specific duration stipulated in the agreement. The customers' data will be imported into the application and all the functions within the application will be tested to ensure the application performs correctly as per the requirements before the application is deployed into use. During this period, the platform will be amended accordingly should any bugs are discovered and reported by the customer to the project team.

Following the approval of user acceptance testing by the customer, the project team will deploy the web-based and/or mobile platforms (i.e. go live) or MES solution and/or its modules. The project team will also handover to its customer together with all the source programming codes for platforms designed and developed. The project team may conduct user training to train the customer on the features and functions of the web-based and mobile platforms, if requested.

(vii) Technical support and maintenance / Managed security services

Once the web-based and mobile platforms as well as MES solutions and/or its modules are deployed, the Group generally provide complimentary technical support and maintenance services for a period ranging between 12 months and 36 months. Upon the expiry of the complimentary technical support and maintenance services, the customer may engage the Group for continuing technical support and maintenance services on a quarterly / bi-annual / annual basis.

For managed security services, when a potential issue is discovered or an incident is reported, the issue/incident will be raised through our helpdesk application, and the severity, relevance and urgency of the issue/incident will be recorded. The personnel will then remotely troubleshoot and resolve the issue.

<u>Refurbishment services</u>

The Group sources pre-owned IT hardware from IT hardware wholesalers and these IT hardware will be accessed to determine the amount of upgrades and replacements required. Once this has been determined, the required IT hardware parts are procured.

The technical personnel will then remove all data stored in the IT hardware, and replace the hardware parts where required. Once the IT hardware is functioning, the IT hardware will be configured with the necessary software, i.e. operating system and application software. The IT hardware is then cleaned and packaged to avoid any damages.

6. QUALITY ASSURANCE AND QUALITY CONTROL

The Group emphasises on quality to ensure the systems/platforms/solutions developed meet customers' specifications and requirements.

Prior to the development of the systems and software, meetings will be carried out with the customers to understand their specific requirements. Based on all the information provided by the customers, the project team will plan the platform design and determine the customised functions. Upon the completion of the product design plan, the project team will begin developing the web-based and/or mobile platform based on the product design specifications. Each stage focuses on the development of a function of the application and quality assurance testing will be carried out upon completion of each stage to test all aspects to ensure it is fit to customers' requirements.

Prior to the delivery of systems/platforms/solutions, user acceptance testing will be conducted by providing access to its customers to download and test all the functions in the systems/platforms/solutions to ensure the requirements of customers are met. The customers' feedback will then be incorporated and the systems/platforms/solutions will be amended accordingly. Once the user acceptance testing being approved by the customers, the systems/platforms will be deployed and handover to the customers. The Group continue to provide technical support and maintenance services upon the completion of systems/platforms/solutions.

7. COMPETITIVE STRENGTHS

(i) In-house capability to undertake the design and development of platforms, technical support and maintenance, refurbishment services, managed security services and smart manufacturing solutions

The Group has built an experienced and committed technical team, which will be led by the Group's Executive Director, Mr Pang. Mr Pang has had close to 20 years of experience in the sales of manufacturing equipment and IT related services and solutions such as equipment host communication, data analysis system and system infrastructure, and a further 5 years in smart manufacturing solutions. The Group's Executive Director is also supported by the Chief Technology Officer, Mr Low, who has 14 years of experience in IT software and solution design and development.

The members of the technical team also have had technical training and have extensive experience and expertise in the field of software development and support. The Group has also recently set up its Managed Security Services division in April 2022. The Group's security analyst in the Managed Security Services division has 16 years of experience in providing managed IT services and IT services for the telecommunication industry, and the technical sales personnel in the division has 14 years of experience in sales for the IT sector. As such, this equips them with the foundation and understanding, as well as appropriate skill sets to better carry out their work related to carrying out platform design and development, technical support and maintenance, refurbishment services and managed security services.

As a result, the Group has been able to secure new projects in platform design and development and IT hardware refurbishment services. The Group's continuous commitment to design and development efforts will promote the growth and sustainability of the company moving forward.

(ii) Customisable IT services to different businesses and industries

The Group has developed and is in the midst of the design and development of base platforms, which would provide the Group with the relevant experience, understanding and expertise moving forward. The Group will thus be able to leverage on these base platforms and expertise garnered to replicate the abovementioned types of platforms across different types of businesses and industries.

As such, the Group is able to customise knowledge outputs, analysis and design frameworks that are meaningful to its customers. This also allows the Group to design and develop platforms for various applications.

8. SALES AND MARKETING STRATEGIES

The Group's sales activities are led by the Group's Executive Director, Mr Pang. The Group's sales and marketing strategies include:-

(i) Direct approach

The Group actively seeks potential customers, and will submit its proposed scope and fees upon determining that it is able to meet the specifications and requirements of the potential customer. In addition, the Group actively assesses industry requirements and keeps abreast with the latest technology trends, in order to understand their needs and requirements of the customers. As such, the Group is able to propose the latest IT solutions to cater to the customers' needs.

(ii) Referrals from professional network

The Group can leverage on the experience of its key management team to reach out to existing and potential customers.

(iii) Conferences and webinars

The Group intends to participate in industry specific exhibitions in order to reinforce the awareness of its solutions and its capabilities.

The Group's Executive Director, Mr Pang, had been invited to share his views and insights in several seminars such as "How Small Medium Enterprises start Industry 4.0 Journey" which was organised by SIRIM Industrial Centre of Innovation ("**SIRIM**"), "How Overall Equipment Effectiveness (OEE) can improve manufacturing operational efficiency" which was organised by SME Malaysia Industry 4.0 Support Group, "Discussing Challenges, Adoption and Outlook of Industry 4.0" which was organised in Malaysia Productivity Corporation ("**MPC**"), as well as "Industry4WRD Outreach programme 2022" a roadshow organised by Ministry of International Trade and Industry ("**MITI**"), Malaysian Investment Development Corporation ("**MIDA"**), MPC and SIRIM.

Below are the list of events/seminars/webinar whereby Mr Pang attended as a speaker/exhibitor:-

Organising party	Event / Seminar / Webinar	Date
SIRIM	Video Conference Tech Talk Seminar of How SME Start Industry 4.0 journey	29 June 2021
SME Malaysia Industry 4.0 support Group	Webinar Presentation of how OEE (Overall Equipment Effectiveness) can improve manufacturing operational efficiency	25 July 2021
Smart4wrd	Live Web Forum Discussing Challenges, Adoption & Outlook of Industry 4.0	16 December 2021
MITI, MIDA and MPC	Smart4wrd Engagement Activities - Kedah Roadshow & CREEST Meeting in collaboration with MITI, MIDA, MPC and SIRIM	8 March 2022
MRIC	MRPMA Rubber Industry Conference (MRIC 2022) - BEYOND THE PANDEMIC HORIZON	10 June 2022
MITI, MIDA and MPC	Smart4wrd Engagement Activities - Kelantan Roadshow "The Road Ahead with Industry4WRD	16 June 2022

Organising party	Event / Seminar / Webinar	Date
MITI	Review Guidelines for Manufacturing Related Services (MRS) and Manufacturing (MFG) under Industry4WRD Readiness Assessment (RA)	20 to 22 June 2022
Smart4wrd	Smart4wrd web: Industry 4.0 Smart Manufacturing Journey: "From Uncertainty to Unleashing Manufacturing Full Potential"	7 July 2022
MITI, MIDA and MPC	Smart4wrd Engagement Activities - Sabah Roadshow "The Road Ahead with Industry4WRD"	13 July 2022
SIRIM & Smart4wrd	To assist SME factory I4.0 Transformation with cost effective investment	4 August 2022
MITI	Smart Nation – Accelerating Digital Transformation	27 to 29 September 2022
Malaysian Industrial Development Finance (MIDF) Berhad and Bizphere Sdn Bhd	MIDF Automation and Digital Forum	1 March 2023

9. MAJOR CUSTOMERS

The major customers of the Group for the 18-month FPE 31 December 2019 and the past 3 FYEs 31 December 2020 to 2022 are as follows:-

		Audited							
Nature of customers' business / (Principal market)	**Approximate length of relationship as at LPD [(a)]**	**18-month FPE 31 December 2019**		**FYE 31 December 2020**		**FYE 31 December 2021**		**FYE 31 December 2022**	
	Years	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Hostel management company / (Malaysia) [(b)]	11	191	100.0	128	100.0	140	34.6	140	1.1
MovingUp Mobile Sdn Bhd, frozen food manufacturer and trader / (Malaysia) [(b)]	2	-	-	-	-	143	35.3	2,992	23.9
Herbs Cell Nutrition Sdn. Bhd., health and wellness product retailer / (Malaysia) [(b)]	2	-	-	-	-	122	30.1	1,878	15.0

Nature of customers' business / (Principal market)	Approximate length of relationship as at LPD [(a)]	Audited 18-month FPE 31 December 2019		FYE 31 December 2020		FYE 31 December 2021		FYE 31 December 2022	
	Years	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Blockchain algorithm and smart contract technology provider / (Malaysia, Singapore, Indonesia, Vietnam and Philippines) [(b)]	1	-	-	-	-	-	-	3,748	29.9
Subtotal		191	100.0	128	100.0	405	100.0	8,758	69.9
Total revenue		**191**	**100.0**	**128**	**100.0**	**405**	**100.0**	**12,514**	**100.0**

Notes:-

(a) Rounded to the nearest year(s).

(b) The identities of the clients could not be disclosed as the Group is unable to obtain the consent of the respective client (in accordance with the terms of the contract) / the Group is of the view that the disclosure of such details of customers may be detrimental to the Group as the list of the Group's customers will be made available to the public, whereby there may be risk of these customers being poached by competitors in the future.

As illustrated above, the Group has been relatively inactive, and had been deriving revenue from a hostel management company for the 18-month FPE 31 December 2019 and the FYE 31 December 2020. Since the commencement of the contracts as set out in Section 2 of Appendix I(C) of this Circular, the Group's revenue contribution from the hostel management company had reduced to 34.6% and 1.1% during the FYE 31 December 2021 and FYE 31 December 2022 respectively.

Moving forward, the Group will continue to reduce the percentage contributions from the aforementioned customers as the Group commence the delivery of the other contracts as set out in Section 2 of Appendix I(C). Due to the nature of the business of the Group which is on contract basis, the contract secured from any customers may contribute a significant portion to the Group's annual revenue for a given financial year. However, the Group is not dependent on any of the customers. The Group will continue to bid for new contracts with an aim to also provide operations and maintenance, so as to provide the Group with a stable flow of income.

10. MAJOR SUPPLIERS

The major suppliers of the Group for the 18-month FPE 31 December 2019 and the past 3 FYEs 31 December 2020 to 2022 are as follows:-

				Audited							
Nature of supply	**Product / Services supplied (country of origin)**	**Principal market**	**Approximate length of relationship as at LPD[(a)]**	**18-month FPE 31 December 2019**		**FYE 31 December 2020**		**FYE 31 December 2021**		**FYE 31 December 2022**	
			Years	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sub-contractor for IT services, a subsidiary of a company listed on Bursa Securities	Sub-contract of platform design and development services (Malaysia)	Malaysia and Hong Kong	2	-	-	-	-	109	48.7	1,478	23.4
Sub-contractor for IT services	Sub-contract of platform design and development services (Malaysia)	Malaysia	1	-	-	-	-	-	-	1,345	21.3
Sub-contractor for IT services	Involve in computer programming service and other IT related services	Malaysia	1	-	-	-	-	-	-	811	12.8
Software provider	Provision of property management solutions (Ireland)	Ireland	11	107	100.0	80	100.0	60	26.8	42	0.7
Subtotal				107	100.0	80	100.0	169	75.5	3,676	58.2
Total direct operating costs[(b)]				**107**	**100.0**	**80**	**100.0**	**224**	**100.0**	**6,303**	**100.0**

Notes:-

(a) Rounded to the nearest year(s).

(b) Excluded depreciation charges

Based on the above, some of the major suppliers i.e. sub-contractor for IT services and trader of IT hardware contributed more than 10.0% of the total direct operating costs (excluding depreciation charges) of the Group for FYE 31 December 2022. Nevertheless, the Group is not dependent on these suppliers as such products that the Group purchased from or services provided by these suppliers are readily available in the market. In the event that these suppliers cease the sale of products or provision of services to the Group, the Group can easily source for similar products and/or services from other suppliers in the market.

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11. TECHNOLOGY

As at LPD, the technologies utilised/required to be utilised by the Group's development team may consist of, amongst others, web technology, programming languages, application framework, integrated development environment, database, caching application, source code repository and cloud computing services, description of which are set out below:-

Technology	Tools and Applications	Description
Web technology	HTML, CSS, Javascript	These are the basic elements and backbone of a web application. HTML (HyperText Markup Language) is the markup language for creating web pages. CSS (Cascade Style Sheets) is utilised for the format and layout of the web pages while JavaScript makes the web pages interactive.
Programming Languages	Java, Swift, Objective-C, HTML5, PHP, Golang, Python	The team generally keeps abreast with the modern programming languages to remain relevant. Amongst the programming languages the Group's IT services team utilises include Swift and Objective-C for iOS platform development, Java for Android platform development and HTML5 for web application. Amongst the programming languages the Group's managed security services team utilises include Golang and Python for back-end development, and PHP for web application development.
Application Framework	NodeJS, React	The use of popular front-end frameworks in mobile and web application development such as NodeJS and React facilitates the process of developing the Group's applications, thus decreasing the time to deploy its projects.
Integrated Development Environment ("IDE")	Xcode, Android Studio, Visual Studio Code, PHP Storm	IDE combines common developer tools into a single graphical user interface. It consists of a text editor assisting in writing code more efficiently, utilities and tools that automate repeatable tasks and code debugger that locate and display bugs in code. Amongst the IDE the Group's IT services team utilises include Xcode for iOS platform development, Android Studio for Android platform development and Visual Studio Code for web application.

Technology	Tools and Applications	Description
		Amongst the IDE the Group's managed security services team utilises include Visual Studio Code for front-end development and PHP Storm for back-end application development.
Database	MariaDB, PostgreSQL, InfluxDB, TimeScale, Clickhouse, ElasticSearch	The database engines are the core data warehouse storing application data for big data analytics and also real-time data monitoring. MariaDB and PostgreSQL are for structured data, InfluxDB and Timescale are for time series data, whilst ClickHouse and ElasticSearch are for analytics. The scalable stack of databases enables the Group to scale its data warehouse horizontally and more quickly.
Caching Application	Redis, Memcached	Redis and Memcached are an in-memory data structure store, used as a distributed, in-memory key–value database. The caching enables the Group's applications query and perform data processing with greater speed.
Source Code Repository	Gitlab	Gitlab is a lifecycle tool that provides a vast repository on web-based DevOps. It provides issue tracking on CI/CD pipeline features and allow the Group to ship the application with automation of build, test, verify and deploy.
Cloud Computing Services	Amazon Web Services, Google Cloud Platform, Microsoft Azure	Cloud computing services provided by Amazon, Google or Microsoft give the development team easy access to the relevant technologies to enable the development team to innovate. Such services serve as the destination to host the Group's application and is required in advanced infrastructure and architecture.
MES and OEE	JavaScript, J2EE, Ajax	OEE (Overall Equipment Effectiveness) is a standard for measuring manufacturing productivity. Measuring OEE is a manufacturing best practice. By measuring OEE and the underlying losses, the user will gain important insights on how to systematically improve their manufacturing process.

Technology	Tools and Applications	Description
		MES "Manufacturing Execution System is an information system that connects, monitors and controls complex manufacturing systems and data flows on the factory floor. The main goal of an MES is to ensure effective execution of the manufacturing operations and improve production output. The MES collects data about product genealogy, performance, traceability, material management and work in progress (WIP) and other plant activities as they occur. This data, in turn, allows decision-makers to understand the current settings of the factory floor and better optimise the production process.

12. INTERRUPTION TO BUSINESS AND OPERATIONS

The Group has not experienced any major interruption in business which had a significant effect on its operations during the last 12 months period prior to the LPD.

13. PROPERTY, PLANT AND EQUIPMENT

As at LPD, the Group does not own any properties.

Details of the properties rented by the Group as at LPD are as follows:-

Landlord	Tenant	Premises and address	Description and existing use	Tenancy period	Rented area (square feet)	Rental per month (RM)
Datin Seri Teh Tsui Ling, Choo Yang Yee, and Tommy Lee Chee Yeow	FSBM I-Design Sdn Bhd	A-2-6, Glomac Damansara, 699, Jalan Damansara, 60000 Kuala Lumpur	Corporate office	1 April 2022 - 31 March 2023[(a)]	1,558	4,500
Confidence Growth Sdn Bhd	FSBM I-Design Sdn Bhd	A-2-11, Glomac Damansara, 699, Jalan Damansara, 60000 Kuala Lumpur	New operating office	1 June 2022 – 31 May 2024	1,558	3,900

Note:-

(a) As at LPD, FSBM Group is in the midst of negotiating the new term with the landlord. Nevertheless, FSBM Group still continues to rent the premise at a monthly rental of RM4,500.

14. LICENSES AND PERMITS

As at LPD, there are no major licenses and permits required by the Group for its operation.

For information, the Group has in place the necessary composite licences for its premises and signage under Dewan Bandaraya Kuala Lumpur.

15. DEPENDENCY ON CONTRACTS/ARRANGEMENTS/LICENSES/PATENTS

The Group is not dependent on any contract/arrangement/license/patents.

16. MATERIAL CAPITAL EXPENDITURE AND DIVESTITURE

As at LPD, save for RM225,000 allocated for the upgrade of the MES software to enhance its functionality and features, there is no material capital expenditure which had been approved.

As at LPD, there is no material divestiture by the Group.

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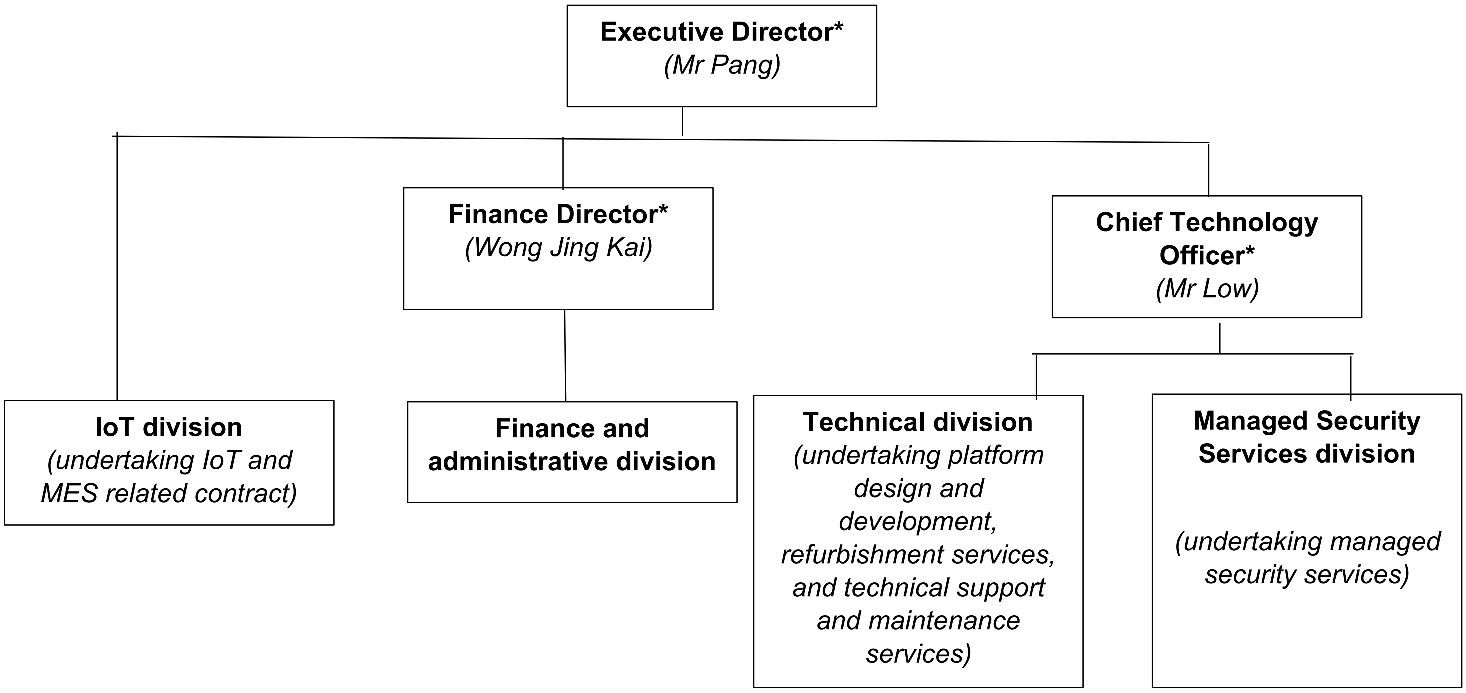
17. KEY MANAGEMENT AND EMPLOYEES

Organisational structure

As at LPD, the organisational structure of the Group is as follows:-



Note:-

* Comprises key senior management of the Group.

For information, the IoT division is directly led by Mr Pang who has been in the IoT industry for 4 years and has the relevant experience, whilst Mr Low whose expertise is in software development leads the Technical division and Managed Security Services division.

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Employees

As at LPD, the Group has a total of 33 employees. The number of employees for each division are as follows:

Division	Number of employees	Date of joining the Group
Executive Directors	2	November 2008: Tan Wan Yen October 2021: Mr Pang
Key Management Personnel	2	October 2021: Mr Low April 2022: Wong Jing Kai
Finance and administrative division	5	July 1992: 1 employee April 2022: 2 employees July 2022: 1 employee November 2022: 1 employee
Technical division	16	January 2022: 2 employees April 2022: 1 employee May 2022: 1 employee July 2022: 4 employees August 2022: 1 employee September 2022: 2 employees November 2022: 2 employees January 2023: 1 employee March 2023: 1 employee April 2023: 1 employee
Managed Security Services division	6	April 2022: 2 employees August 2022: 4 employees
IoT division	2	July 2022: 1 employee November 2022: 1 employee
Total	**33**	

Out of the 33 employees, 32 employees are Malaysian and 1 employee is Singaporean based in Malaysia, of which all are permanent employees. None of the employees belong to any labour union. As at LPD, the Group has not been involved in, or is aware of any potential judicial or administrative disputes with its employees.

The Group had increased its number of employees from 9 personnel as at 31 March 2022 to 33 personnel as at LPD.

The recruitment process will assist to ensure the employees have the relevant competency and skillset to perform the work prior to hiring. All new employees recruited by the Group are required to undergo an in-house orientation conducted to familiarise themselves with its corporate vision, culture and policies. New technical personnel are also provided training to equip them with the necessary working knowledge and skills in order for them to carry out their job responsibilities efficiently. On-site coaching and mentoring as well as training will be provided to the employees to ensure they can carry out their daily work. There is also a performance appraisal system in place which enable the employees to have a better understanding of their performance through the feedback from their superiors.

The Group recognises the importance of the ability to retain its Executive Directors and key management personnel and have in place a human resource retention strategy, which includes maintaining a competitive remuneration package and providing opportunities for career development for employees. As part of its management succession plan, efforts have been made to promote and groom lower and middle management staff to gradually assume the responsibilities undertaken by the senior management team in order to ensure continuity in the Group's management team.

17.1 Profiles of key senior management

(a) Mr Pang

The details of Mr Pang are set out in Section 5.5(a)(i) of this Circular.

(b) Wong Jing Kai ("**WJK**")

WJK graduated from Multimedia University with a Bachelor Degree (Honours) in Accounting in 2008.

WJK started his career as an Audit Assistant with GEP Associates in 2008. In 2010, he joined RSM Robert Teo, Kuan & Co. as Senior Audit Associate.

In 2014, he joined Wintoni Group Berhad, an IT and provider of automation solution company, as an Accountant, assisting the company in the preparation of monthly management reports and quarterly group consolidated accounts. Subsequently in 2015, WJK joined Asdion Project Synergy Sdn. Bhd., as a Senior Finance Manager. In 2018, WJK joined Neutec Technology Sdn Bhd as an Account Manager, primarily assisting the company in the preparation of financial statements, budgets and forecasts.

He joined the Group as a Finance Director in April 2022.

(c) Mr Low

The details of Mr Low are set out in Section 5.5(a)(ii) of this Circular.

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17.2 Involvement of the Directors and key senior management of the Company in other businesses and/or corporations

The involvement of the Directors and key senior management of the Company in other businesses and/or corporations as at LPD and in the past 5 years up to LPD are as follows:-

	Name of business/companies/partnership	**Roles and responsibilities**	**Principal activities**
Directors			
Mr Pang	Directorship / Ownership / Partnership as at LPD		
	Aresys Ind	Director and Shareholder	Engineering services.
	PCT Properties Holdings Sdn. Bhd.	Director and Shareholder	Buying, selling, renting and operating of self-owned or leased real estate – Residential & Non-residential buildings and activities of holding companies.
	Unison Capital Perkongsian Liabiliti Terhad	Partner	Has not commenced operation.
	S&P Advanced Medic Resources	Partner	Healthcare, cosmetic products, medical devices and disposable.
Tan Wan Yen	Directorship / Ownership / Partnership as at LPD		
	Sanyee Corporation Sdn. Bhd.	Director and Shareholder	Investment holding.
	Sanyee Holdings Sdn. Bhd.	Director and Shareholder	Investment holdings.
	Perk Coffee Malaysia PLT	Partner and Compliance Officer	Retail sale of tea, coffee, soft drinks, mineral water and other beverages.
	Curvettes Puchong PLT	Partner and Compliance Officer	Fitness centres.