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 adviser immediately.

®

DOLPHIN INTERNATIONAL BERHAD
(Registration No. 201201016010 (1001521-X))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

PROPOSED ACQUISITION OF 5,008,148 ORDINARY SHARES IN HIGH RESERVE F&B SDN BHD ("HIGH RESERVE"), REPRESENTING THE ENTIRE ENLARGED EQUITY INTEREST IN HIGH RESERVE, FOR A PURCHASE CONSIDERATION OF RM36 MILLION TO BE SATISFIED *VIA* THE ALLOTMENT AND ISSUANCE OF 282,874,617 NEW ORDINARY SHARES IN DOLPHIN INTERNATIONAL BERHAD ("DOLPHIN") AT AN ISSUE PRICE OF RM0.0654 EACH AND RM17.5 MILLION IN CASH ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF DOLPHIN IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

MERCURY SECURITIES SDN BHD
(Registration No. 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

sierac
corporate advisers

SIERAC CORPORATE ADVISERS SDN BHD
(Registration No. 200001013247 (515853-A))

The resolution in respect of the Proposed Acquisition will be tabled at the Extraordinary General Meeting ("**EGM**") of Dolphin which will be conducted on a fully virtual basis through live streaming and online Remote Participation and Electronic Voting ("**RPEV**") facilities *via* online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657), provided by Boardroom Share Registrars Sdn Bhd in Malaysia on Monday, 27 June 2022 at 10.30 a.m. or at any adjournment thereof. The Notice of the EGM together with the Form of Proxy are enclosed herein.

A member entitled to attend, speak and vote remotely at the EGM *via* the RPEV facilities provided is entitled to appoint a proxy or proxies to participate in the EGM on his/her behalf. The completed and signed Form of Proxy must be lodged at the office of Dolphin's Share Registrar i.e. Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. In the case of an appointment of a proxy made in electronic form, the Form of Proxy must be deposited through the Share Registrar's website i.e. Boardroom Smart Investor Portal at https://investor.boardroomlimited.com. Please refer to the procedures as set out in the Administrative Guide for the electronic lodgement of Form of Proxy. All Form of Proxy submitted must be received by Dolphin on or before the date and time indicated below in order to be valid.

Date of Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the EGM	:	Monday, 20 June 2022
Last date and time for lodging the Proxy Form	:	Saturday, 25 June 2022, 10.30 a.m.
Date and time of the EGM	:	Monday, 27 June 2022, 10.30 a.m., or any adjournment thereof

This Circular is dated 10 June 2022

DEFINITIONS

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

AP F&B or Purchaser	:	Asia Poly Food and Beverage Sdn Bhd (201601000614 (1171539-W)), a wholly-owned subsidiary of Dolphin
Board	:	Board of Directors of Dolphin
Business Days	:	A day other than Saturdays, Sundays and gazetted public holidays, on which commercial banks are generally open for business in the states of Selangor Darul Ehsan and Kuala Lumpur
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
Cash Consideration	:	RM17.5 million cash consideration to be paid to the Vendors pursuant to the Proposed Acquisition
Completion Date	:	A date falling within 2 months from the date the last of the conditions precedent is fulfilled or waived according to the terms of the SSA or such other dates as may be mutually agreed by the Vendors and the Purchaser
Consideration Shares	:	282,874,617 new Dolphin Shares to be allotted and issued to the Vendors at the Issue Price pursuant to the Proposed Acquisition
Dolphin or Company	:	Dolphin International Berhad (201201016010 (1001521-X))
Dolphin Group or Group	:	Collectively, Dolphin and its subsidiaries
Dolphin Shares or Shares	:	Ordinary shares in Dolphin
EGM	:	Extraordinary general meeting
EPS	:	Earnings per Share
FHCA	:	FHMH Corporate Advisory Sdn Bhd (20070106946 (774955-D)), being the independent business valuer for the Proposed Acquisition
First Profit Guarantee Period	:	Financial period from 1 July 2022 to 30 June 2023
First Year Cash Consideration	:	RM2.1 million, being a portion of the Cash Consideration that is payable to the Vendors in respect of the First Profit Guarantee Period subject to the terms and conditions as set out in the SSA
FPE	:	Financial period ended
Franchisor or Uncle Don's Restaurants	:	Uncle Don’s Restaurants Sdn Bhd (201501039890 (1165208-K)), franchisor for the Uncle Don’s restaurant outlets
FYE	:	Financial year ended/ending, as the case may be
High Reserve	:	High Reserve F&B Sdn Bhd (201501000114 (1125446-H))
High Reserve Group	:	Collectively, High Reserve and its subsidiaries
IMR Report	:	Independent market research report on the full-service restaurant segment of the food and beverage service market in Malaysia dated 24 February 2022 prepared by PROVIDENCE

Interested Director	:	Yeo Boon Ho, a Director of Dolphin
Issue Price	:	RM0.0654 per Share, being the issue price for the Consideration Shares
LAT	:	Loss after tax
LBT	:	Loss before tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	27 May 2022, being the latest practicable date prior to the date of this Circular
LTD	:	23 February 2022, being the latest practicable date prior to the date of the announcement of the Proposed Acquisition on 24 February 2022
Mercury Securities	:	Mercury Securities Sdn Bhd (198401000672 (113193-W)), being the Principal Adviser for the Proposed Acquisition
MCO	:	Movement control order imposed by the Malaysian Government in view of the COVID-19 pandemic
NA	:	Net assets
PAT	:	Profit after tax
PBT	:	Profit before tax
Placement 1	:	Placement of 119,260,000 Dolphin Shares at RM0.0767 each completed on 17 November 2021
Profit Guarantee	:	RM2.1 million for each of the Profit Guarantee Period
Profit Guarantee Periods	:	Collectively, the First Profit Guarantee Period and Second Profit Guarantee Period
Proposed Acquisition	:	Proposed acquisition by AP F&B of the entire enlarged equity interest in High Reserve from the Vendors for the Purchase Consideration
PROVIDENCE	:	Providence Strategic Partners Sdn Bhd (201701024744 (1238910-A)), being the independent market researcher for the Proposed Acquisition
Purchase Consideration	:	Purchase consideration of RM36 million for the Proposed Acquisition to be satisfied *via* the allotment and issuance of the Consideration Shares and Cash Consideration
Rights Issue	:	Renounceable rights issue of up to 412,087,515 Dolphin Shares with up to 247,252,509 Warrants-B which was completed on 1 October 2020
RM and sen	:	Ringgit Malaysia and sen, respectively
Sale Shares or High Reserve Shares	:	5,008,148 ordinary shares in High Reserve, representing the entire enlarged equity interest in High Reserve
SCA or Independent Adviser	:	Sierac Corporate Advisers Sdn Bhd (200001013247 (515853-A)), being the Independent Adviser for the Proposed Acquisition
Second Profit Guarantee Period	:	Financial period from 1 July 2023 to 30 June 2024

Second Year Cash Consideration	:	RM2.1 million, being a portion of the Cash Consideration that is payable to the Vendors in respect of the Second Profit Guarantee Period subject to the terms and conditions of the SSA
SSA	:	Conditional sale of shares agreement dated 24 February 2022 entered into between AP F&B, Dolphin and the Vendors in relation to the Proposed Acquisition
Vendors	:	Collectively, Dato' Yeo Boon Leong, Yeo Boon Thai, Yeo Boon Ho and Yeo Soon Bee
VWAP	:	Volume weighted average market price
Warrants-B	:	Warrants-B 2020/2023 of Dolphin

All references to "**our Company**" or "**Dolphin**" in this Circular are to Dolphin and references to "**our Group**" or "**Dolphin Group**" are to our Company and our subsidiaries, collectively. All references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company, and where the context requires otherwise, shall include our Company and our subsidiaries.

All references to "**you**" in this Circular are to the shareholders of Dolphin.

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

Any reference to any enactment or guideline in this Circular is a reference to that enactment or guideline as for the time being amended or re-enacted. Any reference to a date and time in this Circular is a reference to Malaysian date and time, unless otherwise specified.

Certain numbers presented in this Circular have been rounded off to the nearest million or thousand or 1 decimal place, where applicable and hence may not be exact. Any discrepancies in the tables included in this Circular between the amounts listed and the total thereof are due to rounding.

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TABLE OF CONTENTS

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED ACQUISITION. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR IN ITS ENTIRETY WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM.

Salient information		Description
Details of the Proposed Acquisition	:	The Proposed Acquisition entails the acquisition by AP F&B of the entire enlarged equity interest in High Reserve for the Purchase Consideration. The Purchase Consideration of RM36 million is to be satisfied *via* the allotment and issuance of 282,874,617 Consideration Shares at the Issue Price and RM17.5 million in cash. Pursuant to the SSA, the Vendors guarantee and undertake that High Reserve shall achieve a minimum audited consolidated PAT of RM2.1 million for the First Profit Guarantee and Second Profit Guarantee Period respectively. Upon completion of the Proposed Acquisition, High Reserve will be an indirect wholly-owned subsidiary of our Company. Please refer to **Section 2 of Part A** of this Circular for further information.
Rationale for the Proposed Acquisition	:	The Proposed Acquisition is part of our Group's on-going efforts to expand our food and beverage business segment. The High Reserve Group currently owns and operates 4 Uncle Don's restaurant outlets located in Kepong, Sri Petaling, Kajang and Rawang. As the said restaurant outlets are on-going business, the Proposed Acquisition would allow our Group to increase our chain of Uncle Don's restaurant outlets from 3 to 7 Uncle Don's restaurant outlets, thereby enabling us to expeditiously expand our food and beverage business segment.
Risk factors	:	In view that our Group is already in the business of operating Uncle Don's restaurant outlets, the Proposed Acquisition is not expected to expose our Group to any significant new risk that is not within our current business activities. The potential risk factors in relation to the Proposed Acquisition are as follows: **(i) Non-completion of the Proposed Acquisition** The Proposed Acquisition is conditional upon the fulfilment and/or waiver of the conditions precedent as set out in the SSA. The SSA may be terminated in the event the conditions precedent in the SSA are not fulfilled or obtained within the stipulated timeframe. In the event of termination of the SSA, our Group would not be able to realise the expected benefits of the Proposed Acquisition as set out in **Section 3 of Part A** of this Circular. **(ii) Impairment of goodwill** Our Group will recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of the assets and liabilities acquired as at the Completion Date. Subsequent to initial recognition, goodwill is tested for impairment periodically. Any fair value adjustments allocated to the identifiable assets and liabilities and impairment of goodwill, if any, from the Proposed Acquisition may affect our enlarged Group's financial position and earnings.

Salient information		Description
Risk factors *(Cont'd)*	:	**(iii) Termination or Non-renewal Risks of the Uncle Don's Franchise Agreements** The High Reserve Group's Uncle Don's restaurant outlets are dependent on the Uncle Don's Franchise Agreements to operate and there is no assurance that the Uncle Don's Franchise Agreements will be renewed upon expiry. In addition, failure to comply with all the terms and conditions as set out in the Uncle Don's Franchise Agreements may lead to early termination of the said franchise agreement by the Franchisor. Early termination or failure to renew the Uncle Don's Franchise Agreements are envisaged to adversely affect the High Reserve Group's future financial performance as the affected Uncle Don's restaurant outlets would not be able to continue to operate under the "Uncle Don's" trade name and using its operational procedures. Please refer to **Section 5 of Part A** of this Circular for further information.
Approvals required	:	The Proposed Acquisition is subject to the following approvals being obtained**:** (i) Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, which was obtained on 25 May 2022 subject to the conditions set out in **Section 8 of Part A** this Circular; (ii) our Company's non-interested shareholders at our Company's forthcoming EGM; and (iii) Uncle Don's Restaurants for the transfer of the Sale Shares from the Vendors to the Purchaser, which was obtained on 22 April 2022. The Proposed Acquisition is not conditional upon any other corporate exercises undertaken or to be undertaken by our Company. Please refer to **Section 8 of Part A** of this Circular for further information.
Directors' statement	:	Our Board (save for the Interested Director), having considered all aspects of the Proposed Acquisition and after careful deliberation, is of the opinion that the Proposed Acquisition is: (i) in the best interest of our Group; (ii) fair, reasonable and on normal commercial terms; and (iii) not detrimental to the interest of our Company's non-interested shareholders. Accordingly, our Board (save for the Interested Director) recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at our Company's forthcoming EGM in order to give effect to the Proposed Acquisition. Please refer to **Section 10 of Part A** of this Circular for further information.

Salient information		Description
Audit and Risk Management Committee's statement	:	Our Audit and Risk Management Committee (save for the Interested Director), having considered all aspects of the Proposed Acquisition and after careful deliberation, is of the opinion that the Proposed Acquisition is: (i) in the best interest of our Group; (ii) fair, reasonable and on normal commercial terms; and (iii) not detrimental to the interest of our Company's non-interested shareholders. Please refer to **Section 11 of Part A** of this Circular for further information.

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DOLPHIN INTERNATIONAL BERHAD
(Registration No. 201201016010 (1001521-X))
(Incorporated in Malaysia)

Registered Office:
308, Block A (3rd Floor)
Kelana Business Centre
97, Jalan SS7/2
Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

10 June 2022

Board of Directors
Serena Goh Fhen Fhen *(Executive Director/Chief Executive Officer)*
Tan Ban Tatt *(Independent Non-Executive Director)*
Lim Seng Hock *(Independent Non-Executive Director)*
Hoh Yeong Cherng *(Non-Independent Non-Executive Director)*
Yeo Boon Ho *(Non-Independent Non-Executive Director)*

To: Our Shareholders

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 24 February 2022, Mercury Securities had, on behalf of our Board, announced that our Company had on even date entered into the SSA with AP F&B and the Vendors for the Proposed Acquisition.

In view of the interests of the Interested Director in the Proposed Acquisition as set out in **Section 9 of Part A** of this Circular, the Proposed Acquisition is deemed a related party transaction pursuant to paragraph 10.08 of the Listing Requirements.

Accordingly, our Board (save for the Interested Director) had on 10 January 2022 appointed SCA as the Independent Adviser to advise our Company's non-interested Directors and non-interested shareholders in respect of the Proposed Acquisition.

On 26 May 2022, Mercury Securities had, on behalf of our Board, announced that Bursa Securities had *vide* its letter dated 25 May 2022 (which was received on 26 May 2022) approved the listing of and quotation for 282,874,617 Consideration Shares on the Main Market of Bursa Securities, subject to the conditions set out in **Section 8 of Part A** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED ACQUISITION, TO SET OUT OUR BOARD'S (SAVE FOR THE INTERESTED DIRECTOR) RECOMMENDATION ON THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition by AP F&B of the entire enlarged equity interest in High Reserve for the Purchase Consideration. The Purchase Consideration is to be paid to the Vendors based on their proportionate holding of the Sale Shares as follows:

			Settlement of the Purchase Consideration			
Vendors	**[i]Sale Shares**		**Cash Consideration**	**Consideration Shares**		**Total**
	'000	**%**	**RM'000**	**'000**	**RM'000**	**RM'000**
Dato' Yeo Boon Leong	2,504	50	8,750	141,437	9,250	18,000
Yeo Boon Thai	1,001	20	3,500	56,575	3,700	7,200
Yeo Boon Ho	1,001	20	3,500	56,575	3,700	7,200
Yeo Soon Bee	502	10	1,750	28,288	1,850	3,600
Total	**5,008**	**100**	**17,500**	**282,875**	**18,500**	**36,000**

Note:

*(i) Being High Reserve's enlarged issued share capital of 5,008,148 High Reserve Shares after capitalisation of Vendors' advances amounting to RM4.6 million into 4,608,148 new High Reserve Shares as set out in **Section 2(i)(g) of Appendix I** of this Circular.*

The Purchase Consideration is to be satisfied in the following manner:

		Mode of Settlement		
No.	**Timing of Settlement**	**Cash Consideration**	**Consideration Shares**	**Total**
		RM'000	**RM'000**	**RM'000**
(i)	Upon execution of the SSA ("**Deposit**")[(a)]	5,400	-	5,400
(ii)	On the Completion Date	7,900	18,500	26,400
(iii)	Within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the First Profit Guarantee Period is made available	[(b)]2,100	-	2,100
(iv)	Within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the Second Profit Guarantee Period is made available	[(b)]2,100	-	2,100
Total		**17,500**	**18,500**	**36,000**

Notes:

(a) The Deposit represents 15% of the Purchase Consideration and was agreed upon with the Vendors after taking into consideration, amongst others, the payment milestone of the Purchase Consideration and the time needed to complete the Proposed Acquisition. In the event of non-completion of the SSA or the SSA is terminated by AP F&B, the Deposit shall be refunded to AP F&B, free of interests, within 3 Business Days from the date of termination of the SSA.

(b) *The First Year Cash Consideration and Second Year Cash Consideration are subject to the High Reserve Group meeting the Profit Guarantee as set out in* ***Section 2.1 of Part A*** *of this Circular.*

Subject to the terms and conditions of the SSA, the Sale Shares shall be acquired from the Vendors free from all encumbrances and together with all rights and benefits attached thereto.

Upon completion of the Proposed Acquisition, High Reserve will be an indirect wholly-owned subsidiary of our Company.

Please refer to **Appendices I and II** of this Circular for the salient terms of the SSA and details of High Reserve respectively.

2.1 Profit Guarantee

Pursuant to the SSA, the Vendors guarantee and undertake that High Reserve shall achieve a minimum audited consolidated PAT of RM2.1 million for the First Profit Guarantee Period and the Second Profit Guarantee Period respectively. The Profit Guarantee shall exclude exceptional gains and losses, if any, achieved during the relevant Profit Guarantee Periods.

In considering the above, the First Year Cash Consideration and the Second Year Cash Consideration shall be made to the Vendors subject to the following:

(i) **First Profit Guarantee Period**

(a) If the High Reserve Group records a PAT that is equivalent to or more than the Profit Guarantee, AP F&B shall pay the First Year Cash Consideration to the Vendors.

(b) If the High Reserve Group records a PAT that is less than the Profit Guarantee or recorded a LAT, AP F&B shall retain the First Year Cash Consideration and no amount shall be released to the Vendors.

(ii) **Second Profit Guarantee Period**

(a) If the aggregate PATs for the Profit Guarantee Periods is equivalent to or more than the total Profit Guarantee of RM4.2 million, AP F&B shall pay the following amount to the Vendors:

Amount payable	=	RM4.2 million	-	Payment made for the First Profit Guarantee Period

(b) If the aggregate PAT for the Profit Guarantee Periods is less than the total Profit Guarantee of RM4.2 million ("**Aggregate Shortfall**"), AP F&B shall pay the following amount to the Vendors:

Amount payable	=	RM4.2 million	-	Aggregate Shortfall	-	Payment made for the First Profit Guarantee Period

(c) If the High Reserve Group suffers an aggregate loss for the Profit Guarantee Periods ("**Aggregate Loss**"), the Vendors shall pay the following amount to AP F&B:

Amount payable	=	Aggregate Loss	+	Payment made for the First Profit Guarantee Period

Notwithstanding that High Reserve recorded a LAT of RM0.02 million during the FYE 31 May 2021, the Board (save for the Interested Director) is of the view that the Profit Guarantee for each of the Profit Guarantee Period is reasonable and realistic after taking into consideration, amongst others, the following key factors:

(i) High Reserve recorded an unaudited PAT of RM0.1 million during the 7-month FPE 31 December 2021 despite being affected by the MCO, which includes the prohibition of dine-in in Klang Valley from May 2021 to August 2021;

(ii) High Reserve had vide shares purchase agreements dated 1 July 2021 acquired 2 additional Uncle Don's restaurant outlets which are expected to contribute positively to its profitability. Based on their unaudited management accounts for the 12-month FPE 30 November 2021, these 2 Uncle Don's restaurant outlets recorded a total gross profit of RM1.0 million;

(iii) High Reserve will operate 4 restaurant outlets during the Profit Guarantee Periods, of which the profitability is expected to increase premised on the expectation that restrictions due to the COVID-19 pandemic will be progressively eased over time. As such, our Company's management expects that these restaurant outlets would generate sufficient profits to meet the Profit Guarantee;

(iv) the key bases and assumptions used in preparing the financial projections of the High Reserve Group as detailed in **Section 2.2** below; and

(v) the High Reserve Group's prospects as set out in **Section 4.3 of Part A** of this Circular.

2.2 Basis and Justification for the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, amongst others, the market value of 100% equity interest in High Reserve of between RM33.0 million to RM38.5 million as appraised by FHCA, the independent business valuer appointed by our Company to appraise the market value of High Reserve.

The valuation was derived by FHCA using the discounted cash flow ("**DCF**") method. For information purposes, the DCF method entails computing the market value of High Reserve based on the present value of its estimated future free cash flows.

Under the DCF method, the High Reserve Group's projected free cash flows to equity ("**FCFE**") are discounted at an appropriate discount rate in order to arrive at its present value. Set out below is a summary of the key bases and assumptions adopted by FHCA in arriving at the High Reserve Group's projected FCFE:

(i) the projection period beginning from 1 January 2022 up to 30 June 2026;

(ii) from 1 January 2022 to 30 June 2022, the High Reserve Group's restaurant outlets are expected to achieve a monthly revenue of between RM283,000 to RM365,000 per restaurant outlet after taking into account the following:

  (a) recovery in restaurant sales as the MCO restrictions progressively relaxed, whereby the recovery state of restaurant sales was made with reference to the respective restaurant outlet's sales for December 2021; and

  (b) the historical monthly revenue of each restaurant outlet (where applicable) prior to the MCO from October 2019 to February 2020 of between RM322,000 to RM366,000.

  Thereafter, the High Reserve Group is expected to achieve a revenue growth of 8% for the FYE 30 June 2023, 10% for the FYE 30 June 2024 and thereafter progressively reduce to 5% in the FYE 30 June 2026;

(iii) the estimated gross profit margin for sale of food and beverage items is approximately 40% throughout the projection period, which was projected based on the past experience of High Reserve's management as well as High Reserve's historical gross profit margin for the FYE 31 May 2019 to FYE 31 May 2021 of between 29.7% to 41.5%;

(iv) the PBT is subject to Malaysia's statutory corporate income tax rate of 24%;

(v) all Uncle Don's franchise agreements in relation to the High Reserve Group will be renewed upon expiry; and

(vi) 1.0% terminal growth rate.

The discount rates used to discount the High Reserve Group's projected FCFE is 10.2%, which was derived based on FHCA's estimate of the High Reserve Group's cost of equity using the capital asset pricing model.

Based on the DCF method, FHCA opined that the market value of 100% equity interest in High Reserve is between RM33.0 million to RM38.5 million.

The Board (save for the Interested Director) opined that the Purchase Consideration is justified after taking into consideration, amongst others, the following key factors:

(i) the Profit Guarantee by the Vendors;

(ii) the Purchase Consideration is within the range of High Reserve's market value of between RM33.0 million to RM38.5 million as appraised by FHCA; and

(iii) the benefits to be derived from the Proposed Acquisition as detailed in **Section 3 of Part A** of this Circular.

For information purposes, the Purchase Consideration implies a price-to-earnings multiple ("**PE Multiple**") of 17.1 times to the Profit Guarantee, which is lower than the PE Multiple of our Company's acquisition of the entire equity interest in AP F&B in 2020 of 20.0 times to the then profit guarantee.

2.3 Basis and Justification for the Issue Price

The Issue Price of RM0.0654 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the 5-day VWAP of Dolphin Shares up to the LTD of RM0.0654 *(Source: Bloomberg)*.

For information purpose, the Issue Price is lower than the closing market price of Dolphin Shares of RM0.07 as at the LTD. However, the 5-day VWAP was adopted as the basis for the Issue Price as the 5-day VWAP is less susceptible to fluctuation as compared to using the closing market price.

The market prices of Dolphin Shares was on a downward trend over the past 1 year up to the LTD which may be attributable to Dolphin's prospects being dampened by the restrictions imposed due to COVID-19 pandemic and therefore, the Issue Price represents a discount of between 5.4% to 32.8% to the 1-month, 3-month, 6-month and 12-month VWAP of Dolphin Shares up to the LTD, and as at the LPD as follows:

	VWAP	**Premium/(Discount)**	
	RM	**RM**	**%**
VWAP up to the LTD:			
• 1-month	0.0691	(0.0037)	(5.4)
• 3-month	0.0732	(0.0078)	(10.7)
• 6-month	0.0795	(0.0141)	(17.7)
• 12-month	0.0973	(0.0319)	(32.8)
As at the LPD	0.0550	0.0104	18.9

(Source: Bloomberg)

Notwithstanding the above, our Board (save for the Interested Director) is of the view that the Issue Price is reasonable as the market price has continue to decline and the Issue Price represents a premium of RM0.0104 or 18.9% to the market price of Dolphin Shares as at the LPD.

2.4 Sources of Funding

The Deposit and the cash consideration to be paid on the Completion Date totalling RM13.3 million will be funded by our Group's internally generated funds, part of the proceeds raised from our previous fund-raising exercises, i.e. the Rights Issue and placements, as detailed in our announcement on 24 February 2022 and/or bank borrowings.

The First Year Cash Consideration and the Second Year Cash Consideration will be funded through our Group's internally generated funds.

2.5 Ranking of Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with our then existing Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of the Consideration Shares.

2.6 Listing of and Quotation for the Consideration Shares

Bursa Securities had, vide its letter dated 25 May 2022, given its approval for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities subject to the conditions set out in **Section 8 of Part A** of this Circular.

2.7 Vendors' Original Cost of Investment in High Reserve

The Vendors' original cost of investment in High Reserve are as follows:

Year of investment	Original cost of investment
	RM'000
2018	700
2019	100
2021	849
2022	3,455

2.8 Liabilities to be Assumed and Additional Financial Commitment

Save for the liabilities as stated in the financial statements of the High Reserve Group which will be consolidated into our Group after the Proposed Acquisition, there are no other liabilities, contingent liabilities or guarantees to be assumed by our Group pursuant to the Proposed Acquisition.

The Proposed Acquisition is not expected to give rise to any additional financial commitment by our Group in order to put the High Reserve Group's business on-stream as they are operating entities with on-going business.

3. RATIONALE FOR THE PROPOSED ACQUISITION

As at the LPD, our Group is principally involved in the following business activities:

(i) operating of restaurant outlets as well as trading of food products ("**Food and Beverage Segment**"), where our Group currently owns and operates 3 Uncle Don's restaurant outlets in Setia Alam, Danau Desa and Ipoh, 1 Uncle Don's express outlet in Subang Jaya and 1 Italian restaurant, "Verona Trattoria" in Petaling Jaya;

(ii) provision of sales, services and contract works relating to palm oil mill ("**Palm Oil Milling Segment**"); and

(iii) trading of related parts of palm oil mill as well as provision of related engineering services ("**Trading and Services Segment**").

Set out below is a summary of our Group's segmental revenue and PBT/LBT for the FYE 30 June 2021 and 9-month FPE 31 March 2022:

	Audited FYE 30 Jun 2021				**Unaudited 9-month FPE 31 Mar 2022**			
Segment	**Revenue**		**PBT**		**Revenue**		**PBT**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Food and Beverage Segment	4,433	49.6	83	(0.2)	6,573	96.7	(78)	2.2
Palm Oil Miling Segment	3,678	41.2	(15,255)	37.9	165	2.4	(1,646)	45.3
Trading and Services Segment	826	9.2	(326)	0.8	59	0.9	(365)	10.0
Investment holding	-	-	(24,765)	61.5	-	-	(1,545)	42.5
Total	**8,937**	**100.0**	**(40,263)**	**100.0**	**6,797**	**100.0**	**(3,634)**	**100.0**

As set out above, our Food and Beverage Segment has been marginally loss-making due to the expenses incurred to open a new convinience store but was the key revenue contributor to our Group over the financial year/period under review. Thus, our Group intends to further expand this segment through, amongst others, the Proposed Acquisition.

Our Board has also considered the following aspects in relation to the Proposed Acquisition:

(i) Value creation to our Company and our shareholders

The High Reserve Group currently owns and operates 4 Uncle Don's restaurant outlets in Kepong, Sri Petaling, Kajang and Rawang. In view that the said restaurant outlets are on-going business, the Proposed Acquisition would allow our Group to increase our chain of Uncle Don's restaurant outlets from 3 to 7 Uncle Don's restaurant outlets, thereby enabling us to expeditiously expand our Food and Beverage Segment.

In addition, the 4 Uncle Don's restaurant outlets are located within the urban area of Klang Valley where foot traffic is generally higher and urban residents tend to have higher spending power and propensity for dining out as compared to rural dwellers. Hence, owing to their strategic locations, the prospects of the said restaurant outlets are expected to be positive.

Our Group also expects to achieve greater economies of scale through the Proposed Acquisition. Over the past year, the operating cost of our Group's Uncle Don's restaurant outlets in Setia Alam and Danau Desa were relatively high due to spoilage of perishable food items especially during the MCO periods when dine-in was restricted.

With the Proposed Acquisition, the enlarged Dolphin Group would have a more efficient allocation of perishable food items amongst its chain of restaurant outlets and thus, is expected to reduce spoilage of perishable food items and thereby lower operating costs. In addition, post-completion of the Proposed Acquisition, our enlarged Group would also be able to bulk purchase food items from the central kitchen of Uncle Don's and thereby, enjoy bulk purchase discount which is not restricted by the Uncle Don's franchise agreements. Further, our enlarged Group would also be able to re-deploy our human resources within our chain of restaurant outlets as and when the need arises.

As such, the Proposed Acquisition is envisaged to be synergistic and value accretive to our Group. In addition, as part of our strategy, we will continue to explore all viable options to grow our Food and Beverage segment which may include opening and/or acquiring Uncle Don's restaurant outlets.

(ii) Impact on our Company and shareholders

Pursuant to the SSA, the Vendors guarantee and undertake that High Reserve shall achieve a minimum audited consolidated PAT of RM2.1 million for the First Profit Guarantee and Second Profit Guarantee Period respectively.

In addition, as set out in **Section 4.2 of Part A** of this Circular, the prospects of the food and beverage service market in Malaysia is expected to be positive, after taking into consideration, amongst others, rising urbanisation and income levels in Malaysia, the on-going lifestyle to dine at full-service restaurants and the proliferation of the use of electronic applications for takeaway.

As such, the Proposed Acquisition is expected to contribute positively to our Group's future financial performance.

(iii) Adequacy in addressing our Company's financial concerns

For the FYE 30 June 2021, our Food and Beverage Segment recorded a PBT despite our Group recording losses during the same financial year/period.

The Proposed Acquisition would allow our Group to expeditiously expand our profitable Food and Beverage Segment. In addition to the expected earnings contribution from the High Reserve Group *via* the Profit Guarantee, our Group is also anticipated to be able to realise synergies and value accretion which would benefit our Group's existing Uncle Don's restaurant outlets.

In addition, our Board (save for the Interested Director) is of the view that the issuance of Consideration Shares as part settlement of the Purchase Consideration will enable our Group to conserve our cash resources, thereby allowing our Group to have greater financial footing and flexibility.

After taking into consideration the above, our Board (save for the Interested Director) believes that the Proposed Acquisition is an attractive business proposition for our Group to embark on.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and Outlook of the Malaysian Economy

The Malaysian economy grew by 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). Growth was supported mainly by higher domestic demand as economic activity continued to normalise with the easing of containment measures. The improvement also reflects the recovery in the labour market and continued policy support. In addition, strong external demand, amid the continued upcycle in global technology, provided a further lift to growth. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 3.9% (4Q 2021: 4.6%).

(Source: BNM Quarterly Bulletin- 1st Quarter 2022, Bank Negara Malaysia)

Commenting on the outlook for 2022, Bank Negara Malaysia Governor Tan Sri Nor Shamsiah said, "The domestic economy is expected to improve further this year, with growth projected at 5.3% to 6.3% as announced in March 2022. This is underpinned by stronger domestic demand, continued expansion in external demand, and further improvement in the labour market. Growth would also benefit from the easing of restrictions, reopening of international borders and implementation of investment projects". Nevertheless, risks to Malaysia's growth momentum remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2022, Bank Negara Malaysia)

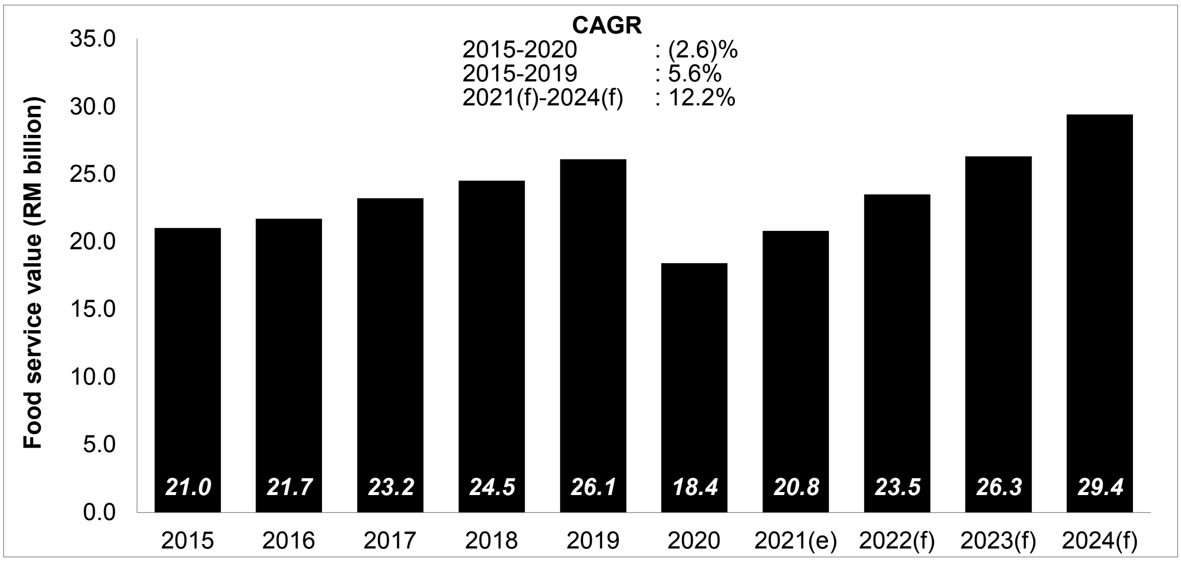
4.2 Overview and Outlook of the Full-service Restaurant Segment of the Food and Beverage Service Market in Malaysia

The overall food and beverage service market size in Malaysia, depicted by food service value, grew from RM34.8 billion in 2015 to an estimated RM36.7 billion in 2020, registering a compound annual growth rate ("**CAGR**") of 1.1%. Food service refers to the sale of food and beverages that are prepared for immediate consumption or for takeaways and home deliveries.

As a subset of the overall food and beverage service market, the full-service restaurant segment is estimated to have accounted for 50.1% of the total market size in 2020. The full-service restaurant segment was estimated to grow at a CAGR of 5.6% during the period of 2015 to 2019, from RM21.0 billion to an estimated RM26.1 billion.

However, in 2020, the full-service restaurant segment adversely impacted by the global outbreak of COVID-19. The implementation of the national lockdown policy to curb the spread of the virus in the country restricted dining out at full-service restaurants. This led to a sharp drop in the full-service restaurant segment from RM26.1 billion in 2019 to RM18.4 billion in 2020, registering a declining CAGR of 29.5%.

Nevertheless, the segment is expected to recover in the following years as the economy reopens and is expected to continue to be driven by rising urbanisation and income levels in the country, on-going lifestyle trend to dine at full-service restaurants, availability of a diverse range of cuisines as well as the use of applications and electronic wallets. Moving forward, the full-service restaurant segment is estimated to recover to RM20.8 billion in 2021 and reach RM29.4 billion by 2024, growing at a CAGR of 12.2% over the period as follows:



Notes:

(i) e – Estimate

(ii) f – Forecast

(Source: IMR Report)

The growth projection is expected to be driven by the following key factors:

(i) Rising urbanisation and income levels will lead to greater spending power for dining out

Malaysia continues to experience a rise in urbanisation and this is expected to lead to increased demand for convenience. Compared to rural dwellers, urban residents have greater spending power and lead busier lives and thus, have greater propensity for dining out. As a result, the full-service restaurant segment in Malaysia is expected to continue experiencing growth in demand.

In addition, as Malaysia's urbanisation rate continues to rise, the living standards and disposable income of the population will continue to improve in the long-term, especially for urban households. Malaysia's gross national income per capita grew from RM36,710 in 2015 to RM45,874 in 2021. The long-term growth of disposable income will support the urban population's growing demand for dining out in restaurants, including full-service restaurants.

While the economy in Malaysia is expected to be impacted by the global outbreak of COVID-19, the economy is anticipated to progressively recover in the following years, with the support of economic stimulus packages announced by the Malaysian Government. In particular, the Malaysian Government had announced stimulus packages to stimulate the growth of the local economy.

(ii) The on-going lifestyle trend to dine at full-service restaurants in Malaysia will continue to support the growth of the full-service restaurant segment

In Malaysia, dining at full-service restaurants has become a common lifestyle habit amongst both single adults and families. Besides being able to provide food and drink, these establishments are also a venue for them to socialise.

It is also common for single adults and families to celebrate personal and corporate events as well as festivities in full-service restaurants. As Malaysia is a multi-racial country, there are many festivities that occur throughout the year including Chinese New Year, Hari Raya Aidilfitri, Deepavali and Christmas. This provides full-service restaurants the opportunity to generate higher revenues during festive seasons. It is expected that the trend of dining out in Malaysia will continue after the outbreak of COVID-19 has been kept under control in the country and as the country enters into the "Transition into Endemic" phase.

(iii) The availability of a diverse range of cuisines in Malaysia will continue to support the growth of the full-service restaurant segment

Malaysia's full-service restaurant segment offers customers a diverse range of cuisines, ranging from local cuisines such as Malay, Chinese and Indian to foreign cuisines such as Thai, Vietnamese and Italian. As such, it is common for locals and foreigners to dine out to try a variety of cuisines in Malaysia.

The growing number of full-service restaurants offering different dining options and a variety of cuisines has been instrumental in the growth of the full-service restaurant segment of the food and beverage service market in Malaysia.

(iv) Applications and electronic wallets serve as a new marketing avenue for the food and beverage service industry, and will thus contribute to the growth of the full-service restaurant segment

There is an increasing number of applications in Malaysia which enable delivery and takeaway services, introduce restaurants in a particular location and provide discount vouchers. Delivery and takeaway service applications such as "DeliverEat", "Foodpanda" and "GrabFood" enable full-service restaurants to not only serve the customers patronising their outlet, but also customers ordering through these applications. These delivery and takeaway service applications have also been essential in allowing full-service restaurants to operate during the national lockdown period, and it is anticipated that these applications will continue supporting the growth of the full-service restaurant segment after the national lockdown policy has been lifted in the country.

Meanwhile, applications which introduce new restaurants such as "Zomato" and "Jalan Jalan Cari Makan" allow potential customers to search for restaurants in a particular area and view the ratings from past customers. In addition, there are also applications that provide discount vouchers such as "Entertainer" and "Fave" which allow customers to purchase vouchers to dine at food and beverage service outlets at a discounted rate. These 2 types of applications serve as new marketing tools for food and beverage service outlets and will indirectly encourage dining out at full-service restaurants.

Further, going cashless is also becoming popular through electronic wallet service providers such as “Boost”, “GrabPay” and “Touch ‘n Go” eWallet. These electronic wallet service providers have been actively offering marketing promotions, which include discounts and vouchers in full-service restaurants. These promotions together with the increasing adoption of electronic wallet are expected to contribute positively to the growth of the full-service restaurant segment of the food and beverage service market in Malaysia.

Recognising the need for businesses to digitalise operations, the Malaysian Government has also announced, through the Budget 2022, an allocation of RM30.0 million to implement an Industry 4.0 innovation hub and RM20.0 million for Cradle Fund Sdn Bhd to oversee the centralisation of technology and innovation in local businesses. This has, and is expected to, drive digitalisation amongst full-service restaurants to have their own digital platform to facilitate ordering and back-end operations as well as takeaway or delivery. The digitalisation of their businesses will enable these full-service restaurants to remain competitive.

(v) The Malaysian Government’s initiatives to promote growth in the food and beverage service industry

In July 2020, in an effort to revitalise businesses within the retail and food and beverage industries in the wake of the COVID-19 pandemic, the Malaysia Productivity Corporation has collaborated with the Retail and Food and Beverage Productivity Nexus to provide businesses with advisories and consultations *via* the Retail and F&B Retail Advisory Clinics. The goal of the Retail and F&B Retail Advisory Clinics is to provide aid to businesses to help them overcome the economic challenges of the pandemic by providing advisories on branding and marketing strategies, supply chain management, business digitalisations, human resource management, business operations and standard operating procedures as well as funding and finance.

Additionally, in February 2021, the Malaysian 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.

Further, the Blueprint also aims to gather more food and beverage businesses onboard e-commerce to optimise their operations and improve customer experience by accelerating e-commerce onboarding programme for offline food and beverages businesses. The Malaysian 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 initiatives are expected to drive industry players to adopt various new strategies not limited to, optimizing business operations, business digitalisation, and improving customer service, which will aid in the growth of the food and beverage service market in Malaysia.

(Source: IMR Report)

4.3 Prospects of the High Reserve Group

The High Reserve Group's Uncle Don's restaurant outlets are part of the larger restaurant chain under the franchise and branding of "Uncle Don's" which currently has 38 outlets in Malaysia (including those operated by the High Reserve Group and our Group), whereby the majority of them are located in Klang Valley. As part of the larger restaurant chain of Uncle Don's, the High Reserve Group's 4 restaurant outlets stand to benefit from, amongst others, the brand recognition of Uncle Don's which would enable them to better compete in the food and beverage industry *vis-a-vis* other smaller restaurant chains and/or independent restaurant owners.

The 4 Uncle Don's restaurant outlets of High Reserve Group are located in Kepong, Sri Petaling, Kajang and Rawang, all of which are within the urban areas of Klang Valley where population density is higher and urban residents who tend to have greater spending power and propensity for dining out. Besides, growing proliferation of food delivery options are also expected to contribute positively to restaurant sales as it allows restaurants to serve diners who wish to dine at their own place instead. In addition, the floor area of the respective Uncle Don's restaurant outlets of High Reserve Group is more than 3,000 sq. ft., which are large enough to host individual or corporate events and functions.

In addition to the above, our Company expects to achieve greater economies of scale and cost savings through our larger chain of Uncle Don's restaurant outlets due to the following:

(i) more efficient allocation of perishable food items amongst our enlarged chain of Uncle Don's restaurant outlets which is expected to reduce spoilage of perishable food items;

(ii) bulk purchase of food items from the central kitchen of Uncle Don's and thereby, enable our Group to negotiate for bulk purchase discount; and

(iii) re-deployment of our Dolphin Group's human resources within our enlarged chain of restaurant outlets as and when the need arises.

In addition, as set out in **Section 4.1** above, the Malaysian economy is expected to progressively recover and to achieve growth of between 5.3% and 6.3% in 2022. The positive economic outlook is expected to result in increasing consumer spending which on an overall basis, would bode well to the food and beverage service.

After taking into consideration the above as well as the outlook of the full-service restaurant segment of the food and beverage service market in Malaysia as set out in **Section 4.2** above, our Board (save for the Interested Director) is optimistic of the High Reserve Group's long-term prospects.

5. RISK FACTORS

In view that our Group is already in the business of operating Uncle Don's restaurant outlets, the Proposed Acquisition is not expected to expose our Group to any significant new risk that is not within our current business activities.

The potential risk factors in relation to the Proposed Acquisition, if implemented, which may not be exhaustive, are as follows:

(i) Non-completion of the Proposed Acquisition

The Proposed Acquisition is conditional upon the fulfilment and/or waiver of the conditions precedent as set out in the SSA, as the case may be, within the timeframe as stipulated therein, including our Company's non-interested shareholders' approval for the Proposed Acquisition at the forthcoming EGM.

The SSA may be terminated in the event the conditions precedent in the SSA are not fulfilled or obtained within the stipulated timeframe. In the event of termination of the SSA, our Group would not be able to realise the expected benefits of the Proposed Acquisition as set out in **Section 3 of Part A** of this Circular.

Notwithstanding the foregoing, our Board will endeavour to take all reasonable steps to procure fulfilment of all the conditionsprecedent in the SSA within the stipulated timeframe for the timely completion of the Proposed Acquisition.

(ii) Impairment of goodwill

Our Group will recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of the assets and liabilities acquired as at the Completion Date. Subsequent to initial recognition, goodwill is tested for impairment periodically. Any fair value adjustments allocated to the identifiable assets and liabilities and impairment of goodwill, if any, from the Proposed Acquisition may materially and/or adversely affect our enlarged Group's financial position and earnings.

Notwithstanding the foregoing, our Company will mitigate the abovementioned risk by closely monitoring the High Reserve Group's financial performance and will develop appropriate business strategies towards the achievement of the High Reserve Group's financial targets.

(iii) Termination or Non-renewal Risks of the Uncle Don's Franchise Agreements

The High Reserve Group's Uncle Don's restaurant outlets are dependent on the Uncle Don's Franchise Agreements to operate and there is no assurance that the Uncle Don's Franchise Agreements will be renewed upon expiry. In addition, failure to comply with all the terms and conditions as set out in the Uncle Don's Franchise Agreements may lead to early termination of the said franchise agreement by the Franchisor.

Early termination or failure to renew the Uncle Don's Franchise Agreements are envisaged to adversely affect the High Reserve Group's future financial performance as the affected Uncle Don's restaurant outlets would not be able to continue to operate under the "Uncle Don's" trade name and using its operational procedures.

Our Group endeavours to take all reasonable steps to mitigate this risk such as retaining and/or hiring suitable and experienced key management personnel to oversee the operations of the High Reserve Group's Uncle Don's restaurant outlets to ensure that the restaurant outlets will carry out their business and operations in accordance with the policies and standard operating procedures as set out in the Uncle Don's Franchise Agreements.

6. EFFECTS OF THE PROPOSED ACQUISITION

The pro forma effects of the Proposed Acquisition on our Group are set out below.

6.1 Issued Share Capital

The Proposed Acquisition is expected to result in an increase in our Company's issued share capital due to the issuance of Consideration Shares. The pro forma effects of the Proposed Acquisition on our Company's issued share capital are as follows:

	No. of Shares	RM
Issued share capital as at the LPD	1,055,008,431	74,918,129
To be issued pursuant to the Proposed Acquisition	282,874,617	18,500,000
Enlarged issued share capital	**1,337,883,048**	**93,418,129**

6.2 Substantial shareholders' shareholding

Dato' Yeo Boon Leong, a Vendor in respect of the Proposed Acquisition, will emerge as a substantial shareholder of our Company after the Proposed Acquisition as a result of his receipt of the Consideration Shares. The pro forma effects of the Proposed Acquisition on our Company's substantial shareholders' shareholdings are as follows:

	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares**	**[(i)]%**	**No. of Shares**	**[(i)]%**	**No. of Shares**	**[(ii)]%**	**No. of Shares**	**[(ii)]%**
Asia Poly Holdings Berhad	140,913,184	13.4	-	-	140,913,184	10.5	-	-
Dato' Yeo Boon Leong	-	-	-	-	141,437,309	10.6	-	-

Notes:

(i) *Computed based on total issued Dolphin Shares as at the LPD of 1,055,008,431 Shares.*

(ii) *Computed based on the enlarged issued Dolphin Shares after the Proposed Acquisition of 1,337,883,048 Shares.*

6.3 NA, NA per Share and Gearing

Based on our Company's audited consolidated financial statement as at 30 June 2021 and on the assumption that the Proposed Acquisition was completed as at that date, the pro forma effects of the Proposed Acquisition on our Group's NA and gearing are as follows:

		(I)	(II)
	Audited As at 30 Jun 2021	**[(i)]After subsequent event**	**After (I) and the Proposed Acquisition**
	RM'000	**RM'000**	**RM'000**
Share capital	38,780	47,927	66,427
Foreign currency translation reserve	770	770	770
Warrant reserve	3,846	3,846	3,846
Accumulated losses	(14,169)	(14,536)	[(ii)](15,236)
NA	**29,227**	**38,007**	**55,807**
No. of Dolphin Shares in issue ('000)	935,748	1,055,008	1,337,883
NA per Share (RM)	**0.03**	**0.04**	**0.04**
Total borrowings	10,301	10,301	10,301
Gearing ratio (times)	0.35	0.27	0.19

Notes:

(i) *After taking into consideration the issuance of 119,260,000 Dolphin Shares on 17 November 2021 at an issue price of RM0.0767 each pursuant to the Placement 1 as well as the related estimated expenses of RM0.4 million.*

(ii) *After taking into consideration the estimated expenses in relation to the Proposed Acquisition of RM0.7 million.*

6.4 Earnings and EPS

The Proposed Acquisition is expected to contribute positively to our Group's earnings and EPS. Assuming the Proposed Acquisition had been completed on 1 July 2020, i.e. the beginning of the FYE 30 June 2021, the pro forma effects of the Proposed Acquisition on our Group's earnings and EPS are as follows:

	Audited FYE 30 Jun 2021	After the Proposed Acquisition
	RM'000	**RM'000**
LAT attributable to our Company's shareholders	(40,937)	(40,937)
Add: Profit Guarantee for the First Profit Guarantee Period	-	2,100
Less: Estimated expenses in relation to the Proposed Acquisition	-	(i)(700)
Total	**(40,937)**	**(39,537)**
Weighted average no. of Shares ('000)	935,748	(ii)1,218,623
Loss per Share (sen)	**(4.37)**	**(3.24)**

Notes:

(i) Mainly comprises professional fees amounting to RM0.5 million, stamp duty for the transfer of Sale Shares amounting to RM0.1 million, as well as fees payable to relevant authorities, expenses to convene the EGM, printing costs, sales and services tax and other miscellaneous expenses totalling RM0.1 million.

(ii) After taking into consideration the issuance of 282,874,617 Consideration Shares.

6.5 Convertible Securities

Save for the 183,150,003 outstanding Warrants-B, our Company does not have any other outstanding convertible securities. In accordance with the provisions of the deed poll governing the Warrants-B, the issuance of the Consideration Shares pursuant to the Proposed Acquisition will not result in any adjustment to the exercise price and number of outstanding Warrants-B.

7. FUNDRAISING IN THE PAST 12 MONTHS

The fundraising exercises undertaken by our Company in the past 12 months prior to the announcement of the Proposed Acquisition are as follows:

7.1 Private Placement 1

On 2 August 2021, our Company proposed to undertake a placement of up to 335,669,500 new Dolphin Shares to third party investors ("**Private Placement 1**").

On 17 November 2021, our Company had issued 119,260,000 new Dolphin Shares at an issue price of RM0.0767 each under the Private Placement 1.

As at the LPD, the proceeds raised and utilised under the Private Placement 1 are as follows:

Purpose	**(i)Approved utilisation of proceeds**	**Partial proceeds raised as at the LPD**	**Actual utilisation of proceeds raised as at the LPD**	**Timeframe for utilisation (from the date of listing of the placement shares)**
	RM'000	**RM'000**	**RM'000**	
Working capital for UD Express Outlets	5,000	-	-	Within 42 months
Working capital for our Group	4,466	-	-	Within 24 months
Set-up cost for UD Express Outlets	7,982	5,750	410	Within 42 months
Repayment of bank borrowings	3,000	-	-	Within 6 months
Future expansion and acquisition for food and beverage business	3,000	2,797	2,797	Within 24 months
Cash Consideration	2,000	-	-	Within 12 months
Estimated expenses for the Private Placement 1	600	600	384	Within 1 month
Total	**26,048**	**9,147**	**3,591**	

Note:

(i) *After taking into consideration the variation of utilisation of proceeds which was announced on 24 February 2022.*

7.2 Private Placement 2

On 26 January 2021, our Company proposed to undertake a placement of up to 186,322,592 new Dolphin Shares to third party investors ("**Private Placement 2**").

On 25 February 2021, our Company had issued 135,607,860 Dolphin Shares at an issue price of RM0.0719 each under the Private Placement 2.

As at the LPD, the proceeds raised and utilised under the Private Placement 2 are as follows:

Purpose	**(i)Approved utilisation of proceeds**	**Actual utilisation of proceeds raised as at the LPD**	**Timeframe for utilisation from the date of listing of the placement shares**
	RM'000	**RM'000**	
Working capital for Uncle Don's restaurant outlets	2,000	-	Within 12 months
Set up costs for a new distribution company	1,150	-	Within 21 months

Purpose	[(i)]Approved utilisation of proceeds	Actual utilisation of proceeds raised as at the LPD	Timeframe for utilisation from the date of listing of the placement shares
	RM'000	RM'000	
Building renovation works	421	421	-
Repayment of bank borrowings	1,700	1,700	-
Working capital for our Group	2,376	1,725	Within 21 months
Cash Consideration	1,979	-	Within 24 months
Estimated expenses for the Private Placement 2	139	139	-
Total	**9,765**	**3,985**	

Note:

(i) After taking into consideration the variation of utilisation of proceeds and timeframe for utilisation which was announced on 24 February 2022.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to approvals being obtained from the following:

(i) Bursa Securities for the listing of and quotation for 282,874,617 Consideration Shares on the Main Market of Bursa Securities, which was obtained *vide* its letter dated 25 May 2022 subject to the following conditions:

No.	Condition	Status of compliance
(a)	Dolphin and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied
(b)	Dolphin and Mercury Securities to inform Bursa Securities upon the completion of the Proposed Acquisition;	To be complied
(c)	Dolphin to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed Acquisition; and	To be complied
(e)	Dolphin and Mercury Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed.	To be complied

(ii) our Company's non-interested shareholders at the forthcoming EGM; and

(iii) Uncle Don's Restaurants, i.e. the franchisor for the High Reserve Group's restaurant outlets, for the transfer of the Sale Shares from the Vendors to the Purchaser, which was obtained on 22 April 2022.

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

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Listing Requirements is approximately 95.1%, computed based our Company's audited consolidated financial statements for the FYE 30 June 2021 and after adjusted for a subsequent completed transaction i.e. the Placement.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Yeo Boon Ho, a Director of our Company is a Vendor in respect of the Proposed Acquisition as well as a sibling to the other Vendors and thus, is deemed interested in the Proposed Acquisition. As at the LPD, the direct and/or indirect shareholdings of the Interested Director are as follows:

	Direct		Indirect	
Name	**No. of Shares**	**(i)%**	**No. of Shares**	**(i)%**
Yeo Boon Ho	100,000	(ii)	-	-

Notes:

(ii) Computed based on total issued Dolphin Shares as at the LPD of 1,055,008,431 Shares.

(iii) Less than 0.1%.

The Interested Director has abstained and will continue to abstain from all deliberations and voting on the Proposed Acquisition at the relevant board meetings of our Company and has undertaken to ensure that he and persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Save as disclosed above, none of the Directors and/or major shareholders of our Company and/or persons connected with them, have any interest, direct or indirect, in relation to the Proposed Acquisition.

10. DIRECTORS' STATEMENT

Our Board (save for the Interested Director), having considered all aspects of the Proposed Acquisition including but not limited to, the salient terms of the SSA, the rationale for the Proposed Acquisition, the basis and justification for the Purchase Consideration, prospects of the High Reserve Group, effects of the Proposed Acquisition as well as the evaluation of the Independent Adviser, and after careful deliberation, is of the opinion that the Proposed Acquisition is:

(i) in the best interest of our Group;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of our Company's non-interested shareholders.

Accordingly, our Board (save for the Interested Director) recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at our Company's forthcoming EGM in order to give effect to the Proposed Acquisition.

11. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

Dolphin's Audit and Risk Management Committee (save for the Interested Director), having considered all aspects of the Proposed Acquisition including but not limited to, the salient terms of the SSA, the rationale for the Proposed Acquisition, the basis and justification for the Purchase Consideration, prospects of the High Reserve Group, effects of the Proposed Acquisition as well as the evaluation of the Independent Adviser, and after careful deliberation, is of the opinion that the Proposed Acquisition is:

(i) in the best interest of our Group;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of our Company's non-interested shareholders.

12. INDEPENDENT ADVISER

In view that the Proposed Acquisition is deemed a related party transaction pursuant to paragraph 10.08 of the Listing Requirements, our Board (save for the Interested Director) had appointed SCA as the Independent Adviser:

(i) to comment as to whether the Proposed Acquisition is fair and reasonable insofar as our Company's non-interested shareholders are concerned and whether the Proposed Acquisition is to the detriment of our Company's non-interested shareholders; and

(ii) to advise Dolphin's non-interested shareholders on whether they should vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at our Company's forthcoming EGM.

13. OTHER CORPORATE PROPOSALS

Save for the Private Placement 1 as detailed in **Section 7.1 of Part A** of this Circular and the Proposed Acquisition, there are no other corporate exercises which have been announced by Dolphin but are pending completion.

14. TRANSACTION WITH THE RELATED PARTY FOR THE PRECEDING 12 MONTHS

There are no transactions entered into between Dolphin and the Interested Director for the preceding 12 months prior to the date of this Circular.

15. TENTATIVE TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Acquisition is expected to be completed by the 3rd quarter of 2022.

16. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of our Company's Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High	Low
	RM	RM
2021		
May	0.100	0.080
June	0.090	0.075
July	0.080	0.070
August	0.100	0.075
September	0.090	0.080
October	0.090	0.065
November	0.070	0.060
December	0.100	0.080
2022		
January	0.085	0.065
February	0.075	0.065
March	0.065	0.050
April	0.065	0.055

The last transacted market price of Dolphin Shares as at the LTD and LPD is RM0.070 and RM0.055 respectively.

(Source: Bloomberg)

17. EGM

The EGM will be conducted on a fully virtual basis through live streaming and online remote participation and electronic voting ("**RPEV**") facilities *via* online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657), provided by Boardroom Share Registrars Sdn Bhd in Malaysia on Monday, 27 June 2022 at 10.30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution with or without modification, in order to give effect to the Proposed Acquisition.

If you are unable to participate remotely at the EGM *via* RPEV, you may complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of our Share Registrar i.e. Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, or by electronic lodgement *via* the Share Registrar's website, Boardroom Smart Investor Portal at https://investor.boardroomlimited.com, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.

The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The completion and return of Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so. Please refer to **Appendix IX** of this Circular for the Administrative Guide for the fully virtual EGM.

18. FURTHER INFORMATION

You are advised to refer to the ensuing appendices set out in this Circular for further information.

Yours faithfully
For and on behalf of the Board of
DOLPHIN INTERNATIONAL BERHAD

SERENA GOH FHEN FHEN
Executive Director/Chief Executive Officer

PART B

INDEPENDENT ADVICE LETTER FROM SCA TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION

All definitions used in the Executive Summary shall have the same meaning as the words and expressions as defined in the "Definitions" section as well as the relevant sections in Part A of the Circular except where the context otherwise requires or where otherwise defined in this IAL. All references to "you" are references to the non-interested shareholders of Dolphin, whilst references to "we, us or our" are references to SCA, being the Independent Adviser for the Proposed Acquisition.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter from the Board as set out in Part A of the Circular together with the accompanying appendices for other relevant information and not to rely solely on the Executive Summary before forming an opinion on the Proposed Acquisition.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

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

1. INTRODUCTION

On 24 February 2022, Mercury Securities had, on behalf of the Board, announced that the Company had on even date entered into the SSA with AP F&B and the Vendors for the Proposed Acquisition.

In view of the interests of the Interested Director in the Proposed Acquisition as set out in **Section 9, Part A** of the Circular, the Proposed Acquisition is deemed a related party transaction pursuant to paragraph 10.08 of the Listing Requirements.

Accordingly, the Board (save for the Interested Director) had on 10 January 2022 appointed SCA as the Independent Adviser to advise the Company's non-interested Directors and non-interested shareholders in respect of the Proposed Acquisition.

On 26 May 2022, Mercury Securities had, on behalf of the Board, announced that Bursa Securities had *vide* its letter dated 25 May 2022 (which was received on 26 May 2022) approved the listing of and quotation for 282,874,617 Consideration Shares on the Main Market of Bursa Securities, subject to the conditions set out in **Section 8, Part A** of the Circular.

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2. EVALUATION ON THE PROPOSED ACQUISITION

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

Section in this IAL	Area of evaluation	SCA's comments
Section 5.1	**Rationale for the Proposed Acquisition**	We are of the view that the rationale of the Proposed Acquisition is reasonable and not detrimental to the non-interested shareholders of Dolphin. The Proposed Acquisition would accord the Group with the following benefits: (i) Value creation to the Company and its shareholders; (ii) Impact on the Company and shareholders; (iii) Adequacy in addressing the Company's financial concerns; and (iv) issuance of Consideration Shares as part settlement offers the Group greater financial footing and flexibility.
Section 5.2	**Basis and justification for the Purchase Consideration**	We noted that the Purchase Consideration (of RM36.0 million): i. is within the range of the fair value for 100% equity interest in High Reserve which ranges from RM33.0 million to RM38.5 million, as appraised by FHCA; and ii. is within the range of the fair value for 100% equity interest in High Reserve which ranges from RM 34.80 million to RM39.05 million, as appraised by SCA; using the discounted free cash flow to equity ("**FCFE**") and relative valuation approach ("**RVA**") methodologies. We have compared our valuation against FHCA's valuation in arriving at our opinion on the fairness of the Purchase Consideration. We have evaluated and are satisfied with the results of the valuation based on the reasonableness of the methodologies, key assumptions made and risks highlighted in its valuation. We have inferred that the Profit Guarantee of RM2.1 million is intended to reflect High Reserve Group's restaurant business's expected steady annual income stream for a 12-month period moving forward and thus is in line with the implied price earnings ratio or price earnings ("**PE**") multiple of the Purchase Consideration of 17.14 times. The implied PE multiple of 17.14 times falls within the range of the PE multiples of the comparable companies (as defined in Section 5.2.1 of this IAL) of 6.22 times

Section in this IAL	Area of evaluation	SCA's comments
		and 42.30 times and approximates the average PE multiple of 19.45 times and median PE multiple of 15.89 times. We are of the view that the bases and assumptions of the Financial Projections (as defined in Section 5.2.2 of this IAL) prepared by the Representatives of High Reserve are **reasonable** and the valuation of 100% equity interest of High Reserve is **fair**. We noted the average PE multiple of 19.45 times commanded by FHCA's comparable companies, and the average PE multiple of 24.59 times commanded by SCA's comparable companies. Therefore, the Profit Guarantee of RM4.2 million or RM2.1 million for each of the Profit Guarantee Periods, which equates to an implied PE multiple of 17.1 times, is considered to be **fair**. We are of the view the basis in arriving at the Profit Guarantee amount as **fair** salient terms of the Profit Guarantee are **reasonable**. We are of the view the Purchase Consideration is **fair** and the basis in arriving at the Purchase Consideration is **reasonable**.
Section 5.3	**Basis and justification for the Issue Price of the Consideration Shares**	We noted that the Issue Price of the Consideration Shares of RM0.0654 per share was arrived at after taking into consideration the 5-day VWAP of Dolphin Shares up to and including the LTD 23 February 2022, of RM 0.0654. Thus, we have primarily made reference to the following: i. the historical price performance of Dolphin Shares (being the historical 12-months VWAP up to and including the LTD); and ii. the daily closing prices of Dolphin Shares for the 12-month period prior to the LTD (i.e., from 24 February 2021 to the LTD). As per Section 2.3, Part A of the Circular, the 5-day VWAP was adopted as the basis for the Issue Price as it is less susceptible to fluctuation as compared to using the closing market price. This is reasonable, and a standard market practice. We have noted the discounts of the Issue Price as compared to the 1,3,6 and 12-months VWAP up to and including the LTD. We also noted that the market prices of Dolphin Shares were on a downward trend over the past 1 year up to the LTD, which may be attributable to Dolphin's prospects being dampened by restrictions imposed due to the COVID-19 pandemic.

Section in this IAL	Area of evaluation	SCA's comments
		We noted that the Issue Price of RM0.0654 is within the closing price range of Dolphin Shares for the past twelve (12) months prior to the LTD. Premised on our analysis, we are of the view that the issue price for the Consideration Shares is **fair**.
Section 5.4	**Salient terms of the SSA**	We are of the opinion that the salient terms of the SSA are generally **reasonable and not detrimental** to the interests of the non-interested shareholders.
Section 5.5	**Salient terms of the franchise agreements**	We are of the opinion that the salient terms of the franchise agreements are generally **reasonable and not detrimental** to the interests of the non-interested shareholders.
Section 5.6	**Effects of the Proposed Acquisition**	In view that the Proposed Acquisition is settled via a combination of cash considerations and share consideration, thus, this will result in an increase in the issued share capital of Dolphin by RM18.5 million comprising 282,874,617 Dolphin Shares due to the issuance of the Consideration Shares. Proposed Acquisition would result in dilution of the pro forma shareholdings of the non-interested shareholders of Dolphin. Upon completion of the Proposed Acquisition, the Consideration Shares would represent 21.14% of the enlarged number of Dolphin Shares. The pro forma shareholdings of Asia Poly Holdings Berhad will dilute from 13.4% to 10.5%, while Dato' Yeo Boon Leong will increase from nil to 10.6%. Upon completion of the Proposed Acquisition, Dolphin Group's pro forma NA will increase from RM29.23 million to RM 55.81 million. Hence, the pro forma NA per Dolphin Shares would increase from RM0.03 to RM0.04. Following the Proposed Acquisition, Dolphin Group's gearing will decrease from 0.35 times to 0.19 times. The loss per share will decrease from 4.37 sen to 3.24 sen after the Proposed Acquisition. The issuance of the Consideration Shares pursuant to the Proposed Acquisition will not result in any adjustment to the exercise price and number of outstanding convertible securities. Premised on the above, we are of the view that the financial effects of the Proposed Acquisition, taken as a whole, are expected to be beneficial and **not detrimental** to the interest of the non-interested shareholders of Dolphin.
Section 5.7	**Industry overview and future prospects**	We are of the view that the rationale for the Proposed Acquisition is **reasonable** and supported by the

Section in this IAL	Area of evaluation	SCA's comments
		industry overview and future prospects of High Reserve Group, taken as a whole, are expected to be beneficial and **not detrimental** to the interest of the non-interested shareholders of Dolphin.
Section 5.8	**Risk factors of the Proposed Acquisition**	In considering the Proposed Acquisition, the non-interested shareholders of Dolphin are advised to give careful consideration to the following additional risk factors, i.e. high dependence on experienced personnel of High Reserve. We wish to highlight that although measures will be taken by the Board of the enlarged Dolphin Group to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operation and its financial performance, position or prospects of the enlarged Dolphin Group.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition. Based on our evaluation in Section 5 of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** insofar as you are concerned.

In the absence of unforeseen circumstances, the Proposed Acquisition is deemed to be in the **best interest** of the Dolphin Group and not detrimental to the interests of the non-interested shareholders of Dolphin.

Accordingly, we recommend that you should **vote in favour** of the resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

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sierac
corporate advisers
SIERAC CORPORATE ADVISERS SDN BHD *(515853-A)*

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50480 Kuala Lumpur
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10 June 2022

To: The non-interested shareholders of Dolphin International Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITION

This IAL is prepared for inclusion in the Circular. All the definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" are references to SCA, being the Independent Adviser for the Proposed Acquisition.

1. INTRODUCTION

On 24 February 2022, Mercury Securities had, on behalf of the Board, announced that the Company had on even date entered into the SSA with AP F&B and the Vendors for the Proposed Acquisition.

In view of the interests of the Interested Director in the Proposed Acquisition as set out in **Section 9, Part A** of the Circular, the Proposed Acquisition is deemed a related party transaction pursuant to paragraph 10.08 of the Listing Requirements.

Accordingly, the Board (save for the Interested Director) had on 10 January 2022 appointed SCA as the Independent Adviser to advise the Company's non-interested Directors and non-interested shareholders in respect of the Proposed Acquisition.

On 26 May 2022, Mercury Securities had, on behalf of the Board, announced that Bursa Securities had *vide* its letter dated 25 May 2022 (which was received on 26 May 2022) approved the listing of and quotation for 282,874,617 Consideration Shares on the Main Market of Bursa Securities, subject to the conditions set out in Section 8, of Part A of the Circular.

The purpose of this IAL is to provide the non-interested shareholders of Dolphin with an independent evaluation on the fairness and reasonableness of the terms and conditions of the Proposed Acquisition and whether it is detrimental to the non-interested shareholders of Dolphin together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified therein.

Nonetheless, the non-interested shareholders of Dolphin should rely on their own evaluation of the merits of the Proposed Acquisition before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

This IAL is prepared solely for the use of the non-interested shareholders of Dolphin to consider the Proposed Acquisition and should not be used or relied upon by any other party for any other purpose whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

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

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2. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION

SCA was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Acquisition. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to Independent Adviser as set out in the Best Practice Guide in relation to IALs ("**IAL Guide**") issued by Bursa Securities.

Our terms of reference as the Independent Adviser are limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisition insofar as the non-interested shareholders of the Company are concerned based on information and documents made available to us as set out below:

(i) information contained in Part A of the Circular and the accompanying appendices;

(ii) the audited financial statements of Dolphin for the FYE 31 June 2019 to FYE 31 June 2021, as well as the unaudited quarterly results of Dolphin for the 9-month FPE 31 March 2022 and the previous corresponding period;

(iii) the audited financial statements of High Reserve for the FYE 31 May 2019 to FYE 31 May 2021;

(iv) the management accounts of High Reserve for the 7-month FPE 31 December 2021;

(v) the SSA dated 24 February 2022 between AP F&B, Dolphin and the Vendors;

(vi) other information, documents, confirmations and representations furnished to us by the Board (save for the Interested Director), management and/or representatives of the Dolphin Group ("**Representatives of Dolphin**");

(vii) the Financial Projections, other information, documents, confirmations and representations furnished to us by the directors, management and/or representatives of High Reserve ("**Representatives of High Reserve**");

(viii) FHCA's Valuation Letter;

(ix) Franchise agreements and the licensing agreements (terminated with certain terms novated) entered between Uncle Don's Restaurants Sdn Bhd and High Reserve, Oharu Inn Sdn Bhd and Edaran TCQ Sdn Bhd, respectively;

(x) Deed of novation and termination entered between Uncle Don's Restaurants Sdn Bhd and High Reserve, Oharu Inn Sdn Bhd and Edaran TCQ Sdn Bhd, respectively;

(xi) discussions with the Representatives of Dolphin and Representatives of High Reserve; and

(xii) other relevant publicly available information.

We have not independently verified the abovementioned information nor have we conducted any form of independent investigation into the business, affairs, operations, financial position or prospects of the Dolphin Group and High Reserve. We have relied on Representatives of Dolphin and Representatives of High Reserve to take due care in ensuring that all information, documents and/or representations provided to us to facilitate our evaluation and which have been used, referred to and/or relied upon in this IAL have been fully disclosed to us, and are accurate, reasonable, valid and complete in all material aspects and free from material omission.

The Board (save for the Interested Director) has confirmed in writing to us that:

(i) after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein inaccurate, incomplete or misleading in any respect;

(ii) all material facts and information required for the purpose of our evaluation of the Proposed Acquisition have indeed been disclosed to SCA, and there are no facts or information, the omission of which would make any information, confirmation and documents supplied to us misleading, or would materially affect the evaluation, view and recommendations of SCA in this IAL; and

(iii) they have seen, reviewed and accepted this IAL and they individually and collectively accept full responsibility for the accuracy and correctness of the information contained herein.

After having made all reasonable enquiries to the Board (save for the Interested Director), Representatives of Dolphin, as well as Representatives of High Reserve, and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission. We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. SCA shall not undertake any responsibility or liability for any misstatement of fact or from any omissions herein.

The scope of our responsibilities regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions and other implications of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders of Dolphin.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implication of the Proposed Acquisition and therefore are of general concern to the non-interested shareholders of Dolphin to consider and form their views thereon.

Notwithstanding the foregoing, we:

(i) do not express any opinion on the commercial risks or commercial merits of the Proposed Acquisition which remains the sole responsibility of the Board, and where comments or points of consideration are included in certain pertinent matters which may be commercially oriented, these are incidental to our overall evaluation and matters of concern which may be deemed material for disclosure;

(ii) do not express an opinion on legal, accounting and taxation issues relating to the Proposed Acquisition; and

(iii) have not given consideration to the specific investment objective, risk profile, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who is/are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition in the context of their individual investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately. We will not be able to take responsibility for any damages or losses of any kind sustained or suffered by any individual shareholder or group of shareholders in reliance on the opinion stated herein for any purpose whatsoever.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the SSA are able to fulfill their respective obligations thereto. Such conditions may change significantly over a short period of time. In addition, it should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

The following are disclosure requirements made pursuant to the IAL Guide:

(i) We confirm that we are not aware of any conflict-of-interest situation or potential conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposed Acquisition;

(ii) We confirm that we have not had any professional relationship with Dolphin in the past 2 years, save for our role as the Independent Adviser in relation to the transactions as set out in the Circular of Dolphin dated 14 May 2020; and

(iii) We are a holder of a Capital Markets Services License issued by the Securities Commission as a Corporate Finance Adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. We provide a wide range of corporate finance services which includes advising on initial public offerings, IALs, fairness opinions, mergers and acquisitions, valuation exercises and transactions services.

Our credential and experiences as an Independent Adviser for the past 3 years comprises the following:

(i) IAL dated 21 February 2020 included in the circular of Sand Nisko Capital Berhad ("SNCB")

Independent advice to the non-interested shareholders of SNCB in relation to the proposed disposal by SNCB of its entire equity interest in Len Cheong Furniture Sdn Bhd, its wholly-owned subsidiary to DPS Realty Sdn Bhd for a total cash consideration of RM10.0 million.

(ii) IAL dated 15 June 2020 included in the circular of YKGI Holdings Berhad ("YKGI")

Independent advice to the non-interested shareholders of YKGI in relation to the proposed repayment of the amount owing by YKGI to Marubeni-Itochu Steel Inc, who is a major shareholder of YKGI, in cash and the other terms and conditions of which are as contained in the repayment agreement.

(iii) IAL dated 14 May 2020 included in the circular of Dolphin

Independent advice to the non-interested shareholders of Dolphin in relation to the following:

(a) proposed disposal by Dolphin of its 80% equity interest in Dolphin Biogas Sdn Bhd to Asia Poly Green Energy Sdn Bhd for approximately RM2.1 million cash; and

(b) proposed acquisition of 6,000,000 ordinary shares in AP F&B, representing its entire equity interest, by Dolphin from Uncle Don's Holding Sdn Bhd and Asia Poly Holdings Berhad for a purchase consideration of RM22.0 million to be satisfied via issuance of 131,578,947 new Dolphin shares at an issue price of RM0.076 each and RM12.0 million cash.

(iv) IAL dated 11 September 2020 included in the circular of Annum Berhad (*formerly known as Cymao Holdings Berhad* ("Cymao"))

Independent advice to the non-interested shareholders of Cymao in relation to the proposed disposal by Cymao of its entire equity interest in Poly-ply Industries Sdn Bhd to Zinton for a cash consideration of RM9.1 million.

(v) IAL dated 19 November 2020 included in the circular of Vertice Berhad ("Vertice")

Independent advice to the non-interested shareholders of Vertice in relation to the Proposed Disposal of 60% equity interest in Kumpulan Voir Sdn Bhd for a total cash consideration of approximately RM16.41 million.

(vi) IAL dated 30 November 2020 included in the circular of Anzo Holdings Berhad ("Anzo")

Independent advice to the non-interested shareholders of Anzo in relation to the supply agreement, proposed ratification and proposed diversification.

(vii) IAL dated 29 July 2021 included in the circular of Green Packet Berhad ("GPB")

Independent advice to the non-interested shareholders of GPB in relation to the Proposed Disposal of up to 612,570,900 ordinary shares of G3 Global Berhad to Puan Chan Cheong for a cash consideration of up to RM91,885,635.

Premised on the foregoing, SCA has the capability and competency to carry out its role as the Independent Adviser of Dolphin to advise the non-interested shareholders in relation to the Proposed Acquisition and is able to discharge its duties and responsibilities.

3. DETAILS OF THE PROPOSED ACQUISITION

The full details of the Proposed Acquisition are set out in Section 2 of Part A of the Circular and should be read and fully understood in its entirety by the non-interested shareholders of Dolphin.

4. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Yeo Boon Ho, a Director of the Company is a Vendor in respect of the Proposed Acquisition as well as a sibling to the other Vendors and thus, is deemed interested in the Proposed Acquisition.

Save as disclosed above, none of the Directors and/or major shareholders of the Company and/or persons connected with them, have any interest, direct or indirect, in relation to the Proposed Acquisition.

Please refer to **Section 9, Part A** of the Circular for the full details.

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5. EVALUATION ON THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following factors in forming our opinion:

(a)	Rationale of the Proposed Acquisition	Section 5.1
(b)	Basis and justification for the Purchase Consideration	Section 5.2
(c)	Basis and justification for the Issue Price of the Consideration Shares	Section 5.3
(d)	Salient terms of the SSA	Section 5.4
(e)	Salient terms of the franchise agreements	Section 5.5
(f)	Effects of the Proposed Acquisition	Section 5.6
(g)	Industry overview and future prospects	Section 5.7
(h)	Risk factors of the Proposed Acquisition	Section 5.8

5.1. Rationale for the Proposed Acquisition

The rationale of the Proposed Acquisition is set out in Section 3, Part A of the Circular.

SCA's commentary

In evaluating the rationale for the Proposed Acquisition, we have considered the following:

5.1.1. Proposed Acquisition

We noted that the Proposed Acquisition would accord Dolphin with the following benefits:

(i) Value creation to the Company and its shareholders

We noted that the Dolphin Group operates principally in the following business activities:

(a) Food and Beverage Segment, where the Dolphin Group currently owns and operates 3 Uncle Don's restaurant outlets in Setia Alam, Danau Desa and Ipoh, 1 Uncle Don's express outlet in Subang Jaya, and 1 Italian restaurant, "Verona Trattoria" in Petaling Jaya;
(b) Palm Oil Milling Segment; and
(c) Trading and Services Segment.

A summary of the Dolphin Group's segmental revenue and PBT for the FYE 30 June 2021 and 9-month FPE 31 March 2022 is as set out below:

Segment	Audited FYE 30 Jun 2021				Unaudited 9-month FPE 31 March 2022			
	Revenue		PBT		Revenue		PBT	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Food and Beverage Segment	4,433	49.6	83	(0.2)	6,573	96.7	(78)	2.2
Palm Oil Milling Segment	3,678	41.2	(15,255)	37.9	165	2.4	(1,646)	45.3
Trading and Services Segment	826	9.2	(326)	0.8	59	0.9	(365)	10.0
Investment holding	-	-	(24,765)	61.5	-	-	(1,545)	42.5
Total	**8,937**	**100.0**	**(40,263)**	**100.0**	**6,797**	**100.0**	**(3,634)**	**100.0**

As set out above, the Group's Food and Beverage Segment was profitable in the FYE 30 June 2021 but was marginally loss-making in the 9-month FPE 31 Mar 2022 mainly due to expenses incurred to open a new convenience store during the financial period. Notwithstanding, the Group's Food and Beverage Segment was the key revenue contributor over the financial year/period under review. Thus, the Group intends to further expand this segment through, amongst others, the Proposed Acquisition.

The High Reserve Group is principally involved in operating restaurants and investment holding. As at the LPD, High Reserve Group owns and operates 4 restaurant outlets under the brand name of "Uncle Don's" in Kepong, Sri Petaling, Kajang and Rawang.

A summary of the High Reserve's historical financial information for the FYE 31 May 2019 to FYE 31 May 2021 and unaudited 7-month FPE 31 December 2021 is as set out below:

High Reserve	**Audited**			**Unaudited 7-month**
	FYE 31 May 2019 RM'000	**FYE 31 May 2020 RM'000**	**FYE 31 May 2021 RM'000**	**FPE 31 Dec 2021 RM'000**
Revenue	3,949	5,645	5,468	2,607
PBT/(LBT)	(12)	282	(12)	106
PAT/(LAT)	(18)	221	(21)	106
NA	367	589	568	674
EPS/(Loss per share) (RM)	(0.05)	0.55	(0.05)	0.27
PBT/(LBT) margin (%)	(0.5)	5.0	(0.2)	4.1

As above, High Reserve's revenue has grown significantly for the FYE 31 May 2020, compared to FYE 31 May 2019, as well as registering PAT of RM221,000 as opposed to LAT of RM18,000 for FYE 31 May 2019. High Reserve's revenue for the FYE 31 May 2021 dipped 3.1% or RM0.7 million to RM5.5 million, as compared to the FYE 31 May 2020 due to the following restrictions imposed by the Malaysian Government during the MCO:

(i) High Reserve's Uncle Don's restaurant outlets only served take-away orders as dine-in was not allowed during the period from March 2020 to October 2020; and
(ii) High Reserve's Uncle Don's restaurant outlets were opened to serve dine-in customers but subject to limited sitting capacity in compliance with the social distancing requirement during the period from November 2020 to January 2021.

High Reserve recorded losses of RM21,000 for the FYE 31 May 2021 as compared to a PAT of RM221,000 for FYE 31 May 2020 due to a decrease in revenue and additional costs incurred to implement precautionary measures at its restaurant outlets to minimise the risk of COVID-19 infections and to comply with the standard operating procedures imposed by the Malaysian Government as well as lesser economies of scale as a result of lower sales.

We further noted that for the 7-month FPE 31 December 2021, High Reserve recorded a revenue of RM2.6 million or RM4.5 million on an annualised basis, which was lower by RM1.0 million or 18.3% as compared to the FYE 31 May 2021. The decrease in revenue was mainly due to restrictions imposed by the Malaysian Government during the MCO whereby High Reserve's Uncle Don's restaurant outlets only served take-away orders as dine-in was not allowed during the period from May 2021 to August 2021.

Notwithstanding the lower revenue, High Reserve recorded a PBT and PAT of RM0.1 million during the 7-month FPE 31 December 2021, mainly due to higher demand for higher margin food and beverages especially during the festive month of December 2021.

We note that the High Reserve Group's 4 Uncle Don's restaurant outlets are located in Kepong, Sri Petaling, Kajang and Rawang, where foot traffic is generally higher and the urban residents tend to have higher spending power and propensity for dining out as compared to rural dwellers. Hence, owing to their strategic locations, the Dolphin Group expects the prospects of the said restaurant outlets to be positive.

We have also noted that the said restaurant outlets are in operation with on-going business, allowing the Dolphin Group to expeditiously expand its food and beverage segment, immediately increasing the number of Uncle Don's restaurants under the Group's wings, from 3 to 7 Uncle Don's outlets. This would also incidentally allow the Dolphin Group to avoid spending time and resources on building outlets from scratch, obtaining various approvals and permits, and to instead immediately leverage on the already existing, up and running High Reserve Group outlets, as well as tapping into the existing customer base of these High Reserve Group outlets, allowing the Dolphin Group to directly focus on attracting new customers. Besides, the Dolphin Group could leverage on the experience and expertise of High Reserve Group's existing personnel to run and manage the said 4 Uncle Don's outlets.

As no additional processes are required, such as set-ups/construction/approvals to be obtained, the Proposed Acquisition could immediately be earnings accretive, making it an expeditious expansion effort for the Food and Beverage Segment for the Dolphin Group.

Upon completion of the Proposed Acquisition, the enlarged Dolphin Group would have a more efficient allocation of perishable food items amongst its chain of restaurant outlets and thus, is expected to reduce spoilage of perishable food items and thereby lower operating costs. In addition, post-completion of the Proposed Acquisition, the enlarged Group would also be able to bulk purchase food items from the central kitchen of Uncle Don's and thereby, enjoy bulk purchase discount as there are no restrictions in the franchise agreement to purchase in bulk. Further, the enlarged Group would also be able to re-deploy human resources within the Group's Uncle Don's restaurant outlets as and when the need arises, such as a shortage of human resource in any one of the Group's Uncle Don's outlets.

In this regard, the Proposed Acquisition:-

(a) would allow the Dolphin Group to quickly share its resources among its enlarged group of Uncle Don's restaurant outlets, thus immediately resulting in greater economies of scale; and

(b) is envisaged to be synergistic and value accretive to the Group and in line with the Group's strategy to continue exploring all viable options to grow the Food and Beverage segment which may include opening and/or acquiring Uncle Don's restaurant outlets.

(ii) Impact on the Company and its shareholders

We concur that with the Board that the Proposed Acquisition expects to contribute positively to the Group's future financial performance after taking into account:-

(a) the Vendors have provided a Profit Guarantee for the Profit Guarantee Periods (RM2.1 million for the First Profit Guarantee Period and RM2.1 million for the Second Profit Guarantee Period); and

(b) the positive prospects of the food and beverage service market in line with the rising urbanisation and income levels in Malaysia, the on-going lifestyle to dine at full-service restaurants and the proliferation of the use of electronic applications for takeaway.

Kindly refer to **Section 5.2.3** of this IAL on our opinion on the fairness and reasonableness of the Profit Guarantee.

(iii) Adequacy in addressing the Company's financial concerns

For the FYE 30 June 2021, the Group's Food and Beverage Segment recorded a PBT despite the Group recording losses during the same financial year/period.

We concur that the Proposed Acquisition would allow the Group to:-

(a) expeditiously expand its profitable Food and Beverage Segment; and

(b) realise synergies and value accretion, via the expected earnings contribution from the High Reserve Group via Profit Guarantee and existing Uncle Don's restaurant outlets.

We note that RM18.50 million, or 51.39% of the total Purchase Consideration of RM36 million, is to be settled via the issuance of 282,874,617 new Dolphin Shares. This would enable the Group to conserve its cash resources, allowing it to utilise its cash resources in other areas of the Group's business as it deems fit and necessary.

Kindly refer to **Section 5.3** of this IAL on our opinion on the basis and justification for the Issue Price of the Consideration Shares.

Taking into consideration the above, we are of the view that the rationale for the Proposed Acquisition is **reasonable and not detrimental** to the non-interested shareholders.

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5.2. Basis and justification for the Purchase Consideration

The basis and justification for the Purchase Consideration is set out in Section 2.2, Part A of the Circular.

SCA's commentary

We note the Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, amongst others, the market value of 100% equity interest in High Reserve of between RM33.0 million to RM38.5 million as appraised by FHCA, the independent business valuer appointed by Dolphin to appraise the market value of High Reserve.

We also note that the Board (save for the Interested Director) opined that the Purchase Consideration is justified after taking into consideration, amongst others, the following key factors:

(i) the Profit Guarantee by the Vendors;

(ii) the Purchase Consideration is within the range of High Reserve's market value of between RM33.0 million to RM38.5 million as appraised by FHCA; and

(iii) the benefits to be derived from the Proposed Acquisition as detailed in **Section 3 of Part A** of this Circular.

In considering the fairness of the Purchase Consideration, we have relied on FHCA's Valuation Letter in arriving at our opinion on the fairness of the Purchase Consideration. We have evaluated and are satisfied with the results of the valuation based on the reasonableness of the methodologies, key assumptions made and risks highlighted in its Valuation Letter as set out below.

5.2.1. Valuation of High Reserve Group

In arriving at the valuation for the entire equity interest of High Reserve Group, we noted that FHCA has chosen the discounted free cash flows to equity ("**FCFE**") as the appropriate method to be used (primary approach) as the underlying value of the High Reserve Group are likely to be derived from its future business operations. Thus, premised on the above, we have also chosen the discounted FCFE approach as our primary approach.

Based on the discounted FCFE approach, the equity valuation of High Reserve Group is determined based on the present value of High Reserve Group's projected net cash flows from 1 January 2022 to 30 June 2026 discounted at a specific discount rate.

We wish to highlight that both the equity valuations of High Reserve Group conducted by FHCA and SCA was determined based on the present value of High Reserve Group's projected free cash flows on an on-going normal business circumstance.

We noted that FHCA has chosen the relative valuation approach ("**RVA**") as the secondary approach and to supplement its fair valuation under the primary approach, compares the implied price-to-earnings multiple ("**PE Multiple**") PE multiple of the Purchase Consideration against the PE multiples of the selected public listed comparable companies that are involved in the food and beverage sector. We have also chosen the RVA methodology as our secondary approach.

In this regard, the implied PE multiple of the Purchase Consideration of 17.14 times was derived based on the full year operation of 12 months with 4 outlets from 1 July 2022 to 30 June 2023 where High Reserve Group is projected to earn a steady state PAT of approximately RM2.10 million and compared against the range of implied PE multiple of the comparable companies of High Reserve Group selected by FHCA of 6.22 times and 42.30 times and approximates the average PE multiple of 19.45 times and median PE multiple of 15.89 times.

We have also compared against the range of implied PE multiple of the comparable companies of High Reserve Group selected by SCA of 12.43 times and 42.66 times, but lower than the average PE multiple of 24.33 times and median PE multiple of 22.31 times.

From FHCA's valuation letter, we noted that: "*reference was made to companies that primarily involved in restaurants/food and beverage business and are listed on Bursa Malaysia Securities Berhad ("**Bursa Securities**"). Three (3) listed companies fulfilled the criteria, which includes Berjaya Food Berhad ("**Berjaya Food**"), Borneo Oil Berhad ("**BOB**") and Focus Dynamics Group Berhad ("**FDGB**"). We further note that BOB has significant assets in other segments, namely the property investment segment and resources and sustainable energy segment; while FDGB has diversified into mixed commercial development. As such, we have not selected both BOB and FDGB as comparable companies. As there is only one (1) comparable company, namely Berjaya Food, we have expanded our search to include companies listed on the Singapore Exchange Limited ("**SGX**") which are primarily involved in restaurants/food and beverage business, excluding outlet management providers. The selected companies are those in which we consider to be broadly comparable to the Target Companies.*"

As there is only one (1) comparable company in Malaysia, namely Berjaya Food, we noticed FHCA expanded their search for comparable companies listed on the Singapore Exchange Limited which are primarily involved in restaurants/food and beverage business. As High Reserve is in the food and beverage business, that also includes operating restaurant outlets, comparable companies involved in the restaurants/food and beverage business would be considered broadly comparable.

Additionally, we would also like to highlight, as per the FHCA valuation letter, FHCA's tabulated comparable companies are by no means exhaustive. Hence, any difference between FHCA and SCA's selected comparable companies would serve to provide readers with a more comprehensive selection of comparable companies.

The comparable companies that SCA have selected are as follows:

Comparable Company	Principal Activities
Berjaya Food Bhd	Berjaya Food Berhad is a Malaysia-based investment holding company. The Company, through its subsidiaries, is engaged in the development and operation of restaurant and cafe chains and retail outlets in Malaysia and other South-East Asian countries. The Company's subsidiaries include Berjaya Starbucks Coffee Company Sdn Bhd, which is engaged in the development and operation of the Starbucks Coffee chain of cafes and retail outlets in Malaysia; Berjaya Roasters (M) Sdn Bhd, which is engaged in the development and operation of the Kenny Rogers Roasters chain of restaurants in Malaysia; Berjaya Food Trading Sdn Bhd, which is engaged in the sale and distribution of food and beverage in Malaysia, and Berjaya Food (International) Sdn Bhd (Berjaya Food), which is an investment holding company. Berjaya Food's subsidiaries include PT Boga Lestari Sentosa, Jollibean Foods Pte Ltd, Berjaya Food Supreme Sdn Bhd and Berjaya Roasters (Cambodia) Ltd.
Japan Foods Holdings Ltd	Japan Foods Holdings Ltd. is an investment holding company. The company's principal business is the operation of restaurants, and its ancillary business includes the supply of food ingredients to its sub-franchisees and franchisee. Its segments include restaurant sales and franchised operation. The company manages and monitors its business in two geographic areas: Singapore and Malaysia. The company's Singapore operation focuses on operation of restaurants and franchised. The company's franchise restaurant brands include Ajisen Ramen brand, Botejyu, Botejyu San, Hanamidori, Kazokutei, Menya Musashi, Keika Ramen, Menzo Butao, New ManLee Bak Kut The, Yonehachi and Osaka Ohsho brands. In addition, the company has developed its own brands, Fruit Paradise, Dutch Baby Cafe, Tokyo Walker, Ginza Kushi-Katsu and Japanese Gourmet Town.

Comparable Company	Principal Activities
Kimly Ltd	Kimly Limited is a Singapore-based operator of traditional coffee shops. The Company operates and manages coffee shops and food courts. It operates in two divisions: Outlet Management Division and Food Retail Division. The outlet management division comprises coffee shop management division and food court management division. Its coffee shop management division is carried out by Kimly Makan Place and its food court management division is carried out by Foodclique Pte. Ltd. The Company operates approximately 70 coffee shops, three industrial canteens and five food courts. It manages and operates five food courts under the foodclique brand. Its food retail division is carried out by Kimly Food Holdings and Chodee Food Holdings. It operates approximately 129 food stalls comprising approximately 28 mixed vegetable rice stalls, over 18 rice garden stalls, three teochew porridge stalls, approximately 49 dim sum stalls, approximately 30 Seafood Zi Char stalls and one live seafood restaurant.
Koufu Group Ltd	Koufu Group Limited is a Singapore-based food and beverage (F&B) establishment operators. The Company operates in two divisions: outlet and mall management division and F&B retail division. Through the outlet and mall management division, the Company manages and operates 47 food courts, 14 coffee shops, one hawker center, and a commercial mall. The Company's food courts are operated under the brand names, Koufu, Cook House, Rasapura, Gourmet Paradise, The Kitchen, Fork&Spoon, and 1983. The Company operates its coffee shops under the name, Happy Hawkers. Under the F&B retail division it operates 81 F&B stalls, five F&B kiosks, 11 quick-service restaurants, and three full-service restaurants. The F&B retail restaurants and kiosks are operated under the brand names, Grove, Element, 1983, R&B Tea, and Superte.
Soup Restaurant Group Ltd	Soup Restaurant Group Limited is a Singapore-based investment holding company. The Company operates restaurant in Chinatown focused on herbal soups and home-cooked dishes. The Company's segments include restaurants and food processing, distribution and procurement services segments. The restaurants segment sells food and beverage products to the general public through restaurant outlets. The food processing, distribution and procurement services segment processes, distributes and procures food and beverage products for sale to the operations of restaurants segment and to third parties. Its brands include Soup Restaurant, CAFE O and POT LUCK. At the Company's Soup Restaurant, it offers Chinatown heritage dishes, such as samsui ginger chicken, steamed minced pork and herbal soups. Its CAFE O is a coffee shop, which offers drinks and dishes, such as kopi O, teh tarik, nasi lemak and roti prata. Its POT LUCK offers zichar dishes in claypots prepared on the spot over charcoal fires.
ST Group Food Industries Holdings Ltd	ST Group Food Industries Holdings Limited is an investment holding company operates with exclusive franchise and license to six international F&B brands. The brands include its own Pafu and Kurimu in Australia, as well as PappaRich in Australia and New Zealand; NeNe Chicken in Australia and Malaysia; Hokkaido Baked Cheese Tart in Australia and New Zealand; Gong Cha in New Zealand and UK; Ippudo in Australia and New Zealand; and iDarts in Australia.

(Source: Reuters.com)

Note:
Specific focus were given by SCA to Malaysian and Singaporean based entities, as we opine that the similarity of population composition of Malaysia and Singapore would provide clearer indication of market expectations.

We noted that the total Profit Guarantee amount of RM4.20 million is for a period of 24 months.

We have inferred that the Profit Guarantee of RM2.10 million is intended to reflect High Reserve Group's restaurant business's expected steady annual income stream for a 12-month period moving forward and thus is line with the implied PE multiple of the Purchase Consideration of 17.14 times.

Taking into consideration the Profit Guarantee is part of the basis and justification for the Purchase Consideration, and High Reserve Group's business is cash-based and asset-light, we consider the valuation methodologies adopted by FHCA to be appropriate and reasonable.

A summary of the comparable companies as extracted from the FHCA letter is as follows:

Country	Comparable companies	Market capitalisation as at 31 January 2022 (RM million)	Percentage of revenue contributed from restaurants	PE multiple (1)(2) (times)
Median				15.89
Average				19.45
Minimum				6.22
Maximum				42.30
Malaysia	Berjaya Good Berhad	778.82	100%	15.89
Singapore	Japan Foods Holdings Ltd	221.11	100%	42.30
Singapore	RE&S Holdings Ltd	224.38	Full-Service Restaurants:57.1% Quick Services 42.9%	7.66
Singapore	Sakae Holdings Ltd	40.54	100%	6.22
Singapore	Soup Restaurant Group	67.36	68.9%	25.18

Notes:

(1) Calculated based on the closing market prices as at the 31 January 2022 and the trailing last twelve months profit after tax as at the 31 January 2022 as extracted from S&P Capital IQ.

(2) The trading multiples of the comparable companies by FHCA are perceived to be the value of a liquid minority stake as at the 31 January 2022. On the other hand, this evaluation involves the valuation of the entire equity interest in a private company, hence it is perceived to be illiquid but having a control premium. For information purposes, the control premium is typically ranging from 15% to 30% whereas an illiquidity discount is generally ranging from 20% to 40%. As such, we are of the opinion that for the purpose of this evaluation, when the effect (if any) of the immediate-term illiquidity of the shares is considered in totality with the premium accorded by control, a net zero adjustment would be appropriate to reflect the equity value of the High Reserve Group.

(Source: FHCA Valuation Letter)

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A summary of the comparable companies as selected by SCA is as follows:

Country	Comparable companies	Market capitalisation as at 31 January 2022 (RM million)	Percentage of revenue contributed from restaurants	PE multiple (1)(2) (times)
Median				22.43
Average				24.59
Minimum				12.97
Maximum				42.81
Malaysia	Berjaya Food Berhad	778.82	100%	17.05
Singapore	Japan Foods Holding Ltd	220.93(1)	100%	19.73
Singapore	Kimly Ltd	1,573.76(1)	97.14%	12.97
Singapore	Koufu Group Ltd	1,306.85(1)	100%	42.81
Singapore	Soup Restaurant Group Ltd	67.31(1)	68.9%	25.14
Singapore	ST Group Food Industries Holdings	104.24(1)	79.67%	29.86

Notes:

(1) Market Capitalisation is converted based on 1:3.0894 as at 31 January 2022. (Sources: Bank Negara Malaysia)

(2) Calculated based on the closing market prices as at 31 January 2022 and the latest annual report's profit after tax.

	PE multiple of the comparable companies selected by FHCA (times)	PE multiple of the comparable companies selected by SCA (times)
Median	15.89	22.43
Average	19.45	24.59
Minimum	6.22	12.97
Maximum	42.30	42.81

SCA's commentary:

The implied PE multiple of the comparable companies selected by FHCA is between 6.22 times to 42.30 times with an average of 19.45 times and median of 15.89 times.

We have compared these against the implied PE multiple of SCA's comparable companies, which ranges between 12.97 times to 42.81 times, with an average of 24.59 times, and a median of 22.43 times. On this note, we are of the opinion that the implied PE multiple of the Purchase Consideration of 17.14 times is **fair** as it falls between the range of the implied PE multiple of comparable companies of High Reserve selected by SCA of between 12.97 times and 42.81 times.

Notwithstanding that, we wish to highlight that there are no comparable companies listed on the various stock exchanges which are solely involved in the same business as High Reserve Group which is engaged in operating full-service restaurants. The comparable companies selected by SCA are big conglomerates listed on various stock exchanges, which are engaged in various segments of the food and beverage services business, i.e., operating of restaurants, food courts, coffee shops and cafes ancillary business across several different jurisdictions and subject to different risks.

5.2.2. Discounted FCFE approach

In determining the indicative value of the entire equity interest of High Reserve under the discounted FCFE approach, the key bases and assumptions provided by the Representatives of High Reserve and adopted by FHCA in the FHCA Valuation Letter as well as SCA's evaluation and commentary are set out below:

<u>Bases and assumptions adopted in the preparation of the financial projections by the Representatives of High Reserve ("Financial Projections"), subsequently adopted by FHCA in the Valuation Letter</u>

Bases and assumptions of the Financial Projections:	SCA's commentary
<u>Major bases and assumptions</u>	
(i) Revenue for 1 January 2022 to 30 June 2022 for each outlet is estimated at the range of RM283,000 per month to RM365,000 per month after considering the followings: (a) The recovery post-MCO with reference to the respective outlets' sales for December 2021; and (b) The historical average monthly revenue for each outlet prior to the MCO (October 2019 to February 2020) ranging from RM322,000 to RM366,000. Subsequently, management is expecting a gradual recovery with revenue growth for Projection Year 2023 is expected to be approximately 8.0% as compared to the estimated respective outlet's revenue for 1 January 2022 to 30 June 2022. The revenue growth rate for Projection Year 2024 is estimated to be 10.0% and gradually reduce to 5.0% in Projection Year 2026;	We note that FHCA takes into considerations of impact from MCO and the recovery post-MCO as the pandemic is still maddeningly unclear but expected to recover in the future. We also note that the estimated revenue range was based average month revenue for each outlet prior to the MCO (October 2019 to February 2020). We view this as reasonable, as prior to October 2019, High Reserve had only the Sri Petaling Uncle Don's branch in operation. Based on documents provided by Representatives of High Reserve, we noted that for the FYE 31 May 2019 (where only the Sri Petaling Uncle Don's branch was in operation), revenue ranged from RM337,274 to RM528,429 per month. Therefore, we are of the view that the estimated revenue range of RM283,000 per month to RM365,000 per month as fair, and the basis of arriving at the said estimated revenue range as reasonable. Findings set out in the IMR Report prepared by PROVIDENCE states: *Food and beverages segment is expected to recover in the following years as the economy reopens and is expected to continue to be driven by rising urbanisation and income levels in the country, on-going lifestyle trend to dine at full-service restaurants, availability of a diverse range of cuisines as well as the use of applications and electronic wallets. Moving forward, the full-service restaurant segment is forecast to recover to RM20.8 billion in 2021 and reach RM29.4 billion by 2024, growing at a CAGR of 12.2% over the period.*

Bases and assumptions of the Financial Projections:		SCA's commentary
(ii)	Gross profit margin for food and beverage items is estimated to be approximately 40.0% over the projection period based on management's past experience and historical gross profit margin for the FYE 2019 to FYE 2021 of approximately 29.7% to 41.5% respectively;	We take note that these 4 outlets owned by High Reserve Group are more established and located at different locations, but, we have not independently evaluated the financials of all the other franchised outlets of Uncle Don's. We take into consideration that the "Uncle Don's" brand name would be able to attract the same volume of sales taking into account that Uncle Don's Restaurants Sdn Bhd have been building the brand and their efforts will overflow into enhancing the marketability and profitability of the outlets operated by High Reserve Group. Further to the above, we have also taken into consideration the gross profit margin of SCA's selected comparable companies, which ranges between 32.98% to 84.74%, and an average of 66.21%. Above said, we are of the view that the estimated gross profit margin of 40% for High Reserve is reasonable.
(iii)	Administrative expenses include staff cost, rentals and other operating and non-operating costs. Based on management's best estimate and references to Malaysia's inflation rate, staff cost and other costs are generally estimated to increase by 2.0% and 5.0% per annum respectively throughout the projected period, while rental expenses are estimated to increase by 10.0% every two (2) to three (3) years after making reference to the terms of the tenancy agreements;	We noted that the administrative expenses were derived mainly from staff cost, rentals, and other operating and non-operating costs that based on 4 outlets. In considering the administrative expense are generally estimated to increase 2.0% and 5.0% per annum respectively throughout the projected period, this can be supported by: *National inflation in January 2022 increased 2.3 per cent to 124.9 as against 122.1 in the same month of the preceding year due to the base effect. The increase also surpassed the average inflation in Malaysia for the period 2011 to January 2022 (1.9%). In January 2022, the inflation for all states was in a positive range with five states showed an increase above the national inflation level of 2.3 per cent. The highest increase was recorded by Selangor & Wilayah Persekutuan Putrajaya (2.9%) while Sabah & Wilayah Persekutuan Labuan (1.9%), Negeri Sembilan (1.8%) and Wilayah Persekutuan Kuala Lumpur (1.8%) were the three states with the lowest Consumer Price Index ("**CPI**") increase. All states registered an increase in the inflation of Food & Non-Alcoholic Beverages. The highest increase was recorded by Selangor & Wilayah Persekutuan Putrajaya (4.9%) followed by Johor (4.0%) and Perak*

Bases and assumptions of the Financial Projections:	SCA's commentary
	(3.6%). The increase was due to higher prices of food away from home in January 2022 as compared to the same month last year. Meanwhile, other states showed an increase below the national inflation of Food & Non-Alcoholic Beverages rate of 3.6 per cent in January 2022. *(Source: Press Release CPI Malaysia January 2020, Department of Statistics Malaysia)* The increment of 10% for every two (2) years to (3) years for rental expenses is common practice in the market. Based on the above, we are of the view that the assumed annual inflation rate of prudent and reasonable for the Financial Projections as 4 of High Reserve Group outlets are located in the Klang Valley where the CPI rate is higher than the national CPI rate and for contingencies as the CPI rate may not be entirely reflective of the potential future increases in costs for High Reserve Group's business.
(iv) Royalty expenses are estimated based on the terms and conditions set out in the Franchise Agreement/Deed;	We noted that there is a royalty expenses to be incurred and this expense is assumed to be common expenses under the franchise agreements.
(v) Corporate tax rate of 24.0% has been estimated throughout the projection period;	We noted that corporate tax rate of 24% is fair as it follows the statutory corporate tax requirement in Malaysia.
(vi) All amount balances with the directors, outstanding renovation cost and the balance of purchase consideration for the acquisition of Oharu and Edaran will be settled prior to the Proposed Acquisition;	We noted that all amount balances with the directors, outstanding renovation cost and the balance of purchase consideration for the acquisition of Oharu Inn Sdn Bhd and Edaran TCQ Sdn Bhd will be settled prior to the Proposed Acquisition, which was also set out as a salient term of the SSA and forms part of the condition precedents.
(vii) Working capital changes are estimated for inventories and trade payables with the turnover days at 16 days and 29 days respectively based on the average turnover days for FYE 2020 and FYE 2021. No turnover days for trade receivables expected as management is of the view that it is very minimal;	We noted that the Representatives of High Reserve Group has adopted the said turnover periods after taking into consideration the historical performance of High Reserve Group, its 4 outlets and the expectation of its future performance.

Bases and assumptions of the Financial Projections:	SCA's commentary
(viii) The Franchise Agreement will be renewed upon the expiry of the current franchise tenure with the payment of renewal fee as per the terms and conditions set out in the Franchise Agreement/Deed; and	We are of the view this appears reasonable as the franchise tenure supports the projected financials and guarantee the projected period will not facing any business interruption.
(ix) No capital expenditure to be incurred throughout the projected period. However, maintenance of fittings and equipment have been considered as part of the operating costs.	We noted that there is no capital expenditure to be incurred throughout the projected period as the business nature of High Reserve Group does not heavily rely on any machinery to operate.
General bases and assumptions (i) There will be no significant changes in the principal activities, key management personal, operating policies, accounting and business policies presently adopted by the management; (ii) The Future Financials have been prepared based on prevailing economic conditions and information available as at the date of its preparation and does not encompass any assessment of the potential for future changes in the economic conditions in Malaysia; (iii) There will be no significant changes to the prevailing economic, political and market conditions in Malaysia and elsewhere that will have direct and indirect effects on the activities of the Target Company and performance of the Target Company and the business of the customers and suppliers; (iv) There will be no material changes to the present legislation and Government's regulations and other operation regulations or restrictions affecting the activities or the market in which the Target Company operate; (v) Other than as set out above, there will be no significant changes in the credit period granted or received by the Target Company; (vi) The statutory income tax rate and other relevant duty and tax rate will remain at their respective existing rates with no significant changes in the bases of taxation and there will be no significant changes in the	We are of the view the general bases and assumptions appear reasonable as the business of High Reserve Group is expected to continue as a going concern.

Bases and assumptions of the Financial Projections:	SCA's commentary
structure which would adversely affect the cash flows of the Target Company; (vii) There will be no material adverse effect from service disruptions, equipment or network breakdown or other similar occurrences, wars, epidemic, terrorist attacks and other natural risks, both domestic and foreign, which will adversely affect the operations, income and expenditure of the Target Company; (viii) The rate of inflation will not fluctuate significantly from their projected levels; (ix) There will be no significant changes in wages, supplies, administration, overhead expenses and other costs other than those forecast and projected; (x) There will be no termination of any significant agreements or contracts from which the legal rights accrue to the Target Company, wherein the assumption of revenue is derived; Such agreements or contracts are assumed to be renewed based on current terms upon expiry; (xi) There will be adequate supply of manpower and other relevant resources for its business activities; and (xii) There will be no major legal proceedings against the Target Company which will adversely affect the activities or performance of the Target Company.	

Based on the financial projections, the High Reserve Group shall achieve a minimum PAT of RM2.1 million in the First Profit Guarantee Period and Second Profit Guarantee Period respectively. In addition, as the High Reserve Group outlets are part of the larger restaurant chain under the branding of "Uncle Don's", its future performance may, to a certain extent, be reflective of the performance of Uncle Don's Restaurants Sdn Bhd, i.e., the franchisor's other outlets that have been in operations for a longer period. Nevertheless, we take note that the performance of each outlet would also be dependent on, amongst others, its ability to generate sales, location, customer base and effectiveness in the management of each outlet.

As such, taking into consideration the High Reserve Group's historical average monthly revenue for each outlet prior to the MCO (October 2019 to February 2020) ranging from RM322,000 to RM366,000, its business strategies and future market plans, continuity of key personnel, as well as the growth prospects in the IMR Report, SCA is of the view that the major bases and assumptions for the financial projections appear **reasonable**.

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Terminal value

Terminal value is the present value of all future net cash flows of a business entity at a future point in time, which is usually ascribed to a business entity assumed to have a continuing business presence under the discounted FCFE approach.

For the purpose of valuing High Reserve Group, we note from the FHCA letter that: "*The terminal value is computed based on the FCFE for Projection Year 2026, adjusted for the renewal fee provision as per the terms and conditions of the Franchise Agreement, at 1.0% terminal growth rate, taking into consideration the external factors that may directly or indirectly affect the business of the Target Company. The terminal value computed of approximately RM24.60 million represent 69.1% of the total fair value of the entire equity interest in the Target Company of approximately RM35.58 million.*"

We note that the business concept of High Reserve Group is different from some of the comparable companies. Thus, we wish to highlight that it is impossible to find perfect comparable for the "Uncle Don's" outlets due to the differences in food and beverage products served in the outlets which are alcoholic beverages along with serving of western and Asian cuisines to cater for a consumer segment which is largely family based.

We also understand from the management of High Reserve Group that the financial projections were prepared for the 5 financial years i.e., from 1 January 2022 to 30 June 2026 in view that the Profit Guarantee was for the period from 1 July 2022 to 30 June 2024. Thus, we opine that five-(5) financial years would be a reasonable period as the franchise agreements for the Uncle Don's outlets is due for renewal every five years.

SCA's evaluation:

For the purpose of valuing High Reserve, we have adopted the terminal value based on annual sustainable growth rate of 1.0%. We opted to adopt a same growth rate as we are agreeable with the bases and assumptions adopted by FHCA.

We are of the opinion that FHCA's computed terminal value as reasonable, and is close to the terminal value of RM 25,899,198 computed by SCA (adjusted for the renewal fee provision as per the terms and conditions of the franchise agreements and at 1.0% terminal growth rate).

We are of the view that these assumptions would result in a more prudent valuation and subject to less uncertainty notwithstanding the Purchase Consideration is also within the range of values.

Nonetheless, we remain mindful that beyond the 5 financial years projection period, High Reserve's future financial performance would depend on, among others, the revenue to be generated from sales of food and beverage and economic overview at that point in time.

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Discount rate

To arrive at the net present value of the projected FCFE of High Reserve, FHCA and SCA had discounted the projected FCFE of High Reserve at a cost of equity ("**Ke**") that was derived from the Capital Asset Pricing Model ("**CAPM**") based on the following parameters:

	Parameters	Applied by FHCA	Applied by SCA	SCA's commentary
(i)	Valuation cut-off date	31 January 2022	31 January 2022	The valuation cut-off date is 31 January 2022, being the month-end period closest to the time of engagement for valuation.
(ii)	Risk free rate ("**Rf**") The Rf represent the expected rate of return from a risk-free investment.	Rf = 3.68% *(Source: Bank Negara Malaysia)*	Rf = 3.68% *(Source: Bank Negara Malaysia)* We have adopted the 10-year Malaysia Government Securities ("**MGS**") yield as at 31 January 2022.	We noted that the Rf is identical to the 10-year MGS yield as at 31 January 2022. *(Source: Bank Negara Malaysia)*
(iii)	Expected market risk premium ("**Rm**") and equity risk premium ("**EPR**") The Rm is the estimated annual equity market return of Malaysia. The ERP is the premium that investors demand for investing in an equity market portfolio.	Rm = 9.40% *(Source: Bloomberg)* ERP = 5.72% (Rm – Rf)	Rm = 9.40% *(Source: Bloomberg)* ERP = 5.72% (Rm-Rf)	We noted that the Rm is based on the Malaysian market return for the past 10 years up to 31 January 2022.

Parameters	Applied by FHCA	Applied by SCA	SCA's commentary
(iv) Beta ("**β**") β is the sensitivity of an asset's return to the changes in market rate of return. It measures the correlation of systematic risk between the said asset and the market. β calculated based on publicly traded companies reflect the actual capital structure of the related entity and are referred to as levered βs. To determine the unlevered β for a particular industry, the comparable companies calculated βs obtained from Bloomberg are recalculated to remove the effects of the financial gearing, to determine the unlevered β. The average risk adjusted unlevered β is relevered based on the assumed capital structure of the proposed project under evaluation.	Relevered β = 0.44	Relevered β = 0.378 As High Reserve is not a listed company, SCA has extracted the average unlevered β of SCA's comparable companies as a proxy of the unlevered β for High Reserve which is equivalent to 0.378. The relevered β is the same as the unlevered β as there were no debts assumed for High Reserve.	We noted that FHCA adopted the median β (which is incidentally RE&S's β) and computed the unlevered β of the food and beverage sector in Malaysia. We are agreeable to the adoption of RE&S as a benchmark company as RE&S is a full-service restaurant and quick services provider owner that caters for a consumer segment which is largely family based. We noted RE&S is a food and beverage group listed on the Singapore Exchange. Thereon, FHCA has applied the unlevered β to the industry to determine the levered β of High Reserve. As High Reserves projected financing mix is funded entirely by equity, the levered β is similar to the unlevered β.

Parameters	Applied by FHCA	Applied by SCA	SCA's commentary
(v) Cost of equity (Ke) The Ke was derived using the CAPM, as per the formula below: Ke = Rf + Relevered β (Rm – Rf) + e Epsilon ("**e**") is to account for specific risk inherent a private company as compared with a listed company.	Ke = 10.18% Ke = 3.68% + 0.436 (5.72%) + 4.0% = 10.18%	Ke = 9.84% Ke = 3.68% + 0.378 (5.72%) + 4.0% = 9.84%	We noted that FHCA included a specific risk of 4.0% to arrive at the Ke to account for a specific risk inherent to a private company as compared with a listed company, as extracted from *http://people.stern.nyu.edu/adamodar/pdfiles/country/illiquidity.pdf*. The above is a standard practice in the valuation of non-listed entities, and therefor reasonable.

Based on our evaluation of the discount rate, we are of the view that the discount rate of 10.18% adopted by FHCA in arriving at the valuation of High Reserve is **reasonable** as it is higher to the discount rate adopted by SCA of 9.84%.

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Sensitivity analysis

Based on the underlying assumptions for the Financial Projections, FHCA has also performed a sensitivity analysis on the discount rate (±0.5%), terminal value (±3.0%) and discount rate (±0.5%) and FCFE (±3.0%) and discount rate (±0.5%). This serves to illustrate how the valuation can change due to changes in the discount rate, terminal value and FCFE.

We are of the view that the selection of the parameters for the sensitivity analysis is **reasonable** as they cater for the range of possible fluctuations in the business to not only take into consideration the potential upsides but also the downturn due to unforeseen circumstances.

Premised on the above and in view that the bases and assumptions of the Financial Projections prepared by the Representatives of High Reserve, discount rate and terminal value adopted by FHCA are **reasonable**, we are of the opinion that the valuation of the entire equity interest of High Reserve of between RM33.01 million to RM38.47 million by FHCA based on the discounted FCFE is **fair** as it is within the valuation of the entire equity interest of High Reserve of between RM35.15 million to RM39.48 million by SCA.

5.2.3. Profit Guarantee

The terms of the Profit Guarantee are set out in Section 2.1, Part A of the Circular.

SCA's commentary

The breakdown of the Profit Guarantee is as follows:

Profit Guarantee Periods	Profit Guarantee RM'000	Balance of the Purchase Consideration RM'000			
		Dato' Yeo Boon Leong	Yeo Soon Bee	Yeo Boon Ho	Yeo Boon Thai
First Profit Guarantee Period	2,100	1,050	210	420	420
Second Profit Guarantee Period	2,100	1,050	210	420	420
Total	4,200	2,100	420	840	840
Proportions of the Vendors		50%	10%	20%	20%

We noted that RM4.20 million being the balance of the Purchase Consideration will only be paid by Dolphin to the Vendors in the above agreed proportions upon meeting the Profit Guarantee in the manner set out in Section 2.1, Part A of the Circular.

Thus, not more than RM2.10 million of the balance of the Purchase Consideration will be paid to the Vendors if the Profit Guarantee for the First Profit Guarantee Period is met and the balance RM2.10 million will be paid upon High Reserve Group meeting the Profit Guarantee for the Second Profit Guarantee Period. This serves as a safeguard to Dolphin on the recovery of any shortfall in the Profit Guarantee for the Profit Guarantee Periods as the Profit Guarantee is collateralised at the inception and only released to the Vendors upon fulfilment of the relevant portion of the Profit Guarantee.

The Profit Guarantee also provides some assurance to the future financial performance of High Reserve Group and the Proposed Acquisition would contribute positively to the Dolphin Group's earnings over the Profit Guarantee Periods.

We also noted that should High Reserve Group register an aggregate loss for the Profit Guarantee Periods, AP F&B shall be discharged from paying to the Vendors the balance of the Purchase

Consideration or any remaining balance Purchase Consideration and the Vendors shall compensate AP F&B for the aggregate loss in the above agreed proportions.

It is also noted that the PAT achieved or LAT suffered by High Reserve Group for the Profit Guarantee Periods shall be based on High Reserve Group's audited financial statements for each of Profit Guarantee Periods.

Further to the above, the Board (save for the Interested Director) is of the view that the Profit Guarantee for each of the Profit Guarantee Period is reasonable and realistic after taking into consideration, amongst others, the following key factors:

(i) High Reserve recorded an unaudited PAT of RM0.1 million during the 7-month FPE 31 December 2021 despite being affected by the MCO, which includes the prohibition of dine-in in Klang Valley from May 2021 to August 2021;

(ii) High Reserve had vide shares purchase agreements dated 1 July 2021 acquired 2 additional Uncle Don's restaurant outlets which are expected to contribute positively to its profitability. Based on their unaudited management accounts for the 12-month FPE 30 November 2021, these 2 Uncle Don's restaurant outlets recorded a total gross profit of RM1.0 million;

(iii) High Reserve will operate 4 restaurant outlets during the Profit Guarantee Periods, of which the profitability is expected to increase premised on the expectation that restrictions due to the COVID-19 pandemic will be progressively eased over time. As such, the Company's management expects that these restaurant outlets would generate sufficient profits to meet the Profit Guarantee;

(iv) the key bases and assumptions used in preparing the financial projections of the High Reserve Group as detailed in **Section 2.2,** Part A of the Circular; and

(v) the High Reserve Group's prospects as set out in **Section 4.3,** Part A of the Circular.

From the above, we note that High Reserve registered an unaudited PAT of RM0.1 million during the 7-month FPE 31 December 2021 despite being affected by the MCO.

Following the transitioning to the endemic phase since 1 April 2022, Malaysia witnessed the re-opening of all economic sectors and lifting of domestic and international travel restrictions, resulting in improvement of revenue for Uncle Don's outlets.

In this regard, we opine that the Profit Guarantee is reasonable and achievable by the Vendors.

As per Section 2.2, Part A of the Circular, we have noted that the Purchase Consideration implies a PE Multiple of 17.1 times to the Profit Guarantee, which is lower than the PE multiple of the Company's acquisition of the entire equity interest in AP F&B in 2020 of 20.0 times to the profit guarantee of the vendors of AP F&B.

Further to the above, we noted the average PE multiple of 19.45 times commanded by FHCA's comparable companies, and the average PE multiple of 24.59 times commanded by SCA's comparable companies. Therefore, the Profit Guarantee of RM4.2 million or RM2.1 million for each of the Profit Guarantee Periods, which equates to an implied PE multiple of 17.1 times, is considered to be **fair**.

Based on the above, we are of the view that the basis on arriving at the amount of the Profit Guarantee is **fair**, and that the salient terms of the Profit Guarantee are **reasonable**.

5.2.4. Prospects of High Reserve Group

The prospects of High Reserve Group are set out in Section 4.3, Part A of the Circular.

<u>SCA's commentary</u>

From the findings of the IMR Report prepared by PROVIDENCE, that despite the challenges presented by the COVID-19 outbreak, food and beverage market in Malaysia is expected to recover to RM20.8 billion in 2021, and reach RM29.4 billion by 2024, growing at a CAGR of 12.2% over the said period. Driven by rising urbanization and income levels, lifestyle trends to dine at full-service restaurants in Malaysia, the proliferation of applications and electronic wallets serving as new marketing avenues, and the Malaysian Government's initiatives in promoting the food and beverage service industry, the prospects of the food and beverage industry is expected to remain positive.

Further, we noted that the 4 High Reserve Group's Uncle Don's restaurant outlets are located in highly urban populated areas of the Klang Valley, where urban residents have the spending power, as well as higher propensity to dine out. Further, the 4 High Reserve Group restaurants have square-footages large enough to cater to various social and corporate events, providing additional avenue for revenue.

We noted that the Dolphin Group expects to achieve greater economies of scale and enjoy cost savings in relation to its chain of restaurant outlets through the following, as the additional restaurants would endow Dolphin:

(i) a more efficient allocation of perishable food items amongst the enlarged Dolphin Group's chain of restaurant outlets and thereby, reduce spoilage and wastage;
(ii) bulk purchase of food items from the central kitchen of Uncle Don's and thereby, enable the enlarged Dolphin Group to enjoy bulk purchase discount; and
(iii) re-deployment of the enlarged Dolphin Group's human resources between its chain of restaurant outlets as and when the need arises.

We concur with the Board's (save for the Interested Director) on the long-term prospects and optimistic outlook of the High Reserve Group, given the expected progressive recovery and growth of the Malaysian economy, the recovery and growth of the full-service restaurant segment of the food and beverage service market in Malaysia, as well as the various Malaysian government initiatives to promote growth in the food and beverage industry.

Premised on our evaluation of the Purchase Consideration for the Proposed Acquisition, we are of the view the Purchase Consideration is **fair** and the basis in arriving at the Purchase Consideration is **reasonable.**

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5.3. Basis and justification for the Issue Price of the Consideration Shares

The basis and justification for the issue price of the Consideration Shares are set out in Section 2.3, Part A of the Circular.

SCA's commentary

The 5-day VWAP up to the LTD of Dolphin is RM0.0654. The Issue Price of RM0.0654 for the Consideration Shares was arrived at based on the 5-day VWAP up to the LTD.

In assessing the fairness and reasonableness of the issue price, we have primarily made reference to the historical price performance of Dolphin Shares. We have compared the issue price of the Consideration Shares of RM0.0654 against:

(i) Closing price of Dolphin Shares on the LTD of 23 February 2022 of RM0.070;
(ii) Closing price of Dolphin Shares as at the LPD of 27 May 2022 of RM0.055;
(iii) 12-month daily closing prices of Dolphin Shares up to and including 23 February 2022;
(iv) 5-day VWAP of Dolphin Shares up to and including 23 February 2022 of RM0.0654;
(v) Respective VWAPs as set out in the table below:

Basis of comparison based on	VWAP / Closing price	Premium/ (discount) of the issue price of RM0.0654	
	RM	RM	%
Closing market price on the LTD	0.0700	(0.0046)	(6.57)
5-day VWAP up to and including the LTD	0.0654	-	-
VWAP for the 1-month up to and including the LTD	0.0691	(0.0037)	(5.35)
VWAP for the 3-months up to and including the LTD	0.0732	(0.0078)	(10.66)
VWAP for the 6-months up to and including the LTD	0.0795	(0.0141)	(17.73)
VWAP for the 12-months up to and including the LTD	0.0973	(0.0319)	(32.79)
Closing market price as at the LPD	0.0550	0.0104	18.9

(Source: Bloomberg)

(Source: Wall Street Journal)

We noted, as per Section 2.3, Part A of the Circular, the 5-day VWAP was adopted as the basis for the Issue Price as it is less susceptible to fluctuation as compared to using the closing market price. This is reasonable, and a standard market practice.

From the analysis above, we have noted the discounts of the Issue Price as compared to the 1,3,6 and 12-months VWAP up to and including the LTD. We also noted that the market prices of Dolphin Shares were on a downward trend over the past 1 year up to the LTD, which may be attributable to Dolphin's prospects being dampened by restrictions imposed due to the COVID-19 pandemic. We have also taken note that the Issue Price represents a premium of RM0.0104 or 18.9% to the closing price of Dolphin Shares as at the LPD of RM0.055.

As shown in the chart, the 1 year prior to the LTD closing prices of Dolphin Shares ranged from RM0.065 to RM0.125 with an average closing price of RM0.0844. Thus, the Issue Price of RM0.0654:

(i) is within the closing price range of Dolphin Shares 12 months prior to the LTD;
(ii) represents a **discount of 22.54%** to the average closing price of RM0.0844;
(iii) represents a **discount of 47.68%** to the maximum closing price of RM0.1250; and
(iv) represents a **slight premium of 0.62%** to the minimum closing price of RM0.065.

The issuance of the Consideration Shares pursuant to the Proposed Acquisition is expected to result in dilution to the shareholdings of the non-interested shareholders of Dolphin as well as to the EPS and NA per Share of Dolphin, to the extent of the additional new Dolphin Shares to be issued to the Vendors. However, we noticed based on the table as set out in Section 6.3, Part A of the Circular, the NA per share of Dolphin pursuant to the Proposed Acquisition would increase to RM0.04 per share, as compared to RM0.03 for the FYE 30 June 2021. Additionally, we noticed based on the table set out in Section 6.4, Part A of the Circular, the LPS would reduce to RM3.24 pursuant to the Proposed Acquisition, from LPS of RM4.37 for the FYE 30 June 2021.

Although the Issue Price represents no discount to the 5-day VWAP of Dolphin Shares as at the LTD, the number of the Consideration Shares to be issued to fulfill the Purchase Consideration would result in a dilution to the holdings of non-interested shareholders of Dolphin. Nevertheless, we are of the opinion that the benefits to be realized from the Proposed Acquisition outweighs the dilution effects to the non-interested shareholders, and going forward, such dilution impact may be somewhat mitigated through potential contribution of High Reserve to the future consolidated earnings and NA of the Group.

Premised on the above, taken as a whole, we are of the view that the issue price of the Consideration Shares is **fair**.

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5.4. Salient terms of the SSA

The salient terms and conditions of the SSA are as follows:

Reference in the Circular	Salient terms of the SSA	SCA's commentary
Appendix I, Section 1	**1. Sale and Purchase of the Sale Shares** The Vendors shall sell and the Purchaser shall purchase the Sale Shares free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights and benefits attached or accruing thereto and free from any and all encumbrances, upon the terms, conditions and stipulations set forth in the SSA.	Pursuant to the SSA, the Purchaser has, subject to the conditions (as set out below) being met, agreed to acquire from the Vendors the Sale Shares, representing the entire enlarged issued share capital of High Reserve free from all encumbrances and together with all rights and advantages attaching to them as at Completion. We are of the opinion this clause is in line with common practice and is a general commercial term.
Appendix I, Section 2	**2. Conditions precedent** (i) The sale and purchase of the Sale Shares shall be conditional upon the following conditions being fulfilled within 6 months from the date of the SSA or such further period as may be mutually agreed by the Vendors and the Purchaser in writing ("**Conditional Period**"): (a) Dolphin procuring its shareholders' approval at an EGM to be convened for the Proposed Acquisition; (b) Dolphin procuring Bursa Securities' approval for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; (c) the results of the due diligence inquiry on the High Reserve Group being satisfactory to the Purchaser in its sole and absolute discretion; (d) satisfaction of the full payment by High Reserve for the acquisition of the entire equity interest in Edaran TCQ	The conditions precedent would enable: (i) all necessary approvals to be obtained which are deemed necessary for Parties to the SSA to comply with regulatory requirements and High Reserve Group to continue with its operations uninterrupted; (ii) the necessary due diligence to be carried out on High Reserve Group in order for the Purchaser to verify the assets, liabilities, legal, financial and tax standing of High Reserve Group and hence protect Dolphin in relation any adverse findings discovered during the due diligence exercise so as to prevent unnecessary risks or losses to Dolphin arising from the Proposed Acquisition; (iii) all necessary payment obligations/amount owing to be settled, so as to prevent a conflict of interest. These terms are reasonable and not detrimental to the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the SSA	SCA's commentary
	Sdn Bhd pursuant to the shares purchase agreement dated 1 July 2021; (e) satisfaction of the full payment by High Reserve for the acquisition of the entire equity interest in Oharu Inn Sdn Bhd pursuant to the shares purchase agreement dated 1 July 2021; (f) settlement of an amount owing to Dian Be Hardware Co Sdn Bhd, a 3rd party renovator, amounting to RM353,779.98; (g) capitalisation of the Vendors' advances to High Reserve amounting to RM4,608,148 via issuance of 4,608,148 new High Reserve Shares; (h) the Vendors procuring the consents of Uncle Don's Restaurants Sdn Bhd, i.e. the franchisor for the High Reserve Group's restaurant outlets, for the transfer of the Sale Shares from the Vendors to the Purchaser; and (i) where applicable, the Vendors procuring the requisite consents and approvals from the appropriate authorities, financiers or such other party to consummate the sale and purchase of the Sale Shares as contemplated under the SSA. (ii) Any of the Conditions Precedent may be waived in whole or in part and conditionally or unconditionally upon the mutual agreement of the Vendors and the Purchaser in writing. (iii) In the event that the Conditions Precedent are not fulfilled within the Conditional Period, unless otherwise mutually agreed by the Vendors and the Purchaser in writing, the SSA shall be immediately terminated following expiry of the Conditional Period. Following such termination, the Vendors	

Reference in the Circular	Salient terms of the SSA	SCA's commentary
	shall refund the Deposit (as defined in **Section 3(i) of this Appendix I**), free of interest, within 3 Business Days thereof to the Purchaser and thereafter the SSA shall lapse and cease to have any effect and save for antecedent breach and thereafter the Vendors and the Purchaser shall not have any claims whatsoever against each other in respect of the SSA. (iv) The SSA shall become unconditional on the date the last of the Conditions Precedent is fulfilled or waived accordance with the terms and conditions of the SSA.	
Appendix I, Section 3	**3. Purchase Consideration** In consideration for the Sale Shares, the Purchaser agrees to pay the Vendors the Purchase Consideration as follows: (i) cash consideration of RM5.4 million only, representing 15% of the Purchase Consideration ("**Deposit**"), payable to the Vendors on the date of the SSA; (ii) cash consideration of RM7.9 million only, representing approximately 21.9% of the Purchase Consideration ("**Partial Cash Payment**"), payable to Vendors on the Completion Date; (iii) allotment and issuance of 282,874,617 Consideration Shares to the Vendors at an issue price of RM0.0654 each on the Completion Date. The total value of the Consideration Shares is RM18.5 million only, representing approximately 51.4% of the Purchase Consideration; and	Please refer to Section 5.2 of this IAL for SCA's evaluation on the salient terms of the Purchase Consideration. The deposit payment of 15% is reasonable, as it is within the range of the quantum of deposits required in transactions of a similar nature.

Reference in the Circular	Salient terms of the SSA	SCA's commentary
	(iv) balance purchase cash consideration of RM4.2 million only (comprising the First Year Cash Consideration and the Second Year Cash Consideration), representing approximately 11.7% of the Purchase Consideration, shall be satisfied in accordance with the provisions as detailed in **Section 5 of this Appendix I**.	
Appendix I, Section 4	**4. Completion** (i) Subject always to the fulfilment of the Conditions Precedent, provided that all representations and warranties in the SSA remain true and there is no prior termination, the sale and purchase of the Sale Shares shall complete on the Completion Date at such time and place as may be mutually agreed between the Vendors and the Purchaser. (ii) The Vendors shall on the Completion Date deliver, amongst others, the resignation letter of all the current directors of the High Reserve Group effective immediately on the Completion Date.	Such term is typical in transactions of a similar nature, and thus is reasonable. As AP F&B is acquiring 100% of High Reserve, it is reasonable for the current directors of High Reserve Group to resign effectively on the Completion Date. We opine that the above would not be detrimental to High Reserve, and consequently to AP F&B, as High Reserve's existing staff list would remain intact post the Proposed Acquisition. As the Dolphin Group has prior experience in the food and beverage industry, via its ownership of AP F&B, the resignation of all directors of High Reserve Group would not serve as a detriment to High Reserve Group, and consequently to AP F&B and the Dolphin Group.
Appendix I, Section 5	**5. Profit Guarantee** (i) The Vendors hereby irrevocably, unconditionally, jointly and severally undertakes to guarantee that the High Reserve Group shall attain and achieve a PAT of RM2.1 million each for the First Profit Guarantee Period and Second Profit Guarantee Period respectively. (ii) The Vendors and the Purchaser agree that the following shall ensue: <u>First Profit Guarantee Period</u> (a) Where the PAT achieved by the High Reserve Group for the First Profit Guarantee Period shall be equivalent	Please refer to Section 5.2.3 of this IAL for SCA's evaluation on the salient terms of the Profit Guarantee.

Reference in the Circular	Salient terms of the SSA	SCA's commentary
	to or exceed the guaranteed PAT of RM2.1 million, the Purchaser shall pay the First Year Cash Consideration to the Vendors within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the First Profit Guarantee Period are made available; (b) Where the PAT achieved by the High Reserve Group for the First Profit Guarantee Period shall be lesser than the guaranteed PAT, the Purchaser shall retain the First Year Cash Consideration and no amount shall be released to the Vendors; or (c) Where the High Reserve Group recorded a LAT for the First Profit Guarantee Period, the Purchaser shall retain the First Year Cash Consideration and no amount shall be released to the Vendors. <u>Second Profit Guarantee Period</u> (i) Where the aggregate PATs achieved by the High Reserve Group for the Profit Guarantee Periods shall be equivalent to or exceed the aggregate guaranteed PAT of RM4.2 million ("Aggregate Guaranteed PAT"), the Purchaser shall pay the Vendors an amount computed following the formula below within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the Second Profit Guarantee Period are made available: Amount payable by the Purchaser = Aggregate Guaranteed PAT - Payment made for the First Profit Guarantee Period	

Reference in the Circular	Salient terms of the SSA	SCA's commentary
	(ii) If the aggregate PAT for the Profit Guarantee Periods is less than the total Profit Guarantee of RM4.2 million ("**Aggregate Shortfall**"), the Purchaser shall pay the Vendors an amount computed following the formula below within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the Second Profit Guarantee Period are made available: Amount payable by the Purchaser = Aggregate Guaranteed PAT - Aggregate Shortfall - Payment made for the First Profit Guarantee Period (iii) If the High Reserve Group suffers an aggregate loss for the Profit Guarantee Periods ("**Aggregate Loss**"), the Purchaser shall be discharged from its obligation to pay the Vendors the First Year Cash Consideration and Second Year Cash Consideration (or any unpaid part thereof) and the Vendors shall pay the Purchaser an amount computed following the formula below within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the Second Profit Guarantee Period are made available: Amount payable by the Purchaser = Aggregate Loss + Amount paid to the Vendors for the First Profit Guarantee Period	
Appendix I, Section 6	**6. Default and Termination** (i) It is a terminating event by the Purchaser, whether or not it is within the control of any of the Vendors, if:	In the event of such defaults by the Vendor on or prior to Completion Date, these terms entitle the Purchaser to:

Reference in the Circular	Salient terms of the SSA	SCA's commentary
	(a) any of the Vendors fail or neglect to observe, perform or proceed regularly and diligently with performance of any of its obligations or undertakings under the SSA and shall fail to remedy such failure (if capable of remedy) within 14 days (or such further period as may be specified by the Purchaser) upon its receipt of a notice from the Purchaser specifying such breach; (b) any representation, warranty or undertaking relating to any of the Vendors or given by any of the Vendors under the SSA becomes false, misleading or incorrect when made or deemed to be made under the SSA; (c) any legal proceeding, suit, action, litigation or arbitration proceeding is commenced against any of the Vendors or its director which has or might reasonably be expected to have an adverse effect against any of the Vendors' ability to perform its obligations hereunder and is not remedied within 30 days (or such further period as may be specified by the Purchaser) from the date of notice in writing by the Purchaser; (d) a receiving order or adjudication order, creditor's petition or debtor's petition of bankruptcy is issued or threatened against any of the Vendors, which could involve the appointment of receiver, receiver and manager, administrator or similar officials over their assets; (e) any step is taken for the winding-up or dissolution of any of the Vendors or High Reserve or any of its subsidiaries or a petition for winding-up is presented against any of them; or (f) any sanction or approval by the Vendors, High Reserve	• the right of specific performance under the SSA or claim damages as a result of such breaches by the Vendor; or • terminate the SSA with immediate effect in the manner set out in the SSA Such clauses are reasonable as it safeguards the interests of the Purchaser being the non-defaulting party from the Vendors' breach of any material or fundamental terms or conditions of the SSA or a failure to perform any material undertaking, obligation or agreement expressed or implied in the SSA. We noted that upon the occurrence of a terminating event under paragraph 7 (a), the Vendors shall reimburse the Purchaser up to a combined cap of RM600,000 only, which is incidentally, an amount which is close to the Proposed Acquisition estimated expenses of RM700,000. These terms are deemed reasonable and not-detrimental to the Purchaser, and consequently reasonable and not-detrimental to the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the SSA	SCA's commentary
	or any of its subsidiaries of any composition in satisfaction of the debts of High Reserve or any of its subsidiaries or scheme of arrangement of High Reserve and its subsidiaries' affairs, or compromise or arrangement with their creditors or any class of them. (ii) Upon occurrence of any such event under **Section 6(i)** above, on or prior to the Completion Date, the Purchaser shall be entitled to: (a) the right of specific performance of the SSA against the Vendors and all such reliefs flowing therefrom and such remedy shall be in addition to and not in lieu of, limitation or diminution of other remedies provided to the Purchaser under the SSA or otherwise at law or in equity to claim for damages as a result of such breach by the Vendors; or (b) terminate the SSA with immediate effect by giving written notice to the Vendors before the Completion Date ("**Termination Notice**"), whereupon: (aa) the Vendors shall refund the Deposit, free of interest, within 3 Business Days from the date of the Termination Notice to the Purchaser; (bb) the Vendors shall reimburse the Purchaser all costs and expenses incurred by the Purchaser for the sale and purchase of the Sale Shares as contemplated under the SSA on a reasonable basis within 14 Business Days from the date of the Termination Notice, subject always to a combined cap of RM600,000 only;	

Reference in the Circular	**Salient terms of the SSA**	**SCA's commentary**
	(cc) the Vendors shall return all the Purchaser's deliverables as set out in the SSA, within 14 Business Days from the date of the Termination Notice; (dd) the Purchaser shall return or cause the Purchaser's solicitors to return all the Vendors' execution deliverables as set out in the SSA, within 14 Business Days from the date of the Termination Notice; and (ee) thereafter, the SSA shall lapse and cease to have any effect and none of the Parties shall have any claims whatsoever against the other Parties in respect of the SSA.	
Appendix I, Section 7	**7. Governing Laws** The SSA is governed by and construed in accordance with the laws of Malaysia.	It is standard that agreements are governed by and construed with the laws of the land the agreements were made, as well as taking into account of the country of domicile of the parties privy to the agreement. Therefore, this term is reasonable.

We have evaluated the salient terms and conditions of the SSA and are of the view that the terms are **reasonable**, insofar as the interest of Dolphin is concerned, and are **not detrimental** to the non-interested shareholders of Dolphin.

5.5. Salient terms of the franchise agreements

The salient terms and conditions of the franchise agreements are as follows:

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
Appendix III, Section 1	**1. Grant of Franchise** 1.1 The Franchisor grants to the Franchisee on a non-exclusive basis, the right to use the operating system developed by the Franchisor for the business of selling food and beverage items using the name "Uncle Don's" and its registered trademarks and all other trade names, trademarks, service marks, logos, emblems, insignia and signs developed for use by the Franchisor from time to time used for the purpose of this franchise ("**Marks**"). 1.2 The Franchisee undertakes the obligation to develop and operate the franchised outlet at the location set out in the Franchise Agreement ("**Franchised Outlet**") and to use the trademark and operating system solely in connection therewith and in accordance with the terms of the Franchise Agreement. 1.3 The Franchisee agrees to prepare, serve and sell only the items stated in the menu developed by the Franchisor at the price determined by the Franchisor and to prepare the same in accordance with the operating system at the Franchised Outlet only. 1.4 The Franchisee shall not sub-franchise or sub-licence the use of the operating system or Marks to any person or entity and shall not grant any person or entity the right to perform any part of the Franchisee's rights or obligations under the Franchise hereunder.	Such terms are typical in similar transactions as it would: (i) ensure the rights and obligations towards the franchisor are enshrined in the agreement, in order to protect its intellectual property and economic rights; (ii) ensure that the franchisee does not misuse/abuse the rights and privileges endowed as a result of the franchise rights. These terms are deemed reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.
Appendix III, Section 2	**2. Term** 2.1 The Franchise Agreement shall be for a term of 60 months ("**Initial Term**") commencing from date as set out below:-	This term outlines the commencement date of the 60 months term Initial Term, which clearly states the commencement date of the Term for each of

<table>
<tr><th>Reference in the Circular</th><th>Salient terms of the franchise agreements</th><th>SCA's commentary</th></tr>
<tr><td></td><td><table><tr><th>Outlet</th><th>Commencement date</th></tr><tr><td>Sri Petaling outlet</td><td>11 September 2018</td></tr><tr><td>Kepong outlet</td><td>3 October 2019</td></tr><tr><td>Rawang outlet</td><td>7 August 2020</td></tr><tr><td>Kajang outlet</td><td>3 November 2020</td></tr></table></td><td>the High Reserve outlets. The term is considered to be common practice in most franchise agreements.</td></tr>
<tr><td>Appendix III, Section 3</td><td>3. Approved Location

3.1 The rights granted to Franchisee under each Franchise Agreement is non-exclusive and shall be restricted to the operation of a single Franchised Outlet.

3.2 The approved location of the Franchised Outlet shall be used exclusively to operate a Franchised Outlet. The Franchisee shall not carry on or conduct or permit others to carry on or conduct any other business, activity or operation at the approved location without the written consent of the Franchisor. The rights granted to the Franchisee are for the approved location and cannot be transferred to any other location except with the Franchisor's prior written approval.

3.3 The Franchisee may apply to the Franchisor for a relocation of the Franchised Outlet to another premise or location under limited event of unsatisfactory sales performance, loss or non-renewal of lease of the Franchised Outlet not attributable to the Franchisee and/or irreparable damage to the Franchised Outlet by force of nature provided always that the Franchisor shall not be obligated to consent to such relocation in any event.</td><td>The Approved Location term would ensure that:

(i) clear indication of the rights and obligations of the franchisee are as to the location of the particular franchise outlet that is being operated. This would ensure the rights of all individual franchise operator of Uncle Don's are protected, as each individual franchise operators' operations would be confined to the area of its approved location;

(ii) the allowance for the franchisee to apply to the franchisor for a relocation of its franchised outlet to another location under a limited event of unsatisfactory sales performance, loss or non-renewal of lease of the franchised outlet not attributable to the franchisee and/or irreparable damage to the franchised outlet by force of nature provided always that the franchisor shall not be obligated to consent to such relocation in any event. This term provides for some form of protection to the franchisee in the event of occurrence of any of the mentioned events.

These terms are deemed reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.</td></tr>
</table>

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
Appendix III, Section 4	**4. Franchise Fee and Payments** 4.1 In consideration for the franchise rights granted by the Franchisor, the Franchisee shall pay to the Franchisor the following:- (i) franchise fees; (ii) setting-up costs; (iii) franchise deposit; and (iv) royalty fees. 4.2 In the event that any amount due and payable to the Franchisor is/are not paid within the stipulated payment period, a default interest in RM at the rate of 10% per annum may be additionally payable.	We note that this term serves to clearly outline the payment obligations of the franchisee towards the franchisor, with regards to the franchise rights. We also note that the 10% per annum late payment interest payment is within the range of general market practices for late payment penalty rates. Such a term serves to protect a franchisor/creditor in any similar situation, and to ensure a franchisee/debtor fulfills a payment obligation. These terms are deemed reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.
Appendix III, Section 5	**5. Standard Operating Manual** 5.1 The Franchisor may update and change the operating manual periodically to reflect changes in the operating system and the operating requirements applicable to the business and the Franchisee expressly agrees to comply with each requirement within such reasonable time as the Franchisor may require, or if no time is specified, within 30 days after receiving notification of the requirement. 5.2 The Franchisee must not by itself introduce any improvement, addition or modification of the operating manual without the prior written consent of the Franchisor.	The terms in this section are common market practice in similar transactions as: (i) it ensures that standards of the franchisor are adhered to by the franchisee, and that any new standards to be applied are complied with by the franchisee, within a reasonable time. (ii) it protects the franchisor against any new standards/operating procedures being adopted by the franchisee without prior notice/approval. These terms are deemed reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
Appendix III, Section 6	**6. Continuing support by the Franchisor** 6.1 The Franchisor shall provide to the Franchisee and its employees, as the Franchisor may deem necessary, training and ongoing re-training program in package preparation, customer service and package information in connection with the business.	This term ensures that the franchisor fulfills its obligation to the franchisee in terms of support that is deemed basic and necessary towards the operations and management of resources of a franchise outlet. This term is deemed reasonable.
Appendix III, Section 7	**7. Marks** 7.1 The Franchise Agreement does not confer the Franchisee any right, title or interest in and to the Marks, except the non-exclusive right to use the Marks limited to the operation of the Franchised Outlet under the Operating System in accordance with the terms of the Franchise Agreement. 7.2 The Franchisee shall, unless the Franchisor otherwise consents in writing: (i) only use the Marks for the operation of the Franchised Outlet and only at the approved location, or in the manner authorized and permitted by the Franchisor. The Franchisee's right to use the Marks is limited to such uses as are authorized under the Franchise Agreement, and any unauthorized use thereof shall constitute an infringement of rights of the Franchisor. (ii) the Franchisee shall not by itself or own accord introduce any improvement, addition or modification of or to the Marks and/or the operating system into the business.	This term accords the protection to the franchisor in particular to its rights over the franchise marks and use of the marks, as well as to the operations of the franchised outlets. Such terms are common in similar transactions involving the right to use of marks, trademarks, and operation of franchised outlets, between a franchisor and franchisee. These terms are deemed reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.
Appendix III, Section 8	**8. Indemnification** 8.1 The Franchisee agrees to indemnify, defend and hold harmless the Franchisor and its affiliates, members, directors, officers, employees, agents, successors and assignees (“**Indemnified**	These terms clearly outline the scope of indemnification and legal claims towards/against the franchisor by the franchisee, to the extent where the event could be reasonably determined to have arisen solely due to the actions of the

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
	Parties") and to reimburse any one or more of the Indemnified Parties for all claims, obligations damages, costs, expenses and taxes described in the Franchise Agreement and any claims and liabilities directly or indirectly arising out of the Franchised Outlet's operation or the Franchisee's breach of the Franchise Agreement, except to the extent they arise as a result of the Franchisor's own gross negligence or wilful misconduct. This indemnity will continue in effect after the expiration or termination of the Franchise Agreement. 8.2 At all times during the Initial Term, the Franchisee shall maintain a comprehensive general liability insurance (including for any third party liabilities and for injuries suffered) in an amount equivalent to or no less than RM1 million and fire insurance in an amount equivalent to or no less than RM1 million provided however that the Franchisor may at any time direct the Franchisee to acquire different or additional insurance coverage limits. The Franchisee shall cause the Franchisor to be named as an additional insured party on the policies of such insurances.	franchisee, or the franchised outlet, or of which such event would have arisen due to no fault/consequence of action of the franchisor. We also note that the franchisee shall at all times during the Initial Term, the franchisee shall maintain a comprehensive general liability insurance (including for any third party liabilities and for injuries suffered) in an amount equivalent to or no less than RM1 million and fire insurance in an amount equivalent to or no less than RM1 million provided however that the franchisor may at any time direct the franchisee to acquire different or additional insurance coverage limits, and that the franchisee shall cause the franchisor to be named as an additional insured party on the policies of such insurances. We noted that the set-up costs involve a considerable amount of investment, as each Uncle Don's outlet adhere to a certain standard for the interior design, as well as to the equipment to be employed, regardless of the geographical location of the Uncle Don's outlet. Additionally, as Uncle Don's is an established brand name, it is reasonable for the franchisor to dictate terms with an aim to safeguard its brand name, an act which would be mutually beneficial to a franchisor, and the franchisee. In instances above, taking into account the considerable investment in each Uncle Don's outlet, as well as the established brand name of Uncle Don's, it would be reasonable to expect the franchisee to maintain a comprehensive general liability insurance and fire insurance of up to RM1 million respectively. This term also ensures that a franchisee shall have the adequate financial means to adequately insure the franchised outlet(s). These terms are deemed reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
Appendix III, Section 9	**9. Renewal or Extension of the Franchising Term** **<u>For Rawang and Kajang Uncle Don's restaurant outlet</u>** Subject to the conditions set out in the Franchise Agreement, including but not limited to the Franchisee not being in default of any provisions of the Franchise Agreement, the Franchisee shall have the right to enter into a new franchise agreement in the form then being offered to prospective franchisees at the expiration of the Initial Term for 1 additional successive terms of 5 years ("**Renewal**"), or chose to extend the rights to the business for a further period of 2 years ("**Extension**"). **<u>For Sri Petaling and Kepong Uncle Don's restaurant outlet</u>** Subject to the Franchisee not being in breach or default of the terms and conditions of the Franchise Agreement, the Franchisee shall be granted the right and option to renew the term for a further term of 5 years immediately after expiry of the Initial Term.	Such terms are standard in similar franchise agreements, and the 5 years term is reasonable and common market practice. These terms are deemed reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.
Appendix III, Section 10	**10. Termination** 10.1 The Franchisor may immediately terminate the Franchise Agreement upon written notice to the Franchisee, without opportunity to cure, if:- (i) the Franchisee is abusing or having abused the confidential information and its right to use for the business that substantially impairs or damages or adversely affects the reputation and goodwill associated with the Marks and/or the confidential information; (ii) the Franchisee makes an unauthorized transfer, novation or assignment of the business or its rights and interest under the Franchise Agreement in favour of any of its	These terms serve to protect the franchisor against any abuse/misuse of its trademarks/franchised outlets, so as to protect its intellectual rights and economic interests. These terms also provide the franchisee with ample room and time to correct any non-compliance. These terms are standard in similar transactions, and is reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
	creditors, or a similar disposition of the assets of the business to any third party; (iii) the Franchisee voluntarily or wilfully or deliberately abandons the business or the Franchised Outlet; (iv) the Franchisee substantially or materially changes its composition and/or shareholding or/and directorship without the Franchisor's prior approval or consent in writing; (v) the Franchisee or its directors and shareholders files a petition under any bankruptcy or reorganization law (as the case may be), becomes insolvent, or has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of its property; (vi) the Franchisee seeks to effect a plan of liquidation, reorganization, composition or arrangement of its affairs, whether or not the same shall be subsequently approved by a court of competent jurisdiction; it being understood that in no event shall the Franchise Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement or reorganization proceeding; (vii) the Franchisee has an involuntary proceeding filed against it under any bankruptcy, reorganization, or similar law and such proceeding is not dismissed within 60 days thereafter; (viii) the Franchisee makes a general assignment for the benefit of its creditors; (ix) the Franchisee fails to pay when due any amount owed to the Franchisor and/or its Affiliates, whether under the	

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
	Franchise Agreement or not, and the Franchisee does not correct such failure within 14 days after written notice thereof is delivered to the Franchisee; (x) the Franchisee or any of the Franchisee's its immediate family members, affiliates, members, directors, officers, employees, agents, successors, assignees and ex-staffs are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the Franchisor and the goodwill associated with the Marks; (xi) the Franchisee operates the Franchised Outlet in a manner that presents a health or safety hazard to the Franchisee's customers, employees or the public; (xii) the Franchisee or the Franchisee's its immediate family members, affiliates, members, directors, officers, employees, agents, successors, assignees and ex-staffs makes a material misrepresentation to the Franchisor before or after being granted the Franchise or knowingly maintains false books and records; (xiii) the Franchisee misuses or makes an unauthorized use of or misappropriates any Mark, commits any act which can be reasonably expected to materially impair the goodwill associated with any Mark and that is not cured, if capable of cure, within 14 days after written notice thereof is delivered to the Franchisee; (xiv) the Franchisee challenges the Franchisor's ownership of any Mark; (xv) the Franchisee files a lawsuit involving any Mark without the Franchisor's consent;	

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
	(xvi) the Franchisee has received at least 3 default notices from the Franchisor within a 12 month period, even if such default is subjected to a right to cure or is cured after notice is delivered to the Franchisee; 10.2 Liquidated ascertain damages shall be payable in the event the Franchise Agreement is terminated before expiry due to any breach of the Franchisee and shall amount to 18% of the average gross turnover per month for each monthly period of the Initial Term not completed. average gross turnover shall be calculated based on the gross turnover of the 6 months preceding the termination. 10.3 In addition to, and without limiting, the termination rights of the Franchisor, the Franchisor shall have the right to terminate the Franchise Agreement upon 14 days written notice if the Franchisee commits any default under the Franchise Agreement and fails to remedy such default during such 14 day period provided however, that if the default is curable but is of a nature which cannot reasonably be cured within such 14 day period and the Franchisee has commenced and is continuing to make good faith efforts to cure such default, the Franchisee shall be given an additional 14 day period to cure the same, and the Franchise Agreement shall not terminate. 10.4 There shall be no right of termination accorded to the Franchisee prior to expiration of the Franchise Agreement save and except as expressly provided in the Franchise Agreement or with the written consent of the Franchisor, in which instance the Franchisor shall not be obliged to refund any of the franchise fee or part thereof paid by the Franchisee under the Franchise Agreement in any event.	

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
Appendix III, Section 11	**11. Right of First Refusal** 11.1 If the Franchisee or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or incapacity) the business (or any of its assets outside of the normal course of business), any ownership interest in the Franchise Agreement or the franchise granted hereunder, the Franchisee shall obtain and deliver a bona fide, executed written offer or proposal to purchase by the third party transferee, along with all pertinent documents including any contract or due diligence materials to the Franchisor. The offer must apply only to approve sale of the assets or interest listed above and may not include any other property or rights of the Franchisee or any of its owners. 11.2 The Franchisor shall, for 30 days from the date of delivery of all such documents, have the right, exercisable by written notice to the Franchisee, to purchase the offered interests or assets for the price and on the same terms and conditions in such offer or proposal communicated to the Franchisor. *Note:-* Prior to the Franchise Agreement, the Franchisor and the Franchisee have entered into a licensing agreement ("**Licensing Agreement**") whereby the Franchisee was granted by the Franchisor the licence to use the "Uncle Don's" tradename and trademark for a period of 5 years. Subsequent thereto, the Franchisor and the Franchisee have agreed to convert the Licensing Agreement and enter into the Franchise Agreement. Accordingly, the Franchisor and the Franchisee have executed a deed of novation and conversion into a franchise ("**Deed of Novation and Conversion**") to convert the Licensing Agreement and to novate certain terms of the Licensing Agreement into the Franchise Agreement. The	This term serves to ensure that the rights to the franchised outlet does not fall into the hands of any party without prior approval of the franchisor, in the event of any of the scenario(s) listed in this term. These terms are deemed reasonable and not detrimental to High Reserve, Oharu Inn Sdn Bhd, and Edaran TCQ Sdn Bhd, and consequentially reasonable and not detrimental towards the Purchaser and the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the franchise agreements	SCA's commentary
	salient terms disclosed above are terms of the Franchise Agreement as novated by the Deed of Novation and Termination. For clarification purposes, the right of first refusal as set out in Section 11 above is not applicable for the Proposed Acquisition as there is no changes in the franchisee of the High Reserve Group's Uncle Don's restaurant outlets pursuant to the Proposed Acquisition.	

We have evaluated the salient terms and conditions of the franchise agreements and are of the view that the terms are **reasonable**, insofar as the interest of High Reserve, and consequentially to the Purchaser and to Dolphin are concerned, and are **not detrimental** to the non-interested shareholders of Dolphin.

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5.6. Effects of the Proposed Acquisition

The effects of the Proposals are set out in Section 6, Part A of the Circular.

5.6.1. Issued Share Capital

The issued number of Dolphin Shares and issued capital will increase pursuant to Proposed Acquisition, in the manner set out below:

	No. of Shares	RM
Issued share capital as at the LPD	1,055,008,431	74,918,129
To be issued pursuant to the Proposed Acquisition	282,874,617	18,500,000
Enlarged issued share capital	**1,337,883,048**	**93,418,129**

In view that the partial settlement of RM36.0 million of the Purchase Consideration is via the issuance of 282,874,617 new Dolphin Shares at RM0.0654, the issued share capital will increase by RM18.5 million pursuant to Proposed Acquisition.

The balance of RM 17.5 million Purchase Consideration is via cash, and has no impact on the issued share capital.

5.6.2. Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisition on the Company's substantial shareholders shareholdings are as follows:

	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	(i)%	No. of Shares	(i)%	No. of Shares	(ii)%	No. of Shares	(ii)%
Asia Poly Holdings Berhad	140,913,184	13.4	-	-	140,913,184	10.5	-	-
Dato' Yeo Boon Leong	-	-	-	-	141,437,309	10.6	-	-

Notes:

(i) Computed based on total issued Dolphin Shares as at the LPD of 1,055,008,431 Shares.

(ii) Computed based on the enlarged issued Dolphin Shares after the Proposed Acquisition of 1,337,883,048 Shares.

Upon completion of the Proposed Acquisition, the Consideration Shares would represent 21.14% of the enlarged number of Dolphin Shares.

Asia Poly Holdings Berhad, a substantial shareholder of Dolphin, will see a dilution of its shareholdings, from 13.4% to 10.5%, while Dato' Yeo Boon Leong will emerge as a substantial shareholder, with a 10.6% direct stake in Dolphin, as a result of his receipt of the Consideration Shares pursuant to the Proposed Acquisition.

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5.6.3. NA, NA per Share and Gearing

Based on Dolphin's audited consolidated statement of financial position as at 30 June 2021 and assuming the Proposed Acquisition has been completed as at that date, the pro forma effects of the Proposed Acquisition on Dolphin Group's NA, NA per Share and gearing are as follows:

		(I)	**(II)**
	Audited As at 30 Jun 2021	**(i)After subsequent event**	**After (I) and the Proposed Acquisition**
	RM'000	**RM'000**	**RM'000**
Share capital	38,780	47,927	66,427
Foreign currency translation reserve	770	770	770
Warrant reserve	3,846	3,846	3,846
Accumulated losses	(14,169)	(14,536)	(ii)(15,236)
NA	**29,227**	**38,007**	**55,807**
No. of Dolphin Shares in issue ('000)	935,748	1,055,008	1,337,883
NA per Share (RM)	**0.03**	**0.04**	**0.04**
Total borrowings	10,301	10,301	10,301
Gearing ratio (times)	0.35	0.27	0.19

Notes:

i. *After taking into consideration the issuance of 119,260,000 Dolphin Shares on 17 November 2021 at an issue price of RM0.0767 each pursuant to the Placement 1 as well as the related estimated expenses of RM0.4 million*

ii. *After taking into consideration the estimated expenses in relation to the Proposed Acquisition of RM0.7 million.*

The Proposed Acquisition would result in increase in the pro-forma consolidated NA of Dolphin.

As per the illustration above, the NA per Dolphin Share will increase to RM0.04 pursuant to the Proposed Acquisition, from RM0.03 as at 30 June 2021, and represents no change after taking into consideration the issuance of 119,260,000 Placement Shares on 17 November 2021 (at an issue price of RM0.0767 each as well as the estimated expenses in relation to the Placement of RM0.4 million).

Consequent to the Proposed Acquisition, the proforma gearing would decrease, in the manner set out in the illustration above.

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5.6.4. Earnings and EPS

Based on Dolphin's audited consolidated financial statement 30 June 2021, and assuming the Proposed Acquisition had been completed on 1 July 2020, the pro forma effects of the Proposed Acquisition on the Group's earnings and EPS are as follows:

	Audited FYE 30 Jun 2021	**After the Proposed Acquisition**
	RM'000	**RM'000**
LAT attributable to the Company's shareholders	(40,937)	(40,937)
Profit Guarantee for the First Profit Guarantee Period	-	2,100
Estimated expenses in relation to the Proposed Acquisition	-	[(i)] (700)
Total	**(40,937)**	**(39,537)**
Weighted average no. of Shares ('000)	935,748	[(ii)]1,218,623
Loss per Share (sen)	**(4.37)**	**(3.24)**

Note:

(i) Mainly comprises professional fees amounting to RM0.5 million, stamp duty for the transfer of Sale Shares amounting to RM0.1 million, as well as fees payable to relevant authorities, expenses to convene the EGM, printing costs, sales and services tax and other miscellaneous expenses totaling RM0.1 million.

(ii) After taking into consideration the issuance of 282,874,617 Consideration Shares.

The Proposed Acquisition is expected to contribute positively to the future consolidated earnings of the Group, which would in turn enhance the EPS of the Group.

Referring to the illustration above, assuming the Proposed Acquisition and the Profit Guarantee had been in place on 1 July 2020, High Reserve Group would have contributed RM2.10 million and reduced the impact of the LAT attributable to Dolphin's shareholders for the FYE 30 June 2021.

5.6.5. Convertible Securities

Save for the 183,150,003 outstanding Warrants-B, the Company does not have any other outstanding convertible securities. In accordance with the provisions of the deed poll governing the Warrants-B, the issuance of the Consideration Shares pursuant to the Proposed Acquisition will not result in any adjustment to the exercise price and number of outstanding Warrants-B.

Premised on the above, the Proposed Acquisition is expected to result in positive financial effects to the Group, mainly in terms of potential earnings contribution and enhancement to the NA. Thus, we are of the view that the financial effects of the Proposed Acquisition, taken as a whole, are expected to be beneficial and **not detrimental** to the interest of the non-interested shareholders of Dolphin.

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5.7. Industry overview and prospects

We refer to the industry overview and prospects as set out in Section 4, Part A of the Circular. We also wish to draw the attention of the Board (save for the Interested Director) and non-interested shareholders to the following additional industry overview associated with the Proposed Acquisition, which were not mentioned in Section 4, Part A of the Circular.

5.7.1. Overview and outlook of the global economy

Global growth moderated in the first quarter of 2022. Recovery of services activity was initially affected by Omicron-led resurgences but improved as advanced economies (AEs) and most emerging market economies (EMEs) loosened restrictions later in the quarter. However, the recovery momentum was dampened by the military conflict in Ukraine, as well as renewed lockdowns in China. These developments led to re-escalation in global supply chain disruptions and increased commodity prices, which further heightened inflationary pressures. While the strength of manufacturing sectors continued in AEs, manufacturing activities in the EMEs were weighed by COVID-led disruptions in China. Nevertheless, global trade activity remained resilient.

(Source: Quarterly Bulletin for First Quarter of 2022, Bank Negara Malaysia)

5.7.2. Overview and outlook of the Malaysian economy

The Malaysian economy grew by 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). Growth was supported mainly by higher domestic demand as economic activity continued to normalise with the easing of containment measures. The improvement also reflects the recovery in the labour market and continued policy support. In addition, strong external demand, amid the continued upcycle in global technology, provided a further lift to growth. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 3.9% (4Q 2021: 4.6%).

(Source: Quarterly Bulletin for First Quarter of 2022, Bank Negara Malaysia)

5.7.3. Overview of the food and beverage sector in Malaysia

The food beverages and accommodation subsector are projected to decline by 7.7% in 2021, due to contractions in all segments. The subsector reduced significantly by 15.3% in the first half of 2021 due to the restrictions on tourism activities, including border closure to all international tourists except for inbound travellers in essential services, investors, businessmen and returning spouses. Thus, tourist arrivals plunged by 98.8% to 50,613 arrivals, while tourist receipts plummeted by 99.4% to RM80.2 million. The subsector is expected to record a marginal increase of 0.6% in the second half of the year, supported by the resumption of domestic tourism-related activities in line with the lifting of interstate travel restrictions in the fourth quarter. The anticipated hike is also attributed to the implementation of the Tourism Recovery Plan ("**TRP**"), starting with the Langkawi Travel Bubble programme beginning 16 September 2021 for fully vaccinated local tourists. In addition, the expected increase in online food purchases will help support the subsector's growth during the same period.

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

5.7.4. Overview of the services sector in Malaysia

Key economic sectors expanded in the first quarter of 2022. The services sector grew by 6.5% (4Q 2021: 3.2%). Consumer-related activities continued to recover amid the reopening of the economy. This was reflected in stronger growth in the retail and leisure-related subsectors. The strong expansion was also seen in business-related activities, including transport and storage, real estate, business services and private healthcare. Growth in the information and communication subsector provided further support amid greater coverage of 4G services as well as sustained demand for data communications services, particularly for e-commerce and e-payment activities.

(Source: Quarterly Bulletin for First Quarter of 2022, Bank Negara Malaysia)

The services sector will benefit from a pent-up demand, following increased business and consumer confidence as the nation records a high national vaccination rate. As economic and social activities are allowed to operate, the services sector is expected to expand by 7% in 2022. The growth is mainly driven by wholesale and retail trade; information and communications; finance and insurance; transportation and storage; and food & beverages and accommodation subsectors. With these encouraging developments, the tourism industry is projected to rebound strongly by 28.9% with the resurgence of tourist arrivals and domestic tourism.

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

<u>SCA's commentary</u>

We noted that with the normalising of economic activities, and the easing of containment measures contributed to the economic growth in the 1st Quarter GDP of the Malaysian economy.

In the services sector, consumer-related activities continued to recover amid the reopening of the economy..

Additionally, as mentioned in the IMR Report:
"Malaysia continues to experience a rise in urbanisation and this is expected to lead to increased demand for convenience. Compared to rural dwellers, urban residents have greater spending power and lead busier lives and thus, have greater propensity for dining out. As a result, the full-service restaurant segment in Malaysia is expected to continue experiencing growth in demand.

In addition, as Malaysia's urbanisation rate continues to rise, the living standards and disposable income of the population will continue to improve in the long-term, especially for urban households. Malaysia's gross national income per capita grew from RM36,710 in 2015 to RM45,874 in 2021. The long-term growth of disposable income will support the urban population's growing demand for dining out in restaurants, including full-service restaurants.

While the economy in Malaysia is expected to be impacted by the global outbreak of COVID-19, the economy is anticipated to progressively recover in the following years, with the support of economic stimulus packages announced by the Malaysian Government. In particular, the Malaysian Government had announced stimulus packages to stimulate the growth of the local economy."

We concur with the IMR Report on the long-term prospects and outlook of the food and beverage services industry, after taking into account, the rise in urbanisation, the positive economic benefits arising from the Malaysian economic stimulus packages as well as the overall positive outlook of the Malaysian food and beverage industry.

Taking into consideration the above and our evaluation of the prospects of the Proposed Acquisition set out in Section 5.2.4 of this IAL, we are of the view that it is **reasonable** for the Dolphin Group to proceed with the Proposed Acquisition.

5.8. Risk factors of the Proposed Acquisition

In evaluating the Proposed Acquisition, you should carefully consider the risk factors as set out in Section 5, Part A of the Circular before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

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

<u>SCA's commentary</u>

5.8.1. Dependence on experienced personnel of High Reserve

We take note of the Dolphin Group's efforts to attract, recruit, motivate and retain such skilled and experienced personnel.

We are of the view that effort should be made to groom younger members of the team to potentially /eventually take over from the existing personnel of High Reserve to ensure a smooth transition in the team should changes occur. The loss of service of any experienced personnel without suitable or timely replacement, or the inability of Dolphin to attract and retain other qualified personnel could adversely affect operations and hence, High Reserve Group's revenue and profitability.

Additionally, as mentioned in Section 3, Part A of the Circular, we noted that the enlarged Dolphin Group would be able to re-deploy its human resources among its chain of restaurant outlets as and when the need arises, pursuant to the Proposed Acquisition. This may mitigate any risk that arises from the dependence on any personnel of High Reserve Group.

We wish to highlight although measures will be taken by the Dolphin Group to contain or mitigate the risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of the above risk factors will not occur and give rise to material and adverse impact on the business and operations, financial performance and position or prospects thereon.

6. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition after taking into consideration the various factors as set out in Section 5 of this IAL. In arriving at our conclusion and recommendation, we have considered and summarised the following pertinent factors, which the non-interested shareholders should consider when forming their views on the Proposed Acquisition.

A summary of our evaluations are as follows:

Consideration factors		Our evaluation
(a)	**Rationale for the Proposed Acquisition**	We are of the view that the rationale of the Proposed Acquisition is **reasonable and not detrimental** to the non-interested shareholders of Dolphin. The Proposed Acquisition would accord the Group with the following benefits: (i) Value creation to the Company and its shareholders; (ii) Impact on the Company and shareholders; (iii) Adequacy in addressing the Company's financial concerns; and (iv) issuance of Consideration Shares as part settlement offers the Group greater financial footing and flexibility.
(b)	**Basis and justification for the Purchase Consideration**	We noted that the Purchase Consideration (of RM36.0 million): i. is within the range of the fair value for 100% equity interest in High Reserve which ranges from RM33.0 million to RM38.5 million, as appraised by FHCA; and ii. is within the range of the fair value for 100% equity interest in High Reserve which ranges from RM34.80 million to RM39.05 million, as appraised by SCA; using the discounted FCFE and RVA methodologies.

Consideration factors		Our evaluation
		We have compared our valuation against FHCA's valuation in arriving at our opinion on the fairness of the Purchase Consideration. We have evaluated and are satisfies with the results of the valuation based on the reasonableness of the methodologies, key assumptions made and risks highlighted in its valuation. We have inferred that the Profit Guarantee of RM2.1 million is intended to reflect High Reserve Group's restaurant business's expected steady annual income stream for a 12-month period moving forward and thus is in line with the implied price earnings ratio or price earnings PE multiple of the Purchase Consideration of 17.14 times. The implied PE multiple of 17.14 times falls within the range of the PE multiples of the comparable companies (as defined in Section 5.2.1 of this IAL) of 6.22 times and 42.30 times and approximates the average PE multiple of 19.45 times and median PE multiple of 15.89 times. We are of the view that the bases and assumptions of the Financial Projections (as defined in Section 5.2.2 of this IAL) prepared by the Representatives of High Reserve are **reasonable** and the valuation of 100% equity interest of High Reserve is **fair**. We noted the average PE multiple of 19.45 times commanded by FHCA's comparable companies, and the average PE multiple of 24.59 times commanded by SCA's comparable companies. Therefore, the Profit Guarantee of RM4.2 million or RM2.1 million for each of the Profit Guarantee Periods, which equates to an implied PE multiple of 17.1 times, is considered to be **fair**. We are of the view the basis in arriving at the Profit Guarantee amount as **fair** salient terms of the Profit Guarantee are **reasonable**. We are of the view the Purchase Consideration is **fair** and the basis in arriving at the Purchase Consideration is **reasonable**.
(c)	**Basis and justification for the Issue Price of the Consideration Shares**	We noted that the Issue Price of the Consideration Shares of RM0.0654 per share was arrived at after taking into consideration the 5-day VWAP of Dolphin Shares up to and including the LTD 23 February 2022, of RM 0.0654. Thus, we have primarily made reference to the following: i. the historical price performance of Dolphin Shares (being the historical 12-months VWAP up to and including the LTD); and ii. the daily closing prices of Dolphin Shares for the 12-month period prior to the LTD (i.e., from 24 February 2021 to the LTD).

Consideration factors		Our evaluation
		As per Section 2.3, Part A of the Circular, the 5-day VWAP was adopted as the basis for the Issue Price as it is less susceptible to fluctuation as compared to using the closing market price. This is reasonable, and a standard market practice. We have noted the discounts of the Issue Price as compared to the 1,3,6 and 12-months VWAP up to and including the LTD. We also noted that the market prices of Dolphin Shares was on a downward trend over the past 1 year up to the LTD, which may be attributable to Dolphin's prospects being dampened by restrictions imposed due to the COVID-19 pandemic. We noted that the Issue Price of RM0.0654 is within the closing price range of Dolphin Shares twelve (12) months prior to the LTD. Premised on our analysis, we are of the view that the issue price for the Consideration Shares is **fair**.
(d)	**Salient terms of the SSA**	We are of the opinion that the salient terms of the SSA are generally **reasonable and not detrimental** to the interests of the non-interested shareholders.
(e)	**Salient terms of the franchise agreements**	We are of the opinion that the salient terms of the franchise agreements are generally **reasonable and not detrimental** to the interests of the non-interested shareholders.
(f)	**Effects of the Proposed Acquisition**	In view that the Proposed Acquisition is settled via a combination of cash considerations and share consideration, thus, this will result in an increase in the issued share capital of Dolphin by RM18.5 million comprising 282,874,617 Dolphin Shares due to the issuance of the Consideration Shares. Proposed Acquisition would result in dilution of the pro forma shareholdings of the non-interested shareholders of Dolphin. Upon completion of the Proposed Acquisition, the Consideration Shares would represent 21.14% of the enlarged number of Dolphin Shares. The pro forma shareholdings of Asia Poly Holdings Berhad will dilute from 13.4% to 10.5%, while Dato' Yeo Boon Leong will increase from nil to 10.6%. Upon completion of the Proposed Acquisition, Dolphin Group's pro forma NA will increase from RM29.23 million to RM 55.81 million. Hence, the pro forma NA per Dolphin Shares would increase from RM0.03 to RM0.04. Following the Proposed Acquisition, Dolphin Group's gearing will decrease from 0.35 times to 0.19 times. The loss per share will decrease from 4.37 sen to 3.24 sen after the Proposed Acquisition.

Consideration factors		Our evaluation
		The issuance of the Consideration Shares pursuant to the Proposed Acquisition will not result in any adjustment to the exercise price and number of outstanding convertible securities. Premised on the above, we are of the view that the financial effects of the Proposed Acquisition, taken as a whole, are expected to be beneficial and **not detrimental** to the interest of the non-interested shareholders of Dolphin.
(g)	**Industry overview and future prospects**	We are of the view that the rationale for the Proposed Acquisition is **reasonable** and supported by the industry overview and future prospects of High Reserve, taken as a whole, are expected to be beneficial and **not detrimental** to the interest of the non-interested shareholders of Dolphin.
(h)	**Risk factors of the Proposed Acquisition**	In considering the Proposed Acquisition, the non-interested shareholders of Dolphin are advised to give careful consideration to the following additional risk factors, i.e. high dependence on experienced personnel of High Reserve. We wish to highlight that although measures will be taken by the Board of the enlarged Dolphin Group to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operation and its financial performance, position or prospects of the enlarged Dolphin Group.

Based on our evaluation as set out in this IAL and summarised in the above section, we are of the opinion that the Proposed Acquisition is **fair and reasonable** insofar as you are concerned.

Therefore, in the absence of unforeseen circumstances, the Proposed Acquisition is deemed to be in the **best interest** of the Dolphin Group and **not detrimental** to the interests of the non-interested shareholders of Dolphin.

Accordingly, we recommend that you should **vote in favour** of the resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
for and on behalf of
SIERAC CORPORATE ADVISERS SDN BHD

TEH SEW HONG
Executive Director

TAN HOOI WEN
Associate Director, Corporate Finance

SALIENT TERMS OF THE SSA

The salient terms of the SSA are as follows:

1. Sale and Purchase of Sale Shares

The Vendors shall sell and the Purchaser shall purchase the Sale Shares free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights and benefits attached or accruing thereto and free from any and all encumbrances, upon the terms, conditions and stipulations set forth in the SSA.

2. Conditions Precedent

(i) The sale and purchase of the Sale Shares shall be conditional upon the following conditions being fulfilled within 6 months from the date of the SSA or such further period as may be mutually agreed by the Vendors and the Purchaser in writing ("**Conditional Period**"):

(a) Dolphin procuring its shareholders' approval at an EGM to be convened for the Proposed Acquisition;

(b) Dolphin procuring Bursa Securities' approval for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;

(c) the results of the due diligence inquiry on the High Reserve Group being satisfactory to the Purchaser in its sole and absolute discretion;

(d) satisfaction of the full payment by High Reserve for the acquisition of the entire equity interest in Edaran TCQ Sdn Bhd pursuant to the shares purchase agreement dated 1 July 2021;

(e) satisfaction of the full payment by High Reserve for the acquisition of the entire equity interest in Oharu Inn Sdn Bhd pursuant to the shares purchase agreement dated 1 July 2021;

(f) settlement of an amount owing to Dian Be Hardware Co Sdn Bhd, a 3rd party renovator, amounting to RM353,779.98;

(g) capitalisation of the Vendors' advances to High Reserve amounting to RM4,608,148 *via* issuance of 4,608,148 new High Reserve Shares;

(h) the Vendors procuring the consents of Uncle Don's Restaurants for the transfer of the Sale Shares from the Vendors to the Purchaser; and

(i) where applicable, the Vendors procuring the requisite consents and approvals from the appropriate authorities, financiers or such other party to consummate the sale and purchase of the Sale Shares as contemplated under the SSA.

(ii) Any of the Conditions Precedent may be waived in whole or in part and conditionally or unconditionally upon the mutual agreement of the Vendors and the Purchaser in writing.

(iii) In the event that the Conditions Precedent are not fulfilled within the Conditional Period, unless otherwise mutually agreed by the Vendors and the Purchaser in writing, the SSA shall be immediately terminated following expiry of the Conditional Period. Following such termination, the Vendors shall refund the Deposit (as defined in **Section 3(i) of this Appendix I**), free of interest, within 3 Business Days thereof to the Purchaser and thereafter the SSA shall lapse and cease to have any effect and save for antecedent breach and thereafter the Vendors and the Purchaser shall not have any claims whatsoever against each other in respect of the SSA.

(iv) The SSA shall become unconditional on the date the last of the Conditions Precedent is fulfilled or waived accordance with the terms and conditions of the SSA.

3. Purchase Consideration

In consideration for the Sale Shares, the Purchaser agrees to pay the Vendors the Purchase Consideration as follows:

(i) cash consideration of RM5.4 million only, representing 15% of the Purchase Consideration ("**Deposit**"), payable to the Vendors on the date of the SSA;

(ii) cash consideration of RM7.9 million only, representing approximately 21.9% of the Purchase Consideration ("**Partial Cash Payment**"), payable to Vendors on the Completion Date;

(iii) allotment and issuance of 282,874,617 Consideration Shares to the Vendors at an issue price of RM0.0654 each on the Completion Date. The total value of the Consideration Shares is RM18.5 million only, representing approximately 51.4% of the Purchase Consideration; and

(iv) balance purchase cash consideration of RM4.2 million only (comprising the First Year Cash Consideration and the Second Year Cash Consideration), representing approximately 11.7% of the Purchase Consideration, shall be satisfied in accordance with the provisions as detailed in **Section 5 of this Appendix I**.

4. Completion

(i) Subject always to the fulfilment of the Conditions Precedent, provided that all representations and warranties in the SSA remain true and there is no prior termination, the sale and purchase of the Sale Shares shall complete on the Completion Date at such time and place as may be mutually agreed between the Vendors and the Purchaser.

(ii) The Vendors shall on the Completion Date deliver, amongst others, the resignation letter of all the current directors of the High Reserve Group effective immediately on the Completion Date.

5. Profit Guarantee

(i) The Vendors hereby irrevocably, unconditionally, jointly and severally undertakes to guarantee that the High Reserve Group shall attain and achieve a PAT of RM2.1 million each for the First Profit Guarantee Period and Second Profit Guarantee Period respectively.

(ii) The Vendors and the Purchaser agree that the following shall ensue:

<u>First Profit Guarantee Period</u>

(a) Where the PAT achieved by the High Reserve Group for the First Profit Guarantee Period shall be equivalent to or exceed the guaranteed PAT of RM2.1 million, the Purchaser shall pay the First Year Cash Consideration to the Vendors within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the First Profit Guarantee Period are made available;

(b) Where the PAT achieved by the High Reserve Group for the First Profit Guarantee Period shall be lesser than the guaranteed PAT, the Purchaser shall retain the First Year Cash Consideration and no amount shall be released to the Vendors; or

(c) Where the High Reserve Group recorded a LAT for the First Profit Guarantee Period, the Purchaser shall retain the First Year Cash Consideration and no amount shall be released to the Vendors.

<u>**Second Profit Guarantee Period**</u>

(d) Where the aggregate PATs achieved by the High Reserve Group for the Profit Guarantee Periods shall be equivalent to or exceed the aggregate guaranteed PAT of RM4.2 million ("**Aggregate Guaranteed PAT**"), the Purchaser shall pay the Vendors an amount computed following the formula below within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the Second Profit Guarantee Period are made available:

Amount payable by the Purchaser	=	Aggregate Guaranteed PAT	-	Payment made for the First Profit Guarantee Period

(e) If the aggregate PAT for the Profit Guarantee Periods is less than the total Profit Guarantee of RM4.2 million ("Aggregate Shortfall"), the Purchaser shall pay the Vendors an amount computed following the formula below within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the Second Profit Guarantee Period are made available:

Amount payable by the Purchaser	=	Aggregate Guaranteed PAT	-	Aggregate Shortfall	-	Payment made for the First Profit Guarantee Period

(f) If the High Reserve Group suffers an aggregate loss for the Profit Guarantee Periods ("Aggregate Loss"), the Purchaser shall be discharged from its obligation to pay the Vendors the First Year Cash Consideration and Second Year Cash Consideration (or any unpaid part thereof) and the Vendors shall pay the Purchaser an amount computed following the formula below within 14 Business Days from the date the audited consolidated financial statements of High Reserve for the Second Profit Guarantee Period are made available:

Aggregate amount payable by the Vendors	=	Aggregate Loss	+	Amount paid to the Vendors for the First Profit Guarantee Period

6. Default and Termination

(i) It is a terminating event by the Purchaser, whether or not it is within the control of any of the Vendors, if:

(a) any of the Vendors fail or neglect to observe, perform or proceed regularly and diligently with performance of any of its obligations or undertakings under the SSA and shall fail to remedy such failure (if capable of remedy) within 14 days (or such further period as may be specified by the Purchaser) upon its receipt of a notice from the Purchaser specifying such breach;

(b) any representation, warranty or undertaking relating to any of the Vendors or given by any of the Vendors under the SSA becomes false, misleading or incorrect when made or deemed to be made under the SSA;

(c) any legal proceeding, suit, action, litigation or arbitration proceeding is commenced against any of the Vendors or its director which has or might reasonably be expected to have an adverse effect against any of the Vendors' ability to perform its obligations hereunder and is not remedied within 30 days (or such further period as may be specified by the Purchaser) from the date of notice in writing by the Purchaser;

(d) a receiving order or adjudication order, creditor's petition or debtor's petition of bankruptcy is issued or threatened against any of the Vendors, which could involve the appointment of receiver, receiver and manager, administrator or similar officials over their assets;

(e) any step is taken for the winding-up or dissolution of any of the Vendors or High Reserve or any of its subsidiaries or a petition for winding-up is presented against any of them; or

(f) any sanction or approval by the Vendors, High Reserve or any of its subsidiaries of any composition in satisfaction of the debts of High Reserve or any of its subsidiaries or scheme of arrangement of High Reserve and its subsidiaries' affairs, or compromise or arrangement with their creditors or any class of them.

(ii) Upon occurrence of any such event under **Section 6(i)** above, on or prior to the Completion Date, the Purchaser shall be entitled to:

(a) the right of specific performance of the SSA against the Vendors and all such reliefs flowing therefrom and such remedy shall be in addition to and not in lieu of, limitation or diminution of other remedies provided to the Purchaser under the SSA or otherwise at law or in equity to claim for damages as a result of such breach by the Vendors; or

(b) terminate the SSA with immediate effect by giving written notice to the Vendors before the Completion Date ("**Termination Notice**"), whereupon:

(aa) the Vendors shall refund the Deposit, free of interest, within 3 Business Days from the date of the Termination Notice to the Purchaser;

(bb) the Vendors shall reimburse the Purchaser all costs and expenses incurred by the Purchaser for the sale and purchase of the Sale Shares as contemplated under the SSA on a reasonable basis within 14 Business Days from the date of the Termination Notice, subject always to a combined cap of RM600,000 only;

(cc) the Vendors shall return all the Purchaser's deliverables as set out in the SSA, within 14 Business Days from the date of the Termination Notice;

(dd) the Purchaser shall return or cause the Purchaser's solicitors to return all the Vendors' execution deliverables as set out in the SSA, within 14 Business Days from the date of the Termination Notice; and

(ee) thereafter, the SSA shall lapse and cease to have any effect and none of the Parties shall have any claims whatsoever against the other Parties in respect of the SSA.

7. Governing Laws

The SSA is governed by and construed in accordance with the laws of Malaysia.

1. HISTORY AND PRINCIPAL ACTIVITIES

High Reserve was incorporated in Malaysia on 2 January 2015 as a private limited company under the name of High Reserve Technology Sdn Bhd. The company subsequently changed its name to High Reserve Capital Partners Sdn Bhd on 18 May 2016, High Reserve Power & Energy Sdn Bhd on 13 April 2017 and finally to its present name on 26 April 2018.

The company commenced operations on 11 September 2018 and is principally involved in operating restaurants and investment holding. As at the LPD, High Reserve has 2 wholly-owned subsidiaries, details of which are set out as follows:

Name	Country of incorporation	Date of incorporation	Issued share capital	Effective equity interest	Principal activities
Oharu Inn Sdn Bhd	Malaysia	21 July 2020	RM1,800,000 comprising 1,800,000 ordinary shares	100%	Operation of Uncle Don's restaurant outlet
Edaran TCQ Sdn Bhd	Malaysia	27 May 2019	RM100 comprising 100 ordinary shares	100%	Operation of Uncle Don's restaurant outlet

As at the LPD, the High Reserve Group owns and operates 4 restaurant outlets under the franchise of "Uncle Don's" at the following locations:

No.	Location	Date of business commencement	Floor area
(i)	<u>Sri Petaling outlet (held by High Reserve)</u> No. 21-G, Jalan Radin Bagus 5, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	11 Sep 2018	3,289 sq. ft.
(ii)	<u>Kepong outlet (held by High Reserve)</u> C-G-20, Fortune Avenue Block C, Jalan Metro Perdana 3, Taman Usahawan Kepong, 52100 Kuala Lumpur	3 Oct 2019	3,318 sq. ft.
(iii)	<u>Rawang outlet (held by Oharu Inn Sdn Bhd)</u> Nos. 17-1 & 18-1, Jalan Anggun City 1, Pusat Komersial Anggun City, 48000 Rawang, Selangor Darul Ehsan	29 Oct 2020	3,963 sq. ft.
(iv)	<u>Kajang outlet (held by Edaran TCQ Sdn Bhd)</u> No. 5-G & 6-G, Plaza Indah, Jalan Wan Siew, Taman Sepakat Indah, 43000 Kajang, Selangor Darul Ehsan	7 Jan 2021	3,918 sq. ft.

Please refer to **Appendix III** of this Circular for the salient terms of the franchise agreements in relation to the High Reserve Group's Uncle Don's restaurant outlets.

2. SHARE CAPITAL

As at the LPD, High Reserve's issued share capital is RM400,000 comprising 400,000 ordinary shares.

3. DIRECTORS AND SHAREHOLDERS

Based on High Reserves' register of directors' shareholdings and register of shareholders as at the LPD, the directors and shareholders of High Reserve (all are Malaysians) as well as their respective shareholdings in High Reserve are as follows:

Name	Designation	No. of shares	%
Dato' Yeo Boon Leong	Director and shareholder	200,000	50
Yeo Boon Ho	Director and shareholder	80,000	20
Yeo Boon Thai	Director and shareholder	80,000	20
Yeo Soon Bee	Shareholder	40,000	10
Total		**400,000**	**100**

4. TYPE OF ASSETS

Based on High Reserve's audited statement of financial position as at 31 May 2021, its assets comprises the following:

Assets	RM'000
Non-current assets	
Property, plant and equipment(i)	933
Current assets	
Inventories	45
Other receivables	50
Deposits	328
Amount due from directors	(ii)
Tax prepayment	40
Cash and bank balances	251
Total	**1,647**

Notes:

(i) Mainly comprises capitalised renovation costs, kitchen appliances and furniture and fittings.

(ii) Less than RM1,000

5. HISTORICAL FINANCIAL PERFORMANCE

High Reserve's historical financial information for the FYE 31 May 2019 to 31 May 2021 as well as the 7-month FPE 31 December 2021 are summarised below:

	Audited			Unaudited
	FYE 31 May 2019	FYE 31 May 2020	FYE 31 May 2021	7-month FPE 31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	3,949	5,645	5,468	2,607
PBT/(LBT)	(12)	282	(12)	106
PAT/(LAT)	(18)	221	(21)	106
Share capital	400	400	400	400
NA	367	589	568	674
Borrowings	-	-	-	-
Current assets	497	797	714	605
Current liabilities	636	1,213	1,030	818
EPS/(Loss per share) (RM)	(0.05)	0.55	(0.05)	0.27
PBT/(LBT) margin (%)	(0.5)	5.0	(0.2)	4.1
NA per share (RM)	0.92	1.47	1.42	1.69
Gearing ratio (times)	-	-	-	-
Current ratio (times)	0.78	0.66	0.69	0.74

(i) FYE 31 May 2020 vs FYE 31 May 2019

For the FYE 31 May 2020, High Reserve recorded an increase in revenue by RM1.7 million or 42.9% to RM5.6 million as compared to the previous financial year. The increase in revenue was mainly due to additional revenue contribution from a new restaurant outlet in Kepong which commenced operation on 3 October 2019.

High Reserve recorded a PBT of RM0.3 million and PAT of RM0.2 million for the FYE 31 May 2020 as compared to a loss for the FYE 31 May 2019 mainly due to the increase in revenue and economies of scale from having an additional restaurant outlet.

(ii) FYE 31 May 2021 vs FYE 31 May 2020

For the FYE 31 May 2021, High Reserve recorded a decrease in revenue by RM0.2 million or 3.1% to RM5.5 million as compared to the previous financial year. The decrease in revenue was mainly due to the following restrictions imposed by the Malaysian Government during the MCO:

(a) High Reserve's Uncle Don's restaurant outlets only served take-away orders as dine-in was not allowed during the period from March 2020 to October 2020; and

(b) High Reserve's Uncle Don's restaurant outlets were opened to serve dine-in customers but subject to limited sitting capacity in compliance with the social distancing requirement from November 2020 to January 2021. The sitting capacity was progressively increase from February 2021 with the relaxation of the social distancing requirement.

High Reserve recorded a loss for the FYE 31 May 2021 as compared to a PBT of RM0.3 million and PAT of RM0.2 million for the FYE 31 May 2020 mainly due to the decrease in revenue and the additional costs incurred to implement the precautionary measures at its restaurant outlets to minimise the risk of COVID-19 infections and to comply with the standard operating procedures imposed by the Malaysian Government as well as lesser economies of scale as a result of lower sales.

(iii) 7-month FPE 31 December 2021 (annualised) vs FYE 31 May 2021

For the 7-month FPE 31 December 2021, High Reserve recorded a revenue of RM2.6 million or RM4.5 million on an annualised basis, which was lower by RM1.0 million or 18.3% as compared to the FYE 31 May 2021. The decrease in revenue was mainly due to restrictions imposed by the Malaysian Government during the MCO period whereby High Reserve's Uncle Don's restaurant outlets only served take-away orders as dine-in was not allowed from May 2021 to August 2021.

Notwithstanding the lower revenue, High Reserve recorded a PBT and PAT of RM0.1 million during the 7-month FPE 31 December 2021 in the FYE 31 May 2021 mainly due to higher demand for higher margin food and beverages especially during the festive month of December 2021.

Based on High Reserve's audited financial statements for the FYE 31 May 2019 to 31 March 2021:

(i) there were no exceptional or extraordinary items being recorded over the financial years under review;

(ii) there were no accounting policies adopted which are peculiar to High Reserve because of the nature of its business or the industry in which it is involved in; and

(iii) the auditors had not issued any audit qualifications on the financial statements.

6. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, High Reserve is not engaged in any material litigation, claims and/or arbitration either as plaintiff or defendant which may have a material effect on the financial position or business of High Reserve, and the directors of High Reserve are not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of High Reserve.

7. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there are no material commitments and contingent liabilities incurred or known to be incurred by High Reserve, which upon becoming due or enforceable, may have a material impact on the financial position or business of High Reserve.

8. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, High Reserve has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years immediately preceding the date of this Circular:

(i) on 1 July 2021, High Reserve entered into a shares purchase agreement with Tan Saw Han and Phoon Sau Mei for the acquisition of 1,800,000 ordinary shares in Oharu Inn Sdn Bhd, representing the entire equity interest in Oharu Inn Sdn Bhd, for a cash consideration of RM1,950,000. As at the LPD, the shares purchase agreement has yet to be completed; and

(ii) on 1 July 2021, High Reserve entered into a shares purchase agreement with Tan Soon Hui, Tan Kah Seng, Tan Siau Hwee and Tan Siau Peng for the acquisition of 100 ordinary shares in Edaran TCQ Sdn Bhd, representing the entire equity interest in Edaran TCQ Sdn Bhd, for a cash consideration of RM2,000,000. As at the LPD, the shares purchase agreement has yet to be completed.

SALIENT TERMS OF THE UNCLE DON'S FRANCHISE AGREEMENTS

Set out below are the salient terms of the franchise agreements between Uncle Don's Restaurants Sdn Bhd ("**Franchisor**") and High Reserve F&B Sdn Bhd, Edaran TCQ Sdn Bhd or Oharu Inn Sdn Bhd ("**Franchisee**") ("**Franchise Agreement**") respectively:

1. Grant of Franchise

1.1 The Franchisor grants to the Franchisee on a non-exclusive basis, the right to use the operating system developed by the Franchisor for the business of selling food and beverage items using the name "Uncle Don's" and its registered trademarks and all other trade names, trademarks, service marks, logos, emblems, insignia and signs developed for use by the Franchisor from time to time used for the purpose of this franchise ("**Marks**").

1.2 The Franchisee undertakes the obligation to develop and operate the franchised outlet at the location set out in the Franchise Agreement ("**Franchised Outlet**") and to use the trademark and operating system solely in connection therewith and in accordance with the terms of the Franchise Agreement.

1.3 The Franchisee agrees to prepare, serve and sell only the items stated in the menu developed by the Franchisor at the price determined by the Franchisor and to prepare the same in accordance with the operating system at the Franchised Outlet only.

1.4 The Franchisee shall not sub-franchise or sub-licence the use of the operating system or Marks to any person or entity and shall not grant any person or entity the right to perform any part of the Franchisee's rights or obligations under the Franchise hereunder.

2. Term

2.1 The Franchise Agreement shall be for a term of 60 months ("**Initial Term**") commencing from date as set out below:

Outlet	Commencement date
Sri Petaling outlet	11 September 2018
Kepong outlet	3 October 2019
Rawang outlet	7 August 2020
Kajang outlet	3 November 2020

3. Approved Location

3.1 The rights granted to Franchisee under each Franchise Agreement is non-exclusive and shall be restricted to the operation of a single Franshised Outlet.

3.2 The approved location of the Franchised Outlet shall be used exclusively to operate a Franchised Outlet. The Franchisee shall not carry on or conduct or permit others to carry on or conduct any other business, activity or operation at the approved location without the written consent of the Franchisor. The rights granted to the Franchisee are for the approved location and cannot be transferred to any other location except with the Franchisor's prior written approval.

3.3 The Franchisee may apply to the Franchisor for a relocation of the Franchised Outlet to another premise or location under limited event of unsatisfactory sales performance, loss or non-renewal of lease of the Franchised Outlet not attributable to the Franchisee and/or irreparable damage to the Franchised Outlet by force of nature provided always that the Franchisor shall not be obligated to consent to such relocation in any event.

4. Franchise Fee and Payments

4.1 In consideration for the franchise rights granted by the Franchisor, the Franchisee shall pay to the Franchisor the following:

(i) franchise fees;
(ii) setting-up costs;
(iii) franchise deposit; and
(iv) royalty fees.

4.2 In the event that any amount due and payable to the Franchisor is/are not paid within the stipulated payment period, a default interest in RM at the rate of 10% per annum may be additionally payable.

5. Standard Operating Manual

5.1 The Franchisor may update and change the operating manual periodically to reflect changes in the operating system and the operating requirements applicable to the business and the Franchisee expressly agrees to comply with each requirement within such reasonable time as the Franchisor may require, or if no time is specified, within 30 days after receiving notification of the requirement.

5.2 The Franchisee must not by itself introduce any improvement, addition or modification of the operating manual without the prior written consent of the Franchisor.

6. Continuing support by the Franchisor

6.1 The Franchisor shall provide to the Franchisee and its employees, as the Franchisor may deem necessary, training and ongoing re-training program in package preparation, customer service and package information in connection with the business.

7. Marks

7.1 The Franchise Agreement does not confer the Franchisee any right, title or interest in and to the Marks, except the non-exclusive right to use the Marks limited to the operation of the Franchised Outlet under the Operating System in accordance with the terms of the Franchise Agreement.

7.2 The Franchisee shall, unless the Franchisor otherwise consents in writing:

(i) only use the Marks for the operation of the Franchised Outlet and only at the approved location, or in the manner authorized and permitted by the Franchisor. The Franchisee's right to use the Marks is limited to such uses as are authorized under the Franchise Agreement, and any unauthorized use thereof shall constitute an infringement of rights of the Franchisor.

(ii) the Franchisee shall not by itself or own accord introduce any improvement, addition or modification of or to the Marks and/or the operating system into the business.

8. Indemnification

8.1 The Franchisee agrees to indemnify, defend and hold harmless the Franchisor and its affiliates, members, directors, officers, employees, agents, successors and assignees ("**Indemnified Parties**") and to reimburse any one or more of the Indemnified Parties for all claims, obligations damages, costs, expenses and taxes described in the Franchise Agreement and any claims and liabilities directly or indirectly arising out of the Franchised Outlet's operation or the Franchisee's breach of the Franchise Agreement, except to the extent they arise as a result of the Franchisor's own gross negligence or wilful misconduct. This indemnity will continue in effect after the expiration or termination of the Franchise Agreement.

8.2 At all times during the Initial Term, the Franchisee shall maintain a comprehensive general liability insurance (including for any third party liabilities and for injuries suffered) in an amount equivalent to or no less than RM1 million and fire insurance in an amount equivalent to or no less than RM1 million provided however that the Franchisor may at any time direct the Franchisee to acquire different or additional insurance coverage limits. The Franchisee shall cause the Franchisor to be named as an additional insured party on the policies of such insurances.

9. Renewal or Extension of the Franchising Term

<u>For Rawang and Kajang Uncle Don's restaurant outlets</u>

Subject to the conditions set out in the Franchise Agreement, including but not limited to the Franchisee not being in default of any provisions of the Franchise Agreement, the Franchisee shall have the right to enter into a new franchise agreement in the form then being offered to prospective franchisees at the expiration of the Initial Term for 1 additional successive terms of 5 years ("**Renewal**"), or chose to extend the rights to the business for a further period of 2 years ("**Extension**").

<u>For Sri Petaling and Kepong Uncle Don's restaurant outlets</u>

Subject to the Franchisee not being in breach or default of the terms and conditions of the Franchise Agreement, the Franchisee shall be granted the right and option to renew the term for a further term of 5 years immediately after expiry of the Initial Term.

10. Termination

10.1 The Franchisor may immediately terminate the Franchise Agreement upon written notice to the Franchisee, without opportunity to cure, if:

(i) the Franchisee is abusing or having abused the confidential information and its right to use for the business that substantially impairs or damages or adversely affects the reputation and goodwill associated with the Marks and/or the confidential information;

(ii) the Franchisee makes an unauthorized transfer, novation or assignment of the business or its rights and interest under the Franchise Agreement in favour of any of its creditors, or a similar disposition of the assets of the business to any third party;

(iii) the Franchisee voluntarily or wilfully or deliberately abandons the business or the Franchised Outlet;

(iv) the Franchisee substantially or materially changes its composition and/or shareholding or/and directorship without the Franchisor's prior approval or consent in writing;

(v) the Franchisee or its directors and shareholders files a petition under any bankruptcy or reorganization law (as the case may be), becomes insolvent, or has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of its property;

(vi) the Franchisee seeks to effect a plan of liquidation, reorganization, composition or arrangement of its affairs, whether or not the same shall be subsequently approved by a court of competent jurisdiction, it being understood that in no event shall the Franchise Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement or reorganization proceeding;

(vii) the Franchisee has an involuntary proceeding filed against it under any bankruptcy, reorganization, or similar law and such proceeding is not dismissed within 60 days thereafter;

(viii) the Franchisee makes a general assignment for the benefit of its creditors;

(ix) the Franchisee fails to pay when due any amount owed to the Franchisor and/or its Affiliates, whether under the Franchise Agreement or not, and the Franchisee does not correct such failure within 14 days after written notice thereof is delivered to the Franchisee;

(x) the Franchisee or any of the Franchisee's its immediate family members, affiliates, members, directors, officers, employees, agents, successors, assignees and ex-staffs are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the Franchisor and the goodwill associated with the Marks;

(xi) the Franchisee operates the Franchised Outlet in a manner that presents a health or safety hazard to the Franchisee's customers, employees or the public;

(xii) the Franchisee or its immediate family members, affiliates, members, directors, officers, employees, agents, successors, assignees and ex-staffs makes a material misrepresentation to the Franchisor before or after being granted the Franchise or knowingly maintains false books and records;

(xiii) the Franchisee misuses or makes an unauthorized use of or misappropriates any Mark, commits any act which can be reasonably expected to materially impair the goodwill associated with any Mark and that is not cured, if capable of cure, within 14 days after written notice thereof is delivered to the Franchisee;

(xiv) the Franchisee challenges the Franchisor's ownership of any Mark;

(xv) the Franchisee files a lawsuit involving any Mark without the Franchisor's consent;

(xvi) the Franchisee has received at least 3 default notices from the Franchisor within a 12 month period, even if such default is subjected to a right to cure or is cured after notice is delivered to the Franchisee;

10.2 Liquidated ascertain damages shall be payable in the event the Franchise Agreement is terminated before expiry due to any breach of the Franchisee and shall amount to 18% of the average gross turnover per month for each monthly period of the Initial Term not completed. average gross turnover shall be calculated based on the gross turnover of the 6 months preceding the termination.

10.3 In addition to, and without limiting, the termination rights of the Franchisor, the Franchisor shall have the right to terminate the Franchise Agreement upon 14 days written notice if the Franchisee commits any default under the Franchise Agreement and fails to remedy such default during such 14 day period provided however, that if the default is curable but is of a nature which cannot reasonably be cured within such 14 day period and the Franchisee has commenced and is continuing to make good faith efforts to cure such default, the Franchisee shall be given an additional 14 day period to cure the same, and the Franchise Agreement shall not terminate.

10.4 There shall be no right of termination accorded to the Franchisee prior to expiration of the Franchise Agreement save and except as expressly provided in the Franchise Agreement or with the written consent of the Franchisor, in which instance the Franchisor shall not be obliged to refund any of the franchise fee or part thereof paid by the Franchisee under the Franchise Agreement in any event.

11. Right of First Refusal

11.1 If the Franchisee or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or incapacity) the business (or any of its assets outside of the normal course of business), any ownership interest in the Franchise Agreement or the franchise granted hereunder, the Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase by the third party transferee, along with all pertinent documents including any contract or due diligence materials to the Franchisor. The offer must apply only to approve sale of the assets or interest listed above and may not include any other property or rights of the Franchisee or any of its owners.

11.2 The Franchisor shall, for 30 days from the date of delivery of all such documents, have the right, exercisable by written notice to the Franchisee, to purchase the offered interests or assets for the price and on the same terms and conditions in such offer or proposal communicated to the Franchisor.

Notes:

(i) Prior to the Franchise Agreement, the Franchisor and the Franchisee have entered into a licensing agreement ("**Licensing Agreement**") whereby the Franchisee was granted by the Franchisor the licence to use the "Uncle Don's" tradename and trademark for a period of 5 years. Subsequent thereto, the Franchisor and the Franchisee have agreed to convert the Licensing Agreement and enter into the Franchise Agreement.

Accordingly, the Franchisor and the Franchisee have executed a deed of novation and conversion into a franchise ("**Deed of Novation and Conversion**") to convert the Licensing Agreement and to novate certain terms of the Licensing Agreement into the Franchise Agreement. The salient terms disclosed above are terms of the Franchise Agreement as novated by the Deed of Novation and Conversion.

(ii) For clarification purposes, the right of first refusal as set out in Section 11 above is not applicable for the Proposed Acquisition as there is no changes in the franchisee of the High Reserve Group's Uncle Don's restaurant outlets pursuant to the Proposed Acquisition.

HIGH RESERVE F&B SDN. BHD. (1125446-H)
Office: No. 2 & 4, Jalan BK 1/19, Kinrara Industrial Park, Bandar Kinrara, 47100 Puchong, Selangor, Malaysia.
Tel: 603-8076 1833 Fax: 603-8070 0877

Date:

The Board of Directors
Dolphin International Berhad
308, Block A (3rd Floor)
Kelana Business Centre
97, Jalan SS 7/2,
Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

On behalf of the Board of Directors of High Reserve F&B Sdn Bhd ("**High Reserve**") ("**High Reserve Board**"), I wish to report that after making due enquiries in relation to the period from 31 May 2021, being the date to which the last audited financial statements of High Reserve has been made, up to the date hereof, being a date not earlier than 14 days before the issuance of this Circular:

(i) the business of High Reserve and its subsidiaries (collectively, the "**High Reserve Group**") has, in the opinion of the High Reserve Board, been satisfactorily maintained;

(ii) in the opinion of the High Reserve Board, no circumstances have arisen since the last audited financial statements of High Reserve which have adversely affected the trading or the value of the assets of the High Reserve Group;

(iii) the current assets of the High Reserve Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the High Reserve Group;

(v) there have been, since the last audited financial statements of High Reserve, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the High Reserve Group which the High Reserve Board is aware of; and

(vi) there have been no material changes in the published reserves or any unusual factors affecting the profits of High Reserve since the last audited financial statements High Reserve.

Yours faithfully
For and on behalf of the Board of
HIGH RESERVE F&B SDN BHD

DATO' YEO BOON LEONG
DIRECTOR

Company No : 1125446-H

HIGH RESERVE F&B
SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

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HIGH RESERVE F&B SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 May 2021.

PRINCIPAL ACTIVITY

The Company is principally engaged in food and beverage business.

There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM
Profit / (Loss) after taxation	(21,384)

In the opinion of the directors, the results of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event arisen in the interval between the end of the financial year and the date of this report.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as diclosed in the financial statements (if any).

ISSUE OF SHARES OR DEBENTURES

No shares or debentures were issued during the financial year.

OPTIONS

No options have been granted to take up unissued shares during the financial year.

Company No : 1125446-H

DIRECTORS

The directors in office since the end of the previous financial year are:

Dato' Yeo Boon Leong JP
Yeo Boon Ho
Yeo Boon Thai

The interests in shares of the Company of directors in office at the end of the financial year were:

	Number of ordinary shares			
	Balance as at 01.06.2020	Bought	Sold	Balance as at 31.05.2021
Dato' Yeo Boon Leong JP	200,000	-	-	200,000
Yeo Boon Ho	80,000	-	-	80,000
Yeo Boon Thai	80,000	-	-	80,000

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby the directors of the Company might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the directors as shown in the financial statements or the fixed salary of full-time employees of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest.

DIRECTORS' REMUNERATION

Directors' remuneration (if any) of the Company are shown or disclosed in the financial statements.

AUDITORS' REMUNERATION

Auditors' remuneration are shown or disclosed in the financial statements.

INDEMNITIES OR INSURANCE

No indemnities or insurance have been effected for any persons who are or have been the directors, officers or auditors of the Company.

SIGNIFICANT EVENTS

As disclosed in notes to the financial statements No. 12.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were made out, the directors took reasonable steps to:

Company No : 1125446-H

OTHER STATUTORY INFORMATION (CON'T)

(i) ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or allowed for doubtful debts of the Company inadequate to any substantial extent or the value attributed to current assets of the Company misleading;

(ii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; and

(iii) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

(c) In the interval between the end of the financial year and the date of this report, there is no charge on the assets of the Company which has arisen which secures the liabilities of any other person nor has any contingent liability arisen in respect of the Company.

(d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

AUDITORS

The auditors, **SL LING & CO.** have expressed their willingness to continue in office.

On behalf of the Board of Directors
in accordance with a resolution of the Directors

Dato' Yeo Boon Leong JP

Yeo Boon Ho

Petaling Jaya
Date: 2 3 NOV 2021

Company No : 1125446-H

HIGH RESERVE F&B SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being the directors of the Company do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 May 2021 and the financial performance and cash flows of the Company for the financial year ended on that date and in accordance with the applicable approved Malaysian Private Entities Reporting Standards and comply with the provisions of the Companies Act 2016 in Malaysia.

On behalf of the Board of Directors
in accordance with a resolution of the Directors

Dato' Yeo Boon Leong JP

Yeo Boon Ho

Petaling Jaya
Date: 2 3 NOV 2021

STATUTORY DECLARATION

I, the undersigned, being the director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the accompanying financial statements are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared)
at Kuala Lumpur, Wilayah Persekutuan)
)
on 2 3 NOV 2021)

PESURUHJAYA SUMPAH
W 678
KAPT (B) AFFANDI
BIN AHMAD
1 JAN 2019 - 31 DIS 2021
MALAYSIA

Dato' Yeo Boon Leong JP
NRIC NO.: 660630-10-5119

Before me

No. 86, Jalan Putra
50350 Kuala Lumpur

Company No : 1125446-H

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIGH RESERVE F&B SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of High Reserve F&B Sdn. Bhd., which comprise the statement of financial position as at 31 May 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 20.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 May 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Private Entities Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material uncertainty related to going concern

We draw your attention to the Company's financial statements which show a net loss of RM 21,384/- during the financial year and, as at the end of the financial year, net current liabilities of RM 316,710/- . As stated in Note 13 of the financial statements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon. Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Company No : 1125446-H

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Company No : 1125446-H

e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SL LING & CO.	**LING SIANG LEH**
Chartered Accountants	CA(M) CA(ANZ) CA(NZ) B.COM(NZ) ACTIM
AF : 1175	01927/12/2022J

Address: 1122, 11th Floor, Block A, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor Darul Ehsan.
Date: **23 NOV 2021**

Company No : 1125446-H

HIGH RESERVE F&B SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2021

	NOTE	2021 RM	2020 RM
NON-CURRENT ASSETS			
Property, plant and equipment	2	933,218	1,058,775
Total non-current assets		933,218	1,058,775
CURRENT ASSETS			
Inventories		44,788	252,013
Other receivables		49,804	41,614
Deposits		327,530	327,530
Amount due from directors	4	129	-
Tax prepayment		40,254	28,007
Cash and bank balances		251,068	148,241
Total current assets		713,573	797,405
TOTAL ASSETS		1,646,791	1,856,180
EQUITY			
Share capital	3	400,000	400,000
Retained profit /(Accumulated loss)	9	167,910	189,294
TOTAL EQUITY / (FUND DEFICIT)		567,910	589,294
NON-CURRENT LIABILITIES			
Deferred taxation	5	48,598	53,700
Total non-current liabilities		48,598	53,700
CURRENT LIABILITIES			
Trade payables		205,120	344,268
Other payables	6	450,922	456,005
Accruals		68,993	67,665
Amount due to directors	4	305,248	345,248
Total current liabilities		1,030,283	1,213,186
Total liabilities		1,078,881	1,266,886
TOTAL EQUITY AND LIABILITIES		1,646,791	1,856,180

The accompanying notes form an integral part of the financial statements.

Company No : 1125446-H

HIGH RESERVE F&B SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	NOTE	2021 RM	2020 RM
REVENUE	7	5,467,513	5,644,874
ADD : OTHER INCOME			
Bank interest		25	303
Gain on disposal of property, plant and equipment		-	930
Incentive received		388,499	376,934
Other income		6,196	-
Wage subsidy		32,400	8,400
		427,120	386,567
		5,894,633	6,031,441
LESS: OPERATING EXPENSES			
Changes in inventories		207,225	(231,923)
Purchases		3,634,720	3,535,855
Employee benefits		777,603	1,297,008
Depreciation		130,646	137,342
Other operating expenses		1,156,684	1,011,620
		5,906,878	5,749,902
OPERATING PROFIT / (LOSS)		(12,245)	281,539
After charging :			
Auditors' remuneration		8,400	8,400
Directors' remuneration - fees		72,000	66,000
Rental		415,500	361,390
LESS: TAXATION	8	(9,139)	(59,596)
PROFIT / (LOSS) AFTER TAXATION		(21,384)	221,943

The accompanying notes form an integral part of the financial statements.

Company No : 1125446-H

HIGH RESERVE F&B SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED
31 MAY 2021

	<--------- Non-distributable		-------->	<-Distributable->	
	Share Capital RM	Share premium / Exchange translation reserve RM	Revaluation reserve RM	Retained Profit / (Accumulated Loss) RM	Total RM
Balance as at 1 June 2019	400,000	-	-	(32,649)	367,351
Profit / (Loss) after taxation	-	-	-	221,943	221,943
Balance as at 31 May 2020 / 1 June 2020	400,000	-	-	189,294	589,294
Profit / (Loss) after taxation	-	-	-	(21,384)	(21,384)
Balance as at 31 May 2021	400,000	-	-	167,910	567,910

The accompanying notes form an integral part of the financial statements.

Company No : 1125446-H

HIGH RESERVE F&B SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(12,245)	281,539
Adjustments for :		
Depreciation	130,646	137,342
Property, plant and equipment written off	-	6,012
Operating Profit / (Loss) Before Working Capital Changes	118,401	424,893
(Increase) / Decrease in inventories	207,225	(231,923)
(Increase) / Decrease in other receivables	(8,190)	(17,873)
(Increase) / Decrease in deposits and prepayments	-	(130,130)
(Increase) / Decrease in amount due from directors	(129)	30,000
Increase / (Decrease) in trade payables	(139,148)	176,036
Increase / (Decrease) in other payables	(5,083)	398,717
Increase / (Decrease) in accruals	1,328	(17,754)
Increase / (Decrease) in amount due to directors	(40,000)	20,900
Cash generated from / (absorbed by) operations	134,404	652,866
Taxation paid	(26,488)	(39,982)
Net Cash From / (Used In) Operating Activities	107,916	612,884
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,089)	(690,345)
Net Cash From / (Used In) Investing Activities	(5,089)	(690,345)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase / (decrease) in cash and cash equivalents	102,827	(77,461)
Cash and cash equivalents at beginning of financial year	148,241	225,702
Cash and cash equivalents at end of financial year	251,068	148,241
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and bank balances	251,068	148,241

The accompanying notes form an integral part of the financial statements.

Company No : 1125446-H

HIGH RESERVE F&B SDN. BHD. (1125446-H)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MAY 2021**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, unless otherwise stated, in accordance with the going concern accounting principles that contemplate the realisation of assets and liquidation of liabilities in the normal course of business and the applicable approved Malaysian Private Entities Reporting Standards ("MPERS") and comply with the provisions of the Companies Act 2016 in Malaysia.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss (if any). For a purchased asset, cost comprises purchase price and any other directly attributable costs incurred in bringing the asset to the present location and condition for its intended use. For a self-constructed asset, cost comprises all direct and indirect costs of construction. Depreciation is provided on the straight line method over the estimated useful lives of property, plant and equipment in accordance to the annual rates as follows :

	%
Air-conditioner	10
Computer and software	50
Electrical equipment	10
Furniture and fittings	10
Kitchen appliance	10
Office equipment	10
Renovation	10
Signboard	10

Property, plant and equipment are derecognised (eliminated from the Statement of financial position) on disposal or when such property, plant and equipment are permanently withdrawn for use and no future economic benefits are expected from its disposal. Any gains or losses on the disposal or retirement of property, plant and equipment are recognised in the profit or loss.

(c) Employee benefits

Wages, salaries, bonuses, paid leave, sick leave and non-monetary benefit are accrued in the period in which the associated services are rendered by employees of the Company.

The Company makes monthly statutory contributions to Employees Provident Fund, a statutory defined contribution plan for all its eligible employees. The Company's contributions, calculated at certain prescribed rates, are charged to the profit or loss in the period to which they relate.

Company No : 1125446-H

1. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

(d) Receivables

Receivables considered to be irrecoverable are written off while allowance are made for doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

(f) Taxation

Current year taxation is the expected amount of taxes payable or receivable on the taxable profit or loss for the financial year, using the tax rates that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation, measured by using tax rates enacted or substantively enacted at the end of the reporting period, is recognised under the liability method for all material temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements except temporary differences arising from goodwill or negative goodwill or from initial recognition of assets or liabilities in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred taxation asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(g) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets, exclude inventories, deferred tax assets and financial assets other than investment in subsidiaries, associates and joint ventures, to determine whether there is any indication of impairment. If such indication exists, impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount, which is estimated for individual asset or, if it is not possible, for cash-generating unit to which the asset belongs. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the profit or loss immediately unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

Reversal of impairment loss recognised in prior years is recorded when the impairment loss recognised for the assets no longer exist or have decreased. The reversal is recognised in the profit or loss to the extent of the carrying amount of the assets that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(h) Revenue recognition

Revenue is recognized upon delivery of goods to customers with acceptance.

Company No : 1125446-H

1. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

(i) Inventories

Inventories consist of stock which are valued on the first-in first-out basis at the lower of cost and net realisable value. Cost comprises the purchase price and incidental incurred in bringing the inventories to their present location and condition whilst net realisable value represents the estimated selling price less the estimated cost necessary to make the sale. Due allowance is made for all damaged, obsolete and slow moving items where necessary.

(j) Financial instruments

The particular recognition method adopted for financial instruments recognised on the statement of financial position is disclosed in the individual policy statements associated with each item consistently.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income in the profit or loss. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial assets and liabilities are offset when the Company has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at the transaction price (including transaction costs except in the initial measurement of a financial asset or financial liability that is measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

(ii) Subsequent measurement

Debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, unless the arrangement constitutes, in effect, a financing transaction.

Investments in non-puttable ordinary shares, and investments in non-convertible and non-puttable preference shares are measured at cost less impairment, unless the shares are publicly traded or their fair value can otherwise be measured reliably, in which case the investments are measured at fair value with changes in fair value recognised in profit and loss.

All other financial assets or financial liabilities not measured at amortised cost or cost less impairment are measured at fair value with changes recognised in profit and loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

(j) Financial instruments (Con't)

(iii) Impairment of financial assets

All financial assets (except for financial assets measured at fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment. An impairment loss is measured as follows:

(a) for an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

(b) for an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Reversal of impairment loss recognised in prior years is recorded in profit or loss to the extent of the carrying amount of the assets that would have been determined if no impairment loss has been recognised.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are settled, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset derecognised and the consideration received, including any newly created rights and obligations, is recognised in profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(k) Payables

Liabilities are stated at costs which represent the fair value to be paid for goods and/or services received.

(l) Provisions

Provisions for warrants / restructuring / onerous contracts are recognised when the Company has a present legal or constructive obligation, as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required. If the effect of the time value of money is material, the provision would be discounted to present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Company No : 1125446-H

1. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

(m) Government grants

Government grants are recognised as income at fair value when the proceeds are received or receivable and the specified future performance conditions (unless none) are met otherwise they are recognised as a liability.

(n) Share capital and equity instruments

Ordinary shares and non-redeemable preference shares are classified as equity and measured at issue price.

(o) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefit will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, the asset is not recognised in the statement of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(p) Use of estimates and judgements

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any affected future period.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(i) Depreciation of property, plant and equipment

The economic useful lives of property, plant and equipment are estimated and revised (where necessary) by the management in the ordinary course of business.

Company No : 1125446-H

1. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

(p) Use of estimates and judgements (Con't)

(ii) Impairment of assets

The value-in-use amount involves the estimation of the expected future cash flows from the assets and a suitable discount rate to calculate the present value of those cash flows.

(iii) Taxation

Judgement is required in determining the tax liabilities. There are certain transactions and computations for which the ultimate tax determination is uncertain and subject to agreement with the tax authorities.

2. PROPERTY, PLANT AND EQUIPMENT

	2020 RM	Addition RM	Disposal RM	2021 RM
Cost				
Air-conditioner	130,538	-	-	130,538
Computer and software	28,633	449	-	29,082
Electrical equipment	40,629	-	-	40,629
Furniture and fittings	173,630	2,040	-	175,670
Kitchen appliance	211,175	-	-	211,175
Office equipment	37,655	2,600	-	40,255
Renovation	631,638	-	-	631,638
Signboard	4,980	-	-	4,980
	1,258,878	5,089	-	1,263,967
Accumulated Depreciation				
Air-conditioner	19,913	13,054	-	32,967
Computer and software	21,702	7,156	-	28,858
Electrical equipment	7,182	4,063	-	11,245
Furniture and fittings	29,095	17,567	-	46,662
Kitchen appliance	32,070	21,118	-	53,188
Office equipment	5,533	4,026	-	9,559
Renovation	83,910	63,164	-	147,074
Signboard	698	498	-	1,196
	200,103	130,646	-	330,749
Net Book Value				
Air-conditioner	110,625			97,571
Computer and software	6,931			224
Electrical equipment	33,447			29,384
Furniture and fittings	144,535			129,008
Kitchen appliance	179,105			157,987
Office equipment	32,122			30,696
Renovation	547,728			484,564
Signboard	4,282			3,784
	1,058,775			933,218

Company No : 1125446-H

3. SHARE CAPITAL

	Number of ordinary shares		Ringgit Malaysia (RM)	
	2021	2020	2021	2020
Issued and fully paid :	400,000	400,000	400,000	400,000

4. AMOUNT DUE FROM / TO DIRECTORS

No fixed terms of repayment have been arranged for this unsecured and interest free balance.

5. DEFERRED TAXATION

	2021 RM	2020 RM
At beginning of financial year	53,700	5,667
Charged / (Credited) to profit or loss	(5,102)	48,033
At end of financial year	48,598	53,700

6. OTHER PAYABLES

Included in other payables is an amount of RM401,639/- (2019: RM 430,895/-) due to a company in which certain directors of the Company have interest.

No fixed terms of repayment have been arranged for this unsecured and interest free balance.

7. REVENUE

Revenue represents net invoiced value of goods sold.

8. TAXATION

	2021 RM	2020 RM
Current year	14,241	11,563
Deferred taxation charged / (credited) to profit or loss	(5,102)	48,033
	9,139	59,596

Current year taxation is provided for based on the amount of taxes estimated to be currently payable on net income adjusted for tax purposes.

Company No : 1125446-H

8. TAXATION (CON'T)

Reconciliation of effective income tax at statutory tax rate:

	2021 RM	2020 RM
Profit / (Loss) before taxation	(12,245)	281,539
Taxation at 17%	(2,082)	47,861
Non-taxable income	(5,509)	
Non-allowable expenses for tax purposes	6,140	3,674
Depreciation of non-qualifying property, plant and equipment	10,590	10,590
Capital allowance absorbed	-	(2,529)
	9,139	59,596

9. RETAINED PROFIT

The Company may distribute single-tier tax exempt dividend out of its entire retained profit (if any).

10. KEY MANAGEMENT PERSONNEL

The directors of the Company who have authorities and responsibilities for planning, directing and controlling the activities of the Company either directly or indirectly are considered as key management personnel of the Company with their compensation or remuneration (if any) shown or disclosed as directors' remuneration in the financial statements.

11. FINANCIAL INSTRUMENTS

	2021 RM	2020 RM
Financial assets		
Other receivables	49,804	41,614
Deposits	327,530	327,530
Amount due from directors	129	-
Cash and bank balances	251,068	148,241
	628,531	517,385
Financial liabilities		
Trade payables	205,120	344,268
Other payables	450,922	456,005
Accruals	68,993	67,665
Amount due to directors	305,248	345,248
	1,030,283	1,213,186

Company No : 1125446-H

12. SIGNIFICANT EVENTS

The coronavirus (covid-19) pandemic has resulted in the Malaysian government imposing several phases of Movement Control Order since 18 March 2020, and brought about significant economic uncertainties to the market. However, the Company will continue to closely monitor and manage the operations to minimise any impact that may arise.

13. GOING CONCERN UNCERTAINTY

The Company has incurred a net loss of RM21,384/- during the financial year. As at the end of the financial year, it has net current liabilities of RM316,710/-, indicating a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

To enable the Company to continue to be a going concern entity and to prepare its financial statements on a going concern basis, the directors / shareholders have agreed to provide financial support to the Company to meet its liabilities as and when they fall due.

14. FINANCIAL RISK MANAGEMENT POLICIES

The Company seeks to ensure that adequate financial resources are available for its smooth business operations while managing the various risks involved effectively.

(i) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet its working capital requirements.

(ii) Credit risk

Credit risk is controlled by ongoing monitoring procedures of its receivables. At the end of the reporting period, there were no significant concentrations of credit risk.

15. OTHER INFORMATION

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

The Company is a private limited company incorporated and domiciled in Malaysia. It is principally engaged in food and beverage business.

The registered address of the Company is situated at 1120A, Damansara Intan, No.1, Jalan SS20/27, 47400 Petaling Jaya, Selangor and its business address is situated at 21-G, Jalan Radin Bagus 5, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors on 2 3 NOV 2021

FHMH Corporate Advisory Sdn Bhd
Company No. 200701016946 (774955-D)
(CMSL / A0212 / 2007)
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24 February 2022

The Board of Directors
DOLPHIN INTERNATIONAL BERHAD
E-G-2, Block 2, Oasis Square
No. 2, Jalan PJU 1A/7A, Oasis Damansara
47301 Petaling Jaya

Strictly Private & Confidential

Dear Sirs

FAIR MARKET VALUE OF THE ENTIRE EQUITY INTEREST IN HIGH RESERVE F&B SDN BHD ("HRFB" OR "TARGET COMPANY") ("EVALUATION")

1.0 INTRODUCTION

Dolphin International Berhad ("**Dolphin**" or "**Company**") proposes to acquire the entire equity interest of HRFB through its wholly owned subsidiary, Asia Poly Food and Beverage Sdn Bhd for a purchase consideration of RM36.00 million ("**Proposed Acquisition**").

FHMH Corporate Advisory Sdn Bhd ("**FHCA**") has been appointed by the Board of Directors of Dolphin on 11 January 2022 as the Independent Business Valuer to assess and opine on the fair market value of the entire equity interest in the Target Company ("**Letter**") for the purposes of the inclusion in the circular to the shareholders of Dolphin in connection with the Proposed Acquisition.

2.0 BACKGROUND INFORMATION OF TARGET COMPANY

The Target Company is principally engaged in food and beverage business, granted non-exclusive rights to operate four (4) outlets under the franchise of 'Uncle Don's' located at Kepong and Sri Petaling (both within the Federal Territory of Kuala Lumpur), and Rawang and Kajang (both within the state of Selangor). The Kepong and Sri Petaling's outlets commenced its business operation on 3 October 2019 and 11 September 2018 respectively, whereas the Rawang and Kajang's outlets commenced its business operation on 1 November 2020 and 2 January 2021 respectively.

The Target Company has two (2) wholly owned subsidiaries, of which the details are summarised below.

Name of Subsidiary	Date of Incorporation	Principal Activities
Oharu Inn Sdn Bhd ("**Oharu**")	21 July 2020	Restaurants, wholesale of a variety of goods without any particular specialization N.E.C, event/food caterers
Edaran TCQ Sdn Bhd ("**Edaran**")	27 May 2019	To distribute, buy, sell and deal in and with all kinds of food, beverages and the ingredients, components, syrups and extracts thereof and to deal with franchises, licenses, formula, patents and distribution of all kinds of food and beverages

The Target Company gained control of the above two (2) subsidiaries with effect from 15 December 2021. Management of the Target Company represented that the purchase consideration for the acquisition of the above two (2) subsidiaries will be fully settled prior to the Proposed Acquisition.

3.0 TERMS OF REFERENCE

The basis of our opinion is the fair market value which is defined as the arms' length price at which such asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, in an open and unrestricted market and both having reasonable knowledge of relevant facts. The concept of market value means the cash equivalent price of an asset being valued assuming the transaction took place under conditions existing at the date of valuation of the assets. The amount would not be considered market value if it was influenced by special motivations or characteristic of a typical buyer or seller.

Sources of Information

The sources of information which we have used to form our opinion on the fair market value of the entire equity interest in the Target Company are as follows:-

(i) Audited financial statements of the Target Company for the financial year ended 31 May ("**FYE**") 2019, 2020 and 2021;
(ii) Management accounts ("**MA**") of the Target Company for the 7-month financial period ended ("**FPE**") 31 December 2021;
(iii) Profit forecast and projections of the Target Company from 1 January 2022 to 30 June 2026 ("**Future Financials**") (the period from 1 July to 30 June is referred to as the "**Projection Year**");
(iv) Sale of Shares Agreement ("**SSA**") in relation to the Proposed Acquisition;
(v) Franchise Agreement ("**Franchise Agreement**") and the Licensing Agreement ("**Licensing Agreement**") entered between Uncle Don's Restaurants Sdn Bhd ("**UDR**") and the Target Company, Oharu and Edaran, respectively;
(vi) Deed of Novation and Termination entered between UDR and the Target Company, Oharu and Edaran, respectively ("**Deed**");
(ii) Representations and explanations by the directors and management of the Company and Target Company ("**Management**"); and
(iii) Other publicly available information in respect of the industry that the Target Company are involved in.

Nothing has come to our attention that the information that was publicly available or supplied or otherwise made available to us by the Management, which such information formed a substantial basis of our opinion and we express no opinion on such documents, financials and/or other information, are invalid, inaccurate and/or incomplete. We have also relied on the Management to exercise due care to ensure that all information and documents provided to us and that all relevant facts, information and representations necessary for our Evaluation have been disclosed to us and that such information is accurate, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate.

We have not undertaken an independent investigation into the Future Financials of the Target Company. It should be noted that valuation in itself is highly dependent on, amongst others, the achievability of the Future Financials as well as the materialisation of the bases and assumptions used therein. It should also be highlighted that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the relevant reports and Future Financials were based. As such, the adoption of such assumptions and projections does not imply that we warrant their validity or achievability.

Date of Opinion

The date of our opinion is 31 January 2022 (herein also referred to as the "**Date of Opinion**"), which is our date of valuation.

Scope and Limitation of Review

FHCA was not involved in the formulation or any deliberation and negotiation on the terms and conditions of any corporate exercise intended to be undertaken by the Company or the Target Company. Our role as the Independent Business Valuer does not extend to expressing an opinion on the commercial merits of any corporate exercise intended to be undertaken by the Company and this remains solely the responsibility of the Board of the Company, although we may draw upon their views in arriving at our opinion.

As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Evaluation and/or any corporate exercise contemplated by the parties.

The Management is responsible to make available to us all relevant information pertaining to the Evaluation, including informing us of any material changes in the subject matters which may have an impact on our opinion. Our work includes holding discussions and making enquiries with the Management regarding representations made on the Target Company. We rely on the Management's oral and written representations and in no event shall we, our partners, principals, directors, shareholders, agents or employees are liable for any misrepresentations by the Management. Our procedures and inquiries did not include any verification work that constitutes an audit on the information that we have relied upon in preparing this Letter. Further, certain information relied upon are only representation of the Management.

With regards to the Future Financials furnished to us by the Management, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgement by the Management on the future financial performance of the Target Company and of which the Management is solely responsible for the bases and assumptions and the preparation and presentation of the same. The preparation of this Letter is based upon market, economy, industry and other conditions prevailing as at the Date of Opinion, as well as publicly available information and information provided to us by the Company. Such conditions may change significantly over a relatively short period of time. No representation or warranty, whether expressed or implied, is given by FHCA that the information and documents provided will remain unaltered subsequent to the issuance of this Letter.

We have obtained a responsibility statement from the Management that all material facts, financial and other information essential to our Evaluation have been disclosed to us and that they have seen this Letter and they, individually and collectively, accept full responsibility for the accuracy of such information contained in this Letter, and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

4.0 SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of the Target Company based on the audited financial statements of the Target Company from FYE 2021 and the MA for the FPE 31 December 2021 are set out below:

In RM	FYE 2019 Audited	FYE 2020 Audited	FYE 2021 Audited	FPE 31 December 2021 MA
Revenue	3,949,414	5,644,874	5,467,513	2,606,732
Profit after tax/ (Loss) after tax ("**PAT/(LAT)**")	(18,058)	221,943	(21,384)	53,422
Share Capital	400,000	400,000	400,000	400,000
Net Asset	367,351	589,294	567,910	621,322
Total borrowing	Nil	Nil	Nil	Nil

In RM	FYE 2019 Audited	FYE 2020 Audited	FYE 2021 Audited	FPE 31 December 2021 MA
No of ordinary shares	400,000	400,000	400,000	400,000
Earnings/ Loss per share ("**EPS/LPS**")	(0.05)	0.55	(0.05)	0.13
NA per Share	0.92	1.47	1.42	1.55
Current ratio (times)	0.78	0.66	0.69	0.66
Gearing ratio (times)	nm	nm	nm	nm

Note:-

nm- Not meaningful

There were no exceptional and/or extraordinary items reported in the audited financial statements of the Target Company for the financial years under review. We note that the Target Company adopted the Malaysian Private Entities Reporting Standards and there have been no audit qualifications reported in the audited financial statements of the Target Company during the financial years under review.

Commentary:

FYE 2019 vs FYE 2020

For the FYE 2020, the revenue increased by approximately RM1.70 million or 42.9% as compared to the preceding financial year. The increase in revenue was mainly attributable to opening of Kepong outlet in the month of October 2019.

The Target Company registered the PAT of approximately RM0.22 million for FYE 2020 as compared to the LAT of RM18,058 for the FYE 2019. This was mainly due to the increase in revenue and the economies of scale resulting from having an additional restaurant outlet.

FYE 2020 vs FYE 2021

For the FYE 2021, the revenue decreased marginally by approximately RM0.18 million or 3.1% as compared to the preceding financial year. The decrease in revenue was mainly attributable to the following restrictions imposed by the Malaysian Government during the Movement Control Order ("**MCO**"):

(a) The restaurant outlets only served take-away orders as dine-in was not allowed during the period from March 2020 to October 2020; and
(b) Subsequent to the above, the restaurant outlets were opened to serve dine-in customers but subject to limited sitting capacity in compliance with the social distancing requirement from November 2020 to January 2021. The sitting capacity was progressively increase from February 2021 with the relaxation of the social distancing requirement.

The Target Company registered the LAT of approximately RM21,384 for FYE 2021 as compared to the PAT of RM0.22 million for the FYE 2020. This was mainly due to the decrease in revenue and the additional costs incurred to implement the precautionary measures at its restaurant outlets to minimise the risk of COVID-19 infections and to comply with the standard operating procedures imposed by the Malaysian Government as well as lesser economies of scale as a result of lower sales.

FPE 31 December 2021

For the FPE 31 December 2021, the annualised revenue decreased by approximately RM1.0 million or 18.3% as compared to the preceding financial year. The decrease in revenue was mainly attributable to longer period of MCO in the FPE 31 December 2021.

The Target Company registered the PAT of approximately RM0.054 million for FPE 31 December 2021 as compared to the LAT of RM21,384 for the FYE 31 December 2021. This was mainly due to higher gross profit margin for FPE 31 December 2021.

5.0 INDUSTRY OUTLOOK

Overview and outlook of Malaysia Economy

Malaysia's Gross Domestic Product ("**GDP**") in the fourth quarter of 2021 rebounded 3.6% in tandem with sturdy growth of Exports and Imports in this quarter. For quarter-on-quarter seasonally adjusted GDP turned around 6.6% (Q3 2021: -3.6%). Correspondingly, the monthly economic performance has grown modestly in the fourth quarter with the growth of 2.7% in October and accelerated to 5.4% in November 2021. Nonetheless, the growth moderated to 2.6% in December 2021. Overall, Malaysia's economic performance in 2021 showed a recovery momentum with the growth of 3.1% as compared to a decline of 5.6% in 2020. From the current economic standing, the performance in 2021 is still below its pre-pandemic level in 2019. However, the economic performance for the fourth quarter of 2021 has surpassed the level of fourth quarter of 2019 by 0.01%.

Both exports and imports accelerated to 13.3% (Q3 2021: 5.1%) and 14.6% (Q3 2021: 11.7%) respectively following the higher trade of goods and services. Therefore, net exports rose by 2.6% as compared to a decrease of 37.5% in the preceding quarter driven by higher external demand.

The overall economic performance in 2021 was driven by the recovery in the Manufacturing, Services and Mining & quarrying sectors. Meanwhile, the Agriculture and Construction sectors showed a decline in 2021. Overall GDP expenditure was impelled by the components of private final consumption expenditure and Government final consumption expenditure. On the other hand, gross fixed capital formation and net exports were still in the negative growth. In 2021, GDP at current prices amounted to RM1.5 trillion with a Gross National Income per capita increased by 7.7% as compared to 2020.

(Source: Malaysia Economic Performance Q4 2021: Department of Statistics Malaysia)

Overview of the food and beverage industry in Malaysia

The food & beverages and accommodation subsector is projected to decline by 7.7% in 2021, due to contractions in all segments. The subsector reduced significantly by 15.3% in the first half of 2021 due to the restrictions on tourism activities, including border closure to all international tourists except for inbound travellers in essential services, investors, businessmen and returning spouses.
Thus, tourist arrivals plunged by 98.8% to 50,613 arrivals, while tourist receipts plummeted by 99.4% to RM80.2 million. The subsector is expected to record a marginal increase of 0.6% in the second half of the year, supported by the resumption of domestic tourism-related activities in line with the lifting of interstate travel restrictions in the fourth quarter. The anticipated hike is also attributed to the implementation of the Tourism Recovery Plan ("**TRP**"), starting with the Langkawi Travel Bubble programme beginning 16 September 2021 for fully vaccinated local tourists.

The food & beverages and accommodation subsector is projected to turn around by 7.3%, attributed to the resumption of travel and tourism activities by phases starting with travel bubbles among selected countries. The continuation of the TRP, which started in September 2021, followed by the lifting of interstate travel ban will speed up the growth of domestic tourism-related activities, especially in hotel occupancy, shopping and touring. An increase in the patronage at restaurants for fully vaccinated individuals is also expected to stimulate the subsector's growth.

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

As more states moving to the next phase of the National Recovery Plan, more business and social activities were resumed with longer business hours, thus contributing to the creation of more job opportunities especially in Wholesale and retails, as well as Accommodation and Food & beverages activities. By economic sector, the upward trend of employment in Services sector persisted mainly in Wholesale and retail trade; Food & beverages services; and Transport & storage activities. As for the Agriculture and Food Industry, a total of RM241.17 million had been allocated to 19,381 Agriculture Micro SMEs to support the Agriculture and Food Industries.

(Source: Key Statistics of Labour Force in Malaysia, November 2021: Department of Statistics Malaysia)

Malaysia's foodservice profit sector is forecast to recover strongly and grow from RM64.9bn (US$16 bn) in 2020 to RM109.08bn (US$27.08bn) in 2025 at a compound annual growth rate ("**CAGR**") of 10.9%. The industry growth is expected to recover with an increasing number of transactions as the economy recovers from the COVID-19 pandemic. Increasing takeaways and the rising demand for dining out will drive the profit sector growth in Malaysia in coming years.

Global Data reveals that with a 36.6% share, the full-service restaurant ("**FSR**") channel remained the largest foodservice profit sector channel. The channel is forecast to record a strong growth at a CAGR of 11.5%. The FSR channel's sales will benefit from the growing consumer preference for home deliveries and takeaways. The quick service restaurant ("**QSR**") channel recorded the slowest decline among all the foodservice channels during 2015–2020 at a CAGR of just 0.05% as it provides value for money products. In terms of outlets, QSR was the only channel that registered growth by a CAGR of 0.1% during the review period, on the back of expansion plans of leading players.

It is forecasted that the FSR channel will continue to lead the profit sector in the post-pandemic period. The channel is expected to record a transaction growth of 5.9% during 2020–2025.

(Source: Malaysia – The Future of Foodservice to 2025: Global Data)

6.0 VALUATION METHODOLOGY

Basis and Method Used to Form an Opinion on Evaluation

In establishing our opinion on the Evaluation, FHCA has considered various methodologies, which are commonly used for valuation, taking into consideration the Target Company's future earnings generating capabilities, projected future cash flows, its sustainability as well as various business considerations and risk factors affecting its business.

The valuation methodology considered and selected by FHCA to evaluate the fair market value of the entire equity interest in the Target Company is based on the Discounted Free Cash Flow to Equity ("**FCFE**") Methodology as the underlying value of the Target Company are likely to be derived from its future business operations. We have also adopted the Relative Valuation Approach ("**RVA**") as the secondary methodology to cross-check against the Discounted FCFE Methodology.

Further, FHCA has also considered other valuation methodologies and found that the following methodologies are not suitable in the assessment of the fair market value of the entire equity interest in the Target Company based on the following factors:

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Valuation Methodologies	Discussion
Revalued Net Asset Valuation ("**RNAV**")	RNAV method seeks to adjust the net asset of a company to take into consideration the valuation of assets of a company to determine the adjusted value of the firm's financial value. It should be noted that the underlying value of the Target Company are more likely to be derived from its future business operations instead of its assets. Based on the audited financial statements of the Target Company for the FYE 2021, the property, plant and equipment comprise mainly renovation and fittings for the restaurant outlets. Accordingly, we are of the view that RNAV may not accurately reflect the potential of the Target Company.
Comparable Transaction Analysis ("**CTA**")	CTA is a valuation method which seeks to compare against other recent comparable transactions undertaken by companies listed on local stock exchanges that had entered into acquisitions and/or disposal of similar assets. It also reflects a reasonable estimate of multiples or premiums that others have paid for similar companies in the past. We have also conducted our searches on precedent transactions for the past three (3) years from S&P Capital IQ as at Date of Opinion. We note that the Company had in year 2020, acquired Asia Poly Food and Beverage Sdn Bhd, ("**APFB**") which is in similar business as the Target Company ("**APFB Acquisition**"). Based on the circular to shareholders dated 14 May 2020 issued by the Company in relation to, amongst others, the APFB Acquisition, APFB was in a loss-making position and the implied price/earnings multiple ("**PE Multiple**") for the APFB Acquisition at 20 times was calculated based on the purchase consideration of RM22.00 million divided by the profit guarantee of RM1.10 million. As such, we have concluded that there were no recent comparable transactions of the similar size and industry with positive trailing PE Multiple and enterprise value ("**EV**")/earnings before interest, tax, depreciation and amortisation ("**EBITDA**") multiple.

Discounted FCFE Methodology

Discounted FCFE Methodology is a valuation method which considers both the time value of money and the projected net cash flow generated discounted at a specified discount rate to derive at the valuation of the subject matter. It is based on discounted cash flows, involving the application of an appropriately selected discount rate applied on the projected future cash flows to be earned by the equity holders of a company.

Equity value = Present value of Projected FCFE based on the Future Financials + Terminal value

$$V_o = \frac{FCFE_1}{(1+DR)^1} + \frac{FCFE_n}{(1+DR)^n} + \frac{FCFE_{TV}}{(DR-g)}$$

Where:
V_o = Value today
$FCFE_1$ = Expected FCFE in year 1
$FCFE_{TV}$ = Terminal year FCFE
*DR = Discount rate derived using the Capital Asset Pricing Model ("**CAPM**")*
n = represent time, in years into the future
g = terminal year growth rate

The cost of equity takes into account a combination of risk factors associated with the industry in which the Target Company is involved in, namely, the systematic risk, i.e. the inherent market risk such as the interest rate fluctuation, and the capital structure, i.e. the financing risk. These risks are translated into the cost of equity which is built upon the CAPM. The cost of equity formula is as follows:

Cost of equity = Risk-Free Rate + [Re-geared Beta X (Market Return – Risk-Free Rate)]

For the purposes of the Discounted FCFE Methodology, reference was made to companies that primarily involved in restaurants/food and beverage business and are listed on Bursa Malaysia Securities Berhad ("**Bursa Securities**"). Three (3) listed companies fulfilled the criteria, which includes Berjaya Food Berhad ("**Berjaya Food**"), Borneo Oil Berhad ("**BOB**") and Focus Dynamics Group Berhad ("**FDGB**"). We further note that BOB has significant assets in other segments, namely the property investment segment and resources and sustainable energy segment; while FDGB has diversified into mixed commercial development. As such, we have not selected both BOB and FDGB as comparable companies.

As there is only one (1) comparable company, namely Berjaya Food, we have expanded our search to include companies listed on the Singapore Exchange Limited ("**SGX**") which are primarily involved in restaurants/food and beverage business, excluding outlet management providers. The selected companies are those in which we consider to be broadly comparable to the Target Companies ("**Comparable Companies**"), are summarised later in this section.

In arriving at the appropriate discount rate, we have applied the prevailing risk-free rate and market risk premium, as well as adopted the betas of available Comparable Companies with relevant adjustments made taking into consideration the gearing and the risk profile as well as other risk factors that may affect the Target Company.

All information obtained was sourced from Bloomberg and S&P Capital IQ as at the Date of Opinion unless stated otherwise.

For the purpose of assessing the fair market value of the entire equity interest in the Target Company, the Comparable Companies' betas are adjusted (de-geared) for their individual gearing ratio, and then re-geared based on the gearing level of the Target Company.

It is important to note that the Comparable Companies tabulated herein are by no means exhaustive and may differ from the Target Company in terms of, inter alia, composition of business activities, scale of operations, geographical location of operations, profit track record, financial profile, risk profile, future prospects, capital structure, marketability of their securities and other criteria.

One should also note that any comparisons made with respect to the Comparable Companies are merely to provide an indication to the implied valuation of the Target Company and the selection of Comparable Companies and adjustments made are highly subjective and judgmental and the selected companies may not be entirely comparable due to various factors.

The details of the Comparable Companies and the input parameters for CAPM as extracted from S&P Capital IQ as at the Date of Opinion are set out as follows:

Comparable Companies	Principal activities	Financial year end	% of revenue contributed from restaurants
Berjaya Food	Develops and operates restaurants and café chains, and retail outlets in Malaysia and other Southeast Asian Countries. The brands include Kenny Rogers Roasters, Starbucks and Jollibean.	30 June	100%

bakertilly

Comparable Companies	Principal activities	Financial year end	% of revenue contributed from restaurants
Japan Foods Holdings Ltd. ("**Japan Foods**")	Operates chain of restaurants in Singapore and franchises certain brands in Malaysia under multiple brands such as AFURI, Ajisen Ramen, Sho Ryu Ramen and others.	31 March	100%
RE&S Holdings Limited ("**RE&S**")	Multi-concept owner and operator of food and beverage outlets, provides Japanese cuisine and dining experience in Singapore and Malaysia under multiple brands such as Kuriya Dining, Ichiban Boshi, Ichiban Sushi and others.	30 June	Full-Service Restaurants: 57.1% Quick Services: 42.9%
Sakae Holdings Ltd. ("**Sakae**")	Operates as food and beverage company in Singapore and Malaysia primarily under the brand 'Sakae Sushi'.	30 June	100%
Soup Restaurant Group Limited ("**Soup**")	Operates restaurants and outlets in Singapore and Malaysia primarily under the brand 'Soup Restaurant'.	31 December	68.9%

Comparable Companies	Market Cap (RM million)	Levered Beta	Net Debt/ Equity	Unlevered Beta
Berjaya Food	778.82	0.53	69.5%	0.34
Japan Foods	221.11	0.59	17.2%	0.51
RE&S	224.38	0.75	86.9%	0.44
Sakae	40.54	0.41	304.0%	0.12
Soup	67.36	0.59	NIL	0.59
Median				0.44

Bases and Assumptions for Future Financials

The Future Financials have been prepared based on a set of assumptions made by the management of the Target Company, which includes assumptions about future events and outlook that may or may not necessarily occur. In particular, the Future Financials are dependent on the achievability of the specific assumptions as set out below.

The FCFE for each financial year in the Future Financials used to derive at the Discounted FCFE valuation are extracted from the estimate, forecast and projections based on the management's best estimate. Further, the Discounted FCFE Methodology is a commonly used investment appraisal technique to evaluate the attractiveness of an investment opportunity which takes into consideration, amongst others, the time value of money as well as future cash flows to be derived from the business over a specific period of time. The actual results may vary considerably from the Future Financials.

As the Discounted FCFE methodology entails the discounting of future cash flows to be earned by the equity holders at a specified discount rate to arrive at the fair value of the investment, the riskiness of generating such cash flows will also be taken into consideration.

Notwithstanding the above, we wish to highlight that the Discounted FCFE valuation is based on prevailing economic, market and other conditions as at Date of Opinion for valuation parameters, in addition to publicly available information and information provided by the Company. Such conditions may change significantly over a short period of time. The resultant effect of such changes may materially and/or adversely affect the valuation. In particular, the Future Financials are dependent on the achievability of the specific assumptions as set out below. The results of the Future Financials can be materially affected by economic and other circumstances.

The specific key assumptions are as follows:-

(i) Revenue for 1 January 2022 to 30 June 2022 for each outlet is estimated at the range of RM283,000 per month to RM365,000 per month after considering the followings:
   a. The recovery post-MCO with reference to the respective outlets' sales for December 2021; and
   b. The historical average monthly revenue for each outlet prior to the MCO (October 2019 to February 2020) ranging from RM322,000 to RM366,000.

   Subsequently, management is expecting a gradual recovery with revenue growth for Projection Year 2023 is expected to be approximately 8.0% as compared to the estimated respective outlet's revenue for 1 January 2022 to 30 June 2022. The revenue growth rate for Projection Year 2024 is estimated to be 10.0% and gradually reduce to 5.0% in Projection Year 2026;

(ii) Gross profit margin for food and beverage items is estimated to be approximately 40.0% over the projection period based on management's past experience and historical gross profit margin for the FYE 2019 to FYE 2021 of approximately 29.7% to 41.5% respectively;

(iii) Administrative expenses include staff cost, rentals and other operating and non-operating costs. Based on management's best estimate and references to Malaysia's inflation rate, staff cost and other costs are generally estimated to increase by 2.0% and 5.0% per annum respectively throughout the projected period, while rental expenses are estimated to increase by 10.0% every two (2) to three (3) years after making reference to the terms of the tenancy agreements;

(iv) Royalty expenses are estimated based on the terms and conditions set out in the Franchise Agreement/Deed;

(v) Corporate tax rate of 24.0% has been estimated throughout the projection period;

(vi) All amount balances with the directors, outstanding renovation cost and the balance of purchase consideration for the acquisition of Oharu and Edaran will be settled prior to the Proposed Acquisition;

(vii) Working capital changes are estimated for inventories and trade payables with the turnover days at 16 days and 29 days respectively based on the average turnover days for FYE 2020 and FYE 2021. No turnover days for trade receivables expected as management is of the view that it is very minimal;

(viii) The Franchise Agreement will be renewed upon the expiry of the current franchise tenure with the payment of renewal fee as per the terms and conditions set out in the Franchise Agreement/Deed; and

(ix) No capital expenditure to be incurred throughout the projected period. However, maintenance of fittings and equipment have been considered as part of the operating costs.

General Assumptions

(i) There will be no significant changes in the principal activities, key management personal, operating policies, accounting and business policies presently adopted by the management;

(ii) The Future Financials have been prepared based on prevailing economic conditions and information available as at the date of its preparation and does not encompass any assessment of the potential for future changes in the economic conditions in Malaysia;

(iii) There will be no significant changes to the prevailing economic, political and market conditions in Malaysia and elsewhere that will have direct and indirect effects on the activities of the Target Company and performance of the Target Company and the business of the customers and suppliers;

(iv) There will be no material changes to the present legislation and Government's regulations and other operation regulations or restrictions affecting the activities or the market in which the Target Company operate;

(v) Other than as set out above, there will be no significant changes in the credit period granted or received by the Target Company;

(vi) The statutory income tax rate and other relevant duty and tax rate will remain at their respective existing rates with no significant changes in the bases of taxation and there will be no significant changes in the structure which would adversely affect the cash flows of the Target Company;

(vii) There will be no material adverse effect from service disruptions, equipment or network breakdown or other similar occurrences, wars, epidemic, terrorist attacks and other natural risks, both domestic and foreign, which will adversely affect the operations, income and expenditure of the Target Company;

(viii) The rate of inflation will not fluctuate significantly from their projected levels;

(ix) There will be no significant changes in wages, supplies, administration, overhead expenses and other costs other than those forecast and projected;

(x) There will be no termination of any significant agreements or contracts from which the legal rights accrue to the Target Company, wherein the assumption of revenue is derived; Such agreements or contracts are assumed to be renewed based on current terms upon expiry;

(xi) There will be adequate supply of manpower and other relevant resources for its business activities; and

(xii) There will be no major legal proceedings against the Target Company which will adversely affect the activities or performance of the Target Company.

Evaluation of entire equity interest in the Target Company

In the evaluation of the fair market value of the entire equity interest in the Target Company, and based on the Discounted FCFE Methodology using the Future Financials as provided by the management of the Target Company and the inputs from the Comparable Companies, the following were noted:

CAPM Inputs	
Net Debt/Equity Ratio of Target Company	0.00%
Risk-Free Rate [1]	3.68%
Market Return [2]	9.40%
Re-geared Beta [3]	0.436
Illiquidity Premium [4]	4.00%
Cost of equity derived using CAPM	10.18%
Equity Value ("**EV**") of the Target Company	**RM35.58 million**

Notes:

[1] Based on the risk-free rate for Malaysia as extracted from Bank Negara Malaysia website. This risk-free rate is based on the yield of ten (10) years Malaysian Government Securities as at the Date of Opinion.

[2] Based on the historical average market return for Malaysia as extracted from Bloomberg. The historical average market return is based on the average return of FTSE Bursa Malaysia Top 100 Index for the past ten (10) years extracted on the Date of Opinion, of which the 10-year period is selected as it is reflective of the most recent economic cycle (based on Malaysia's historical GDP data) as well as to commensurate the time horizon selected for the risk-free rate.

[3] Re-geared beta is arrived at based on the net debt/equity ratio of Target Company.

[4] An illiquidity premium of 4.0% had been applied to derive the discount rate using CAPM to account for the lack of marketability and unsystematic risk as extracted from http://people.stern.nyu.edu/adamodar/pdffiles/country/illiquidity.pdf.

Terminal value is mainly computed via one of the three (3) approaches, which is (a) liquidation value (b) multiple approach or (c) stable growth approach. For the purpose of this valuation, we have used the stable growth model to compute the terminal value as this usually applies to companies that are growing but on a moderate pace.

The terminal value is computed based on the FCFE for Projection Year 2026, adjusted for the renewal fee provision as per the terms and conditions of the Franchise Agreement, at 1.0% terminal growth rate, taking into consideration the external factors that may directly or indirectly affect the business of the Target Company. The terminal value computed of approximately RM24.60 million represent 69.1% of the total fair value of the entire equity interest in the Target Company of approximately RM35.58 million.

Based on the underlying assumptions of the Future Financials, we have performed a sensitivity analysis on three key parameters, namely the discount rate, terminal value and FCFE as these assumptions have significant impact on the implied valuation of the Target Company. We have stress tested the Future Financials by varying the values adopted in the discount rate, terminal value and FCFE on a 0.5% and 3.0% upward and downward variance respectively on the midpoint of the valuation to arrive at a reasonable range of equity valuation of the Target Company.

The variance parameters for the discount rate and FCFE are selected after considering the followings:-

(i) RAM Rating Services Berhad had projected that Malaysia's economic growth to reach 6.8% for 2022, whereas Nomura Group has set an optimistic Gross Domestic Product growth forecast of 7.0% for Malaysia in 2022;

(ii) Bank Negara Malaysia has projected that the headline inflation will average between 2.0% and 3.0%, primarily due to prolonged global supply disruption and higher commodity prices (*Source: https://tradingeconomics.com/malaysia/inflation-cpi*);

(iii) The average annual real GDP growth for Malaysia from year 2011 to 2021 is 4.0% as extracted from the World Bank. Malaysia's GDP growth for 2019, 2020 and 2021 (estimate) were 4.4%, -5.6% and 3.8% respectively; and

(iv) The average annual inflation rate for Malaysia from year 2011 to 2021 is 1.8% as extracted from World Bank. Malaysia's inflation rate for 2019, 2020 and 2021 (estimate) were 0.7%, -1.1% and 1.6% respectively

Based on the above, we are of the opinion that the 0.5% and 3.0% upward and downward variance adopted for the discount rate, terminal value and FCFE is reasonable to take into consideration the range of possible fluctuations in the business to not only take into consideration the potential upsides but also the downturn due to unforeseen circumstances.

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Results of the sensitivity test is shown below

Sensitivity test Parameters	Intrinsic value of the Target Company Low range of value RM'million	High range of value RM'million
Movement in discount rate used (±0.5%)	33.70	37.67
Movement in terminal value (±3.0%) and discount rate (±0.5%)	33.01	38.47
Movement in FCFE (±3.0%) and discount rate (±0.5%)	33.37	38.00

Premise on the above, the fair valuation of the entire equity interest in the Target Company ranges from RM33.01 million to RM38.47 million.

RVA

RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. Under the RVA, reference was made to the valuation statistics of Comparable Companies to get an indication of the current market expectation with regards to the implied value of the equity interest in the Target Company and compared the implied trading multiples to determine the firm's financial worth.

In our consideration of selecting the valuation multiple to be applied, we have considered, amongst others, the historical financial performance and financial position of the Target Company and the salient terms of the SSA. Based on the salient terms of the SSA, the vendors undertake to guarantee that the audited PAT of the Target Company and its subsidiaries for the First Profit Guarantee Period and Second Profit Guarantee Period shall not be less than RM2,100,000 respectively ("**Profit Guarantee**").

Based on the above, we have applied the PE Multiple in our assessment of the implied trading multiple of the Target Company. We have considered the EV/EBITDA multiple and have concluded that this valuation multiple was not suitable as the Profit Guarantee is based on the PAT and not the EBITDA levels of the Target Company. We have also considered the Price to Book ("**PB**") Multiple and have concluded that this valuation multiple is also not suitable as PB Multiple values a company based on the value of its assets, net of all liabilities at a specific point in time and does not take into consideration the future income stream of a company.

The table below sets out the valuation statistics of the Comparable Companies based on the closing market prices as at the Date of Opinion as extracted from S&P Capital IQ:-

Comparable Companies	Market Capitalisation (RM' million)	PE Multiple [1][2] (times)
Berjaya Food	778.82	15.89
Japan Foods	221.11	42.30
RE&S	224.38	7.66
Sakae	40.54	6.22
Soup	67.36	25.18
Average of the Comparable Companies		19.45
Median of the Comparable Companies		15.89

Note:

[1] Calculated based on the closing market prices as at the Date of Opinion and the trailing last twelve months profit after tax as at the Date of Opinion as extracted from S&P Capital IQ.

[2] *The trading multiples of the Comparable Companies are perceived to be the value of a liquid minority stake as at the Date of Opinion. On the other hand, this Evaluation involves the valuation of the entire equity interest in a private company, hence it is perceived to be illiquid but having a control premium. For information purposes, the control premium is typically ranging from 15% to 30% whereas an illiquidity discount is generally ranging from 20% to 40%. As such, we are of the opinion that for the purpose of this Evaluation, when the effect (if any) of the immediate-term illiquidity of the shares is considered in totality with the premium accorded by control, a net zero adjustment would be appropriate to reflect the equity value of the Target Company.*

The implied PE Multiple of the Target Company based on the value derived from the Discounted FCFE Methodology are as follows:-

	PE Multiple (times)
Result from Discounted FCFE Methodology	**RM35.58 million**
Implied ratio derived from the Profit Guarantee	16.94
Comparable Companies	
High	42.30
Low	6.22
Average	19.45
Median	15.89

Based on the above analysis, it is noted that the implied PE Multiple based the Profit Guarantee and the value derived from the Discounted FCFE Methodology are lower than the average, higher than the median and within range of PE Multiple of Comparable Companies.

We have also conducted our analysis to the implied PE Multiple of the Target Company based on the value derived from the purchase consideration of RM36.00 million set out as follows:-

	PE Multiple (times)
Implied value based on the purchase consideration	RM36.00 million
Implied ratio derived from the Profit Guarantee	17.14

Based on the above, it is noted that the implied PE Multiple based on the Profit Guarantee and the value derived from the purchase consideration are lower than the average, higher than the median and within the range of PE Multiple of Comparable Companies.

7.0 LIMITATIONS

One should also recognise that there is no publicly listed company which may be considered to be identical to the Target Company in terms of, inter-alia, composition of business activities, scale of business operations, risk, profile, accounting and tax policies, track record, future prospects, competitive environment, financial positions and that such business may have fundamentally different profitability objectives. One should also note that any comparison made with respect to the Comparable Companies are merely to provide a comparison to the implied valuation of the Target Company and the selection of Comparable Companies are highly subjective and judgemental and the selected Comparable Companies may not be entirely comparable due to various factor.

Further, the Discounted FCFE Methodology to a certain extent places reliance on the Future Financials, which is the net result of forecasting a range of variables for significant periods of time, most of which cannot be forecast and projected with a high degree of precision.

The valuation in itself is highly dependent on, amongst others, the achievability of the Future Financials as well as the materialisation of the bases and assumptions used therein. Key variables such as economic growth, demand, competition and regulatory policies are beyond the control of the Target Company. The Future Financials are also typically very sensitive to small changes in key variables and changes in environmental and economic conditions.

As such, relatively small changes in key variables can have a significant impact on the output of the abovementioned valuation model. It should also be noted that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the Future Financials were based.

Impact of the COVID-19 pandemic

The global economic growth is affected due to the outbreak of COVID-19 and its rapid spread across the globe. Inevitably, social and economic conditions in Malaysia have been affected by the COVID-19 pandemic, particularly, if the Governments extend or implement additional orders/policies ("**Policies**") which further restrict business activities. Therefore, there could potentially be disruption to the business progress of the Target Company and progress are expected to be slower during this outbreak period amidst market uncertainty.

Given the evolving circumstances, the Target Company is currently unable to quantify nor determine the extent of the impact of the Policies and COVID-19 on the earnings and financial performance of the Target Company for the medium to long term and as such the impact has not been considered in the above evaluation.

It should also be noted that the global social and economic conditions have been affected by the COVID-19 outbreak in 2020 and 2021 (which continued unabated into 2022) and the implementation of various lockdowns and the closure of international borders over the past two (2) years. Despite the high vaccination rate and the recent re-opening of economic activities, the near-term outlook remains uncertain and any surge in infection rate and/or discovery of new COVID-19 variant of concerns may result in the Government re-implementing orders/policies, which may restrict business activities. As such, there could potentially be disruption to the overall industries, progress and recovery may be slower during this period amidst market uncertainty.

As a result, the range of values that can be produced by a particular valuation model can be quite wide using combinations of assumptions which individually may appear reasonable. A degree of professional judgement is required to establish the range of values in any valuation exercise.

8.0 CONCLUSION

It should be recognised that the valuation of any entity is always subject to a great deal of uncertainty and involves a high degree of subjectivity and element of judgement. Because of the susceptibility of valuations to inputs of the model applied, valuations can change quite quickly in response to market changes or changes in the surrounding circumstances, including the market outlook (whether in general or relating to the industry itself).

In establishing our opinion on the fair market value of the entire equity interest in the Target Company, FHCA has considered various valuation methodologies, which are commonly used for valuation, taking into consideration the Target Company's future earnings generating capabilities, projected future cash flows and its sustainability as well as various business considerations and risk factors affecting its business.

The valuation methodology considered and selected by FHCA to opine of the fair market value of the entire equity interest in the Target Companies is based on the Discounted FCFE Methodology, cross-check with the RVA.

Based on the Discounted FCFE Methodology, the fair market value of the entire equity interest in the Target Company ranges from RM33.01 million to RM38.47 million.

Based on the RVA, the implied PE Multiple computed based on the Profit Guarantee, against (i) the value derived from the Discounted FCFE Methodology; and (ii) the purchase consideration of RM36.00 million, are lower than the average, higher than the median and within the range of PE Multiple of Comparable Companies.

9.0 RESTRICTIONS

Save for the purpose stated herein, this Letter cannot be relied upon by any party other than the Company. Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this Letter, in whole or in part. We are not required to give testimony or to be in attendance in court with reference to the opinion herein provided. Neither FHCA nor any of its members or employees undertakes responsibilities arising in any way whatsoever to any person in respect of this Letter, including any error or omission therein, however caused, as a result of the unauthorised circulation, publication, reproduction or use of this Letter, or any part hereof.

Should FHCA become aware of any significant change affecting the information contained in this Letter or have reasonable grounds to believe that any statement in this Letter is misleading or deceptive or have reasonable grounds to believe that there is material omission in this Letter, we will immediately notify the Board of the Company.

Yours faithfully

FHMH CORPORATE ADVISORY SDN BHD

NG WOON LIT
DIRECTOR

DING SU-LYNN
DIRECTOR

Set out below is a summary of our Group's historical financial performance for the FYE 31 December 2018, 18-month FPE 30 June 2020, FYE 31 June 2021 and 9-month FPE 31 March 2022:

	Audited			Unaudited	
	FYE 31 Dec 2018	18-month FPE 30 Jun 2020	FYE 30 Jun 2021	9-month FPE 31 Mar 2021	9-month FPE 31 Mar 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	13,353	12,512	8,937	7,088	6,797
LBT	(4,390)	(2,312)	(40,263)	(6,711)	(3,374)
LAT	(4,247)	(1,904)	(40,477)	(6,711)	(3,634)
NA	23,948	22,987	29,226	63,401	34,747
Borrowings	38,237	10,452	10,301	10,244	9,208
Current assets	18,818	8,555	16,037	21,292	20,008
Current liabilities	33,387	23,193	18,284	17,127	19,264
Basic loss per Share (sen)	(1.73)	(0.43)	(4.37)	(0.72)	(0.34)
NA per Share (RM)	0.10	0.09	0.03	0.07	0.03
Current ratio (times)	0.56	0.37	0.88	1.24	1.04
Gearing ratio (times)	1.60	0.45	0.35	0.16	0.27

Financial commentary

(i) 18-month FPE 30 June 2020 vs FYE 31 December 2018

During the 18-month FPE 30 June 2020, our Group recorded an annualised revenue of RM8.3 million, representing a decrease by RM5.0 million or 37.5% as compared to the FYE 31 December 2018. The decrease in revenue was mainly due to our Group's focus on trading of machinery parts of palm oil mill and undertaking of smaller projects under our Palm Oil Milling Segment.

Our Group recorded an annualised LBT of RM1.5 million during the 18-month FPE 30 June 2020, representing a decrease by RM2.9 million or 65.9% as compared to the FYE 31 December 2018. The decrease in LBT was mainly due to gains on disposals of properties totalling RM3.1 million.

(ii) FYE 30 June 2021 vs 18-month FPE 30 June 2020

During the FYE 30 June 2021, our Group recorded an increase in revenue by RM0.6 million or 7.2% as compared to the annualised revenue of RM8.3 million for the 18-month FPE 30 June 2020. The increase in revenue was mainly due to revenue contribution from a subsidiary acquired in the FYE 30 June 2021, i.e. AP F&B.

Notwithstanding the increase in revenue, our Group recorded a higher LBT by RM38.9 million as compared to the annualised LBT of RM1.5 million for the 18-month FPE 30 June 2020. The increase in LBT was mainly due to impairment of property, plant and equipment, and goodwill totalling RM14.2 million, write-off of intangible assets amounting to RM17.8 million, as well as one-off recognition payment for ex-key management employees and directors, and restructuring expenses totalling RM2.4 million.

(iii) 9-month FPE 31 March 2022 vs 9-month FPE 31 March 2021

During the 9-month FPE 31 March 2022, our Group recorded a decrease in revenue by RM0.3 million or 4.1% as compared to the 9-month FPE 31 March 2021. The decrease in revenue was mainly due to lower revenue contribution from our Palm Oil Milling Segment and Trading and Services Segment as our Group was focused on the expansion and development of our Food and Beverage Segment.

Notwithstanding the decrease in our Group's revenue, our Group recorded a lower LBT by RM3.3 million as compared to the 9-month FPE 31 March 2021. The decrease in LBT was mainly due to the absence of one-off recognition payment for ex-key management employees and directors, and restructuring expenses incurred during the 9-month FPE 31 March 2021 totalling RM2.4 million.

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1. DIRECTORS' RESPONSIBILITY STATEMENT

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

All information in relation to High Reserve are obtained from the information and documents provided by their respective representatives. The responsibility of our Board is solely limited to ensuring that such information and statements have been accurately reproduced in this Circular.

2. CONSENT AND CONFLICT OF INTEREST

(i) Principal Adviser

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

Mercury Securities is also not aware of any conflict of interests which exist or are likely to exist in its capacity as the Principal Adviser to our Company for the Proposed Acquisition.

(ii) Independent Adviser

SCA, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

SCA is also not aware of any conflict of interests which exist or are likely to exist in its capacity as the Independent Adviser to our Company for the Proposed Acquisition.

(iii) Independent Business Valuer

FHCA, being the independent business valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Valuation Letter and all references thereto in the form and context in which they appear in this Circular.

FHCA is also not aware of any conflict of interests which exist or are likely to exist in its capacity as the independent business valuer to our Company for the Proposed Acquisition.

(iv) Independent Market Researcher

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

PROVIDENCE is also not aware of any conflict of interests which exists or are likely to exist in its capacity as the independent market researcher for the Proposed Acquisition.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims and/or arbitration either as plaintiff or defendant which may have a material effect on the financial position or business of our Group, and our Board is not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group:

(i) Lee Yow Fui ("LYF") vs Dolphin and Low Teck Yin ("LTY")
(Kuala Lumpur Sessions Court Suit No.: WA-A52NCvC-935-11/2020)

LYF initiated a claim against Dolphin for a sum of RM283,400.00 together with interests, being the outstanding directors' fees and meeting fees from June 2015 to December 2019 against Dolphin and LTY.

On 24 December 2020, Dolphin filed its defence and a notice for contribution and/or indemnity against LTY. On 1 February 2021, LYF filed an application for summary judgment against Dolphin for the sum of RM283,400.00. On 3 August 2021, the Kuala Lumpur Sessions Court dismissed the summary judgment application by LYF with costs of RM4,000.00 to be paid by LYF. The trial dates for the matter were on 15, 17 and 18 March 2022. The parties have exchange written submission and submission in reply on 5 May 2022 and 3 June 2022 respectively. The decision by way of e-review for the matter has been fixed on 23 June 2022.

Dolphin intends to resist the claim. The solicitors are of the view save for the sum of RM80,000.00 which Dolphin has acknowledged due and owing to LYF, Dolphin has a reasonably good chance in defending the claim.

(ii) Nor Anita binti Abu Talib and 19 others (collectively, the "Plaintiffs") vs Dolphin Applications Sdn Bhd ("Dolphin Applications"), Dolphin Robotic Systems Sdn Bhd ("Dolphin Robotic Systems") and 5 others (collectively, the "Defendants")
(Shah Alam High Court Civil Suit No.: BA-22NCvC-104-03/2021)

The Plaintiffs filed their claim for various declaratory relief and damages against the Defendants for breach of contract and trust, misrepresentation, fraud, deceit and conspiracy to defraud in respect of a purported investment scheme.

Dolphin Applications and Dolphin Robotic Systems filed their respective defence on 17 May 2021 and the Plaintiffs filed their reply to defence on 9 August 2021. Dolphin Applications and Dolphin Robotic Systems filed the striking out applications to strike out the Plaintiffs' claim against Dolphin Applications and Dolphin Robotic Systems ("**Striking Out Applications**"). The Striking Out Applications have been allowed by the Court with costs of RM3,500 for each application. On 28 April 2022, the Plaintiffs have filed an appeal against the Court's decision to strike out the case against the 5th defendant namely Dolphin Robotic Systems. The next case management for the appeal is fixed on 27 June 2022.

Dolphin Robotic Systems intends to resist the claim. The solicitors are of the view that Dolphin Robotic Systems has a reasonably good grounds to oppose the appeal.

(iii) Dolphin Engineering (M) Sdn Bhd ("Dolphin Engineering") vs Tori Construction
(Originating Summon No.: KCH-24C-1/1-2020) ("OS1")

Tori Construction initiated an adjudication proceeding in the High Court of Kuching under the Construction Industry Payment and Adjudication Act 2012 by way of a notice of adjudication against Dolphin Engineering, for monies due and owing amounting to RM953,023.47 and for release of retention sums amounting to RM2,165,306.38 with costs and interests. An adjudication decision was delivered in favour of Tori Construction by the adjudicator on 13 January 2020 ("**Adjudication Decision**").

On 24 January 2020, the OS1 was filed by Dolphin Engineering to set aside and stay the execution of the Adjudication Decision. On 15 July 2021, the High Court of Kuching dismissed the OS1 with costs in favour of Tori Construction.

Dolphin Engineering has subsequently filed an appeal to set aside and stay the execution of the Adjudication Decision. The appeals are fixed for hearing on 25 August 2022. The solicitors are of the view that Dolphin Engineering has a weak appeal.

(iv) Tori Construction vs Dolphin Engineering (Originating Summon No.: KCH-24C-2/2-2020) ("OS2")

Tori Construction had on 5 February 2020 filed OS2 for the registration and enforcement of the Adjudication Decision. The Court has on 20 August 2021 allowed Tori Construction's application to enforce the Adjudication Decision as a court judgement. Dolphin Engineering has filed an appeal on the Court's decision and the hearing of the appeal is fixed on 25 August 2022. The solicitors are of the view that Dolphin Engineering has a weak appeal.

(v) Dolphin Engineering vs Tori Construction (Kuching High Court Suit No.: KCH-22NCvC-7/3-2020)

Dolphin Engineering had on 6 March 2020 initiated a suit against Tori Construction for claim of special damages amounting to RM3,265,437.45 being the costs and expenses incurred by Dolphin Engineering to rectify the defective works done by Tori Construction ("**Defects**").

The next trial dates for the matter have been fixed from 19 September 2022 to 22 September 2022.

The solicitors are of the view that it is highly probable that the High Court of Kuching would not find Tori Construction liable for the said Defects as Dolphin Engineering has insufficient evidences to prove total failure of consideration and breach of obligations by Tori Construction.

(vi) PT Dolphin Indonesia vs PT Himalaya Transmeka (Case Register No.: 93/Pdt.G/2018/PN.TNG) ("Suit No. 1")

PT Dolphin Indonesia filed Suit No.1 against PT Himalaya Transmeka at the Tangerang District Court of Republic of Indonesia on 1 February 2018 for claims arising from the mechanical works undertaken by PT Himalaya Transmeka for the project known as the "Bumiharjo Bulking Station Project".

The Supreme Court of the Republic of Indonesia (being the highest court in the Indonesian judicial system) had ruled in favour of PT Dolphin Indonesia at the level of cassation and directed PT Himalaya Transmeka to pay PT Dolphin Indonesia a sum amounting to Rp.352,417,462 (or RM0.1 million)[a]. The solicitors have filed an execution application and the Tangerang District Court of Republic of Indonesia has instructed PT Dolphin Indonesia to identify the assets of PT Himalaya Transmeka before any confiscation of its assets can be carry out to repay the settlement of the judgment sum.

(vii) PT Himalaya Transmeka vs PT Dolphin Indonesia (Case Register Number: 700/Pdt.G/2020/PN.JKT.UTR) ("Suit No. 2")

PT Himalaya Transmeka filed Suit No. 2 against PTDI on 3 December 2020 at the North Jakarta District Court of Republic of Indonesia claiming for a sum amounting to Rp.5,745,021,436.11 (or RM1.7 million)[a]. being outstanding fees for work and services performed by PT Himalaya Transmeka on the "Bumiharjo Bulking Station Project". The North Jakarta District Court of Republic of Indonesia have on 4 November 2021 pass its judgement in favour of PT Dolphin Indonesia. PT Himalaya Transmeka subsequently filed an appeal to the Jakarta High Court on 17 February 2022. The parties are awaiting the direction of the Jakarta High Court on the appeal.

(viii) PT Arka Jaya Mandiri vs PT Dolphin Indonesia (Case Register Number: 167/Pdt.G/2022/PN.JKT.PST)

PT Arka Jaya Mandiri filed a suit against PT Dolphin Indonesia at the Central Jakarta District Court of Republic of Indonesia on 18 March 2022 claiming for Rp.3,314,076,851 (or RM1.0 million)[a] from PT Dolphin Indonesia for works performed on the project known as the "Bulking Station Bumiharjo Project". The trial for the matter has commenced and is expected to take place until the month of August 2022 until a decision is given by the District Court's judge. The

Company is currently in discussion with its lawyer on its next course of action.

Note:

(a) *Translated at the exchange rate of IDR100:RM0.029 as at the LPD. (Source: Bank Negara Malaysia)*

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

(i) Material Commitments

Save for the Proposed Acquisition, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group, which upon becoming due or enforceable, may have a material impact on the financial position or business of our Group:

(ii) Contingent Liabilities

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group, which upon becoming due or enforceable, may have material impact on the financial position or business of our Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at 308, Block A (3rd Floor), Kelana Business Centre, 97, Jalan SS7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to the date of the forthcoming EGM:

(i) our Company's Constitution;

(ii) High Reserve' Constitution;

(iii) SSA as referred to in **Appendix I** of this Circular;

(iv) Uncle Don's franchise agreements in relation to the High Reserve Group's Uncle Don's restaurant outlets as referred to in **Appendix III** of this Circular

(v) Directors' Report on High Reserve as referred to in **Appendix IV** of this Circular

(vi) High Reserve' audited consolidated financial statements for the FYE 31 May 2020 and FYE 31 May 2021 as referred to in **Appendix V** of this Circular;

(vii) Valuation Letter as referred to in **Appendix VII** of this Circular;

(viii) our Company's audited consolidated financial statements for the FYE 30 June 2020 and FYE 30 June 2021 as well as our Company's unaudited consolidated financial statements for the 6-month FPE 31 December 2021;

(ix) IMR Report; and

(x) letters of consent and conflict of interest as referred to in **Section 2 of this Appendix VII**.

(xi) relevant cause papers in respect of the material litigations of our Group as referred to in **Section 3 of this Appendix VIII.**

ADMINISTRATIVE GUIDE FOR THE FULLY VIRTUAL EGM

1. FULLY VIRTUAL EGM

Day, Date and Time of Meeting	:	**Monday, 27 June 2022 at 10.30 a.m.**
Meeting Venue and Online Meeting Platform	:	https://meeting.boardroomlimited.my *(Domain Registration No. with MYNIC - D6A357657) provided by Boardroom Share Registrars Sdn Bhd in Malaysia*

The Company's forthcoming EGM will be conducted on a fully virtual basis through live streaming and online Remote Participation and Electronic Voting **("RPEV")** facilities via Online Meeting Platform as stated above.

In line with the Malaysian Code on Corporate Governance Practice 13.3, conducting a virtual EGM would promote greater shareholder participation as it facilitates electronic voting and remote shareholders' participation. With the RPEV facilities, you may exercise your right as a member of the Company to participate (including to pose questions to the Board of Directors and/or Management of the Company) and vote at the virtual EGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the virtual EGM.

Kindly note that the quality of the live stream is highly dependent on the bandwidth and stability of the internet connection of shareholders and proxies. Hence, you are to ensure that internet connectivity throughout the duration of the meeting is maintained.

2. ENTITLEMENT TO PARTICIPATE AND VOTE REMOTELY

Only shareholders whose names appear on the Record of Depositors ("**ROD**") as at 20 June 2022 shall be eligible to participate and vote remotely in the virtual EGM or appoint proxy(ies)/ the Chairman of the meeting to participate and/or vote on his/her behalf.

3. POLL VOTING

The voting will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Boardroom Share Registrars Sdn Bhd as Poll Administrator to conduct the poll by way of electronic voting (e-Voting) and will appoint Scrutineers to verify the poll results.

4. RPEV FACILITIES

Shareholders and proxies are advised to log in to the Boardroom Smart Investor Portal ("**BSIP**") at https://investor.boardroomlimited.com for the following services:

(a) Register participation for the virtual EGM
(b) Submit eProxy form electronically
(c) Submit questions prior to the virtual EGM

Before the day of the virtual EGM

Step 1 – Register online with BSIP (For first time registration only)

Note : If you have already signed with BSIP , you are not required to register again. You may proceed to Step 2.

(i) Access website https://investor.boardroomlimited.com.
(ii) Click < **Register** > to sign up as a user.
(iii) Complete registration with all required information. Upload and attach softcopy of MyKad (front and back) or passport in JPG/PNG/PDF format.
(iv) Enter a valid mobile number and email address.
(v) You will receive an email from BSIP for email address verification. Click '**Verify E-mail Address**' in the e-mail received to continue with the registration.
(vi) Once your email address is verified, you will be re-directed to BSIP for verification of mobile number. Click '**Request OTP Code**' and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click '**Enter**' to complete the process.
(vii) Once your mobile number is verified, registration of your new BSIP account will be pending final verification. Your registration will be verified and approved within one business day and an email notification will be provided. Subsequently, you can login at https://investor.boardroomlimited.com with the e-mail address and password filled up by you during registration to proceed.

Step 2 – Submit request for remote participation

Note : The registration for RPEV will be opened on 10 June 2022 and end on 25 June 2022 at 10.30 a.m.

Individual Shareholder

(i) Login to https://investor.boardroomlimited.com using your user ID and password from Step 1 above.
(ii) Select "**DOLPHIN INTERNATIONAL BERHAD EXTRAORDINARY GENERAL MEETING**" from the list of Corporate Meeting and click "**Enter**".
(iii) Click on "**Register for RPEV**".
(iv) Read and accept the General Terms and Conditions and enter your CDS account number to submit your request.

Appointment of e-Proxy – Individual Shareholder

(i) Login to https://investor.boardroomlimited.com using your user ID and password from Step 1 above.
(ii) Select "**DOLPHIN INTERNATIONAL BERHAD EXTRAORDINARY GENERAL MEETING**" from the list of Corporate Meeting and click "**Enter**".
(iii) Click on "**Submit eProxy Form**".
(iv) Read and accept the General Terms and Conditions and enter your CDS account number to appoint proxy and insert proxy details and voting instructions.
(v) If you wish your proxy(ies) to act upon his/her discretion, please indicate '**Discretionary**'.
(vi) Review and confirm your proxy(ies) appointment.
(vii) Click "**Apply**".
(viii) Download or print the eProxy form as acknowledgement.

Corporate Shareholder, Authorised Nominee and Exempt Authorised Nominee

(i) Write to bsr.helpdesk@boardroomlimited.com and provide the name of shareholder, CDS account number and Certificate of Appointment of Corporate Representative or Form of Proxy (as the case may be) to submit the request.
(ii) Provide a softcopy of the corporate representative's or proxy's MyKad (front and back) or passport in JPG/PNG/PDF format together with his / her email address.

Step 3 – Verification and email notification

(i) You will receive an email from Boardroom that your request has been received and is being verified.
(ii) Upon verification against the General Meeting Record of Depositors on 20 June 2022, you will receive an email from Boardroom with the Meeting ID, user ID and password for the virtual EGM. You will also be notified in the event your registration is rejected.

On the day of the virtual EGM
Step 4 – Login to RPEV (i) The RPEV will be opened for login commencing from 9.30 a.m. on 27 June 2022 (virtual EGM to commence at 10.30 a.m.). (ii) Click the link provided in the email in Step 3(ii) above to join the virtual EGM. Insert the Meeting ID and sign in with the user ID and password provided to you via the same email.
Step 5 – Participate (i) Please follow the User Guides to view the live webcast, submit questions and vote. (ii) To view the live webcast, select the broadcast icon. (iii) To ask a question during the virtual EGM, select the messaging icon, type your question in the chat box and click the send button to submit.
Step 6 – Vote (i) Once voting has commenced, the voting icon will appear with the resolutions andvoting choices until the Chairman declares the end of the voting session. (ii) To vote, select your voting preference from the options provided. A confirmation message will appear to indicate that your vote has been received. (iii) To change your vote, re-select your voting preference. (iv) If you wish to cancel your vote, please press "Cancel". (v) The voting icon will be disabled upon the closure of the poll.
Step 7 – End (i) Upon declaration by the Chairman of the closure of the virtual EGM, the live webcast will end.

5. APPOINTMENT OF PROXY AND LODGEMENT OF FORM OF PROXY

Shareholders are encouraged to go online, participate and vote at the EGM via remote participation. If you are unable to attend the virtual EGM, you are encouraged to appoint proxy(ies) or the Chairman of the virtual EGM as your proxy and indicate the voting instructions in the Form of Proxy.

If you wish to participate in the virtual EGM yourself, please do not submit any Form of Proxy. You will not be allowed to attend the virtual EGM together with a proxy appointed by you.

The Form of Proxy can be deposited at the office of the Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd at **11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not later than Saturday, 25 June 2022**, **10.30 a.m.**, 48 hours before the time appointed for holding the virtual EGM.

You may also submit the proxy appointment electronically via BSIP at https://investor.boardroomlimited.com **not later than Saturday, 25 June 2022**, **10.30 a.m.**. For further information on the electronic submission of Form of Proxy, kindly refer to the steps in the item 4 above.

If you have submitted your Form of Proxy prior to the virtual EGM and subsequently decide to appoint another person or wish to participate in the virtual EGM by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy(ies) not later than **Saturday, 25 June 2022, 10.30 a.m.**, 48 hours before the virtual EGM. On revocation, your proxy(ies) will not be allowed to participate in the virtual EGM. In such an event, you should advise your proxy(ies) accordingly.

6. SUBMISSION OF QUESTIONS

(a) Prior to the virtual EGM

Shareholders may submit questions in relation to the agenda items by logging in to the Boardroom Portal at https://investor.boardroomlimited.com, select "**DOLPHIN INTERNATIONAL BERHAD EXTRAORDINARY GENERAL MEETING**" from the list of Corporate Meeting and select "**Submit Questions**" and pose your questions (Pre-EGM Meeting Questions) latest by **25 June 2022** at **10.30 a.m.**.

(b) During the virtual EGM

Shareholders may type their questions in the chat box at any time during the virtual EGM. The Board and Management will endeavor to provide the responses to the questions at the virtual EGM. However, being mindful of time constraints, some responses may be emailed after the conclusion of the virtual EGM.

7. NO RECORDING OR PHOTOGRAPHY

No recording or photography of the virtual EGM is allowed without the prior written permission of the Company.

8. ENQUIRY

If you have any enquiry prior to the EGM, please contact our Share Registrar during office hours on Mondays to Fridays, from 9.00 a.m. to 5.00 p.m. (except on public holidays):-

Boardroom Share Registrars Sdn Bhd
Registration No. 199601006647 (378993-D)

Address	:	11th Floor, Menara Symphony No. 5, Jalan Prof. Khoo Kay Kim Seksyen 13, 46200 Petaling Jaya Selangor Darul Ehsan
General Line	:	+603-7890 4700
Fax Number	:	+603-7890 4670
Email	:	bsr.helpdesk@boardroomlimited.com

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at the virtual EGM and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclose of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the virtual EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the virtual EGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

(ii) warrants that the member has obtained the prior consent of such proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies), and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.

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DOLPHIN INTERNATIONAL BERHAD
(Registration No. 201201016010 (1001521-X))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Dolphin International Berhad ("**Dolphin**" or "**Company**") will be conducted on a fully virtual basis through live streaming and online remote participation and electronic voting ("**RPEV**") facilities *via* online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657), provided by Boardroom Share Registrars Sdn Bhd in Malaysia on Monday, 27 June 2022 at 10.30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing the following resolution, with or without any modifications:

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF 5,008,148 ORDINARY SHARES IN HIGH RESERVE F&B SDN BHD ("HIGH RESERVE") ("SALE SHARES"), REPRESENTING THE ENTIRE ENLARGED EQUITY INTEREST IN HIGH RESERVE, FOR A PURCHASE CONSIDERATION OF RM36 MILLION TO BE SATISFIED *VIA* THE ALLOTMENT AND ISSUANCE OF 282,874,617 NEW ORDINARY SHARES IN DOLPHIN ("DOLPHIN SHARES") ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM0.0654 EACH AND RM17.5 MILLION IN CASH ("PROPOSED ACQUISITION")

"**THAT** subject to all approvals being obtained from the relevant authorities and/or parties, approval be and is hereby given to Dolphin to acquire the Sale Shares for a purchase consideration of RM36 million to be satisfied *via* the allotment and issuance of 282,874,617 Consideration Shares at an issue price of RM0.0654 each and RM17.5 million in cash, subject to and upon such terms and conditions as set out in the conditional sale of shares agreement dated 24 February 2022 entered into between Dolphin, Asia Poly Food and Beverage Sdn Bhd ("**AP F&B**"), Dato' Yeo Boon Leong, Yeo Boon Thai, Yeo Boon Ho and Yeo Soon Bee in relation to the Proposed Acquisition;

THAT such Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Dolphin Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of the Consideration Shares;

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised and empowered to do or procure to be done all such acts, deeds and things and to execute, sign and deliver, on behalf of Dolphin, all such documents to give effect to and complete the Proposed Acquisition with full power to assent to any conditions, variations, modifications and/or amendments as may be required or imposed by the relevant authorities and/or parties and as the Board may deem necessary and expedient to finalise, implement and give full effect to the Proposed Acquisition."

BY THE ORDER OF THE BOARD OF
DOLPHIN INTERNATIONAL BERHAD

HO MENG CHAN (MACS 00574)
SSM PC No. 202008003175
WU SIEW HONG (MAICSA 7039647)
SSM PC No. 202008002457
Company Secretaries
PETALING JAYA
10 June 2022

Notes:

1. *The EGM will be conducted on a fully virtual basis through live streaming and online RPEV facilities provided by Boardroom Share Registrars Sdn Bhd in Malaysia via https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657). Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the EGM via RPEV. Please read these Notes carefully and follow the procedures in the Administrative Guide for the fully virtual EGM in order to participate remotely via RPEV. The Administrative Guide for the fully virtual EGM is enclosed in Appendix IX of the circular to shareholders dated 10 June 2022.*

2. *A member of the Company entitled to participate, speak and vote at the meeting shall be entitled to appoint up to 2 proxies or attorney or other duly authorised representative to participate, speak and vote in his/her stead. Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy may not be a member of the Company.*

3. *The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his/her attorney duly authorised in writing, and in the case of a corporation, shall either be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.*

4. *Where a member who is an authorised nominee as defined in the securities Industry (Central Depositories) Act, 1991 ("**SICDA**") may appoint not more than 2 proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.*

5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*

6. *The instrument appointing a proxy and the power of attorney or other authority duly authorised in writing or if such appointor is a Corporation, under its common seal or under the hand of an officer or attorney of the Corporation duly authorised, shall either be deposited at the office of the Company's Share Registrar at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or be electronically deposited through the Share Registrar's website, Boardroom Smart Investor Portal at https://investor.boardroomlimited.com, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.*

7. *Depositors who appear in the Record of Depositors as at 20 June 2022 shall be regarded as Member of the Company entitled to participate, speak and vote at the meeting or appoint a proxy or proxies to participate and vote on his/her behalf.*

®

DOLPHIN INTERNATIONAL BERHAD
(Registration No. 201201016010 (1001521-X))
(Incorporated in Malaysia)

FORM OF PROXY

CDS account no.	
No. of Shares held	

I/We______________________________________NRIC No./Passport No./Company No__________________________
(full name in capital letters)

Tel No./HP No. ____________________________ Email Address ____

of ____

being a member(s) of **DOLPHIN INTERNATIONAL BERHAD (**“Company”), hereby appoint:

Full Name (in capital letters as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Tel No. /HP No. :	Email Address :		
Address			

*and / or failing him/her

Full Name (in capital letters as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Tel No. /HP No. :	Email Address :		
Address			

or failing him/her, the Chairman of the Meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company (“**EGM**”) to be conducted on a fully virtual basis through live streaming and online Remote Participation and Electronic Voting (“**RPEV**”) facilities via online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657), provided by Boardroom Share Registrars Sdn Bhd in Malaysia on Monday, 27 June 2022 at 10.30 a.m. or at any adjournment thereof .

** Delete whichever is inapplicable*

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

Resolution	Proposal	For	Against
Ordinary resolution	Proposed Acquisition		

____
Signature of Member/
Common Seal of Shareholder

Dated this _______________day of _________________2022

Notes:

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AFFIX
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THE SHARE REGISTRAR

DOLPHIN INTERNATIONAL BERHAD
(Registration No. 201201016010 (1001521-X))
(Incorporated in Malaysia)

C/O Boardroom Share Registrars Sdn Bhd

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

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