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

PART A

(I) PROPOSED DISPOSAL; AND

(II) PROPOSED CAPITAL REDUCTION

PART B

(I) PROPOSED RIGHTS ISSUE;

(II) PROPOSED CAPITALISATION;

(III) PROPOSED ACQUISITION; AND

(IV) PROPOSED DIVERSIFICATION

PART C

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF DOLPHIN INTERNATIONAL BERHAD ("DOLPHIN" OR THE "COMPANY") IN RELATION TO THE PROPOSED DISPOSAL

PART D

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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Parts A and B

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

Independent Adviser for Parts C and D

sierac corporate advisers

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

The Notice of the Extraordinary General Meeting ("EGM") of the Company to be conducted fully virtual at the Broadcast Venue to be held at Symphony Square Auditorium, 3A Floor, No. 5, Menara Symphony, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 5 June 2020 at 10:00 a.m. together with the Form of Proxy are enclosed herein.

A member entitled to participate and vote at the EGM is entitled to appoint a proxy or proxies to participate and vote on his/her behalf. The Form of Proxy must be deposited at the Company's share registrar, Boardroom Share Registrars Sdn Bhd, at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, not later than 48 hours before the time set for the EGM or any adjournment thereof. Alternatively, the Form of Proxy can be deposited electronically through the website of the Company's share registrar, Boardroom Smart Investor Portal at https://www.boardroomlimited.my before the Form of Proxy lodgement cut-off time as mentioned below. The lodgement of the Form of Proxy will not preclude you from participating and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

Last date and time for lodging the Form of Proxy for the EGM	:	Wednesday, 3 June 2020 at 10:00 a.m.
Date and time of the EGM	:	Friday, 5 June 2020 at 10:00 a.m.

This Circular is dated 14 May 2020

PART A

(I) **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 ("PROPOSED DISPOSAL"); AND**

(II) **PROPOSED REDUCTION OF DOLPHIN'S ISSUED SHARE CAPITAL PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED CAPITAL REDUCTION")**

PART B

(I) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 412,087,515 NEW ORDINARY SHARES IN DOLPHIN ("DOLPHIN SHARES") ("RIGHTS SHARES") TOGETHER WITH UP TO 247,252,509 FREE DETACHABLE WARRANTS ("WARRANTS-B") AT AN ISSUE PRICE OF RM0.06 PER RIGHTS SHARE ON THE BASIS OF 5 RIGHTS SHARES FOR EVERY 4 EXISTING DOLPHIN SHARES HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED LATER TOGETHER WITH 3 WARRANTS-B FOR EVERY 5 RIGHTS SHARES SUBSCRIBED ("PROPOSED RIGHTS ISSUE");**

(II) **PROPOSED CAPITALISATION OF AN AGGREGATE AMOUNT OF APPROXIMATELY RM7.2 MILLION OWING BY DOLPHIN AND ITS SUBSIDIARIES ("DOLPHIN GROUP") TO ITS IDENTIFIED CREDITORS AND A SHAREHOLDER OF DOLPHIN TO BE FULLY SETTLED *VIA* THE ISSUANCE OF 94,690,342 NEW DOLPHIN SHARES AT AN ISSUE PRICE OF RM0.076 EACH ("PROPOSED CAPITALISATION");**

(III) **PROPOSED ACQUISITION OF 6,000,000 ORDINARY SHARES IN ASIA POLY FOOD AND BEVERAGE SDN BHD ("AP F&B"), REPRESENTING ITS ENTIRE EQUITY INTEREST, BY DOLPHIN FROM UNCLE DON'S HOLDINGS SDN BHD AND ASIA POLY HOLDINGS BERHAD FOR A PURCHASE CONSIDERATION OF RM22.0 MILLION TO BE SATISFIED *VIA* THE ISSUANCE OF 131,578,947 NEW DOLPHIN SHARES AT AN ISSUE PRICE OF RM0.076 EACH AND RM12.0 MILLION CASH ("PROPOSED ACQUISITION"); AND**

(IV) **PROPOSED DIVERSIFICATION OF THE DOLPHIN GROUP'S PRINCIPAL ACTIVITIES TO INCLUDE THE UNDERTAKING AND PROVISION OF FOOD AND BEVERAGE SERVICES AND RELATED ACTIVITIES ("PROPOSED DIVERSIFICATION")**

DEFINITIONS

The following definitions shall apply throughout this Circular unless otherwise indicated:

Acquisition SSA	:	Conditional sale of shares agreement dated 27 February 2020 entered into between our Company and the Vendors in relation to the Proposed Acquisition
Act	:	Companies Act 2016
AP F&B	:	Asia Poly Food and Beverage Sdn Bhd (201601000614 (1171539-W))
AP F&B Shares	:	Ordinary shares in AP F&B
AP Green Energy	:	Asia Poly Green Energy Sdn Bhd (201601005486 (1176412-P))
Asia Equity Research or Independent Valuer	:	Asia Equity Research Sdn Bhd (201401027762 (1103848-M))
Asia Poly	:	Asia Poly Holdings Berhad (200301016756 (619176-A))
Balance Deposits	:	Deposits amounting to RM1,249,200 which is to be paid to our Company in the order as set out in Section 2.1 of Part A of this Circular
Biogas Plant	:	A 2-megawatt biogas plant owned by Biogas Sulpom, which is adjacent to a palm oil mill owned by SULPOM at Dengkil, Selangor Darul Ehsan
Biogas Sulpom	:	Biogas Sulpom Sdn Bhd (201301026640 (1056470-T)), an indirect 80%-owned subsidiary of our Company
Board	:	Board of Directors of Dolphin
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
Business Day	:	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 Wilayah Persekutuan Kuala Lumpur
Business Valuation Report	:	Business valuation report on the entire equity value of AP F&B dated 27 February 2020 prepared by Asia Equity Research
Circular	:	This circular to our shareholders dated 14 May 2020
Consideration Shares	:	131,578,947 new Dolphin Shares to be issued at an issue price of RM0.076 each pursuant to the Proposed Acquisition
COVID-19	:	Coronavirus disease 2019 (n-Cov19), an acute respiratory illness caused by a novel coronavirus
D&D F&B or Licensor	:	D&D Food & Beverage Sdn Bhd (201501039890 (1165208-K)), the author, creator and registered owner and holder of the trade name of “Uncle Don’s” and the associated trademark logo
Deed Poll A	:	Deed poll dated 10 March 2016 constituting Warrants-A and governing the rights of Warrant-A holders

Deed Poll B	:	Deed poll constituting Warrants-B and governing the rights of Warrant-B holders to be executed by our Company
Disposal Consideration	:	Cash consideration of RM2,123,675.50 for the Proposed Disposal
Disposal SSA	:	Conditional sale of shares agreement dated 31 January 2020 entered into between our Company and AP Green Energy in relation to the Proposed Disposal
Dolphin or Company	:	Dolphin International Berhad (201201016010 (1001521-X))
Dolphin Applications	:	Dolphin Applications Sdn Bhd (200701033516 (791544-V)), a wholly-owned subsidiary of our Company
Dolphin Biogas	:	Dolphin Biogas Sdn Bhd (201601031499 (1202440-V)), a 80%-owned subsidiary of our Company
Dolphin Biogas Group	:	Collectively, Dolphin Biogas and its wholly-owned subsidiary, Biogas Sulpom
Dolphin Group or Group	:	Collectively, Dolphin and its subsidiaries
Dolphin Robotic	:	Dolphin Robotic Systems Sdn Bhd (201401016023 (1092109-T)), an indirect wholly-owned subsidiary of our Company
Dolphin Shares or Shares	:	Ordinary shares in Dolphin
Earnest Deposit	:	Earnest deposit amounting to RM212,367.55, which has been paid to our Company upon execution of the Disposal SSA
EGM	:	Extraordinary general meeting
Entitled Shareholders	:	Our shareholders whose names appear in our Company's Record of Depositors at the close of business on the Entitlement Date
Entitlement Date	:	A date to be determined by our Board and announced later, on which the names of our shareholders must be registered in our Company's Record of Depositors as at 5:00 p.m. in order to be entitled to the Proposed Rights Issue
EPS	:	Earnings per share
First Profit Guarantee Period	:	Financial period of AP F&B from 1 January 2020 to 30 June 2021
FYE	:	Financial year ended
IAL	:	Independent advice letters from SCA to the non-interested shareholders of our Company as set out in Parts C and D of this Circular respectively
IMR Report	:	Independent market research report on the full-service restaurant segment of the food and beverage service market in Malaysia dated 24 April 2020 prepared by PROVIDENCE
Interested Directors	:	Collectively, Thoo Soon Huat and Tan Ban Tatt
kWh	:	Kilowatt-hour
Licensing Agreements	:	Licensing agreements entered into between AP F&B and the Licensor which governs the operating procedures, system and reporting formats of the 3 restaurant outlets of AP F&B

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LAT	:	Loss after tax
LBT	:	Loss before tax
LPD	:	24 April 2020, being the latest practicable date prior to the date of this Circular
LPS	:	Loss per Share
LTD	:	26 February 2020, being the last trading day prior to the date of announcement of the Proposals on 27 February 2020
Maximum Scenario	:	Scenario which assumes that: (i) all the outstanding Warrants-A are exercised prior to the Entitlement Date; (ii) the maximum placement of 29,970,000 Dolphin Shares under the Placement has been completed prior to the Entitlement Date; and (iii) all the Entitled Shareholders and/or their renouncees/transferees fully subscribe for their respective entitlements under the Proposed Rights Issue
Mercury Securities	:	Mercury Securities Sdn Bhd (198401000672 (113193-W))
Minimum Scenario	:	Scenario which assumes that: (i) none of the outstanding Warrants-A are exercised prior to the Entitlement Date; (ii) no Dolphin Shares are placed out under the Placement prior to the Entitlement Date; and (iii) the Proposed Rights Issue is implemented on a Minimum Subscription Level basis
Minimum Subscription Level	:	Minimum subscription of 213,557,500 Rights Shares by Asia Poly and the underwriters to raise minimum gross proceeds of approximately RM12.8 million
MWh	:	Megawatt-hour
NA	:	Net assets
Official List	:	A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
PAT	:	Profit after tax
Placement	:	Placement of up to 29,970,000 Dolphin Shares, representing approximately 10% of our Company's total number of issued Shares, which has been approved by Bursa Securities but pending implementation

Profit Guarantee	:	A guarantee by the Vendors that AP F&B shall achieve a minimum PAT of RM1.1 million in each of the First Profit Guarantee Period and Second Profit Guarantee Period
Profit Guarantee Periods	:	Collectively, First Profit Guarantee Period and Second Profit Guarantee Period
Proposals	:	Collectively, the Proposed Rights Issue, Proposed Capitalisation, Proposed Acquisition and Proposed Diversification
Proposed Acquisition	:	Proposed acquisition of the Sale Shares by our Company from the Vendors for the Purchase Consideration to be satisfied *via* the issuance of 131,578,947 Consideration Shares and RM12.0 million cash
Proposed Capital Reduction	:	Proposed reduction of our Company's issued share capital pursuant to Section 116 of the Act
Proposed Capitalisation	:	Proposed capitalisation of an aggregate amount of RM7,196,466 owing by our Group to our identified creditors and a shareholder of our Company to be fully settled *via* the issuance of 94,690,342 Settlement Shares
Proposed Disposal	:	Proposed disposal of our 80% equity interest in Dolphin Biogas to AP Green Energy for the Disposal Consideration
Proposed Diversification	:	Proposed diversification of our Group's principal activities to include the undertaking and provision of food and beverage services and related activities
Proposed Rights Issue	:	Proposed renounceable rights issue of up to 412,087,515 Rights Shares together with up to 247,252,509 Warrants-B at an issue price of RM0.06 per Rights Share on the basis of 5 Rights Shares for every 4 existing Dolphin Shares held by the Entitled Shareholders on the Entitlement Date together with 3 Warrants-B for every 5 Rights Shares subscribed
PROVIDENCE	:	Providence Strategic Partners Sdn Bhd (201701024744 (1238910-A))
Purchase Consideration	:	Total purchase consideration of RM22.0 million for the Proposed Acquisition
Record of Depositors	:	Record of securities holders established by Bursa Depository pursuant to the Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991
RePPA	:	Renewable energy power purchase agreement dated 20 April 2015 entered into between Biogas Sulpom and TNB for the sale of renewable energy by Biogas Sulpom to TNB
Rights Shares	:	Up to 412,087,515 new Dolphin Shares to be issued at an issue price of RM0.06 each pursuant to the Proposed Rights Issue
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules	:	Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia
Sale Shares	:	6,000,000 AP F&B Shares, representing the entire issued share capital of AP F&B

SCA or Independent Adviser	:	Sierac Corporate Advisers Sdn Bhd (200001013247 (515853-A))
Second Profit Guarantee Period	:	Financial year of AP F&B from 1 July 2021 to 30 June 2022
SEDA	:	Sustainable Energy Development Authority Malaysia
Settlement Agreements	:	Collectively, settlement agreements dated 27 February 2020 entered into between our Company, and Palma Banjaran Sdn Bhd, Hydra-Line Hydraulics Sdn Bhd, Kejuruteraan Trisuria Sdn Bhd, CLH Construction Sdn Bhd, Global Genesis (M) Sdn Bhd, Sakti Suria (Malaysia) Sdn Bhd, Innofin Consultancy and Chua Seong Seng respectively, pursuant to the Proposed Capitalisation
Settlement Shares	:	94,690,342 new Dolphin Shares to be issued at the issue price of RM0.076 each pursuant to the Proposed Capitalisation
SLPOM Project	:	A collaboration between Dolphin Robotic and Seri Langat Palm Oil Mill Sdn Bhd for the enhancement and optimisation of a palm oil mill as set out in Section 2.1.2 Note (ii) of Part B of this Circular
SULPOM	:	Seri Ulu Langat Palm Oil Mill Sdn Bhd (197901005791 (50075-T))
TERP	:	Theoretical ex-rights price
TNB	:	Tenaga Nasional Berhad (199001009294 (200866-W))
Uncle Don's Holdings	:	Uncle Don's Holdings Sdn Bhd (201801039364 (1301395-T))
Undertaking	:	Irrevocable written undertaking dated 27 February 2020 from Asia Poly to subscribe in full for its entitlement to the Right Shares together with the Warrants-B
Vendors	:	Collectively, Uncle Don's Holdings and Asia Poly
VWAMP	:	Volume weighted average market price
Warrants-A	:	Warrants 2016/2021 as constituted by the Deed Poll A
Warrants-B	:	Up to 247,252,509 free detachable warrants of Dolphin to be issued pursuant to the Proposed Rights Issue

All references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company, and where the context requires otherwise, shall include 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, unless otherwise specified.

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.

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

TABLE OF CONTENTS

PAGE

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL AND PROPOSED CAPITAL REDUCTION

PART B

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL AND PROPOSED CAPITAL REDUCTION

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

Registered Office:
308, Block A (3rd Floor)
Kelana Business Centre
97, Jalan SS 7/2, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

14 May 2020

Board of Directors

YM Tengku Ahmad Badli Shah Raja Hussin *(Independent Non-Executive Chairman)*
Low Teck Yin *(Group Managing Director)*
Thoo Soon Huat *(Executive Director)*
Hoh Yeong Cherng *(Non-Independent Non-Executive Director)*
Tan Ban Tatt *(Independent Non-Executive Director)*
Lim Seng Hock *(Independent Non-Executive Director)*

To: Our Shareholders

Dear Sir/Madam,

(I) PROPOSED DISPOSAL; AND
(II) PROPOSED CAPITAL REDUCTION

1. INTRODUCTION

On 31 January 2020, Mercury Securities had, on behalf of our Board, announced that our Company had on even date entered into the Disposal SSA with AP Green Energy for the Proposed Disposal.

On 27 February 2020, Mercury Securities had, on behalf of our Board, announced that our Company proposes to undertake, amongst others, the Proposed Capital Reduction.

The Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of:

(i) Asia Poly, our Company's major shareholder and the holding company of AP Green Energy;

(ii) Thoo Soon Huat, being an Executive Director of our Company and a Non-Independent Non-Executive Director of Asia Poly; and

(iii) Tan Ban Tatt, being an Independent Non-Executive Director of our Company and Asia Poly.

Accordingly, our Board (save for the Interested Directors) had appointed SCA as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of our Company on the Proposed Disposal.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND THE PROPOSED CAPITAL REDUCTION, TO SET OUT OUR BOARD'S (SAVE FOR THE INTERESTED DIRECTORS) RECOMMENDATION ON BOTH PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO BOTH PROPOSALS TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM IN ORDER TO GIVE EFFECT TO BOTH PROPOSALS. 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 PART A OF THIS CIRCULAR (INCLUDING THE IAL FROM SCA AS SET OUT IN PART C OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO BOTH PROPOSALS TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSAL AND PROPOSED CAPITAL REDUCTION

2.1 Proposed Disposal

The Proposed Disposal entails the disposal by our Company of our 80% equity interest in Dolphin Biogas to AP Green Energy for approximately RM2.1 million cash based on the terms and conditions of the Disposal SSA.

The Disposal Consideration shall be satisfied in the following manner:

No.	Milestone
(i)	Earnest Deposit of RM212,367.55, which has been paid upon execution of the Disposal SSA
(ii)	Balance Deposits of RM1,249,200.00, paid/to be paid in the following order: (a) upon execution of the Disposal SSA, RM416,400.00; (b) upon expiry of 2 months from the date of the Disposal SSA, RM416,400.00; and (c) upon expiry of 4 months from the date of the Disposal SSA, RM416,400.00; and
(iii)	balance of RM662,107.95 to be paid upon completion of the Disposal SSA.

As at the date of the Disposal SSA, there was an aggregate amount owing by the Dolphin Biogas Group to Dolphin Applications amounting to approximately RM0.3 million. Pursuant to the Proposed Disposal, AP Green Energy has settled, on behalf of the Dolphin Biogas Group, the said amount owing to Dolphin Applications in cash upon execution of the Disposal SSA.

Further to the above, our Group may also advance such amounts as required by Biogas Sulpom, a wholly-owned subsidiary of Dolphin Biogas from the Balance Deposits to pay the monthly instalments of Biogas Sulpom's secured term loans of approximately RM0.2 million per month, from the date of the Disposal SSA up to the completion of the Proposed Disposal. From the date of the Disposal SSA and up to the LPD, our Group had advanced approximately RM0.4 million to the Dolphin Biogas Group to pay for the monthly instalments of its secured term loans. The said advances are unsecured, non-interest bearing and repayable upon demand and shall be fully settled by AP Green Energy on behalf of Biogas Sulpom, upon completion of the Proposed Disposal.

Save for the above, our Group will not advance any additional funds to the Dolphin Biogas Group until the completion of the Proposed Disposal, unless the Disposal SSA is terminated.

Our Board (save for the Interested Directors) is of the view that the provision of such advances is a norm, and fair and reasonable to our Company as the Dolphin Biogas Group are still our subsidiaries prior to the completion of the Proposed Disposal, and such advances enable the Dolphin Biogas Group to continue meeting its financial obligations. Further on completion of the Proposed Disposal, AP Green Energy, on behalf of Biogas Sulpom, will repay our Company such advances in full.

Please refer to Appendices I and II of this Circular for information on Dolphin Biogas and the salient terms of the Disposal SSA respectively.

2.1.1 Basis and justification for the Disposal Consideration

The Disposal Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration our Company's 80% share of the Dolphin Biogas Group's unaudited NA as at 31 December 2019 of approximately [(i)]RM2.1 million.

For information purpose, the Dolphin Biogas Group's unaudited NA as at 31 December 2019 is [(i)]RM2.7 million, which was arrived at based on its total assets of RM29.3 million (mainly comprising the net book value of the Biogas Plant of RM27.3 million and cash and cash equivalents of RM1.6 million) and total liabilities of RM26.6 million (mainly comprising Biogas Sulpom's secured term loans of RM19.4 million and an amount owing to its director of RM5.5 million).

We have adopted the Dolphin Biogas Group's unaudited NA as at 31 December 2019 as the basis for determining the Disposal Consideration as it reflects the Dolphin Biogas Group's latest financial position which had accounted, amongst others, the entire construction costs of the Biogas Plant as well as its outstanding secured term loans and operating expenses incurred up to 31 December 2019. As such, the Dolphin Biogas Group's unaudited NA as at 31 December 2018 of [(i)]RM3.0 million was not used as the basis to determine the Disposal Consideration.

Note:

(i) Under the Malaysian Financial Reporting Standards 10, Paragraph 4, Dolphin Biogas is not required to prepare and present its consolidated financial results. Hence, the unaudited NA of the Dolphin Biogas Group:

(a) as at 31 December 2018 of RM3.0 million was prepared by our management based on the audited financial statements of Dolphin Biogas and Biogas Sulpom for the FYE 31 December 2018; and

(b) as at 31 December 2019 of RM2.7 million was prepared by our management based on the unaudited financial statements of Dolphin Biogas and Biogas Sulpom for the FYE 31 December 2019.

In determining the reasonableness of the Disposal Consideration, our Board (save for the Interested Directors) has also taken into account the following factors:

(i) our Group's overall financial performance which has been incurring losses since the FYE 31 December 2016;

(ii) reduction of gearing as a result of the Proposed Disposal due to the deconsolidation of the Dolphin Biogas Group's bank borrowings amounting to RM19.4 million as at 31 December 2019;

(iii) the Dolphin Biogas Group has been incurring negative cash flows, which is draining its existing cash resources. As at 31 December 2019, the Dolphin Biogas Group only had RM0.7 million cash in hand;

(iv) rationale and benefits of the Proposed Disposal as set out in Section 3.1 of Part A of this Circular; and

(v) the evaluations of the Independent Adviser as set out in Part C of this Circular. The Independent Adviser took cognisance of our basis and justifications for the Disposal Consideration and had performed a discounted cash flow valuation to assess the fairness of the Disposal Consideration based on, amongst others, the financial projections of the Dolphin Biogas Group over the 16 years concession period stated in the RePPA, as prepared by our management. Please refer to Appendix III of this Circular for the salient terms of the RePPA.

The discounted cash flow valuation methodology is a commonly-used business valuation technique which considers the time value of money and the future cash flows to be derived from the asset/business over a fixed period of time. Under this methodology, the future free cash flows from the asset/business are discounted at an appropriate discount rate to arrive at its fair value.

Based on the Independent Adviser's financial evaluations, our Board (save for the Interested Directors) was advised that the fair value of 80% equity interests in the Dolphin Biogas Group is between RM2.1 million and RM1.9 million.

2.1.2 Liabilities in relation to the Proposed Disposal

There are no liabilities including contingent liabilities which will remain with our Group after completion of the Proposed Disposal. In addition, there are no guarantees given by our Group to AP Green Energy in connection with the Proposed Disposal.

2.1.3 Date and original cost of investment

As at the LPD, our Company's total cost of investment in Dolphin Biogas are as follows:

Date of investment	No. of shares acquired/issued	Original cost of investment
		RM
22 September 2016	2	2
15 January 2020	18	(i)18
30 January 2020	4,499,980	(i)4,267,781
Total	**4,500,000**	**4,267,801**

Note:

(i) Issuance of shares to our Company vide capitalisation of capital reserves.

2.1.4 Expected gain from the Proposed Disposal

Assuming the Proposed Disposal has been completed as at 31 December 2019, the pro forma gain to our Group is as illustrated below:

		RM
Disposal Consideration		2,123,675
Add:	Our Company's share of accumulated losses of the Dolphin Biogas Group as at 31 December 2019	2,638,383
Less:	Carrying value of the ordinary shares in Dolphin Biogas	(4,267,801)
Estimated gain arising from the Proposed Disposal		**494,257**

2.1.5 Information on AP Green Energy

AP Green Energy was incorporated in Malaysia on 22 February 2016 under the Companies Act 1965 (deemed registered under the Act) as a private limited company.

AP Green Energy is an investment holding company and through PT Rimba Tripa, its 49%-owned associate, is involved in the generation and sale of power and electricity in Indonesia.

As at the LPD:

(i) the issued share capital of AP Green Energy is RM1,000,000 comprising 1,000,000 ordinary shares in AP Green Energy; and

(ii) the directors and shareholders of AP Green Energy as well as their respective shareholdings in AP Green Energy are as follows:

		Direct Interest		Indirect Interest	
Name	**Designation**	**No. of shares**	**%**	**No. of shares**	**%**
Dato' Yeo Boon Leong	Director	-	-	(i)1,000,000	(i)100.0
Lim Teck Seng	Director	-	-	-	-
Asia Poly	Shareholder	1,000,000	100.0	-	-

Note:

(i) Deemed interested by virtue of his interest in Asia Poly pursuant to Section 8 of the Act.

2.1.6 Utilisation of proceeds

Our Company intends to utilise the Disposal Consideration in the following manner:

Details	**Note**	**Amount**	**Estimated timeframe for utilisation after completion of the Proposed Disposal**
		RM'000	
Working capital	(i)	1,924	Within 24 months
Estimated expenses	(ii)	200	Immediately
Total		**2,124**	

Notes:

(i) To be utilised for our Group's day-to-day operating expenses to support our Group's existing on-going business operations, which shall include but are not limited to, purchases of inventories (such as machinery parts and electrical components), administrative expenses, staff overheads, factory expenses and maintenance of machineries.

(ii) Mainly comprises professional fees, fees payable to relevant authorities, expenses to convene the EGM, printing costs and other miscellaneous expenses in relation to the Proposed Disposal and Proposed Capital Reduction. Any excess or shortfall in the actual amount utilised for estimated expenses will be reallocated to/from proceeds earmarked for funding our Group's working capital.

Prior to utilisation for the above purposes, the proceeds from the Proposed Disposal will be placed in interest-bearing deposits and/or short-term money market instruments with licensed financial institutions as our Board in its absolute discretion deems fit and in the best interest of our Group. Any interest income earned from such deposits and/or instruments will be used, when available, as additional working capital for our Group's existing business.

2.2 Proposed Capital Reduction

The Proposed Capital Reduction entails a reduction and cancellation of our Company's issued share capital with the intention to offset the credit arising therefrom against the accumulated losses of our Company in accordance with Section 116 of the Act.

As at the LPD, our Company's issued share capital is RM81.6 million comprising 244,200,010 Dolphin Shares.

Based on the accumulated losses of our Company as at 31 December 2019 of approximately RM63.0 million, the Proposed Capital Reduction would entail the reduction and cancellation of our Company's issued share capital by RM62.9 million and the credit arising therefrom will be utilised to set-off against accumulated losses in the following manner:

	Unaudited as at 31 Dec 2019	
	Company Level	**Group Level**
	RM	**RM**
Accumulated losses	(62,977,955)	(37,125,867)
Add: Credit arising from the Proposed Capital Reduction	62,900,000	62,900,000
Pro forma (accumulated losses)/retained earnings	**(77,955)**	**25,774,133**

An order of the High Court of Malaya will be sought for the Proposed Capital Reduction after obtaining your approval at our Company's forthcoming EGM.

The effective date of the Proposed Capital Reduction will be the date of the lodgement of a sealed copy of the order of the High Court of Malaya with the Companies Commission of Malaysia confirming the Proposed Capital Reduction.

The Proposed Capital Reduction will not have any impact nor result in any adjustment to the following:

(i) share price and the number of issued Dolphin Shares; and

(ii) exercise price and the number of outstanding Warrants-A.

3. RATIONALE AND BENEFITS OF THE PROPOSED DISPOSAL AND PROPOSED CAPITAL REDUCTION

3.1 Proposed Disposal

Since its initial operation in October 2019 and up to the date of the Disposal SSA, the Dolphin Biogas Group had incurred net cash outflow of approximately RM0.8 million and accrued expenses of approximately RM0.3 million arising mainly from the defrayment of raw material costs, operating expenses and repayment of bank borrowings, which is draining its financial resources as there were no cash inflows during the period. This was due to Biogas Sulpom not able to bill TNB for the electricity then sold of approximately RM0.9 million, pending verification of the meter reading by TNB.

Our management expects the Dolphin Biogas Group to generate average revenue of approximately RM6.5 million per annum over the concession tenure of 16 years, which is a crucial source of cash inflow for repayment of Dolphin Biogas Group's secured term loans and operating expenses. However, the abovementioned delay in billings, had adversely impacted the Dolphin Biogas Group's cash position and its ability to timely service its term loans and operating expenses.

Based on its unaudited financial statements as at 31 December 2019, the Dolphin Biogas Group has a high gearing ratio of 7.3 times and a low current ratio of 0.2 times. As a result, the Dolphin Biogas Group had to rely on the financial support from our Group as it struggled to meet its short-term financial obligations due to depleting cash resources as elaborated above, which in turn was also draining our Group's financial resources as a whole.

In this regard, the Proposed Disposal represents an opportunity for us to reduce our Group's financial burden while at the same time, realising the Dolphin Biogas Group at its fair value.

Our Group is principally involved in the sale, design, engineering, development and integration of a wide range of machineries and systems used to deliver and facilitate palm oil milling automation and control processes. The principal activities of the Dolphin Biogas Group are not within our Group's core activities and thus, the Proposed Disposal would enable our Group to unlock a non-core asset and at the same time, alleviate our Group's cash flow constraints as:

(i) the Disposal Consideration would bolster the cash available to fund our Group's working capital;

(ii) pending completion of the Proposed Disposal, our Group would receive the Balance Deposit which can be utilised by our Company as interim advances to fund the monthly instalments of Biogas Sulpom's secured term loans in order to mitigate the risk of default, especially since Biogas Sulpom currently has low cash reserves whilst its secured term loans are secured by corporate guarantees provided by our Company. Upon completion of the Proposed Disposal, such advances shall be fully settled by AP Green Energy on behalf of Biogas Sulpom; and

(iii) upon completion of the Proposed Disposal, our Group would be able to immediately recover all outstanding amounts owing by the Dolphin Biogas Group to our Group.

Furthermore, the Proposed Disposal would also reduce our Group's bank borrowings by approximately RM19.4 million (based on the unaudited consolidated financial position of the Dolphin Biogas Group as at 31 December 2019) resulting in a decrease in our Group's pro forma gearing from 1.6 times to 0.8 times and a reduction in finance cost of approximately RM1.1 million per annum after the completion of the Proposed Disposal. In addition, upon completion of the Proposed Disposal, our Company shall be fully discharged from its corporate guarantees for Biogas Sulpom's secured term loans.

3.2 Proposed Capital Reduction

The Proposed Capital Reduction will enable our Company to rationalise our Company's financial position by reducing our accumulated losses and thus, to more accurately reflect the value of our Company's underlying assets.

In addition, the Proposed Capital Reduction will facilitate our Company's equity-related fund-raising exercises in order to further strengthen our financial position.

4. RISK FACTORS

The Proposed Disposal is conditional upon the fulfilment and/or waiver of the conditions precedent as set out in the Disposal SSA, as the case may be, within the timeframe stipulated therein, including your approval at the forthcoming EGM. Amongst others, we wish to highlight that no assurance can be given that our Company would be able to obtain the requisite approvals for the Proposed Disposal.

The Disposal SSA may be terminated if the conditions precedent in the Disposal SSA are not fulfilled or obtained within the stipulated timeframe. In the event of termination of the Disposal SSA, our Company would not be able to realise the expected benefits as set out in Section 3.1 of Part A of this Circular.

Our Board will endeavour to take all reasonable steps to procure fulfilment of all the conditions precedent in the Disposal SSA within the stipulated timeframe for completion of the Proposed Disposal in a timely manner.

5. EFFECTS OF THE PROPOSED DISPOSAL AND PROPOSED CAPITAL REDUCTION

5.1 Share Capital

The Proposed Disposal will not have any effect on our Company's issued share capital.

The pro forma effects of the Proposed Capital Reduction on our Company's issued share capital are as follows:

	No. of Shares	RM
Issued share capital as at the LPD	244,200,010	81,559,823
To be reduced pursuant to the Proposed Capital Reduction	-	(62,900,000)
After the Proposed Capital Reduction	**244,200,010**	**18,659,823**

5.2 Substantial Shareholders' Shareholdings

The Proposed Disposal and Proposed Capital Reduction will not have any effect on our Company's substantial shareholders' shareholdings.

5.3 NA and Gearing

The pro forma effects of the Proposed Disposal and Proposed Capital Reduction on our Group's NA and gearing are as follows:

	Audited as at 31 Dec 2018	(I) After the Proposed Disposal	(II) After (I) and the Proposed Capital Reduction
	RM'000	RM'000	RM'000
Share capital	81,560	81,560	(iii) 18,660
Other reserve	(23,145)	(23,145)	(23,145)
Revaluation reserve	1,801	1,801	1,801
Foreign currency translation reserve	648	648	648
(Accumulated losses)/ Retained earnings	(36,916)	(i) (36,622)	(iii) 26,278
Shareholders' funds / NA	**23,948**	**24,242**	**24,242**
No. of Shares in issue ('000)	244,200	244,200	244,200
NA per Share (RM)	**0.10**	**0.10**	**0.10**
Total borrowings	38,050	(ii) 18,609	18,609
Gearing (times)	**1.59**	**0.77**	**0.77**

Notes:

(i) After taking into account the estimated expenses of approximately RM0.2 million in relation to the Proposed Disposal and an estimated gain arising from the Proposed Disposal of approximately RM0.5 million.

(ii) After taking into account the deconsolidation effects of the Dolphin Biogas Group's total borrowings of approximately RM19.4 million as at 31 December 2019.

(iii) Credit arising from the Proposed Capital Reduction of RM62.9 million shall be used to off-set the accumulated losses of our Company.

5.4 Earnings and EPS

The Proposed Capital Reduction will not have any effect on our Group's earnings and EPS.

For illustrative purposes, the pro forma effects of the Proposed Disposal on the earnings and EPS of our Group for the FYE 31 December 2018 are set out below:

			Audited for the FYE 31 Dec 2018	After the Proposed Disposal
			RM'000	**RM'000**
LAT attributable to our Company's shareholders			(4,230)	[(i)](3,648)
Add	:	Estimated gain from the Proposed Disposal	-	494
Less	:	Estimated expenses in relation to the Proposed Disposal	-	(200)
Pro forma LAT attributable to our Company's shareholders			**(4,230)**	**(3,354)**
Weighted average no. of Shares in issue ('000)			244,200	244,200
LPS (sen)			**(1.73)**	**(1.37)**

Note:

(i) After deducting the LAT of the Dolphin Biogas Group for the FYE 31 December 2018 on the assumption that the Dolphin Biogas Group was deconsolidated on 1 January 2018.

6. APPROVALS REQUIRED

The Proposed Disposal and Proposed Capital Reduction are subject to the following approvals being obtained:

(i) our Company's shareholders at the forthcoming EGM;

(ii) shareholders of Asia Poly at an EGM to be convened for the Proposed Disposal and proposed diversification of the principal activities of Asia Poly and its subsidiaries to include renewable energy business and related activities as a result of the Proposed Disposal;

(iii) the consent from SEDA for the change of beneficial shareholders of Biogas Sulpom pursuant to the Proposed Disposal. As at the LPD, the requisite consent has been obtained;

(iv) the sanction of the High Court of Malaya pursuant to Section 116 of the Act for the Proposed Capital Reduction; and

(v) any other relevant regulatory authorities and/or parties, if required.

The Proposed Disposal and Proposed Capital Reduction are not conditional upon each other or any other proposals undertaken or to be undertaken by our Company and *vice versa*.

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 17.8% based on our Company's latest audited consolidated financial statements for the FYE 31 December 2018.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and major shareholders of our Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Capital Reduction.

Save as disclosed below, none of the other Directors and major shareholders of our Company as well as persons connected with them have any interest, direct or indirect, in the Proposed Disposal.

7.1 Interested Directors

Thoo Soon Huat is an Executive Director of our Company and a Non-Independent Non-Executive Director of Asia Poly, our Company's major shareholder and the holding company of AP Green Energy.

Tan Ban Tatt is an Independent Non-Executive Director of our Company and Asia Poly.

Hence, the Interested Directors are deemed interested in the Proposed Disposal. As at the LPD, the Interested Directors do not have any direct and indirect shareholding in our Company.

Accordingly, the Interested Directors:

(i) have abstained and will continue to abstain from deliberations and voting on the Proposed Disposal at the relevant board meetings of our Company; and

(ii) have undertaken to ensure that they and persons connected with them 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 Disposal to be tabled at our Company's forthcoming EGM.

7.2 Interested Major Shareholder

Asia Poly, being our Company's major shareholder and the holding company of AP Green Energy, is deemed interested in the Proposed Disposal. As at the LPD, Asia Poly holds 26,862,000 Dolphin Shares, representing 11.0% equity interest in our Company.

Accordingly, Asia Poly has undertaken that Asia Poly and persons connected with them 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 Disposal to be tabled at our Company's forthcoming EGM.

8. DIRECTORS' STATEMENT

Our Board (save for the Interested Directors), having considered all aspects of the Proposed Disposal and Proposed Capital Reduction including but not limited to the salient terms of the Disposal SSA, basis and justifications for the Disposal Consideration, rationale and benefits of the Proposed Disposal and Proposed Capital Reduction, as well as evaluations of the Independent Adviser for the Proposed Disposal, is of the opinion that the Proposed Disposal and Proposed Capital Reduction are in the best interest of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposed Disposal and Proposed Capital Reduction to be tabled at our Company's forthcoming EGM, in order to give effect to the Proposed Disposal and Proposed Capital Reduction.

9. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee (save for Tan Ban Tatt), having considered all aspects of the Proposed Disposal including but not limited to the salient terms of the Disposal SSA, basis and justifications for the Disposal Consideration, rationale and benefits of the Proposed Disposal and evaluations of the Independent Adviser, is of the opinion that the Proposed Disposal is:

(i) in the best interest of our Company;

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

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

10. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save as disclosed below, there have been no other transactions entered into between our Company and the Interested Directors and Asia Poly for the preceding 12 months prior to the date of this Circular:

(i) Proposed Disposal;

(ii) the Undertaking from Asia Poly to subscribe in full for its entitlement to the Rights Shares under the Proposed Rights Issue as set out in Section 2.1.1 of Part B of this Circular; and

(iii) Proposed Acquisition.

11. OTHER CORPORATE PROPOSALS ANNOUNCED BUT YET TO COMPLETE

Save as disclosed below, our Group does not have any other corporate exercise or scheme which has been announced to Bursa Securities but yet to complete prior to the date of this Circular:

(i) Proposed Disposal and Proposed Capital Reduction;

(ii) the Proposals as set out in Section 2 of Part B of this Circular; and

(iii) Placement.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Disposal and Proposed Capital Reduction are expected to be completed by the 3rd quarter of 2020.

The tentative timeline for the implementation of the Proposed Disposal and Proposed Capital Reduction are as follows:

	Tentative timeline
EGM	5 June 2020
Fulfilment of all conditions precedent stipulated in the Disposal SSA	Mid June 2020
Submission of documents to the High Court of Malaya for the Proposed Capital Reduction	Mid June 2020
Completion of the Proposed Disposal	End June 2020
Order by the High Court of Malaya for the Proposed Capital Reduction	Mid August 2020
Effective date of the Proposed Capital Reduction	End August 2020

13. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted fully virtual at the Broadcast Venue to be held at Symphony Square Auditorium, 3A Floor, No. 5, Menara Symphony, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 5 June 2020 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions so as to give effect to the Proposed Disposal and Proposed Capital Reduction. Please refer to Appendix XVI of this Circular for the administrative guide.

If you are unable to participate, speak or vote in person at the EGM and wish to appoint a proxy or proxies, you are requested to complete, sign and deposit the enclosed Form of Proxy in accordance with the instructions contained therein, so as to deposit at our Company's share registrar, Boardroom Share Registrars Sdn Bhd, at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the EGM or any adjournment thereof. Alternatively, the Form of Proxy can be deposited electronically through the website of our share registrar, Boardroom Smart Investor Portal at https://www.boardroomlimited.my before the Form of Proxy lodgement cut-off time as mentioned above. The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The lodging of the Form of Proxy will not preclude you from participating, speaking and voting in person at the EGM should you subsequently decide to do so.

14. 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

LOW TECK YIN
Group Managing Director

PART B

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

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

Registered Office:
308, Block A (3rd Floor)
Kelana Business Centre
97, Jalan SS 7/2, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

14 May 2020

Board of Directors

YM Tengku Ahmad Badli Shah Raja Hussin *(Independent Non-Executive Chairman)*
Low Teck Yin *(Group Managing Director)*
Thoo Soon Huat *(Executive Director)*
Hoh Yeong Cherng *(Non-Independent Non-Executive Director)*
Tan Ban Tatt *(Independent Non-Executive Director)*
Lim Seng Hock *(Independent Non-Executive Director)*

To: Our Shareholders

Dear Sir/Madam,

(I) PROPOSED RIGHTS ISSUE;
(II) PROPOSED CAPITALISATION;
(III) PROPOSED ACQUISITION; AND
(IV) PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 27 February 2020, Mercury Securities had, on behalf of our Board, announced that our Company proposes to undertake, amongst others, the Proposals.

On 1 April 2020, Mercury Securities had, on behalf of our Board, announced that Bursa Securities had *vide* its letter dated 1 April 2020 approved the following:

(i) admission of Warrants-B to the Official List; and

(ii) listing of and quotation for the following:

(a) up to 412,087,515 Rights Shares and up to 247,252,509 Warrants-B to be issued pursuant to the Proposed Rights Issue;

(b) 94,690,342 Settlement Shares to be issued pursuant to the Proposed Capitalisation;

(c) 131,578,947 Consideration Shares to be issued pursuant to the Proposed Acquisition;

(d) up to 247,252,509 new Dolphin Shares to be issued arising from the exercise of Warrants-B; and

(e) up to 14,923,692 additional Warrants-A to be issued arising from the adjustment to the number of Warrants-A pursuant to the Proposed Rights Issue and up to 14,923,692 new Dolphin Shares to be issued arising from the exercise of additional Warrants-A,

on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of Part B of this Circular.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of:

(i) Asia Poly, our Company's major shareholder and a vendor in respect of the Proposed Acquisition;

(ii) Thoo Soon Huat, being an Executive Director of our Company and a Non-Independent Non-Executive Director of Asia Poly; and

(iii) Tan Ban Tatt, being an Independent Non-Executive Director of our Company and Asia Poly.

Accordingly, our Board (save for the Interested Directors) had appointed SCA as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of our Company on the Proposed Acquisition.

THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS, TO SET OUT OUR BOARD'S (SAVE FOR THE INTERESTED DIRECTORS) RECOMMENDATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM IN ORDER TO GIVE EFFECT TO THE PROPOSALS. 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 PART B OF THIS CIRCULAR (INCLUDING THE IAL FROM SCA AS SET OUT IN PART D OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Rights Issue

The Proposed Rights Issue involves the issuance of up to 412,087,515 Rights Shares together with up to 247,252,509 Warrants-B at an issue price of RM0.06 per Rights Share on the basis of 5 Rights Shares for every 4 existing Dolphin Shares held by our Entitled Shareholders on the Entitlement Date together with 3 Warrants-B for every 5 Rights Shares subscribed.

As at the LPD, our Company has:

(i) 244,200,010 issued Dolphin Shares;

(ii) 55,500,002 outstanding Warrants-A. Each Warrant-A carries the right to subscribe for 1 new Dolphin Share for a period of 5 years up to and including 29 March 2021 at an exercise price of RM0.80; and

(iii) announced that our Company will undertake an issuance of up to 29,970,000 new Dolphin Shares pursuant to the Placement.

Assuming all the outstanding Warrants-A are exercised and the issuance of the maximum number of 29,970,000 new Dolphin Shares to be issued pursuant to the Placement has been completed prior to the Entitlement Date, the resultant number of our Company's issued shares will be 329,670,012 Dolphin Shares. Accordingly, the Proposed Rights Issue would entail the issuance of up to 412,087,515 Rights Shares together with up to 247,252,509 Warrants-B.

The actual number of Rights Shares and Warrants-B to be issued would depend on the total number of issued Dolphin Shares as at the Entitlement Date and the eventual subscription rate of the Proposed Rights Issue.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, our Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. The renunciation of the Rights Shares by our Entitled Shareholders will also entail the renunciation of the Warrants-B to be issued together with the Rights Shares. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall be entitled to the Warrants-B in the proportion of their acceptance of their Rights Shares entitlements. For the avoidance of doubt, the Rights Shares and the Warrants-B are not separately renounceable.

Any unsubscribed Rights Shares with Warrants-B will be made available for excess subscription by other Entitled Shareholders and/or their renouncees/transferees, if applicable. It is our Board's intention to allocate the excess Rights Shares with Warrants-B, if any, in a fair and equitable manner on a basis to be determined by our Board.

Any fractional entitlements under the Proposed Rights Issue will be disregarded and will be dealt with in such manner as our Board shall at its absolute discretion deem fit and in the best interest of our Company.

The Warrants-B will be immediately detached from the Rights Shares upon issuance and will be traded separately on the Main Market of Bursa Securities. The Warrants-B will be issued in registered form and constituted by the Deed Poll B. Please refer to Appendix VI of this Circular for the indicative salient terms of the Warrants-B.

2.1.1 Subscription basis, shareholders' undertakings and underwriting arrangement

The Proposed Rights Issue will be undertaken on a Minimum Subscription Level basis after due consideration of our Group's funding requirements as set out in Section 2.1.2 of Part B of this Circular.

To achieve the Minimum Subscription Level, our Company:

(i) has procured an irrevocable undertaking from Asia Poly, our Company's major shareholder, to subscribe in full for its entitlement to the Rights Shares. Pursuant to the Undertaking, Asia Poly has:

  (a) irrevocably and unconditionally warranted that it will not dispose of its existing shareholdings in our Company or any part thereof during the period commencing from the date of the Undertaking up to the Entitlement Date; and

  (b) confirmed that it has sufficient financial means and resources to subscribe in full for its entitlement to the Rights Shares and Mercury Securities, as the Principal Adviser for the Proposals, had verified the same; and

(ii) shall procure underwriting arrangements to underwrite the remaining portion of the Rights Shares for which no irrevocable undertaking has been obtained under the Minimum Subscription Level.

The Minimum Subscription Level is to be implemented in the following manner:

	Direct shareholding as at the LPD		Entitlement Undertaking/Underwriting		
	No. of Shares	**%**	**No. of Rights Shares**	**(i) %**	**Amount**
					RM
Undertaking shareholder					
Asia Poly	26,862,000	11.0	33,577,500	8.1	2,014,650
Underwriter					
Underwriters to be identified	-	-	180,000,000	43.7	10,800,000
Total	**26,862,000**	**11.0**	**213,577,500**	**51.8**	**12,814,650**

Note:

(i) Computed based on 412,087,515 Rights Shares available for subscription under the Maximum Scenario of the Proposed Rights Issue.

The underwriting arrangement for the Rights Shares under the Minimum Subscription Level shall be made prior to the Entitlement Date. The underwriting commission and all associated costs in relation to the said underwriting arrangement shall be borne fully by our Company, whereby the underwriting commission and associated costs have yet to be determined at this juncture.

In the event the Minimum Subscription Level is not achieved, our Company will not proceed to complete the Proposed Rights Issue. In addition, as the Proposals are inter-conditional upon each other, our Group will not proceed to complete the remaining Proposals and all subscription monies received pursuant to the Proposed Rights Issue will be refunded without interest to the subscribing Entitled Shareholders and/or their renouncees/transferees.

As at the LPD, our Company does not have any alternative fund-raising plan in the event the Minimum Subscription Level is not achieved.

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2.1.2 Utilisation of proceeds

Based on the issue price of the Rights Shares of RM0.06, our Company expects to raise gross proceeds of up to approximately RM24.7 million from the Proposed Rights Issue, which will be utilised in the following manner:

Purpose	Note	Minimum Scenario	Maximum Scenario	Estimated time frame for utilisation of proceeds from the date of listing of the Rights Shares
		RM'000	RM'000	
Proposed Acquisition	(i)	9,800	9,800	Within 1 month
SLPOM Project	(ii)	1,515	3,000	Within 12 months
Operational expenditures and working capital requirements of secured contracts	(iii)	-	3,000	Within 12 months
Repayment of borrowings	(iv)	-	2,000	Within 3 months
Working capital	(v)	-	5,425	Within 12 months
Estimated expenses for the Proposals	(vi)	1,500	1,500	Within 1 month
Total		**12,815**	**24,725**	

Notes:

(i) To be utilised to partially fund the cash consideration in respect of the Proposed Acquisition as set out in Section 2.3.3 of Part B of this Circular.

*(ii) On 24 May 2017, Dolphin Robotic entered into a collaboration with Seri Langat Palm Oil Mill Sdn Bhd ("**SLPOM**") for the provision of an enhancement and optimisation program to a palm oil mill owned by SLPOM under a build-own-operate model. Further information on the collaboration are set out below:*

Scope of work : *Under the collaboration, Dolphin Robotic is required to:*

(i) *evaluate and analyse the current state of affairs and/or operational conditions of the palm oil mill ("**Evaluation Module**");*

(ii) *following completion of the Evaluation Module, to upgrade, refurbish, replace and/or modify the palm oil mill's existing machineries, systems and/or components to enhance and optimise the operating efficiency of the palm oil mill in terms of its oil extraction rate ("**OER**") and kernel extraction rate under a build-own-operate model fully financed by Dolphin Robotic ("**Assembly Module**"); and*

(iii) *following completion of the Assembly Module ("**SLPOM Completion Date**"), to implement related operational practices, workflow and methodology, including training of employees and contract staffs involved in the operation and maintenance of the palm oil mill, maintenance of the enhancement system installed into the palm oil mill and the machinery, apparatus and the like, which is to be installed and integrated following the determination of Dolphin Robotic in its sole and absolute discretion throughout the Assembly Module and maintain the necessary insurances prior to the commencement of the Assembly Module.*

Revenue	*:*	*Dolphin Robotic has guaranteed that the palm oil mill shall achieve a minimum OER throughput of 0.75% (falling which SLPOM may terminate the collaboration by giving notice in writing to Dolphin Robotic) and it shall be entitled to a share of the revenue generated by the palm oil mill, in the following proportion:* *(i) 80% share of the revenue generated from the SLPOM Completion Date until the 3rd anniversary of the SLPOM Completion Date; and* *(ii) 60% share of the revenue generated after the 3rd anniversary of the SLPOM Completion Date or in the event the palm oil mill achieves more than 450,000 metric tonnes of processing inputs of oil palm fresh fruit bunches at any point in time regardless of subsection (i) above.*
Costs	*:*	*Dolphin Robotic expects to incur approximately RM18.0 million for the enhancement and optimisation program, of which, approximately RM15.0 million of the total expected costs had been defrayed as at the LPD.*
Status	*:*	*As at the LPD, Dolphin Robotic is in the midst of implementing the enhancement and optimisation program. Barring any unforeseen circumstances, the enhancement and optimisation program is expected to be completed by the 4th quarter of 2020.*

In relation thereto, our Group intends to allocate between RM1.5 million (under the Minimum Scenario) and up to RM3.0 million (under the Maximum Scenario) to partly fund the abovementioned program. The funds shall be utilised for, amongst others, payment to subcontractors and purchases of proprietary systems such as water dilution system, valves, steam management system and others.

The detailed breakdown of the abovementioned utilisation of proceeds is as follows:

No.	***Utilisation***	***Minimum Scenario***	***Maximum Scenario***
		RM'000	***RM'000***
(1)	*Payments to subcontractors*	*1,515*	*2,200*
(2)	*Purchases of proprietary systems related to the palm oil mill*	*-*	*800*
	Total	***1,515***	***3,000***

(iii) As at the LPD, our Group has an order book of RM7.0 million comprising 16 secured contracts, as follows:

No.	***Details***	***Status as at the LPD***	***Revenue to be recognised***
			RM'000
(1)	*Supply, delivery, installation, testing and commissioning of Electrostatic Precipitator Systems for a palm oil mill.*	*The project is expected to commence by the 4th quarter of 2020.*	*1,543*
(2)	*Design, supply, delivery, construction, testing and commissioning of System Modern Front-End Auto Indexer Cage Handling and Ancillaries for a palm oil mill.*	*The project is pending delivery, construction, testing and commissioning of the systems.*	*1,488*
(3)	*Supply and delivery of materials, fabrication, installation, testing and commissioning of Steriliser Systems for a palm oil mill.*	*The project is pending fabrication, installation, testing and commissioning of the systems.*	*920*

No.	*Details*	*Status as at the LPD*	*Revenue to be recognised*
			RM'000
(4)	*Supply, delivery, installation, testing and commissioning of Electrostatic Precipitator Systems for a palm oil mill.*	*The project is pending completion of installation, testing and commissioning of the systems.*	*660*
(5)	*Supply, delivery, installation, testing and commissioning of Hydraulic Systems for a palm oil mill.*	*The project is pending fabrication, installation, testing and commissioning of the systems.*	*569*
(6)	*Supply, delivery, installation and commissioning of Boiler Fuel Feeding Systems for a palm oil mill.*	*The project is pending installation, testing and commissioning of the systems.*	*513*
(7)	*Trading and supply of Steriliser Systems and Mechanical Fabrication.*	*The project is pending procurement of the systems for fabrication and delivery to the customer.*	*389*
(8)	*Supply, installation and commissioning of Steriliser Systems for a palm oil mill.*	*The project is pending completion of commissioning of the installed systems.*	*215*
(9)	*Supply, delivery, installation, testing and commissioning of Hydraulic Systems for a palm oil mill.*	*The project has been completed and delivered to the customer.*	*189*
(10)	*Supply, installation and commissioning of Vulcanize Machine Control System for a safety shoe factory.*	*The project is pending testing and commissioning of the systems.*	*172*
(11)	*Supply, delivery, installation, testing and commissioning of Steriliser Hydraulic Systems for a palm oil mill.*	*The project is pending completion of commissioning of the installed systems.*	*100*
(12)	*Supply, installation, testing and commissioning of Hydraulic Systems for a palm oil mill.*	*The project has been completed and delivered to the customer.*	*99*
(13)	*Supply, delivery, installation, testing and commissioning of Dolphin Intelligent Screw Press Control System for a palm oil mill.*	*The project has been completed and delivered to the customer.*	*70*
(14)	*Supply, delivery, installation, testing and commissioning of Hydraulic Twin Drive Conveyor System for a palm oil mill.*	*The project is pending completion of commissioning of the installed systems.*	*62*
(15)	*Design, fabrication, delivery, installation, testing and commissioning of Indexer System for a palm oil mill.*	*The project has been completed and delivered to the customer.*	*17*
(16)	*Design, fabrication, delivery, installation, testing and commissioning of Dolphin Integrated System for a palm oil mill.*	*The project is currently under defect liability period.*	*-*
Total			***7,006***

In relation thereto, our Group intends to allocate up to RM3.0 million from the proceeds under the Maximum Scenario of the Proposed Rights Issue to partly fund the secured contracts' operational expenditures and working capital requirements, such as payments to subcontractors and/or purchases of electrical and mechanical parts. Under the Minimum Scenario of the Proposed Rights Issue or in the event there is a shortfall to the funding requirement, our Group shall fund the shortfall through our Group's internally-generated funds and/or the Disposal Consideration.

The detailed breakdown of the abovementioned utilisation of proceeds cannot be determined at this juncture as the actual utilisation is subject to, amongst others, the timing and progress of delivery of secured projects and the quantum of available financing and our Group's internally-generated funds as at the respective timeframe.

(iv) As at the LPD, our Group's total borrowings stood at RM29.2 million, of which RM18.7 million are in relation to the Dolphin Biogas Group, which would be disposed of pursuant to the Proposed Disposal. The remaining balance of our Group's borrowings stood at RM10.5 million.

Our Company intends to allocate up to RM2.0 million (under the Maximum Scenario) from the proceeds for part repayment of our Group's remaining term loans. Through the repayment of these term loans, our Group expects to generate annual interest savings of up to RM0.1 million based on the average interest rate of 6.1% per annum.

(v) To be utilised for our Group's day-to-day operating expenses to support our Group's existing on-going operations which shall include, purchases of inventories (such as machinery parts and electrical components), administrative expenses, staff overheads, factory expenses and maintenance of machineries.

(vi) Mainly comprises professional fees, fees payable to relevant authorities, expenses to convene the EGM, printing costs and other miscellaneous expenses in relation to the Proposals. Any surplus or shortfall of the estimated expenses will be reallocated to/from proceeds earmarked for funding our Group's working capital.

Prior to utilisation for the above purposes, the proceeds from the Proposed Rights Issue will be placed in interest-bearing deposits and/or short-term money market instruments with licensed financial institutions as our Board shall in its absolute discretion deem fit and in the best interest of our Group. Any interest income earned from such deposits and/or instruments will be used, when available, as working capital for our Group's existing business.

The actual proceeds that may be raised from the exercise of Warrants-B are dependent on the actual number of Warrants-B issued and exercised over the tenure of Warrants-B of 3 years. Our Company may raise up to RM19.8 million if all the Warrants-B issued under the Maximum Scenario are fully exercised and such proceeds shall be utilised, when available, within 24 months from the date of listing of the new Dolphin Shares arising from such exercise of Warrants-B as working capital for our Group which include, amongst others, payments to subcontractors and suppliers, operational expenditures, as well as other administrative and non-operating expenses.

2.2 Proposed Capitalisation

On 27 February 2020, our Company has entered into 8 separate Settlement Agreements with the identified creditors of our Group and a shareholder of our Company for the capitalisation of amounts owing to them *via* the issuance of Settlement Shares at an issue price of RM0.076 each as follows:

Name	Purpose	(i)Amount Owing as at the LTD	Amount to be Capitalised	No. of Settlement Shares
		RM'000	RM'000	'000
Creditors				
Palma Banjaran Sdn Bhd	Contractor fees for the provision of engineering works and electrical installation in relation to the works performed at the press station for the SLPOM Project	3,200	(ii)2,500	32,894
Hydra-Line Hydraulics Sdn Bhd	Contractor fees for the design, supply, installation, testing and commission of hydraulic products and provision of related services in relation to projects as well as trading and services jobs secured in year 2016 to 2019	1,174	1,174	15,449
Kejuruteraan Trisuria Sdn Bhd	Contractor fees for the provision of mechanical and electrical engineering works in relation to projects and trading jobs secured in year 2016 to 2018	1,029	1,029	13,536
CLH Construction Sdn Bhd	Subcontractor for civil and structural works for the SLPOM Project	843	843	11,100
Global Genesis (M) Sdn Bhd	Referral fee in relation to a preference shares issuance exercise of Dolphin Robotic	404	404	5,321
Sakti Suria (Malaysia) Sdn Bhd	Provision of project management services for the SLPOM Project	310	310	4,079
Innofin Consultancy	Provision of corporate consultancy services in relation to corporate matters of a potential joint venture project and corporate exercise	75	75	987
Shareholder				
Chua Seong Seng	Advances made for working capital requirements of our Group	861	861	11,324
Total		**7,896**	**7,196**	**94,690**

Notes:

(i) *Set out below is the ageing analysis in relation to the outstanding amounts owing to the parties for repayment under the Proposed Capitalisation:*

	Up to the LPD				
Name	**0 - 3 months**	**4 - 6 months**	**6 - 12 months**	**> 12 months**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Palma Banjaran Sdn Bhd	-	-	3,200	-	3,200
Hydra-Line Hydraulics Sdn Bhd	-	-	-	1,174	1,174
Kejuruteraan Trisuria Sdn Bhd	-	-	-	1,029	1,029
CLH Construction Sdn Bhd	-	655	-	188	843
Global Genesis (M) Sdn Bhd	286	34	84	-	404
Sakti Suria (Malaysia) Sdn Bhd	-	310	-	-	310
Innofin Consultancy	-	-	-	75	75
Chua Seong Seng	244	617	-	-	861
Total	**530**	**1,616**	**3,284**	**2,466**	**7,896**

(ii) *The remaining balance not settled via the Settlement Agreement shall be paid via our Group's internally-generated funds on a later date.*

Upon completion of the Proposed Capitalisation, our Group shall be released from the liabilities to settle the capitalised amount due to the respective parties under the Proposed Capitalisation as per the terms of the Settlement Agreements.

Please refer to Appendix VII of this Circular for the salient terms of the Settlement Agreements.

2.2.1 Information on the identified creditors

Based on the searches extracted from the Companies Commission of Malaysia on 28 April 2020, set out below is a brief information on the identified creditors:

(i) Palma Banjaran Sdn Bhd

Palma Banjaran Sdn Bhd was incorporated in Malaysia on 14 February 2013 as a private limited company. The company's issued share capital is RM2 comprising 2 ordinary shares. The company is principally involved in civil engineering, mechanical and electrical subcontracting works.

The directors and shareholders of Palma Banjaran Sdn Bhd and their respective shareholdings in the company are as follows:

Name	Designation	No. of shares	%
Mior Murtazian Bin Abdul Talib	Director and shareholder	1	50.0
Samsul Kamal Bin Mohd Rapiai	Director and shareholder	1	50.0
		2	**100.0**

Notwithstanding Palma Banjaran Sdn Bhd is a RM2.00 set up company, our Group awarded the subcontracted works to them after due consideration of the expertise and capability of its shareholders to deliver the award.

(ii) Hydra-Line Hydraulics Sdn Bhd

Hydra-Line Hydraulics Sdn Bhd was incorporated in Malaysia on 17 September 1987 as a private limited company. The company's issued share capital is RM1,000,000 comprising 1,000,000 ordinary shares. The company is principally involved in retailing of hydraulics and pneumatics products, system design and engineering works.

The directors and shareholders of Hydra-Line Hydraulics Sdn Bhd and their respective shareholdings in the company are as follows:

Name	Designation	No. of shares	%
Oo Kuan Cheng	Director and shareholder	760,000	76.0
Khoo Hng Seng	Director and shareholder	50,000	5.0
Oo Khuang Liang	Shareholder	150,000	15.0
Wang Nee Yoon	Shareholder	40,000	4.0
		1,000,000	**100.0**

(iii) Kejuruteraan Trisuria Sdn Bhd

Kejuruteraan Trisuria Sdn Bhd was incorporated in Malaysia on 31 January 1990 as a private limited company. The company's issued share capital is RM495,000 comprising 495,000 ordinary shares. The company is principally involved in the undertaking of mechanical engineering works, provision of machinery repair and maintenance service as well as investment holding.

The directors and shareholders of Kejuruteraan Trisuria Sdn Bhd and their respective shareholdings in the company are as follows:

Name	Designation	No. of shares	%
Loh Yu Loi	Director and shareholder	15,000	3.0
Khee Kam Wai	Director and shareholder	15,000	3.0
Lee San Kok	Director and shareholder	15,000	3.0
Chan Peck Wat	Shareholder	150,000	30.3
Wong Loy You	Shareholder	150,000	30.3
Loke Siew Lan	Shareholder	150,000	30.3
		495,000	**100.0**

(iv) CLH Construction Sdn Bhd

CLH Construction Sdn Bhd was incorporated in Malaysia on 4 July 2014 as a private limited company. The company's issued share capital is RM350,000 comprising 350,000 ordinary shares. The company is principally involved in construction works and other related business.

The directors and shareholders of CLH Construction Sdn Bhd and their respective shareholdings in the company are as follows:

Name	Designation	No. of shares	%
Ang Chong Nam	Director and shareholder	140,000	40.0
Yap Long Chon	Director and shareholder	140,000	40.0
Low Teik Soon	Shareholder	70,000	20.0
		350,000	**100.0**

(v) Global Genesis (M) Sdn Bhd

On 6 February 2018, Dolphin Robotic entered into a subscription agreement with Genesis Corp Pte Ltd for the issuance and subscription of new preference shares in Dolphin Robotic for a total cash consideration of RM10.1 million. Genesis Corp Pte Ltd was introduced to our Group by Global Genesis (M) Sdn Bhd for a referral fee of approximately RM0.5 million. Proceeds from the issuance were channelled towards funding the working capital requirements of Dolphin Robotic as well as defrayment of professional fees in relation to this preference shares issuance.

Global Genesis (M) Sdn Bhd was incorporated in Malaysia on 26 June 2009 as a private limited company. The company's issued share capital is RM1,000,000 comprising 1,000,000 ordinary shares. The company is principally involved in the provision of computer and information technology services including software development, information technology consultation, computer hardware trading and all related businesses, general trading and investment holding.

The directors and shareholders of Global Genesis (M) Sdn Bhd and their respective shareholdings in the company are as follows:

Name	Designation	No. of shares	%
Chua Kien Hua	Director and shareholder	700,000	70.0
Tan Eng Kian	Shareholder	300,000	30.0
		1,000,000	**100.0**

(vi) Sakti Suria (Malaysia) Sdn Bhd

Sakti Suria (Malaysia) Sdn Bhd was incorporated in Malaysia on 8 January 1986 as a private limited company. The company's issued share capital is RM2,400,000 comprising 2,000,000 ordinary shares. The company is principally involved in provision of engineering parts and equipment.

The directors and shareholders of Sakti Suria (M) Sdn Bhd and their respective shareholdings in the company are as follows:

Name	Designation	No. of shares	%
Teo Chuan Seng	Director and shareholder	1,200,000	60.0
Ng Kian Soon	Director and shareholder	800,000	40.0
		2,000,000	**100.0**

(vii) Innofin Consultancy

Innofin Consultancy was established and registered in Malaysia on 22 January 2015 under sole proprietorship. The owner of Innofin Consultancy is Yeoh Peng Hua.

2.2.2 Information of Chua Seong Seng

Chua Seong Seng, Malaysian, is a shareholder of our Company. His shareholding in our Company as at the LPD is as follows:

	Direct Interest		Indirect Interest	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Chua Seong Seng	-	-	(i)7,973,700	(i)3.3

Note:

(i) Deemed interested by virtue of his interest in Capital Improvement Sdn Bhd pursuant to Section 8 of the Act.

2.3 Proposed Acquisition

On 27 February 2020, our Company had entered into the Acquisition SSA with the Vendors for the acquisition of 6,000,000 AP F&B Shares from the Vendors, representing the entire issued share capital of AP F&B, free from encumbrances for the Purchase Consideration.

Pursuant to the Acquisition SSA, the Vendors had undertaken to guarantee that AP F&B shall achieve a minimum PAT of RM1.1 million in each of the First Profit Guarantee Period and Second Profit Guarantee Period.

In consideration of the above, our Company shall satisfy RM19.8 million of the Purchase Consideration on the completion date of the Acquisition SSA whilst the balance of the Purchase Consideration of RM2.2 million shall be satisfied over 2 tranches of deferred payments as follows:

		Mode of Settlement		
No.	**Timing of Settlement**	**Cash Consideration**	**Consideration Shares**	**Total**
		RM'000	**RM'000**	**RM'000**
(i)	On the completion date of the Acquisition SSA	9,800	(i)10,000	19,800
(ii)	Within 14 Business Days from the date of the audited financial statements of AP F&B for the First Profit Guarantee Period made available and subject to meeting the Profit Guarantee	1,100	-	1,100
(iii)	Within 14 Business Days from the date of the audited financial statements of AP F&B for the Second Profit Guarantee Period made available and subject to meeting the Profit Guarantee	1,100	-	1,100
		12,000	**(i)10,000**	**22,000**

Note:

(i) To be satisfied via the issuance of 131,578,947 Consideration Shares at an issue price of RM0.076 each.

The cash consideration and 131,578,947 Consideration Shares to be issued will be paid to the Vendors in proportion to their respective shareholding in AP F&B. Further details of the Profit Guarantee and basis and justification of the issue price of the Consideration Shares are detailed out in Sections 2.3.1 and 2.5 of Part B of this Circular respectively.

Upon completion of the Proposed Acquisition, AP F&B will become a wholly-owned subsidiary of our Company.

Please refer to Appendices VIII and IX of this Circular for information on AP F&B and the salient terms of the Acquisition SSA respectively.

The Proposed Acquisition is not considered as a significant change in business direction or policy of our Company pursuant to the Equity Guidelines of the Securities Commission Malaysia ("**Equity Guidelines**") as explained below:

	Equity Guidelines	**Remarks**
(i)	An acquisition of assets such that any one of the percentage ratios is equal to or exceeds 100% except where the assets to be acquired are in a business similar to the core business of the listed corporation;	The highest percentage ratio applicable to the Proposed Acquisition pursuant to the Equity Guidelines is 92.9%.
(ii)	An acquisition of assets which results in a change in the controlling shareholder of the listed corporation;	As at the LPD, our Company has no controlling shareholder (i.e. holding 33% or more equity interest in our Company) and the Proposals will not result in the emergence of a controlling shareholder in our Company, as illustrated under Section 6.3 of Part B of this Circular.
(iii)	An acquisition of assets which results in a change in the board of directors of the listed corporation (i.e. change within 12-month period from the date of acquisition in (i) at least one-half of the membership of the board of directors of the listed corporation; or (ii) at least one-third of the membership of the board of directors of the listed corporation, including the chief executive);	The appointment of Ian Ong Ming Hock as a Non-Independent Non-Executive Director of our Company pursuant to the Proposed Acquisition (as detailed in Section 2.4(i) of Part B of this Circular) will not result in a change of at least one-half of the membership of our Board.
(iv)	An acquisition of assets by a corporation classified as a cash company by Bursa Securities under Chapter 8 of the Listing Requirements to regularise its condition;	Our Company is not a cash company.
(v)	A restructuring exercise involving the transfer of the listed corporation's listing status and the introduction of new assets to the other corporation; or	The Proposed Acquisition is not a restructuring exercise involving the transfer of our Company's listing status and the introduction of new assets to the other corporation.
(vi)	A qualifying acquisition by a Special Purpose Acquisition Company (i.e. a corporation which has no operations or income generating business at the point of initial public offering and has yet to complete a qualifying acquisition with the proceeds of such offering)	Our Company is not a Special Purpose Acquisition Company.

2.3.1 Profit Guarantee

The deferred payment of RM1.1 million for each of the First Profit Guarantee Period and the Second Profit Guarantee Period shall be made to the Vendors subject to the following:

(i) First Profit Guarantee Period

(a) If the PAT achieved is more than the Profit Guarantee, our Company shall pay RM1.1 million to the Vendors ("**First Year Deferred Payment**");

(b) If the PAT achieved is less than the Profit Guarantee, our Company shall deduct such shortfall from the First Year Deferred Payment and pay the net amount to the Vendors; or

(c) If AP F&B suffers a loss, our Company shall be discharged from its obligation to pay the First Year Deferred Payment to the Vendors.

(ii) Second Profit Guarantee Period

(a) If the aggregate PAT for the Profit Guarantee Periods is more than the total Profit Guarantee of RM2.2 million, our Company shall pay the Vendors based on the following:

Amount payable	=	RM2.2 million	-	Payment made to the Vendors for the First Profit Guarantee Period

(b) If the aggregate PAT for the Profit Guarantee Periods is less than the total Profit Guarantee of RM2.2 million ("**Aggregate Shortfall**"), our Company shall pay the Vendors based on the following:

Amount payable	=	RM2.2 million	-	Aggregate Shortfall	-	Payment made to the Vendors for the First Profit Guarantee Period

(c) If AP F&B suffers an aggregate loss for the Profit Guarantee Periods, the Vendors shall pay our Company based on the following:

Amount payable	=	Aggregate losses	+	Payment made to the Vendors for the First Profit Guarantee Period

Our Board (save for the Interested Directors) is of the opinion that the Profit Guarantee of RM1.1 million in each of the First Profit Guarantee Period and Second Profit Guarantee Period is reasonable and realistic after taking into consideration the following:

(i) AP F&B would operate 3 restaurant outlets during the Profit Guarantee Periods, which the management of AP F&B expects to generate sufficient profits to meet the Profit Guarantee;

(ii) the historical financial performance of the restaurant outlets in Setia Alam and Danau Desa which began operations in August 2019 and December 2019 respectively, had generated an aggregate gross profit of RM0.6 million for the FYE 31 December 2019. Our Board (save for the Interested Directors) is of the opinion that with the recognition of gross profit during its initial operations, AP F&B would be able to generate sufficient profits to meet the Profit Guarantee;

(iii) the key bases and assumptions used in preparing the financial projections of AP F&B as detailed in Section 2.3.2(i)(a) of Part B of this Circular;

(iv) the continuity of management and operations of AP F&B subsequent to the Proposed Acquisition, with Ian Ong Ming Hock, the key director in AP F&B being appointed as a Non-Independent Non-Executive Director of Dolphin to assist our Board in overseeing the management and operations of AP F&B; and

(v) the prospects of AP F&B as set out in Section 4.4 of Part B of this Circular.

2.3.2 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following key factors:

(i) the range of market value of the entire equity interest in AP F&B of between RM20.9 million and RM22.8 million as at 27 February 2020, being the date of valuation, as appraised by Asia Equity Research, the independent valuer appointed by our Board (save for the Interested Directors), which was derived based on the following:

(a) the discounted cash flow methodology, which was used as the primary valuation approach after taking into consideration that the business of AP F&B is cash-based and AP F&B has less than a full year financial result.

Under this method, the equity valuation of AP F&B was determined based on the present value of AP F&B's projected free cash flows from 1 January 2020 to 31 December 2022 on an on-going normal circumstance.

The key assumptions used in preparing the cash flows projections of AP F&B, which have also been reviewed and adopted by the management of AP F&B and Asia Equity Research, are as follows:

(A) each restaurant outlet of AP F&B is projected to achieve average monthly sales of RM380,000 from 1 January 2020 to 31 December 2020, RM400,000 from 1 January 2021 to 31 December 2021 and thereafter between RM405,000 and RM415,000 from 1 January 2022 onwards. The sales estimates were determined after taking into account the following key factors:

(aa) the benchmarked average monthly sales in 2019 of the 5 restaurant outlets owned by D&D F&B set out in Section 1 of Appendix VIII of this Circular;

(bb) the average monthly sales of AP F&B's restaurants in Setia Alam and Danau Desa, which began operations in August 2019 and December 2019 respectively; and

(cc) the business strategies, plan layout, capacity, location, design, demographics of the 3 restaurant outlets of AP F&B;

(B) a gross profit margin of 40%, which was forecasted with reference to the historical financial performance of D&D F&B;

(C) administrative expenses of RM3.1 million from 1 January 2020 to 31 December 2020, RM3.6 million from 1 January 2021 to 31 December 2021 and RM3.8 million from 1 January 2022 to 31 December 2022, which mainly comprises staff costs, rental and utilities; and

(D) terminal value of RM 21.9 million, which was derived by applying a 0.20% perpetual growth rate on the projected free cash flows to equity of AP F&B achieved during the terminal year ending 31 December 2022.

In arriving at the equity value of AP F&B, its projected free cash flows to equity were discounted at between 8.50% and 8.75%, which was computed based on its capital asset pricing model and after adjusted for additional specific risk premium of between 2.00% and 2.25% to account for the inherent risk of a private company.

(b) the relative valuation methodology, which was used as the secondary approach to cross-check the results of the primary approach.

Under this method, Asia Equity Research has undertaken a comparative analysis by comparing the implied price-to-earnings ("**P/E**") multiple and enterprise value-to-earnings before interest, tax, depreciation and amortisation ("**EV/EBITDA**") multiple of the Purchase Consideration with the P/E and EV/EBITDA multiples of companies that Asia Equity Research regarded as comparable to AP F&B.

In the comparative analysis, Asia Equity Research has adopted the following criteria to select listed companies that, in their view, are broadly comparable to the principal activities of AP F&B, i.e. operating restaurant outlets:

(A) principally involved in the food and beverage sector and listed in Malaysia, Singapore, Taiwan, Indonesia, Philippines, Thailand, Hong Kong and Nasdaq US;

(B) market capitalisation is less than RM1.0 billion; and

(C) has less than 10% of implied sustainable annual growth rate.

Based on AP F&B's projected steady state of PAT of approximately RM1.1 million, the Purchase Consideration translates into an:

(A) implied P/E multiple of 20.0 times, which falls within the range of the P/E multiple of the comparable companies of between 11.8 times and 33.2 times with an average of 19.9 times; and

(B) implied EV/EBITDA of 8.4 times, which falls within the range of the EV/EBITDA multiple of the comparable companies of between 7.5 times and 15.3 times with an average of 9.4 times.

Please refer to Appendix XI of this Circular for the Business Valuation Report which details out, amongst others, additional information on the bases and assumptions used to arrive at the valuation of AP F&B and the price-to-earnings multiple of the comparable companies of AP F&B.

(ii) The projected PAT of AP F&B of RM0.8 million, RM1.1 million and RM1.1 million for the financial period of 1 January 2020 to 31 December 2020, 1 January 2021 to 31 December 2021 and 1 January 2022 to 31 December 2022 respectively. Please refer to Appendix XI of this Circular for further information on the financial projections.

(iii) the Profit Guarantee as set out in Section 2.3.1 of Part B of this Circular; and

(iv) the prospects of AP F&B as set out in Section 4.3 of Part B of this Circular.

In determining the reasonableness of the Purchase Consideration, the Board (save for the Interested Directors) has considered the evaluations by the Independent Adviser as set out in Part D of this Circular. The Independent Adviser taking cognisance of our basis and justifications used in arriving at the Purchase Consideration, had performed a discounted cash flow valuation and a relative valuation to assess the fairness of the Purchase Consideration based on, amongst others, the financial projections of AP F&B.

After taking into consideration of the basis of arriving at the Purchase Consideration, the Profit Guarantee, the valuation by the Independent Valuer and the assessment by the Independent Adviser, our Board (save for the Interested Directors) is of the opinion that the Purchase Consideration is fair.

2.3.3 Sources of funding

The initial sum of the cash consideration to be paid on the completion date of the Acquisition SSA amounting to RM9.8 million will be funded by proceeds to be raised from the Proposed Rights Issue.

The balance of the cash consideration of RM2.2 million will be funded by our Group's internally-generated funds.

2.3.4 Information on the Vendors

(i) Uncle Don's Holdings

Uncle Don's Holdings was incorporated in Malaysia on 29 October 2018 as a private limited company under the name of Frontier Touch Holdings Sdn Bhd and changed to its present name on 11 March 2019.

Uncle Don's Holdings is principally an investment holding company. Through its subsidiaries, the Uncle Don's Holdings' group of companies is principally involved in the food and beverage business in Malaysia.

The issued share capital of Uncle Don's Holdings as at the LPD is RM1.2 million comprising 1,200,100 ordinary shares in Uncle Don's Holdings.

Based on Uncle Don's Holdings' register of Directors' shareholdings and register of substantial shareholders as at the LPD, the directors and substantial shareholders of Uncle Don's Holdings as well as their respective shareholdings in Uncle Don's Holdings are as follows:

		Direct Interest		Indirect Interest	
Name	**Designation**	**No. of shares**	**%**	**No. of shares**	**%**
Ian Ong Ming Hock	Director and shareholder	788,466	65.7	-	-
Jahnel Tortogo Aguaron	Director and shareholder	108,009	9.0	-	-
Akins Risha Abraham	Director and shareholder	97,208	8.1	-	-
Don Daniel Theseira	Director and shareholder	86,407	7.2	-	-
Robustus Capital Sdn Bhd	Shareholder	120,010	10.0	-	-
Dato' Yeo Boon Leong	Shareholder	-	-	(i)120,010	(i)10.0
Lim Teck Seng	Shareholder	-	-	(i)120,010	(i)10.0

Note:

(i) Deemed interested by virtue of his interest in Robustus Capital Sdn Bhd pursuant to Section 8 of the Act.

(ii) Asia Poly

Asia Poly was incorporated in Malaysia on 20 June 2003 as a public limited company under its present name.

Asia Poly is principally an investment holding company. Through its subsidiaries, the Asia Poly's group of companies are principally involved in the manufacturing of cast acrylic product.

The issued share capital of Asia Poly as at the LPD is RM64.2 million comprising 459,768,750 ordinary shares in Asia Poly and 215,731,753 irredeemable convertible preference shares in Asia Poly.

Based on Asia Poly's register of Directors' shareholdings and register of substantial shareholders as at the LPD, the directors and substantial shareholders of Asia Poly as well as their respective shareholdings in Asia Poly are as follows:

		Direct Interest		Indirect Interest	
Name	**Designation**	**No. of shares**	**%**	**No. of shares**	**%**
Dato' Yeo Boon Leong	Director and shareholder	100,769,656	21.9	-	-
Lim Teck Seng	Director and shareholder	760,000	0.2	-	-
Thoo Soon Huat	Director and shareholder	682,300	0.1	-	-
Tan Ban Tatt	Director	-	-	-	-
Datin Azreen Binti Abu Noh	Director	-	-	-	-

2.3.5 Vendors' original cost of investment in AP F&B

The Vendors' original costs of investment in AP F&B are as follows:

Vendor	Date of investment	No. of AP F&B Shares acquired/issued	Original cost of investment RM
Uncle Don's Holdings	24 July 2019	1,020,000	1,020,000
	12 December 2019	918,000	550,000
	14 January 2020	204,000	572,000
	30 January 2020	918,000	918,000
		3,060,000	**3,060,000**
Asia Poly	07 January 2016	1	1
	03 February 2016	1	1
	24 July 2019	979,998	979,998
	12 December 2019	882,000	882,000
	14 January 2020	196,000	196,000
	30 January 2020	882,000	882,000
		2,940,000	**2,940,000**

2.3.6 Liabilities to be assumed

Save for the liabilities as stated in the financial statements of AP F&B, our Company will not assume any other liabilities, including contingent liabilities or guarantees pursuant to the Proposed Acquisition.

2.3.7 Additional financial commitment required

As at the LPD:

(i) the restaurant outlets of AP F&B located at Setia Alam and Danau Desa are operational; and

(ii) the new restaurant outlet of AP F&B to be launched in Ipoh is currently undergoing renovation and has, amongst others, paid to the Licensor, the requisite initial fee, royalty fee and licensing fees (which includes the cost of renovation of the said outlet) as well as the deposits pursuant to its Licensing Agreement.

Having considered the above, there will be no additional financial commitment required by our Group to put AP F&B's existing operations on-stream.

2.4 Proposed Diversification

Presently, our Group is primarily involved in the sale, design, engineering, development and integration of a wide range of machineries and systems used to deliver and facilitate palm oil milling automation and control processes. Amongst others, our Group specialises in the productions of automated material handling system and automated production throughput synchronisation control system for palm oil mills, which are deployed to manage the manoeuvring of cages in the marshalling yard of palm oil mill as well as handling of sterilised oil palm fresh fruit bunches through the thresher, digester and screw press stations in the mill.

In addition, our Group also supplies parts and maintenance services for palm oil mills, which consists of the supply and retrofit of machineries, equipment and/or automation parts as well as the supply of hardware deployed to operate the palm oil milling software. Furthermore, our Group also provides mechanical, engineering and full turnkey solutions in the construction of palm oil mills.

However, our Group has been incurring losses since the FYE 31 December 2016, mainly due to low capital expenditure spending by palm oil miller between 2015 and 2017 as a result of, amongst others, adverse weather effect which had adversely impacted the palm oil industry as well as increasing competitive business environment. The summary of our Group's historical financial performance is set out in Appendix XV of this Circular.

Taking into account the above, our Board proposes to diversify into a new business in order to diversify our Group's revenue stream while at the same time, reduce our Group's reliance on a single business segment.

As part of our efforts to diversify into a new business, our Group is proposing to undertake the Proposed Acquisition. The Proposed Acquisition would provide our Group with an expeditious entry into the food and beverage service industry as the restaurant outlets of AP F&B are operational (including the new outlet in Ipoh which is expected to be launched prior to the completion of the Proposed Acquisition). This reduces the amount of time and financial resources required by our Group to set up our own restaurant outlets and to build our own branding in the food and beverage service industry.

Upon completion of the Proposed Acquisition, 25% or more of the net profit of our Group is expected to be generated from the provision of food and beverage services. As such, our Board (save for the Interested Directors) proposes to seek your approval for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements at the forthcoming EGM.

Although our Group has no prior experience in the food and beverage service industry, we will be able to leverage on the competency and experience of Ian Ong Ming Hock, the key director of AP F&B and other key personnel of AP F&B in spearheading the business of AP F&B, whose profiles are set out below:

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(i) Ian Ong Ming Hock, Malaysian, aged 49, Director of AP F&B

Ian Ong Ming Hock graduated with a Bachelor of Laws Second Class (Upper) Honors from University of London in 1992.

He is one of the founders of the Uncle Don's restaurant chain and has more than 10 years of experience in the food and beverage service industry mainly in the field of business development and management as follows:

Year	Role	Company	Key responsibilities
2006 -2015	Founder and Director	Image Trend Sdn Bhd	(i) Lead the setup of restaurant outlets (ii) Oversee the overall operations of the restaurant outlets (iii) Train key management personnel and develop financial budgets and inventory control methods (iv) Analyse business performances and develop business strategies
2015 – present	Co-founder and Director	D&D F&B	(i) Setup the branding, business model and licensing model of the Uncle Don's restaurant chain (ii) Lead the expansion of restaurant outlets (iii) Establish and develop the operation and management team of the company (iv) Develop the strategies and initiatives to expand the number of restaurant outlets (v) Oversee the overall execution and due diligence of business strategies
2019 – present	Director	AP F&B	(i) Establish and develop the operation and management team of the company (ii) Lead the expansion of restaurant outlets (iii) Develop business and financial strategies (iv) Oversee the overall business and operations of the business (v) Oversee the overall execution and due diligence of business strategies

As part of the condition subsequent of the Acquisition SSA, Ian Ong Ming Hock will be appointed as a Non-Independent Non-Executive Director of our Company, who will assist our Board in overseeing the management and operations of AP F&B after the completion of the Proposed Acquisition.

Upon completion of the Proposed Acquisition, Ian Ong Ming Hock will pass over his role of managing the day-to-day operations of AP F&B to Kannan Mahadhavan, the existing Senior Manager of AP F&B. As such, Ian Ong Ming Hock will not have any direct influence over the running of AP F&B, save for his role as a Non-Independent Non-Executive Director of our Company and as 1 of the directors of AP F&B.

(ii) Kannan Mahadhavan, Malaysian, aged 47, Senior Manager of AP F&B

Kannan Mahadhavan began his career in the food and beverage service industry in 1989 and to-date, he has about 30 years of experience in the industry. Since 2005, he has held various managerial positions in various companies involved in the food and beverage service industry as follows:

Year	Role	Company	Key responsibilities
2005 – 2009	Channel Manager and Mixologist	Vinsprit Sdn Bhd	(i) Develop and supervise the sales and marketing strategies to penetrate into the hotel, restaurant and café segments (ii) Train new bartending staff (iii) Coordinate events for the company's product launches (iv) Key liaison with suppliers (v) Reporting key matters to top management and directors
2009 – 2013	General Manager	AUM F&B Concepts Sdn Bhd	(i) Coordinate and supervise the operations of restaurant outlets (ii) Conduct monthly business analysis with outlet managers and to evaluate business performances of restaurant outlets (iii) Prepare financial forecast and annual budget (iv) Oversee the front-end and back-end functions of restaurant outlets (v) Key liaison with suppliers (vi) Train and delegate staff to their respective roles (vii) Reporting key matters to top management and directors
2015 – 2017	General Manager	Nobleprise Sdn Bhd	
2018 – 2019	General Manager	D&D Food & Beverage Sdn Bhd	
2019 – Present	Senior Manager	AP F&B	

However, notwithstanding the Proposed Diversification, our Board intends to continue with our Group's existing businesses in the same manner and momentum.

2.5 Basis and Justification for the Issue Price of the Rights Shares, Settlement Shares and Consideration Shares

(i) Rights Shares

The issue price of the Rights Shares of RM0.06 represents a discount of approximately 21.1% to the TERP of Dolphin Shares of RM0.076, based on the 5-day VWAMP of the Dolphin Shares up to and including the LTD of RM0.097.

The issue price was determined after taking into consideration the following:

(a) our Group's funding requirements as set out in Section 2.1.2 of Part B of this Circular;

(b) the historical trading prices of Dolphin Shares for the past 12 months; and

(c) the TERP of Dolphin Shares of RM0.076.

(ii) Settlement Shares and Consideration Shares

The issue price of the Settlement Shares and Consideration Shares of RM0.076 each was determined after taking into consideration the TERP of Dolphin Shares of RM0.076 as the Settlement Shares and Consideration Shares will be issued simultaneously with the Rights Shares.

2.6 Basis and Justification for the Exercise Price of Warrants-B

The exercise price of Warrants-B of RM0.080 represents a premium of approximately 5.3% to the TERP of Dolphin Shares of RM0.076.

The exercise price was determined after taking into consideration the following:

(i) the Warrants-B will be issued at no cost to the Entitled Shareholders and/or their renouncees/transferees, if applicable, who successfully subscribe for the Rights Shares;

(ii) the TERP of Dolphin Shares of RM0.076; and

(iii) the tenure of Warrants-B of 3 years, which was determined by our Board after taking into account, amongst others, the opportunity for Warrant-B holders to exercise the Warrants-B over a reasonable time period and the prospects of our enlarged Group following completion of the Proposals, Proposed Disposal and Proposed Capital Reduction.

2.7 Ranking of the Rights Shares, Settlement Shares, Consideration Shares, Warrants-B and New Dolphin Shares to be Issued Arising from the Exercise of Warrants-B

The Rights Shares, Settlement Shares, Consideration Shares and the new Dolphin Shares to be issued arising from the exercise of Warrants-B shall, upon allotment and issuance, rank *pari passu* 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 Rights Shares, Settlement Shares, Consideration Shares and new Dolphin Shares to be issued arising from the exercise of Warrants-B.

The holders of Warrant-B will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in our Company until and unless such holders of Warrants-B exercise their Warrants-B for new Dolphin Shares.

2.8 Listing of and Quotation for the Rights Shares, Settlement Shares, Consideration Shares, Warrants-B, Additional Warrants-A and New Dolphin Shares to be Issued Arising from the Exercise of Warrants-B and Additional Warrants-A

Bursa Securities had, *vide* its letter dated 1 April 2020, given its approval for the admission of the Warrants-B to the Official List as well as the listing of and quotation for the Rights Shares, Settlement Shares, Consideration Shares, Warrants-B, additional Warrants-A and new Dolphin Shares to be issued arising from the exercise of Warrants-B and additional Warrants-A on the Main Market of Bursa Securities subject to the conditions as set out in Section 7 of Part B of this Circular.

2.9 Implications of the Rules

As set out in Section 6.3 of Part B of this Circular, upon completion of the Proposals, the resultant shareholding of Asia Poly and Uncle Don's Holdings in our Company will not give rise to any mandatory take-over obligation under the Rules.

3. RATIONALE AND BENEFITS OF THE PROPOSALS

3.1 Proposed Rights Issue

The Proposed Rights Issue is undertaken to raise the required funds for utilisation as set out in Section 2.1.2 of Part B of this Circular.

After due consideration of various fund-raising options, our Board (save for the Interested Directors) is of the opinion that the Proposed Rights Issue is the most suitable means of raising the required funds based on the following key considerations:

(i) it provides an avenue for our Company to raise the required funds without having to incur interest costs as compared to bank borrowings and/or other interest-bearing debt instruments, thereby minimizing any potential cash outflows in respect of interest servicing costs;

(ii) it provides our Entitled Shareholders with an opportunity to further increase their equity participation in the prospects and future growth of our enlarged Group;

(iii) it will enhance our Company's capital base, lower our Group's gearing level and thereby create headroom for our Group to consider further debt financing for future business expansions, if required;

(iv) the resultant increase in the number of Dolphin Shares may potentially improve the trading liquidity of our Shares;

(v) the Warrants-B provide incentive to our Entitled Shareholders to subscribe for the Rights Shares. The Warrants-B will potentially allow our Entitled Shareholders who subscribe for the Rights Shares to benefit from the potential capital appreciation of the Dolphin Shares and increase their equity participation in our Company at a predetermined exercise price over the tenure of the Warrants-B of 3 years; and

(vi) it enables our Company to raise additional funds as and when the Warrants-B are exercised.

In addition to the above, our Board (save for the Interested Directors) has also considered the following aspects in relation to the Proposed Rights Issue:

(i) Value creation to our company and shareholders

The Proposed Rights Issue would enable our Group to partially fund the Proposed Acquisition, which is expected to be earnings accretive after taking into consideration, amongst others, the prospects of AP F&B and the Profit Guarantee. The rationale and benefits of the Proposed Acquisition are set out in Section 3.3 of Part B of this Circular. In addition, the Proposed Rights Issue would also, on the Maximum Scenario basis, fund the capital and operational expenditures requirements of our Group's on-going business activities and reduce our bank borrowings which would put our Group on a better financial footing.

(ii) **Impact on our Company and shareholders**

The Proposed Rights Issue will strengthen our Group's financial position by enlarging our Company's issued share capital and thereby our Group's shareholders' funds, which was gradually depleted from financial losses incurred in recent years.

In addition, the Proposed Rights Issue will enable our Company to tap into the equity market to raise funds without incurring interest costs associated with bank borrowings and increasing our Group's financial gearing.

However, the increase in the number of Dolphin Shares under the Proposed Rights Issue would have a dilutive impact on our Group's NA per Share, EPS as well as our existing shareholders' shareholding in our Company whom did not subscribe in full for their entitlements to the Rights Shares.

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

Our Board (save for the Interested Directors) is of the view that the Proposed Rights Issue is adequate to address the immediate financial concerns of our Group after having considered the following factors:

(a) the funds from the Proposed Rights Issue is used to partially fund the Proposed Acquisition which is envisaged to contribute positively to the financial performance of our Group as set out in subsection (i) above; and

(b) the steps and actions taken/will be taken to improve our Group's financial condition as set out in subsection (iv) below.

(iv) **Steps and actions taken/will be taken to improve our Group's financial condition**

On 31 January 2020, Mercury Securities had, on behalf of our Board, announced that our Company proposed to undertake the Proposed Disposal in order to monetise our non-core asset as well as reduce our Group's financial burden. Please refer to Section 2.1 of Part A of this Circular for further information on the Proposed Disposal.

In addition to the Proposed Disposal, our Company is also undertaking the following actions to further improve our Group's financial condition:

(a) Reduce finance costs

Having considered our Group's competitive business environment, our Group is striving to pare down borrowings and reduce finance cost. Our Company plans to allocate up to RM2.0 million from the proceeds to be raised under the Maximum Scenario for the repayment of term loans, which would result in annual interest savings of approximately RM0.1 million and a proportionate reduction in our Group's gearing.

(b) Capitalisation of debts under the Proposed Capitalisation

Concurrently, our Group is implementing the Proposed Capitalisation with the aim of reducing the amount of cash outflows required to repay the parties under the Proposed Capitalisation. The reduction in cash outflows would allow our Group to conserve cash resources for our Group's operations.

(c) Improving cost effectiveness

Our Company is striving to take all reasonable actions to improve our Group's cost effectiveness. These include regular review of human resources and manpower requirements *vis-à-vis* our Group's prevailing scale of operations, reduce dispensable, closely monitor ageing schedule of receivables to ensure timely collection of receivables and/or optimising usage of utilities and limiting spending on non-operating expenses.

3.2 Proposed Capitalisation

The Proposed Capitalisation is undertaken to settle the amounts owing by our Group to the parties set out in Section 2.2 of Part B of this Circular.

Our Board (save for the Interested Directors) has considered other available options and is of the opinion that the Proposed Capitalisation is an appropriate settlement arrangement, as it will:

(i) reduce the total amount owing to the parties under the Proposed Capitalisation from RM7.9 million to RM0.7 million without cash outlays and thereby, allowing our Group to conserve cash resources for our Group's operations. The remaining outstanding amount of RM0.7 million shall be settled by our Group on a later date; and

(ii) reduce our Group's gearing as a result of the increase in our Company's issued share capital. For illustration, upon completion of the Proposals, our Group's pro forma gearing will reduce from 1.6 times to 0.4 times under the Minimum Scenario or 0.2 times under the Maximum Scenario. Please refer to Section 6.2 of Part B of this Circular for further details.

3.3 Proposed Acquisition

The Proposed Acquisition represents an opportunity for our Group to venture into the food and beverage service industry, particularly operation of restaurants. The Proposed Acquisition will enable our Group to consolidate AP F&B's revenue and earnings and is in line with our Group's plans to reduce dependency on our existing businesses. Notwithstanding the historical performance of AP F&B, our Board (save for the Interested Directors) is optimistic that the Proposed Acquisition would contribute positively to our Group's earnings after taking into consideration amongst others, the Profit Guarantee and the prospects of AP F&B as set out in Sections 2.3.1 and 4.4 of Part B of this Circular respectively.

Our Board (save for the Interested Directors) believes that the Proposed Acquisition is an attractive business proposition due largely to the positive prospects of the food and beverage service industry in Malaysia. Thus, the Proposed Acquisition is expected to provide our Group with a good long-term viable business with growth opportunity.

In addition, our Board (save for the Interested Directors) is of the view that the issuance of Consideration Shares as part settlement of the Purchase Consideration will enable our Group to conserve cash resources and thereby provide greater flexibility to utilise our cash resources to fund our Group's existing and/or new businesses.

3.4 Proposed Diversification

Our Board (save for the Interested Directors) has identified the provision of food and beverage service as a new business segment to diversify our Group's revenue and income after taking into account the prospects of the food and beverage service industry in Malaysia as well as prospects of AP F&B as set out in Sections 4.3 and 4.4 of Part B of this Circular respectively.

Thus, the Proposed Diversification is undertaken pursuant to Paragraph 10.13(1) of the Listing Requirements as our Board (save for the Interested Directors) believes that, barring any unforeseen circumstances, our Group's food and beverages business segment is reasonably expected to contribute more than 25% of our Group's net profits in the future.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and Outlook of the Malaysian Economy

The Malaysian economy expanded by 4.3% in 2019 (2018: 4.7%), supported by resilient private sector spending which grew by 6.2% (2018: 7.1%) amid a challenging external environment. However, the actual gross domestic product growth of 4.3% achieved in 2019 was below [i]potential output growth of 4.5%, mainly due to weaker external demand and supply disruptions in the commodities sectors that led to an underutilisation of resources. This led to the narrowing of the positive output gap to 0.4% (2018:0.6%) in 2019. As such, price pressures were benign as the inflation rate remained stable at 0.7% (core inflation: 1.5%) during the year.

Note:

(i) Potential output refers to the highest non-inflationary level of output that can be produced in an economy. It indicates the sustainable growth path of an economy based on prevailing factors of production and level of technology. However, due to business cycle fluctuations, actual output can differ from potential output. A negative output gap arises when actual output falls below potential output. This normally indicates the presence of slack in the economy arising from weak demand and disinflationary pressures.

For the year 2020, the Malaysian economy projected growth to be between -2.0% and 0.5% (2019: 4.3%) due largely to, amongst others, the adverse economic repercussions arising from the COVID-19 pandemic. In particular, the Malaysian economy will be impacted by the necessary global and domestic actions taken to contain the global outbreak of COVID-19. Of significance, the Malaysian tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. In addition, the implementation and subsequent extension of the Movement Control Order ("**MCO**") by the Malaysian Government, while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms. Beyond the MCO period, reduced social and recreational activities until the COVID-19 pandemic is fully controlled globally and domestically will continue to dampen consumption and investment activity. Apart from the pandemic, the Malaysian economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavorable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas.

In relation thereto, the Malaysian Government and Bank Negara Malaysia had introduced countercyclical policy measures to mitigate the adverse economic impact of the COVID-19 pandemic. Amongst others, the Malaysian Government had on 27 March 2020 and 6 April 2020 announced stimulus packages amounting to a total of approximately RM250.0 billion and RM10.0 billion respectively to cushion the headwinds arising from the COVID-19 pandemic. In addition, Bank Negara Malaysia had, amongst others, reduced the overnight policy rate in January and March 2020 by a total of 50 basis points to 2.50% in order to provide a more accommodative monetary environment to support economic growth amid price stability. Further, the statutory reserve requirement ("**SRR**") was also reduced further by 100 basis points in March 2020 along with the granting of flexibility to Principal Dealers to recognise Malaysian Government Securities and Malaysian Government Investment Issues for SRR compliance, which enabled the release of additional RM30 billion liquidity into the Malaysian banking system.

With the abovementioned economic measures, Malaysian household's disposable income and cash flow as well as private consumption is expected to improve, and the labour market conditions is envisaged to gradually stabilise following the projected gradual improvement in Malaysian and global economic activities, contributing positively to the Malaysian economy as a whole.

(Source: Economic & Monetary Review 2019, Bank Negara Malaysia)

4.2 Overview and Outlook of the Palm Oil Industry in Malaysia

The Malaysian palm oil industry performed better in 2019 compared to that of the previous year. Palm oil exports and imports, fresh fruit bunches ("**FFB**") yield as well as crude palm oil ("**CPO**") production increased, whilst palm oil stocks, CPO prices and total export earnings of palm oil products declined.

The FFB yield increased by 0.1% to 17.2 tonnes per hectare as compared to 17.16 tonnes per hectare in 2018 due to better yield performance for the first 8 months in 2019. In addition, the national oil extraction rate ("**OER**") increased by 1.3% to 20.2% as compared to 19.9% recorded in 2018, mainly attributable to better quality FFB processed by the palm oil mills. However, by the end of 2019, the OER recorded lower performance due to lower quality FFB processed arising from unfavourable weather conditions in all CPO producing states. For 2019 as a whole, CPO production increased marginally by 1.8% from 19.5 million tonnes in 2018 to 19.9 million tonnes, primarily driven by overall higher FFB yield and better OER performance. The performance of CPO production in the first 8 months of 2019 was higher as compared to the corresponding period in 2018. However, from September 2019, the performance was lower vis-à-vis that in 2018 with December 2019 recording the lowest CPO production of the year. Meanwhile, the palm oil planted area increased by 0.9% to 5.9 million hectares as compared to the preceding year, primarily driven by the expansion of new planted areas in Peninsular Malaysia and Sarawak.

In 2019, the CPO price traded lower by 6.9% to RM2,079.00/tonne compared to RM2,232.50/tonne in 2018. Although the CPO price traded lower in 2019, it was trading on an upward trend especially towards the last quarter of the year. Palm oil closing stocks were lower by 37.2% to 2.01 million tonnes in December 2019 as compared with 3.2 million tonnes recorded in December 2018, mainly due to higher palm oil exports. The total exports of palm oil products for the year increased by 12.0%, amounting to 27.9 million tonnes as compared to 24.9 million tonnes exported in 2018. Export revenue of total palm oil products however, declined by 4.0% to RM64.8 billion compared with RM67.5 billion in 2018 due to lower export prices.

For the year 2020, the CPO price is projected to be relatively sustained, as weaker external demand is offset by the decline in CPO production. The low CPO production since the end of 2019 is expected to extend to the early months of 2020, mainly due to the lagged impact of severe dry weather conditions experienced in 2019 as well as output constraints arising from the MCO implemented by the Malaysian Government to contain the outbreak of COVID-19. These disruptions are however, anticipated to dissipate gradually as weather conditions normalise and palm oil production benefits from higher fertiliser application in early 2020.

(Source: Malaysia's Palm Oil Supply and Demand Outlook for 2020, Malaysian Palm Oil Board & Outlook and Policy in 2020 and Economic and Monetary Review 2019, Bank Negara Malaysia)

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

Food and beverage services refer to the provision of services related to the preparation and serving of food and beverages to customers. Full-service restaurants refer to sit-down food and beverage service establishments where patrons are seated and attended to by waiters, with food served directly to their table. Some of these establishments may serve alcoholic beverage alongside meals and snacks.

The overall food and beverage service market size in Malaysia, depicted by food service value, grew from RM33.1 billion in 2014 to an estimated RM41.6 billion in 2019, registering a compound annual growth rate ("**CAGR**") of 4.7%. As a subset of the overall food and beverage service market, the full-service restaurant segment is estimated to have accounted for 58.2% of the total market size in 2019. The full-service restaurant segment was estimated to grow at a CAGR of 3.5% during the period of 2014 to 2019, from RM20.4 billion to an estimated RM24.2 billion. Moving forward, the full-service restaurant segment is forecast to reach RM25.4 billion in 2022, growing from an estimated RM24.4 billion in 2020 at a CAGR of 2.0%. The segment is expected to be adversely impacted by the global outbreak of COVID-19 in 2020. The implementation of the national lockdown policy to curb the spread of the virus in the country has restricted dining out at full-service restaurants. Nevertheless, the segment is expected to recover in the following years as it will continue to be driven by the following key factors:

The segment 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, resulting in more women joining the workforce and people working longer hours. Consequently, this has 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 the country'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 domestic product per capita grew from RM36,030 in 2014 to RM44,682 in 2018. 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 recent 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 Government of Malaysia. In particular, the Government of Malaysia 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 festivals in full-service restaurants. As Malaysia is a multi-racial country, there are many festivals that occur throughout the year including Hari Raya Aidilfitri, Chinese New Year, Deepavali and Christmas. This provides full-service restaurants the opportunity to generate higher revenues during these 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.

(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 serve customers remotely 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.

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. In addition, the Government of Malaysia launched the e-Tunai Rakyat initiative on 15 January 2020 to spur the adoption and use of electronic wallets. Eligible applicants will receive a RM30 incentive in their electronic wallet to promote digital payments among Malaysians. The marketing incentives provided by these electronic wallet service providers also serve as an indirect marketing tool for full-service restaurants, thus contributing to the growth of the full-service segment of the food and beverage service market in Malaysia.

(*Source: IMR Report*)

4.4 Prospects of AP F&B

AP F&B is part of the larger restaurant chain under the branding of "Uncle Don's" which currently has 16 outlets (including those operated by AP F&B), whereby majority of these outlets are located in the Klang Valley. As part of the larger group, AP F&B stands to benefit from, amongst others, brand recognition of Uncle Don's, bulk purchases from central kitchen at competitive prices and start-up support from the Licensor, which would enable AP F&B to better compete in the market *vis-a-vis* smaller restaurant chains and/or independent restaurant owners.

2 of the restaurant outlets of AP F&B are located in the Klang Valley and AP F&B is in the midst of setting up a new restaurant outlet in Ipoh which is to be launched by the 2nd quarter of 2020. These restaurant outlets are located in urban areas with high population density and urban residents tend to have greater spending power and propensity for dining out. Besides, growing proliferation of food delivery options as well as on-line sales and marketing gateways and e-wallet payments are expected to contribute positively to restaurant sales. In addition, the restaurant outlets of AP F&B are also large enough to host individual or corporate events and functions which will further contribute positively to restaurant sales.

Nevertheless, the short-term prospects of AP F&B appear to be challenging due largely to the recent global outbreak of COVID-19, which has adversely impacted the prospects of global economies as many countries around the world, including Malaysia, implemented national lockdown policy to curb the spreading of COVID-19. This has resulted in, amongst others, lower industrial productions, lower business activities as well as disruption of supply chains worldwide.

Notwithstanding, as set out in Section 4.1 above, the Malaysian Government and Bank Negara Malaysia has undertaken several economic measures to cushion the headwinds arising from the COVID-19 pandemic. With the economic stimulus packages in place as well as other economic easing measures that may be undertaken by other countries to stimulate the growth of their respective economies, it is envisaged that the domestic and/or global economies may progressively recover in the foreseeable future, which in turn, would enable AP F&B to alleviate the adverse impacts arising from the global outbreak of COVID-19.

Thus, on an overall basis, our Board (save for the Interested Directors) is optimistic of the long-term prospects and outlook of AP F&B, after taking into account, 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.

4.5 Prospects of our Group

As at the LPD, our Group has an order book of RM7.0 million comprising 16 secured contracts which is expected to contribute positively to our Group's financial performance. In addition to the secured contracts, our Group has secured the SLPOM Project whereby our Group will share the revenue from a palm oil mill enhanced by our Group. This revenue sharing would allow our Group to have a more stable source of income and our management would endeavour to secure similar contracts in the future.

As part of the plan to bolster the cash available to fund our Group's working capital, our Group is implementing the Proposed Disposal to unlock a non-core asset to alleviate our Group's cash flow constraints. In addition, our Group is implementing the Proposed Capitalisation which would further conserve cash resources for our Group's operations.

Our Group has also implemented steps to improve our Group's financial condition as set out in Section 3.1(iv) of Part B of this Circular and in order to enhance our Group's earnings, our Company is undertaking the Proposed Acquisition, the prospects of which is set out in Section 4.4 of Part B of this Circular.

Nevertheless, the short-term prospects of our Group appear to be challenging largely due to the COVID-19 pandemic. However, our Board is optimistic of the long-term prospects of our Group, after taking into account, the positive economic benefits arising from the Malaysian economic stimulus packages, our Group's available secured contracts and the SLPOM Project, our Group's enlarged financial position and available financial resources after completion of the Proposals as well as the long-term prospects of AP F&B.

5. RISK FACTORS

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

5.1 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 Acquisition SSA, as the case may be, within the timeframe stipulated therein, including your approval at the forthcoming EGM. Amongst others, we wish to highlight that no assurance can be given that our Company would be able to obtain the requisite approvals for the Proposals and there is no certainty that the Proposed Rights Issue can be successfully implemented.

The Acquisition SSA may be terminated if the conditions precedent in the Acquisition SSA are not fulfilled or obtained within the stipulated timeframe. In the event of termination of the Acquisition SSA, our Company would not be able to realise the expected benefits as set out in Section 3.3 of Part B of this Circular.

Our Board will endeavour to take all reasonable steps to procure fulfilment of all the conditions precedent in the Acquisition SSA within the stipulated timeframe for completion of the Proposed Acquisition in a timely manner.

5.2 Business Risk

The Proposed Acquisition will expose our Group to the following business risks of AP F&B:

(i) rapid changes in demographic factors and consumers' tastes, preferences and spending may lead to potential loss of customers;

(ii) adverse change in economic conditions such as inflation and unemployment rate may reduce consumers' disposable income and propensity of spending;

(iii) instances of food contamination or failure to maintain effective quality control procedures of restaurants could harm AP F&B's reputation;

(iv) deterioration in quality of food ingredients and/or inconsistent supply of food ingredients (especially perishable items) due to events beyond the control of AP F&B such as adverse weather conditions, natural disasters, trade tensions and/or import and/or export restrictions where the supplies of food ingredients are sourced from could adversely affect the business and operations of AP F&B's restaurant;

(v) inability to fully pass on increases in prices of food ingredients and direct labour costs to customers may adversely affect AP F&B's financial results;

(vi) closure or limitation of business activities due to pandemic, such as the current COVID-19 pandemic; and

(vii) competitions over attractive locations, increase in rental expenses and/or failure to renew tenancy agreements of existing outlets may adversely affect AP F&B's business and operations as well as its future expansion plans.

Our Group seeks to mitigate this risk by leveraging on the expertise of AP F&B's key management personnel as well as the access to quality supplies from the central kitchen of Uncle Don's.

5.3 Impairment of Goodwill

Our Company 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 acquisition date. Subsequent to initial recognition, goodwill is tested for impairment annually or more frequently if event or changes in circumstances indicate that the carrying value might be impaired. Any fair value adjustments allocated to the identifiable asset and liabilities and impairment of goodwill, if any, from the Proposed Acquisition may materially and adversely affect our Group's financial position, earnings and EPS.

Our Company will mitigate the abovementioned risks by closely monitoring the financial performance of AP F&B and will work closely with the management team of AP F&B in order to develop appropriate business strategies towards the achievement of the financial targets of AP F&B.

5.4 Termination or Non-renewal Risks of the Licensing Agreements

The 3 restaurant outlets of AP F&B are dependent on the Licensing Agreements for the use of the "Uncle Don's" trade name and the know-how for the operational procedures (including the menu for food and beverages, recipes, preparation methods and presentation styles) to operate the restaurant outlets. The respective Licensing Agreement has a tenure of 5 years with an option to extend for another 5 years upon expiry. Please refer to Appendix X of this Circular for information on the salient terms of the Licensing Agreements.

There is no assurance that the Licensing Agreement will be renewed upon expiry. In the event that any of the Licensing Agreement is not renewed upon expiry for whatsoever reason, the affected restaurant is required to cease using the "Uncle Don's" trade name and operational procedures of Uncle Don's, which is envisaged to adversely affect the future financial performance of AP F&B.

In addition, the Licensing Agreements sets out, amongst others, the standard operational procedures to be complied with by the respective restaurant outlets of Uncle Don's, failing which may lead to termination. In such event, if the affected licensee is unable to remedy or rectify any non-compliance for whatsoever reason, the Licensor could terminate the Licensing Agreement prior to expiry.

Our Group will endeavour to take all reasonable steps to mitigate this risk such as retaining or hiring suitable key management personnel to promptly address issues which may impact the operations and performances of the restaurant outlets to ensure AP F&B will carry out the operations of its restaurant outlets in accordance with the policies and procedures as set out in the relevant Licensing Agreement. In the event that the Licensing Agreements are not renewed or are terminated, the restaurant outlets of AP F&B will be able to continue to operate as restaurants without the "Uncle Don's" trade name and using the operational procedures of Uncle Don's.

5.5 Competition Risk

The food and beverage service industry is highly competitive with relatively low barriers to entry. The restaurant outlets of AP F&B face stiff competitions from larger establishments of restaurant chains and new entrants, particularly those offer broadly similar products within the vicinity of AP F&B's restaurant outlets. Some of the competitors may be of larger operation scale, have longer operating histories, larger customer bases, better brand recognition and reputation and/or better financial positions and marketing strategies than the restaurant chain of Uncle Don's.

Our Group seeks to mitigate this risk by leveraging on, amongst others, the established brands, designs, standard operating procedures, recipes and trainings provided by the Licensor. Nonetheless, there is no assurance that these measures are adequate for the restaurant outlets of AP F&B to compete effectively or successfully with other restaurant outlets within the vicinity.

In addition, inter-competition among restaurant outlets of Uncle Don's may arise. However, pursuant to the Licensing Agreements, the Licensor had undertaken that it will not grant any party with similar rights to operate restaurant outlets of Uncle Don's within a radius of 8 km from each of the location of the 3 restaurant outlets of AP F&B. Thus, the business and operations of other restaurant outlets of Uncle Don's is not expected to cannibalise on the restaurant outlets of AP F&B.

5.6 Dependency on Key Personnel

The operations of restaurants are labour-intensive especially for activities relating to the handling and processing of food and beverage. Experienced and skilled chefs and bartenders are scarce and competition for such personnel is intense. In addition, the continued success of AP F&B relies on its skilled and experienced management personnel.

In this regard, the continued success of AP F&B is dependent on its ability to attract, recruit, motivate and retain such skilled and experienced personnel. The loss of key personnel without suitable and timely replacement could adversely affect the overall business and operations of restaurants and AP F&B.

Recognising the importance of such key personnel, our Company will endeavour to ensure AP F&B will continuously adopt appropriate approaches, amongst others, putting in place a human resource programme which offers competitive and performance-based remuneration packages to retain key personnel of AP F&B.

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6. EFFECTS OF THE PROPOSALS

In addition to the Proposals, our Company is also implementing the Proposed Disposal and Proposed Capital Reduction.

The Proposed Disposal and Proposed Capital Reduction, as set out in Part A of this Circular, if approved and implemented, would have an effect on our Company and our Group. As such, for illustrative purposes, effects of the Proposals are illustrated together with the effects of the Proposed Disposal and Proposed Capital Reduction.

For your information, the Proposed Diversification will not have any effect on our Group.

6.1 Share Capital

The pro forma effects on the issued share capital of our Company are as follows:

	Minimum Scenario		**Maximum Scenario**	
	No. of Shares	**RM**	**No. of Shares**	**RM**
Issued share capital as at the LPD	244,200,010	81,559,823	244,200,010	81,559,823
Assuming full exercise of Warrants-A	-	-	55,500,002	44,400,002
	244,200,010	81,559,823	299,700,012	125,959,825
To be issued pursuant to the Placement	-	-	29,970,000	(i)2,907,090
	244,200,010	81,559,823	329,670,012	128,866,915
Reduction of share capital pursuant to the Proposed Capital Reduction	-	(62,900,000)	-	(62,900,000)
	244,200,010	18,659,823	329,670,012	65,966,915
To be issued pursuant to the Proposed Rights Issue	213,577,500	12,814,650	412,087,515	24,725,251
Less: Warrant reserve	-	(ii)(7,688,790)	-	(ii)(14,835,151)
	457,777,510	23,785,683	741,757,527	75,857,015
To be issued pursuant to the Proposed Capitalisation	94,690,342	7,196,466	94,690,342	7,196,466
	552,467,852	30,982,149	836,447,869	83,053,481
To be issued pursuant to the Proposed Acquisition	131,578,947	10,000,000	131,578,947	10,000,000
	684,046,799	40,982,149	968,026,816	93,053,481
To be issued assuming full exercise of Warrants-B	128,146,500	10,251,720	247,252,509	19,780,201
Reversal of warrants reserve	-	7,688,790	-	14,835,151
Enlarged issued share capital	**812,193,299**	**58,922,659**	**1,215,279,325**	**127,668,833**

Notes:

(i) Assuming the Shares are issued at the 5-day VWAMP of Dolphin Shares up to and including the LTD of RM0.097.

(ii) Computed based on the theoretical fair value of each Warrant-B as at the LTD of RM0.06, derived from the Trinomial Option Pricing Model as extracted from Bloomberg.

6.2 NA and Gearing

The pro forma effects of the Proposals, Proposed Disposal and Proposed Capital Reduction on our Group's NA and gearing are as follows:

(i) Minimum Scenario

	Audited as at 31 Dec 2018	(I) After the Proposed Disposal	(II) After (I) and the Proposed Capital Reduction	(III) After (II) and the Proposed Rights Issue	(IV) After (III) and the Proposed Capitalisation	(V) After (IV) and the Proposed Acquisition	(VI) After (V) and assuming full exercise of Warrants-B
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	81,560	81,560	[iii]18,660	23,786	30,982	40,982	58,923
Other reserve	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)
Revaluation reserve	1,801	1,801	1,801	1,801	1,801	1,801	1,801
Warrant reserve	-	-	-	[iv]7,689	7,689	7,689	-
Foreign currency translation reserve	648	648	648	648	648	648	648
(Accumulated losses)/Retained earnings	(36,916)	[i] (38,122)	[iii]24,778	24,778	24,778	24,778	24,778
Shareholders' funds/NA	**23,948**	**22,742**	**22,742**	**35,557**	**42,753**	**52,753**	**63,005**
No. of Shares in issue ('000)	244,200	244,200	244,200	457,778	552,468	684,047	812,193
NA per Share (RM)	**0.10**	**0.09**	**0.09**	**0.08**	**0.08**	**0.08**	**0.08**
Total borrowings	38,050	[ii] 18,609	18,609	18,609	18,609	18,609	18,609
Gearing (times)	**1.59**	**0.82**	**0.82**	**0.52**	**0.44**	**0.35**	**0.30**

Notes:

(i) After taking into account an estimated gain arising from the Proposed Disposal of approximately RM0.5 million and the total estimated expenses of RM1.7 million in relation to the Proposed Disposal, Proposed Capital Reduction and the Proposals.

(ii) After taking into account the deconsolidation effects of the Dolphin Biogas Group's total borrowings of approximately RM19.4 million as at 31 December 2019.

(iii) Credit arising from the Proposed Capital Reduction shall be used to off-set the accumulated losses of our Company.

(iv) Being the theoretical fair value of Warrants-B as at the LTD of RM7.7 million, which was computed based on the theoretical fair value of each Warrant-B as at the LTD of RM0.06, derived from the Trinomial Option Pricing Model as extracted from Bloomberg.

(ii) Maximum Scenario

	Audited as at 31 Dec 2018	(I) After full exercise of Warrants-A and the Placement	(II) After (I) and the Proposed Disposal	(III) After (II) and the Proposed Capital Reduction	(IV) After (III) and the Proposed Rights Issue	(V) After (IV) and the Proposed Capitalisation	(VI) After (V) and the Proposed Acquisition	(VII) After (VI) and assuming full exercise of Warrants-B
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	81,560	128,867	128,867	(iv)65,967	75,857	83,053	93,053	127,669
Other reserve	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)
Revaluation reserve	1,801	1,801	1,801	1,801	1,801	1,801	1,801	1,801
Warrant reserve	-	-	-	-	(v)14,835	14,835	14,835	-
Foreign currency translation reserve	648	648	648	648	648	648	648	648
(Accumulated losses)/retained earnings	(36,916)	(i)(37,016)	(ii)(38,222)	(iv)24,678	24,678	24,678	24,678	24,678
Shareholders' funds/NA	**23,948**	**71,155**	**69,949**	**69,949**	**94,674**	**101,870**	**111,870**	**131,651**
No. of Shares in issue ('000)	244,200	329,670	329,670	329,670	741,758	836,448	968,026	1,215,279
NA per Share (RM)	**0.10**	**0.22**	**0.21**	**0.21**	**0.13**	**0.12**	**0.12**	**0.11**
Total borrowings	38,050	38,050	(iii)18,609	18,609	(vi)16,609	16,609	16,609	16,609
Gearing (times)	**1.59**	**0.53**	**0.27**	**0.27**	**0.18**	**0.16**	**0.15**	**0.13**

Notes:

(i) After taking into account the estimated expenses of RM0.1 million in relation to the Placement.

(ii) After taking into account an estimated gain arising from the Proposed Disposal of approximately RM0.5 million and the total estimated expenses of RM1.7 million in relation to the Proposed Disposal, Proposed Capital Reduction and the Proposals.

(iii) After taking into account the deconsolidation effects of the Dolphin Biogas Group's total borrowings of approximately RM19.4 million as at 31 December 2019.

(iv) Credit arising from the Proposed Capital Reduction shall be used to off-set the accumulated losses of our Company.

(v) Being the theoretical fair value of Warrants-B as at the LTD of RM14.8 million, which was computed based on the theoretical fair value of each Warrant-B as at the LTD of RM0.06, derived from the Trinomial Option Pricing Model as extracted from Bloomberg.

(vi) After taking into consideration the repayment of bank borrowings amounting to RM2.0 million.

6.3 Substantial Shareholders' Shareholdings

The resultant pro forma effects on our Company's substantial shareholders' shareholdings are set out below:

(i) Minimum Scenario

					(I)				(II)			
	As at the LPD				After the Proposed Rights Issue				After (II) and the Proposed Capitalisation			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholder	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000	
Asia Poly	26,862	11.0	-	-	60,440	14.8	-	-	60,440	10.9	-	-
Uncle Don's Holdings	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Yeo Boon Leong	-	-	(i)26,862	(i)11.0	-	-	(i)60,440	(i)14.8	-	-	(i)60,440	(i)10.9
Ian Ong Ming Hock	-	-	-	-	-	-	-	-	-	-	-	-

	(III)				(IV)			
	After (II) and the Proposed Acquisition				After (III) and assuming full exercise of Warrants-B			
	Direct		Indirect		Direct		Indirect	
Substantial shareholder	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000	
Asia Poly	124,913	18.3	-	-	145,060	17.9	-	-
Uncle Don's Holdings	67,105	9.8	-	-	67,105	8.3	-	-
Dato' Yeo Boon Leong	-	-	(i)124,913	(i)18.3	-	-	(i)145,060	(i)17.9
Ian Ong Ming Hock	-	-	(ii)67,105	(ii)9.8	-	-	(ii)67,105	(ii)8.3

Notes:

(i) Deemed interested by virtue of his interests in Asia Poly pursuant to Section 8 of the Act.

(ii) Deemed interested by virtue of his interests in Uncle Don's Holdings pursuant to Section 8 of the Act.

(ii) Maximum Scenario

Substantial shareholder	As at the LPD				(I) After full exercise of Warrants-A and the Placement				(II) After (I) and the Proposed Rights Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000	
Asia Poly	26,862	11.0	-	-	26,862	8.1	-	-	60,440	8.1	-	-
Uncle Don's Holdings	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Yeo Boon Leong	-	-	(i)26,862	(i)11.0	-	-	(i)26,862	(i)8.1	-	-	(i)60,440	(i)8.1
Ian Ong Ming Hock	-	-	-	-	-	-	-	-	-	-	-	-

Substantial shareholder	(III) After (II) and the Proposed Capitalisation				(IV) After (III) and the Proposed Acquisition				(V) After (IV) and assuming full exercise of Warrants-B			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000	
Asia Poly	60,440	7.2	-	-	124,913	12.9	-	-	145,060	11.9	-	-
Uncle Don's Holdings	-	-	-	-	67,105	6.9	-	-	67,105	5.5	-	-
Dato' Yeo Boon Leong	-	-	(i)60,440	(i)7.2	-	-	(i)124,913	(i)12.9	-	-	(i)145,060	(i)11.9
Ian Ong Ming Hock	-	-	-	-	-	-	(ii)67,105	(ii)6.9	-	-	(ii)67,105	(ii)5.5

Notes:
(i) *Deemed interested by virtue of his interests in Asia Poly pursuant to Section 8 of the Act.*
(ii) *Deemed interested by virtue of his interests in Uncle Don's Holdings pursuant to Section 8 of the Act.*

As at the LPD, the public shareholding spread of our Company was 88.7% and is anticipated to reduce to between 58.0% (under the Minimum Scenario) and 70.2% (under the Maximum Scenario) upon completion of the Proposals.

6.4 Earnings and EPS

For illustrative purposes, the pro forma effects of the Proposals and Proposed Disposal on the earnings and EPS of our Group for the FYE 31 December 2018 are set out below:

			Minimum Scenario	Maximum Scenario
			RM'000	**RM'000**
Audited LAT attributable to our Company's shareholders for the FYE 31 December 2018			(4,230)	(4,230)
Add	:	Audited LAT of the Dolphin Biogas Group for the FYE 31 December 2018 which is attributable to our Company	(i)582	(i)582
Add	:	Estimated gain from the Proposed Disposal	494	494
Add	:	Interest savings from repayment of bank borrowings	-	122
Less	:	Estimated expenses in relation to the Placement	-	(100)
Less	:	Estimated expenses in relation to the Proposals, Proposed Disposal and Proposed Capital Reduction	(1,700)	(1,700)
Add	:	Profit Guarantee	1,100	1,100
Pro forma LAT attributable to our Company's shareholders			**(3,754)**	**(3,732)**
Weighted average no. of Dolphin Shares in issue ('000)			244,200	244,200
Pro forma no. of Dolphin Shares in issue ('000)			(ii)684,047	(ii)968,026
LPS for the FYE 31 December 2018 (sen)			**(1.73)**	**(1.73)**
Pro forma LPS (sen)			**(ii)(0.55)**	**(ii)(0.39)**

Notes:

(i) Pursuant to the Proposed Disposal, our Company will dispose of our 80% equity interest in Dolphin Biogas. In this regard and for illustrative purposes, on the assumption that the Dolphin Biogas Group was deconsolidated on 1 January 2018, that is the beginning of the FYE 31 December 2018, our Group's LAT will reduce by approximately RM0.6 million due to the deconsolidation of the Dolphin Biogas Group's financial results from our Group.

(ii) After taking into account the issuance of the Rights Shares, Settlement Shares and Consideration Shares.

6.5 Convertible Securities

As at the LPD, there were 55,500,002 outstanding Warrants-A with an exercise price of RM0.80.

Consequential to the Proposed Rights Issue, the exercise price and number of Warrants-A which are not exercised prior to the Entitlement Date may be adjusted in accordance with the provisions of the Deed Poll A to ensure that the status of the holders of Warrants-A are not prejudiced as a result of the Proposed Rights Issue.

For illustrative purposes, based on the following key parameters:

(i) the Entitlement Date is assumed on the LTD;

(ii) the issue price of the Rights Issue of RM0.06;

(iii) the exercise price of each Warrant-A of RM0.80; and

(iv) the following formula as provided for in the Deed Poll A:

(a) Adjusted number of Warrants-A $=$ Existing number of Warrants-A $\times \dfrac{C}{C - D}$

(b) Adjusted exercise Price of Warrants-A $=$ Exercise price of Warrants-A $\times \dfrac{C - D}{C}$

where,

C : RM0.097, being the 5-day VWAMP of Dolphin Shares up to and including the LTD

D : the value of rights attributable to 1 Rights Share calculated as, $\dfrac{C-E}{F+1}$

E : RM0.06, being the issue price of each Rights Share pursuant to the Proposed Rights Issue

F : 0.8, being the number of Dolphin Shares to be held to be entitled for 1 Rights Share under the Proposed Rights Issue

the additional Warrants-A to be issued and adjustments to the exercise price of Warrants-A pursuant to the Proposed Rights Issue are as follows:

(i) Additional Warrants-A to be issued

Adjusted number of Warrants-A $=$ Existing number of Warrants-A $\times \dfrac{C}{C - D}$

$= 55{,}500{,}002 \times \dfrac{RM0.097}{RM0.097 - RM0.02056}$

$=$ **70,423,694**

Thus, additional Warrants-A to be issued $=$ Adjusted number of Warrants-A $-$ Existing number of Warrants-A

$= 70{,}423{,}694 - 55{,}500{,}002$

$=$ **14,923,692**

(ii) Adjusted exercise price of Warrants-A

Adjusted exercise price of Warrants-A $=$ Existing exercise price of Warrants-A $\times \dfrac{C - D}{C}$

$= RM0.80 \times \dfrac{RM0.097 - RM0.02056}{RM0.097}$

$=$ **RM0.63**

7. APPROVALS REQUIRED

The Proposals are subject to approvals being obtained from the following:

(i) Bursa Securities for the:

(a) admission of Warrants-B to the Official List; and

(b) listing of and quotation for the following on the Main Market of Bursa Securities:

(A) up to 412,087,515 Rights Shares and up to 247,252,509 Warrants-B to be issued pursuant to the Proposed Rights Issue;

(B) 94,690,342 Settlement Shares to be issued pursuant to the Proposed Capitalisation;

(C) 131,578,947 Consideration Shares to be issued pursuant to the Proposed Acquisition;

(D) up to 247,252,509 new Dolphin Shares to be issued arising from the exercise of new Warrants-B; and

(E) up to 14,923,692 additional Warrants-A to be issued resulting from the adjustment to the existing Warrants-A pursuant to the Proposed Rights Issue and up to 14,923,692 new Dolphin Shares to be issued arising from the exercise of additional Warrants-A.

This approval was obtained *vide* Bursa Securities' letter dated 1 April 2020 and is subject to the following conditions:

	Condition	Status of Compliance
(1)	Our Company and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements	To be complied
(2)	Mercury Securities to furnish written confirmation to Bursa Securities that our Company will be in full compliance of the public shareholdings spread requirements pursuant to Paragraph 8.02 of the Listing Requirements prior to the listing of and quotation for the new Dolphin Shares to be issued pursuant to the Proposals	To be complied
(3)	Our Company and Mercury Securities to inform Bursa Securities upon the completion of the Proposals	To be complied
(4)	Our Company 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 Proposals are completed	To be complied
(5)	Our Company to furnish Bursa Securities on a quarterly basis a summary of the total number of Dolphin Shares listed pursuant to the conversion of the Warrants-A and/or Warrants-B as at the end of each quarter together with a detailed computation of listing fees payable	To be complied

(ii) our Company's shareholders at the forthcoming EGM;

(iii) Asia Poly's shareholders at an EGM to be convened for the Proposed Acquisition; and

(iv) any other relevant regulatory authorities and/or parties, if required.

The Proposals are inter-conditional upon each other but are not conditional upon any other proposals undertaken or to be undertaken by our Company.

In view that the Proposals are inter-conditional upon each other, the Rights Shares, Settlement Shares, Consideration Shares, Warrants-B and Additional Warrants-A will be listed and quoted simultaneously.

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 92.9% based on our Company's latest audited financial statements for the FYE 31 December 2018.

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

Save as disclosed below, none of the other Directors, major shareholders of our Company and/or persons connected with them have any interest, direct or indirect, in the Proposals.

8.1 Interested Directors

Thoo Soon Huat is an Executive Director of our Company and a Non-Independent Non-Executive Director of Asia Poly, our Company's major shareholder and a vendor in respect of the Proposed Acquisition.

Tan Ban Tatt is an Independent Non-Executive Director of our Company and Asia Poly.

Hence, the Interested Directors are deemed interested in the Proposed Acquisition. As at the LPD, the Interested Directors do not have any direct and indirect shareholding in our Company.

Accordingly, the Interested Directors:

(i) have abstained and will continue to abstain from deliberations and voting on the Proposals at our Company's relevant board meetings; and

(ii) have undertaken to ensure that they and persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at our Company's forthcoming EGM.

8.2 Interested Major Shareholder

Asia Poly, our Company's major shareholder and a vendor in respect of the Proposed Acquisition, is deemed interested in the Proposed Acquisition. As at the LPD, Asia Poly holds 26,862,000 Dolphin Shares, representing 11.0% equity interest in our Company.

Accordingly, Asia Poly has undertaken that Asia Poly and persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at our Company's forthcoming EGM.

9. DIRECTORS' STATEMENT

Our Board (save for the Interested Directors), having considered all aspects of the Proposals and after careful deliberation, including but are not limited to the terms and conditions of the Settlement Agreements and Acquisition SSA, basis and justification for the Purchase Consideration, rationale and benefits of the Proposals, prospects of AP F&B as well as evaluations of the Independent Adviser, is of the opinion that the Proposals are in the best interest of our Company.

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

10. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of our Company (save for Tan Ban Tatt), having considered all aspects of the Proposals and after careful deliberation, including but are not limited to the terms and conditions of the Settlement Agreements and Acquisition SSA, basis and justification for the Purchase Consideration, rationale and benefits of the Proposals, prospects of AP F&B as well as evaluations of the Independent Adviser, is of the opinion that the Proposals are:

(i) in the best interest of our Company;

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

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

11. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save as disclosed below, there have been no other transactions entered into between our Company and the Interested Directors and Asia Poly for the preceding 12 months prior to the date of this Circular:

(i) Proposed Disposal;

(ii) the Undertaking from Asia Poly to subscribe in full for its entitlement to the Rights Shares under the Proposed Rights Issue as set out in Section 2.1.1 of Part B of this Circular; and

(iii) Proposed Acquisition.

12. OTHER CORPORATE PROPOSALS ANNOUNCED BUT YET TO COMPLETE

Save as disclosed below, our Group does not have any other corporate exercise or scheme which has been announced to Bursa Securities but yet to complete prior to the date of this Circular:

(i) Proposed Disposal and Proposed Capital Reduction as set out in Part A of this Circular;

(ii) Proposals; and

(iii) Placement.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to the relevant approvals being obtained, the Proposals are expected to be completed by the 3rd quarter of 2020. The tentative timeline for the implementation of the Proposals is as follows:

Event	Tentative Timeline
EGM	5 June 2020
Announcement of Entitlement Date	Early July 2020
Entitlement Date	End July 2020
Closing date for subscription and payment of the Proposed Rights Issue	Early August 2020
Listing of and quotation for the Rights Shares, Warrants-B, Settlement Shares, Consideration Shares and additional Warrants-A	Mid-August 2020
Completion of the Proposals	End August 2020

14. HISTORICAL SHARE PRICE

	High	Low
	RM	RM
2019		
March	0.170	0.135
April	0.160	0.125
May	0.150	0.120
June	0.130	0.115
July	0.130	0.115
August	0.120	0.095
September	0.110	0.075
October	0.105	0.085
November	0.140	0.095
December	0.155	0.105
2020		
January	0.180	0.125
February	0.165	0.070
March	0.075	0.030
Last transacted market price on the LTD		0.090
Last transacted market price on the LPD		0.055

(Source: Bloomberg)

15. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted fully virtual at the Broadcast Venue to be held at Symphony Square Auditorium, 3A Floor, No. 5, Menara Symphony, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 5 June 2020 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions so as to give effect to the Proposals. Please refer to Appendix XVI of this Circular for the administrative guide.

If you are unable to participate, speak or vote in person at the EGM and wish to appoint a proxy or proxies, you are requested to complete, sign and deposit the enclosed Form of Proxy in accordance with the instructions contained therein, so as to deposit at our Company's share registrar, Boardroom Share Registrars Sdn Bhd, at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the EGM or any adjournment thereof. Alternatively, the Form of Proxy can be deposited electronically through the website of our share registrar, Boardroom Smart Investor Portal at https://www.boardroomlimited.my before the Form of Proxy lodgement cut-off time as mentioned above. The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The lodging of the Form of Proxy will not preclude you from participating, speaking and voting in person at the EGM should you subsequently decide to do so.

16. 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

LOW TECK YIN
Group Managing Director

PART C

IAL FROM SCA TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL

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 Disposal.

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 (save for the Interested Directors) 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 Disposal.

You are also advised to carefully consider the recommendations contained in both letters before voting on the resolution to give effect to the Proposed Disposal 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 31 January 2020, Dolphin had entered into the Disposal SSA with AP Green Energy for the disposal of its 80% equity interest in Dolphin Biogas for a cash consideration of RM2,123,675.50.

The Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of:

(i) Asia Poly, being a major shareholder of Dolphin and the holding company of AP Green Energy. As at the LPD, Asia Poly holds 26,862,000 Dolphin Shares, representing 11.0% equity interest in Dolphin;

(ii) Thoo Soon Huat, being an Executive Director of Dolphin and a Non-Independent Non-Executive Director of Asia Poly. As at the LPD, Thoo Soon Huat does not have any direct and indirect shareholding in Dolphin; and

(iii) Tan Ban Tatt, being an Independent Non-Executive Director of Dolphin and Asia Poly. As at the LPD, Tan Ban Tatt does not have any direct and indirect shareholding in Dolphin.

Further details of Asia Poly, Thoo Soon Huat and Tan Ban Tatt and their respective interests in the Proposed Disposal are set out in Section 7 of Part A of the Circular.

Further details of the Proposed Disposal are set out in in Section 2.1 of Part A of the Circular. Accordingly, the Board (save for the Interested Directors) has, on 13 January 2020, appointed SCA as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of Dolphin as to whether the Proposed Disposal is fair and reasonable insofar as the non-interested shareholders are concerned, and whether the Proposed Disposal is to the detriment of the non-interested shareholders.

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2. EVALUATION ON THE PROPOSED DISPOSAL

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

Section in this IAL	Area of evaluation	SCA's comments
Section 5.1	Rationale for the Proposed Disposal	We are of the opinion that the Proposed Disposal is **reasonable** and **not detrimental** to the non-interested shareholders of Dolphin as: (i) Taking into account the financial constraints faced by Dolphin Group since the FYE 31 December 2016 and payments of the monthly instalments of Biogas Sulpom's secured term loans which is taking a financial toll on Dolphin Group, we are of the opinion that Dolphin would be better off disposing Dolphin Biogas which is not a core asset of the Dolphin Group and re-allocate its focus and resources to finance other secured projects which is within the core activities of Dolphin Group; (ii) We noted from the Board (save for the Interested Directors) and management of Dolphin that by disposing Dolphin Biogas (i.e., together with all its liabilities to AP Green Energy), this would enable Dolphin to focus on the Dolphin Group's business and not be encumbered with having to deal with the repayment of the Biogas Sulpom's secured term loans; and (iii) Pursuant to the Proposed Disposal, there will be a deconsolidation of the Dolphin Biogas Group's bank borrowings amounting to RM19.4 million, thereby reducing its finance cost, resulting in improved financial performance in future years. In addition, the reduction in borrowings and gearing would improve its financial footing and ease its cash flow as Dolphin Group no longer have to repay the Biogas Sulpom's secured term loans.
Section 5.2	Evaluation of the Disposal Consideration	For the purposes of appraising the fair value of Dolphin Biogas Group and to evaluate the fairness of the Disposal Consideration, we view that the discounted cash flow ("**DCF**") valuation method is the most appropriate valuation method as it takes into consideration Dolphin Biogas Group's potential earnings and free cash flows available to the equity holders of the company as well as the risk and timing of such future cash flows. The Disposal Consideration of RM2.1 million is higher than the range of fair value of 80% of Dolphin Biogas Group of RM1.9 million to RM2.1 million. Hence, the Disposal Consideration represents a premium between RM0.02 million (1.03%) to RM0.21 million (10.96%) over the range of fair value of 80% equity interest in Dolphin

Section in this IAL	Area of evaluation	SCA's comments
		Biogas Group. Hence, we are of the view that the Disposal Consideration is **fair**.
Section 5.3	Salient terms of the Disposal SSA	In general, the terms in the Disposal SSA are deemed reasonable and not detrimental to the non-interested shareholders of the Company. We further noted that Clause 4 - payment term of the Disposal SSA is favourable to Dolphin as opposed to AP Green Energy. Dolphin had received an aggregate RM628,768 or 29.61% of the Disposal Consideration on the execution of the Disposal SSA on 31 January 2020. The high amount of Disposal Consideration received on the execution date was used to pay the monthly instalments of Biogas Sulpom's secured term loans from the date of the Disposal SSA up to the completion of the Proposed Disposal. Dolphin has received the second portion of the Balance Deposit (Tranche 3) of RM0.42 million on 31 March 2020. In aggregate, Dolphin has received a total of RM1.05 million or 49.22% of the Disposal Consideration prior to obtaining shareholders' approval for the Proposed Disposal. We are of the view that the terms are **reasonable** and are **not detrimental** to the non-interested shareholders of Dolphin.
Section 5.4	Effects of the Proposed Disposal	The Proposed Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of Dolphin as it does not involve any issuance of new shares by Dolphin. The pro forma NA of the Dolphin Group is not expected to increase substantially due to the gain arising from the Proposed Disposal of approximately RM0.5 million and after excluding estimated expenses of RM0.2 million for the Proposals. The Proposed Disposal would result in reduced gearing by 50% from 1.6 times to 0.8 times due to the deconsolidation of the Dolphin Biogas Group's bank borrowings amounting to RM19.4 million as at 31 December 2019. Hence, taking into consideration the justifications as discussed in Section 5.2(i) of this IAL, we are the view that the financial effects of the Proposed Disposal taken as a whole, are **fair and reasonable and not detrimental** to Dolphin.
Section 5.5	Industry overview and prospects	The global economy experienced a sharp moderated in the first quarter of 2020. The rapid spread of the COVID-19 virus resulted in the introduction of lockdown and social distancing measures in many

Section in this IAL	Area of evaluation	SCA's comments
		major economies which also resulted in elevated volatility in global financial markets. The Malaysian economy registered a lower growth of 0.7% reflecting the earlier impact of measures taken both globally and domestically to contain the spread of COVID-19 pandemic. We also noted the overview and outlook of the palm oil industry in Malaysia remains challenging. We further note that the situation was exacerbated by increasing concerns of the coronavirus outbreak resulting in slowing macroeconomics which has caused demand for palm oil to fall. Depending on the severity and duration of the coronavirus outbreak, the outbreak is contributing to an increasingly volatile global economy. As the uncertainties and bearish movement of the palm oil industry is resulting in Dolphin group's poor performance of its core business. Dolphin is unable to generate enough income to repay Biogas Sulpom's secured term loans. We have also taken into consideration the Government's plans for renewable energy sector in the coming years up to 2025. We noted that, save for the initiative of Government in promoting investment in green technology industry, there are no elements in Malaysia Budget 2020 which could impact the effects of the Proposed Disposal. Thus, we are of the view that it is **reasonable** and **not detrimental** to the non-interested shareholders of Dolphin to unlock the value of Dolphin Biogas via the Proposed Disposal to, among others, provide the necessary funding for its existing operations.
Section 5.6	Risk factors	In addition to the risk factors as set out in Section 4 of Part A of the Circular, we also noted the following risk factors in relation to the Proposed Disposal: (i) Completion We note that the Company shall take all reasonable measures to ensure that the obligations of the Company to achieve the Completion Date will be met on a timely basis in order for the Proposed Disposal to be completed within timeframe stipulated under the Disposal SSA. (ii) Loss of contribution and future income from Dolphin Biogas Group Upon completion of the Proposed Disposal, Dolphin Biogas Group will no longer be a

Section in this IAL	Area of evaluation	SCA's comments
		subsidiary company of the Company and Dolphin will cease consolidating the results of Dolphin Biogas Group. To mitigate such risks, we note that Dolphin will actively seek to identify suitable investments as well as taking reasonable measures including assessing the merits and risks of each investment as well as conducting due diligence on the proposed investments. (iii) Absence of alternative bids In view of the urgency to repay the monthly instalments of the Biogas Sulpom's term loans and avoid defaulting on the said loan, the management of Dolphin did not have sufficient time to look for alternative purchaser for Dolphin Biogas through a bidding process. The Disposal Consideration of RM2.1 million for 80% of Dolphin Biogas from AP Green Energy may represent the only available offer at this juncture. We wish to highlight that although measures will be taken by the Dolphin Group to contain or mitigate the risks associated with the Proposed Disposal, no assurance can be given that one or a combination of the risk factors as stated above and in Section 4 of Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of Dolphin Group, its financial performance, financial position or prospects thereon.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Disposal. 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 Disposal is **fair and reasonable** insofar as you are concerned.

In the absence of unforeseen circumstances, the Proposed Disposal 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 Disposal 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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14 May 2020

To: The non-interested shareholders of Dolphin International Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED DISPOSAL

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 Disposal.

1. INTRODUCTION

On 31 January 2020, Mercury Securities had, on behalf of our Board, announced that Dolphin had on even date entered into the Disposal SSA with AP Green Energy for the Proposed Disposal.

The Proposed Disposal is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of the Company, further details of which are set out in Section 7 of Part A of the Circular.

Accordingly, the Board (save for the Interested Directors) has, on 13 January 2020, appointed SCA as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of Dolphin as to whether the Proposed Disposal is fair and reasonable insofar as the shareholders of Dolphin are concerned, and whether the Proposed Disposal is to the detriment of the non-interested shareholders as well as whether they should vote in favour of the Proposed Disposal, in accordance to Paragraph 10.08(3) of the Listing Requirements.

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 Disposal 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 Disposal 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 Disposal 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 (SAVE FOR THE INTERESTED DIRECTORS) 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 DISPOSAL 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.

2. LIMITATIONS TO THE EVALUATION OF THE PROPOSED DISPOSAL

SCA was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Disposal. 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 Disposal 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) Disposal SSA dated 31 January 2020 between Dolphin and AP Green Energy;

(iii) the audited financial statements of Dolphin for the FYE 31 December 2016 to 2018 and the unaudited quarterly results of Dolphin for the 12-month FPE 31 December 2019;

(iv) the audited financial statements of Dolphin Biogas Group for the FYE 31 December 2016 to 2018 and the management accounts of Dolphin Biogas Group for the 12-month FPE 31 December 2019;

(v) the audited financial statements of Biogas Sulpom for the FYE 31 December 2016 to 2018 and the management accounts of Biogas Sulpom for the 12-month FPE 31 December 2019;

(vi) the financial projections for the Biogas Plant for 16 financial years from 3 December 2019 to 2 December 2035 ("**Projections Period**") furnished to us by the management and/or representatives of the Dolphin Biogas Group and Biogas Sulpom ("**Financial Projections**");

(vii) other information, documents, confirmations and representations furnished to us by the Board (save for the Interested Directors), management and/or representatives of the Dolphin Group, management and/or representatives of Dolphin Biogas Group and Biogas Sulpom;

(viii) discussions with the Board (save for the Interested Directors) and Management; and

(ix) 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. We have relied on Dolphin as well as its Directors, management and/or representatives 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 Directors) 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 Disposal 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, views and recommendation 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 Directors), management and/or representatives of Dolphin, 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, reasonableness of the terms and conditions and other implications of the Proposed Disposal and whether the Proposed Disposal 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 Disposal 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 Disposal which remains the sole responsibility of the Board (save for the Interested Directors), 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 Disposal; 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 Disposal 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 Disposal 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 Disposal;

(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 for the Proposed Acquisition; and

(iii) We are a holder of a Capital Markets Services License issued by the SC 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 the Independent Adviser for the past 3 years comprises the following:

(i) **IAL dated 24 May 2017 included in the circular of Sin Heng Chan (Malaya) Berhad ("SHC")**

Independent advice to the non-interested shareholders of SHC in relation to the proposed acquisition by SHC of 100% equity interest in Tunas Cool Energy Sdn Bhd which is principally involved in the business of supplying of cooling energy and related activities for a total cash consideration of RM7.5 million.

(ii) **IAL dated 16 October 2017 included in the circular of Amalgamated Industrial Steel Berhad ("AIB")**

Independent advice to the non-interested shareholders of AIB in relation to the proposed acquisition of 100% equity interest in Parkwood Sdn Bhd ("**Parkwood**") by AIB from LGB Holdings Sdn Bhd ("**LGB**") and CSLim Holdings Sdn Bhd for a total cash consideration of RM0.71 million together with the settlement sum of the amount owing by Parkwood to LGB of RM19.6 million.

(iii) **IAL dated 23 April 2018 included in the circular of Amtek Holdings Berhad ("AHB")**

Independent advice to the shareholders of AHB in relation to the proposed disposal by Apparel International Sdn Bhd ("**AISB**"), an indirect wholly-owned subsidiary of AHB, of the inventories and retail fixed assets of its "Crocodile" brand retail business to Crocodile International Sdn Bhd for a final sale consideration of approximately RM5.6 million. The proposed disposal by AISB is deemed a major disposal pursuant to Paragraph 10.11A of the Listing Requirements.

(iv) **IAL dated 31 January 2019 included in the circular of Vertice Berhad ("Vertice")**

Independent advice to the non-interested shareholders of Vertice in relation to the proposed disposal by Vertice of 60% equity interest in Kumpulan Voir Sdn Bhd to Mr. Seow Khim Soon for a total cash consideration of approximately RM32.62 million and proposed provision of corporate guarantee of up to RM13.10 million for the banking facilities procured by Kumpulan Voir Sdn Bhd.

(v) **IAL dated 4 February 2019 included in the circular of YKGI Holdings Berhad ("YKGI")**

Independent advice to the non-interested shareholders of YKGI in relation to the proposed disposal by YKGI of its coated coil business to NS BlueScope (Malaysia) Sdn Bhd for a total cash consideration of RM125.0 million.

(vi) **IAL dated 6 March 2019 included in the circular to shareholders of Vertice**

Independent advice to the non-interested shareholders of Vertice in relation to the proposed acceptance of the award of contract for the construction of Package 2 Project of the Penang Mega Infrastructure Project for a fixed contract sum of RM815.0 million by Buildmarque Construction Sdn Bhd, a joint venture company between Vertice Construction Sdn Bhd (a wholly-owned subsidiary of Vertice) and Vizione Construction Sdn Bhd (a wholly-owned subsidiary of Vizione Holdings Berhad).

(vii) **IAL dated 21 February 2020 included in the circular to shareholders of Sand Nisko Capital Berhad ("SNCB")**

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

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 Disposal and is able to discharge its duties and responsibilities.

3. DETAILS OF THE PROPOSED DISPOSAL

The full details of the Proposed Disposal are set out in Section 2.1 of Part A of the Circular and should be read and fully understood in its entirety by the non-interested shareholders of Dolphin.

The Proposed Disposal entails the disposal of 4,500,000 Dolphin Biogas Shares, representing 80% equity interest thereof to AP Green Energy for a cash consideration of RM2,123,675.50.

The Disposal Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration Dolphin's 80% share of the Dolphin Biogas Group's unaudited NA as at 31 December 2019 of approximately RM2.1 million. In determining the reasonableness of the Disposal Consideration, the Board (save for the Interested Directors) has taken into account the following factors:

(i) Dolphin Group's overall financial position and it has been incurring losses since FYE 31 December 2016;

(ii) reduction of gearing after the Proposed Disposal due to the deconsolidation of the Dolphin Biogas Group's bank borrowings of RM19.4 million as at 31 December 2019;

(iii) the Dolphin Biogas Group has been incurring negative cash flows, which is draining its existing cash resources. As at 31 December 2019, the Dolphin Biogas Group only had RM0.7 million cash in hand; and

(iv) rationale and benefits for the Proposed Disposal as set out in Section 3.1 of Part A of the Circular.

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

Save for the Interested Directors, none of the directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Disposal.

Please refer to Section 7 of Part A of the Circular for the full details.

5. EVALUATION ON THE PROPOSED DISPOSAL

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

(a)	Rationale and benefits of the Proposed Disposal	Section 5.1
(b)	Evaluation of the Disposal Consideration	Section 5.2
(c)	Salient terms of the Disposal SSA	Section 5.3
(d)	Effects of the Proposed Disposal	Section 5.4
(e)	Industry overview and future prospects	Section 5.5
(f)	Risk factors	Section 5.6

5.1. Rationale and benefits of the Proposed Disposal

The rationale and benefits of the Proposed Disposal is as set out in Section 3 of Part A of the Circular.

SCA's commentary

In evaluating the rationale of the Proposed Disposal, we have considered the following:

(i) the audited financial statements of Dolphin for the FYEs 31 December 2016 to 2018 and the unaudited quarterly results of Dolphin for the 12-month FPE 31 December 2019; and

(ii) the audited financial statements of Dolphin Biogas Group for the FYEs 31 December 2017 to 2018 and the management accounts of Dolphin Biogas Group for the 12-month FPE 31 December 2019;

as set out in the ensuing sub-sections.

Historical financial performance of the Dolphin Group

	Audited FYE 31 December			Unaudited 12-month FPE 31 December
	2016 RM'000	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**
Revenue	44,136	10,641	13,353	8,387
Gross profit **("GP")**/ gross loss **("GL")**	7,543	(2,215)	5,163	4,001
Loss after taxation **("LAT")** for the year	(4,622)	(57,291)	(4,247)	(225)
LAT attributable to the owners of the Company	(4,626)	(57,139)	(4,230)	(210)
Net cash from/ (used in) operating activities	3,609	12,117	(597)	14,574
Net cash increase/ (decrease) in cash and cash equivalents	(9,900)	(9,742)	9,095	2,317
Deposit, cash and bank balances	16,817	9,386	6,785	2,506
Analysis of cash and cash equivalent (Net)	(1,964)	(11,736)	(2,654)	(343)
NA/ shareholders' fund	79,067	26,234	23,948	23,824
Share capital	44,400	81,560	81,560	81,560
Total borrowings	43,893	32,903	38,237	32,527
GP/ (GL) margin (%)	17.09%	(20.82)%	38.67%	47.70%
No. of Dolphin Shares in issue ('000)	222,000	244,200	244,200	244,200
NA per Dolphin Share (RM)	0.36	0.11	0.10	0.10
Basic loss per share **("LPS")** (sen)	(2.08)	(25.08)	(1.73)	(0.09)
Diluted LPS (sen)	(2.08)	(25.08)	(1.73)	(0.09)
Current ratio (times)	2.05	0.57	0.74	0.38
Gearing ratio (times)	0.56	1.25	1.60	1.37

(i) Financial commentary for the FYE 31 December 2016

The Dolphin Group's revenue decreased by RM25.3 million or 36.5% as compared to the previous financial year mainly due to lower sales as a result of decrease in the order book of Dolphin Group as a consequence of the spill over effect from the El-Nino weather phenomenon which took place in 2016, adversely affecting the palm oil milling market and as a result, capital expenditures for new or increased capacities and refurbishments were not forthcoming. Consequentially, many palm oil millers opted to defer spending on increasing their palm oil mill capacities or refurbishing their palm oil mills.

The Dolphin Group recorded LBT of RM4.5 million as compared to profit before taxation **("PBT")** of RM5.1 million in previous financial year mainly due to lower GP during the financial year as well as absence of a gain on bargain purchase arising from business combinations of RM2.5 million.

(ii) Financial commentary for the FYE 31 December 2017

The Dolphin Group's revenue decreased by RM33.5 million or 75.9% as compared to the previous financial year mainly due to the spill over effect from the El-Nino weather phenomenon as it continued its course into 2017. Consequentially, many palm oil millers continued to further defer spending on increasing their palm oil mill's capacities or refurbishing their palm oil mills. As a result, Dolphin was unable to replenish its order book in FYE 31 December 2017, resulting in lower revenue during the financial year.

The Dolphin Group recorded higher LBT by RM53.3 million mainly due to lower revenue and gross losses incurred during the financial year, as well as the registering of provision for foreseeable losses on amount due from customers for contract works of RM35.6 million*, provision for liquidated and ascertained damages of RM3.3 million and impairment losses on trade receivables of RM1.6 million.

Note:

* *As at LPD, the Board of Dolphin have ascertained that there has been no progress on recoverability on the amount due from customers for contract works of RM35.6 million as both parties have yet to reach an amicable settlement.*

(iii) Financial commentary for the FYE 31 December 2018

The Dolphin Group's revenue increased by RM2.71 million or 25.5% as compared to the previous financial year mainly due to a new contract secured in the FYE 31 December 2018 for the supply of construction materials for the upgrading of facilities at the train cargo terminal at Padang Besar.

The Dolphin Group recorded lower LBT of RM4.3 million mainly due to improved profitability achieved during the financial year as well as the absence of one-off expenses incurred in prior financial year such as provision for foreseeable losses on amount due from customers for contract works and provision for liquidated and ascertained damages amounting to RM35.6 million and RM3.3 million respectively.

(iv) Financial commentary for the FPE 31 December 2019

The Dolphin Group's revenue decreased by RM5.0 million or 37.2% as compared to the previous financial year as the Dolphin Group was focusing on smaller projects and trading of machinery parts which have better margins as a result of the Dolphin Group's limited financial resources.

The Dolphin Group recorded lower LBT of RM0.2 million mainly due to the recognition of gains on disposals of properties amounting to RM3.1 million as well as lower administrative expenses by RM2.9 million due to lower staff costs and reversal of overprovisions of administrative expenses made in prior financial year.

SCA's commentary:

We noted that the Dolphin Group's financial performance and position had been on a decline trend since the FYE 31 December 2016 as evidenced by the decreasing revenue from its core business of sale, design, engineering, development and integration of electro-automation, pneumatic, hydraulic, hardware and software systems and related proprietary products for the palm oil milling sector and its NA.

The lower LAT for the 12-month FPE 31 December 2019 compared to the previous year was mainly attributable to the Group's focus on smaller projects and trading of machinery parts which have better margin, the recognition of gains on disposals of properties amounting to RM3.1 million, lower staff costs and reversal of overprovisions of administrative expenses made in prior financial year, as mentioned in Section (iv) of Appendix XV of the Circular.

Historical financial performance of Dolphin Biogas Group

The financial information of the Dolphin Biogas Group based on its unaudited consolidated financial statements are as set out below:

	Audited FYE 31 December		
	[(1)] 2017 RM'000	2018 RM'000	2019 RM'000
Revenue	-	-	-
Operating loss	(189)	(8)	(11)
LBT	(1,692)	(582)	(358)
LAT	(1,692)	(582)	(364)
NA	(1,692)	3,019	2,655
Cash and cash equivalents [(2)]	21	1,483	1,573
Total borrowings	-	20,746	19,442
Gearing (times)	-	6.87	7.32

Notes:
(1) Since date of incorporation 21 September 2016.
(2) Cash and cash equivalents include fixed deposits and cash and bank balances.

For the past three (3) financial years, Dolphin Biogas Group has incurred accumulated losses of RM2.6 million as the commercial operation date **("COD")** of Biogas Sulpom's actual Feed-in Tariff ("**FiT**") commenced was on 3 December 2019*. The Group did not register any revenue for the past 3 years and the losses were due to unclaimable goods and services tax, insurance policy premium payments, various legal fees and advisory services.

Note:
**The initial operation date (IOD) was on 11 October 2019 and the commencement operation date (COD) test completed on 2 December 2019. Therefore, Biogas Sulpom received E-FiT approval certificate from SEDA on 28 January 2020, which stated the actual FiT commencement date was on 3 December 2019.*

We further note the deficit working capital was financed by related companies of RM0.3 million and advances of RM5.5 million from Directors for Biogas Sulpom as at FPE 31 December 2019, which indicates high reliance of financial support required to sustain Dolphin Biogas Group.

We also noted the rationale and benefits for the Proposed Disposal as set out in Section 3.1 of Part A of the Circular and have provided our commentary in the following table:

	Rationale and benefits	SCA's commentary
1	As mentioned in Section 3.1 of Part A of the Circular: *"Since its initial operation in October 2019 and up to the date of the Disposal SSA, the Dolphin Biogas Group had incurred net cash outflow of approximately RM0.8 million and accrued expenses of approximately RM0.3 million arising mainly from the defrayment of raw material costs, operating expenses and repayment of bank borrowings, which is draining its financial resources as there were no cash inflows during the period. This was due to Biogas Sulpom being unable to bill TNB for the electricity then sold of approximately RM0.9 million, pending verification of the meter reading by TNB.*	We understand from the Board that Dolphin Biogas Group was informed by TNB to bill for the electricity sold to TNB. As at the LPD, Dolphin Biogas Group has not received payment totalling approximately RM1.4 million. The collection of payment period is uncertain, where Dolphin Biogas Group might continue to generate negative cashflows for the next two (2) financial years ending 30 June 2020 and 2021 as per the Financial Projections. Hence, the Group will be obliged to continue providing financial support to the Dolphin Biogas Group for monthly instalments of Biogas Sulpom's secured term loans of approximately RM0.2 million per month.

	Rationale and benefits	SCA's commentary
	Our management expects the Dolphin Biogas Group to generate average revenue of approximately RM6.5 million per annum over the concession tenure of 16 years. The envisaged revenue streams are crucial source of cash inflow for repayment of Dolphin Biogas Group's secured term loans and operating expenses before having any excess fund for its working capital and repayment of advances by our Company. However, the delay in billings, as mentioned above, had adversely impacted the Dolphin Biogas Group's cash position and its ability to timely service its term loans and operating expenses. *Based on its unaudited financial statements as at 31 December 2019, the Dolphin Biogas Group has a high gearing ratio of 7.3 times and a low current ratio of 0.2 times. As a result, the Dolphin Biogas Group had to rely on the financial support from our Group as it struggled to meet its short-term financial obligations due to depleting cash resources as elaborated above, which in turn was draining our Group's financial resources as a whole.* *In this regard, the Proposed Disposal represents an opportunity for us to reduce our Group's financial burdens while at the same time, disposing the Dolphin Biogas Group at its fair value."*	Hence, it is reasonable for Dolphin Group to dispose the Dolphin Biogas Group.
2	As mentioned in Section 3.1 of Part A of the Circular: *"The principal activities of the Dolphin Biogas Group are not within our Group's core activities and thus, Proposed Disposal would enable our Group to unlock a non-core asset and at the same time, alleviate our Group's cash flow constraints as:* *(i) the Disposal Consideration would bolster the cash available to fund our Group's working capital;* *(ii) pending completion of the Proposed Disposal, our Group would receive the Balance Deposit which can be utilised by our Company as interim advances to fund the monthly instalment of Biogas Sulpom's secured term loans in order to mitigate the risk of default, especially since the Biogas Sulpom's secured term loans are secured by corporate guarantee provided by our Company and that Biogas Sulpom currently has low cash liquidity. Upon completion of the Proposed Disposal, such advances shall be fully settled by AP Green Energy on behalf of Biogas Sulpom; and* *(iii) upon completion of the Proposed Disposal, our Group would be able to*	Based on the historical financial performance of Dolphin Group which has been loss-making for the past 3 FYEs, continuing to service the Biogas Sulpom's secured term loans is an additional financial burden which the Dolphin Group can no longer sustain. We note that Dolphin would be better off disposing Dolphin Biogas which is not a core asset of the Dolphin Group and re-allocate its focus and resources to finance other secured projects which is within the core activities of Dolphin Group. After the Proposed Disposal, the Board and management of Dolphin would be able to focus on the Dolphin Group's business and not be encumbered with having to deal with the repayment of the Biogas Sulpom's secured term loans.

	Rationale and benefits	SCA's commentary
	immediately recover all outstanding amounts owing by the Dolphin Biogas Group to our Group."	
3	As mentioned in Section 3.1 of Part A of the Circular: *"The Proposed Disposal would also reduce the amount of our Group's bank borrowings by approximately RM19.4 million (based on the unaudited consolidated financial position of the Dolphin Biogas Group as at 31 December 2019) resulting in a decrease in our Group's pro forma gearing from 1.6 times to 0.8 times and a reduction in finance cost of approximately RM1.1 million per annum after the completion of the Proposed Disposal. In addition, upon completion of the Proposed Disposal, our Company shall be fully discharged from the guarantee to the repayment of the entire Biogas Sulpom's secured term loans."*	Pursuant to the Proposed Disposal, there will be a deconsolidation of the Dolphin Biogas Group's bank borrowings amounting to RM19.4 million, thereby reducing its finance cost, resulting in improved financial performance in future years. In addition, the reduction in borrowings and gearing would improve its financial footing and ease its cash flow as Dolphin Group no longer have to repay the Biogas Sulpom's secured term loans.

Taking into consideration the above, we are of the opinion that the Proposed Disposal is **reasonable** and **not detrimental** to the non-interested shareholders of Dolphin.

5.2. Evaluation of the Disposal Consideration

DCF valuation of the Dolphin Biogas Group

Dolphin is principally involved in the business of sale, design, engineering, development and integration of electro-automation, pneumatic, hydraulic, hardware and software systems and related proprietary products for the palm oil milling sector. Dolphin Biogas Group is an investment holding company and through Biogas Sulpom, its wholly-owned subsidiary, is involved in the generation and sale of renewable energy in Malaysia.

We noted the basis and justification of the Disposal Consideration of RM2.1 million for the Proposed Disposal was arrived at on a "willing-buyer willing-seller" basis after taking into consideration Dolphin's 80% share of the unaudited NA of the Dolphin Biogas Group of approximately RM2.1 million as at 31 December 2019, as set out in Section 2.1.1 of Part A of the Circular.

In arriving at the fairness of the Disposal Consideration, we have evaluated the Disposal Consideration against the fair value of Dolphin Biogas Group. We have conducted a DCF valuation as we find that the DCF valuation methodology which essentially calls for discounting the free cash flows available to the equity holders of the company ("**FCFE**") of Dolphin Biogas Group using Ke is the most appropriate method to appraise the Dolphin Biogas Group. Hence, the DCF valuation is our primary valuation methodology in assessing the fairness of the Disposal Consideration as we view that the DCF valuation method would be the most appropriate valuation method as it takes into consideration Dolphin Biogas Group's potential earnings and as well as the risk and timing of such future cash flows. This methodology adopted by us takes into account the net present value of all future cash flows attributable to equity holders of Dolphin Biogas Group which is equivalent to the FCFE of Dolphin Biogas Group which also means factoring timing of cash flows into our appraisal rendering less bias on the values derived.

Notwithstanding that the Disposal Consideration is arrived at by the Company based on the unaudited NA of Dolphin Biogas Group as at 31 December 2019, the DCF valuation is our primary valuation methodology given that Dolphin Biogas Group is expected to be disposed on a going concern and not break-up basis.

The fair value of Dolphin Biogas Group is derived based on the DCF valuation method using the present value of Biogas Sulpom's projected FCFE from 3 December 2019 to 2 December 2035 ("**Projected FCFE**"). The Projected FCFE were prepared based on various key bases and assumptions adopted by the management of Dolphin Biogas Group. The Projected FCFE has not been independently verified by the auditors, consultant or other professional adviser. Dolphin Biogas Group is responsible for the bases and assumptions considered and approved in the preparation of the Projected FCFE. We have reviewed and evaluated the key bases and assumptions adopted by the management of Dolphin Biogas Group and approved by the Board (save for the Interested Directors) in arriving at the Projected FCFE. We are satisfied that the said key bases and assumptions appear to be appropriate and reasonable given the prevailing circumstances and significant factors as at the LPD (including current economic, market and other conditions as well as any material development surrounding Dolphin Biogas Group, Biogas Sulpom and the biogas industry in Malaysia). The Projected FCFE are discounted at the discount rates stated below to derive the range of fair value of Dolphin Biogas Group.

(i) Valuation parameters

(a) FCFE

FCFE of Dolphin Biogas Group is the free cash flows available to the equity holders of Dolphin Biogas Group after taking into consideration all operating incomes, operating expenses, movement in working capital, net investing cash flows and net financing cash flows of which the latter two include, but not limited to, capital expenditure, disposals of non-current assets, debt obligations, drawdown of debts and injection of equity capital and tax obligations. The value derived from the DCF valuation is equal to the value of all expected FCFE discounted at the appropriate risk-adjusted K_e (i.e. the discount rate).

(b) K_e (discount rate)

The discount rate used to discount the FCFE of Dolphin Biogas Group relates to the equity rate of return on Dolphin Biogas Group as required by a generic equity investor. A generic equity investor shall mean an equity investor who requires extra return, which is also called equity risk premium for investing in equity market as opposed to putting his money in riskless assets. The K_e adopted has taken into consideration, among others, the risks associated with the FCFE.

For the purpose of determining the K_e of Dolphin Biogas Group, we have considered the risk-free return on investment in long term Malaysia Government Securities, the expected equity market return of the FBM 100 and the systematic risk or β of Dolphin Biogas Group.

The respective time horizon considered as the bases for the risk-free rate and the expected equity market return of the FBM 100 should have been reflective of a generic economic cycle of Malaysia. Using Capital Asset Pricing Model, the computation of the K_e of Dolphin Biogas Group is based on the formula as stated below.

$$K_e \quad = \quad R_{rf} \quad + \quad \beta \quad x \quad (R_m - R_{rf})$$

The valuation parameters adopted in the computation of the K_e of Dolphin Biogas Group are as shown in the table below.

No.	Parameters	Key assumptions / Explanatory statements
1.	Valuation Cut-off Date	The valuation cut-off date of the Financial Projections is 31 December 2019 as it represents the beginning of the Projections Period. The cut-off date of the historical statement of financial position of Dolphin Biogas Group is 31 December 2019.
2.	R_{rf}	R_f = 3.3306% *(Source: Bank Negara Malaysia)* We have adopted the 10-year Malaysia Government Securities (MGS) yield as at 31 December 2019.

No.	Parameters	Key assumptions / Explanatory statements
3.	β	β for Dolphin Biogas Group is the measure of the performance of Dolphin Biogas Group stock relative to the market performance on the assumption that Dolphin Biogas Group is a quoted and traded stock. As Dolphin Biogas Group is not a listed company, we had extracted the average unlevered β of the Dolphin Biogas Group Comparable Companies as a proxy of the unlevered β for Dolphin Biogas Group which is equivalent to 0.39. The unlevered β for Dolphin Biogas Group was then relevered according to the average 16-year capital structure for each financial year in the Financial Projections, which translates to levered β of 0.88*.
4.	Expected market return	The adopted expected market return is 7.974%. *(Source: Bloomberg)*
5.	Epsilon	Epsilon is to account for specific risk inherent a private company as compared with a listed company. We have included a specific risk of 3.50% to 4.00% to arrive at the K_e to account for specific risk inherent a private company as compared with a listed company. In addition, Dolphin Biogas Group yet to generate revenue for 1 financial year.
6.	Reference Date for Valuation Parameters	The reference date of the R_{rf} and β for Dolphin Biogas Group is 31 December 2019.

Note:-

** The formula for relevered β of Dolphin Biogas Group is as shown below:*

$$\text{Unlevered } \beta \text{ of Dolphin Biogas Group} \times \frac{(1 + (1 - \text{tax rate of } 24.00\%) \times \text{Debt of Dolphin Biogas Group})}{\text{Equity}}$$

Based on the above, the K_e of Dolphin Biogas Group ranges from 10.93% to 11.43%.

(c) Illiquidity discount

A factor which may have an impact on valuation is the liquidity of the asset, i.e. the extent to which the asset can be freely bought and sold. For example, there may be an argument for the case that a publicly listed asset can be more freely traded than a similar asset which is not, thus the value of the latter should incorporate an "illiquidity discount". Under this scenario, an illiquidity discount should be applied in deriving the fair value of Dolphin Biogas Group as Dolphin Biogas Group is not a public listed company.

We note that Professor Aswath Damodaran, in his book titled "Investment Valuation: Tools and Techniques for Determining the Value of Any Asset", discussed on illiquidity discount of 20.00% to 30.00%.

(Source: http://pages.stern.nyu.edu/~adamodar/pdfiles/country/illiquidity.pdf)

We have decided to adopt a high range of illiquidity discount after taking into account the following:-

(i) the Biogas Plant is a special purpose asset;
(ii) there is absence of ready and knowledgeable buyer for the assets; and
(iii) assumption of Biogas Sulpom's unsecured term loan of RM19.4 million and monthly term loan repayment by the prospective buyer.

(ii) Bases and assumptions of the Financial Projections

The FCFE for each financial year in the Financial Projections used to derive the DCF valuation are extracted from the estimate, forecast and projected statements of cash flows of Dolphin Biogas Group for the Projections Period. The said statements of cash flows of Dolphin Biogas Group for the Projections Period form one of the components of the Financial Projections, which include as well the estimate, forecast and projected statements of income and the estimate, forecast and projected statements of financial position of Dolphin Biogas Group for the Projections Period.

We have been provided the Financial Projections which essentially consist of 16 financial years from 3 December 2019 to 2 December 2035. The Biogas Plant started operations in 3 December 2019. Prior to that there have been tests conducted by TNB since October 2019 which has assisted management to derive some of the estimated costs below. References to 6-month FYE 30 June 2020 will be for a 6-month period from the Biogas Plant operations commencement date of 3 December 2019 to 30 June 2020. All financial year ended thereafter up to 2 December 2035 will be costs for a full financial year. The management of Dolphin Biogas Group assumes full responsibility for the accuracy, completeness and reliability of the Financial Projections as well as the reasonableness of the underlying bases and assumptions used therein. Some of the key bases and assumptions that were used by the management of Dolphin to arrive at the Financial Projections are as stated in the table below.

No.	Items	Assumptions
1.	Revenue generation capacity	According to the-FiT approval certificate received from SEDA on 28 January 2020, Biogas Sulpom is entitled to monthly revenue for sixteen (16) years up to 2 December 2035, based on the following terms: Actual FiT commencement date : 3 December 2019 SEDA approved unit rate (No local gas engine manufacture/assembly bonus) : 0.4669 RM/ kilowatt hour (“**kWh**”) <u>Electricity sales to the grid</u> Electricity generated : (365 days - 20 days) × 24hr/day × (load factor 0.90) No of operational days : 345 days : 8,280 hr/annum × 2,000kWh × 0.90 : 14,076,000 kWh/annum Total electricity generated : 14,076,000 kWh/annum Total value of electricity generated : 6,572,084 RM/annum Biogas power plant approved capacity : 2,000 kW Total net exportable power : 14,076,000 kWh/annum Total electricity sales under SEDA FiT RePPA Contract : 6,572,084 RM/annum

<table>
<tr><th>No.</th><th>Items</th><th>Assumptions</th></tr>
<tr><td></td><td></td><td>We note that Biogas Sulpom is expected to receive estimated average annual revenue of approximately RM6.47 million based on the SEDA FiT RePPA Contract.</td></tr>
<tr><td>2.</td><td>Revenue growth rate</td><td>As mentioned above, revenue growth is fixed based on the SEDA FiT RePPA Contract.</td></tr>
<tr><td>3.</td><td>Cost of goods sold growth rate</td><td>1. Palm oil mill effluent (“POME”) raw material cost is RM950,000 per annum based on 2019 FFB throughput of 280,000 metric tonne and the terms of the Master Agreement dated 9 December 2016. From 3 December 2019 to 2 December 2035, the POME raw material cost based on 2019 FFB throughput of 280,000 metric tonnes. According to the Master Agreement dated 9 December 2016, the POME raw material calculation is as follows (Whichever is higher):

<table>
<tr><th></th><th></th><th>POME raw material cost RM
(whichever is higher)</th></tr>
<tr><td>FFB processed (MT/year) in year 2019</td><td>280,000</td><td>950,000</td></tr>
<tr><td>Electricity generated (KWH/year)</td><td>14,076,000</td><td>744,440</td></tr>
</table>

<table>
<tr><th></th><th>Rate</th><th>KWH/year</th><th>RM</th></tr>
<tr><td>First 10,000,000 KWH</td><td>0.03500</td><td>10,000,000</td><td>350,000</td></tr>
<tr><td>Next 2,000,000 KWH</td><td>0.07000</td><td>2,000,000</td><td>140,000</td></tr>
<tr><td>Next 2,000,000 KWH</td><td>0.12000</td><td>2,000,000</td><td>240,000</td></tr>
<tr><td>And thereafter</td><td>0.19000</td><td>76,000</td><td>14,440</td></tr>
<tr><td>Total</td><td></td><td>14,076,000</td><td>744,440</td></tr>
</table>

2. Total electricity cost for plant operation load is RM536,112 per annum based on management estimates that were able to utilise excess electricity generated for own consumption. Growth of 2% per annum is assumed from FYE 30 June 2021 to FPE 31 December 2035.

3. Cost of biogas plant maintenance is RM302,000 per annum based on recommendations by the suppliers of the biogas plant equipment and machinery. Growth of 2% per annum is assumed from FYE 30 June 2021 to FPE 31 December 2035.

4. Cost of gas engines maintenance is at the average of RM487,031 per annum over the concession period of 16 years based on management estimates.</td></tr>
</table>

No.	Items	Assumptions
		5. The direct labour cost for the FYE 30 June 2020 of RM368,875 per annum is based on annualised direct labour cost since May 2019. Growth of 2% per annum is assumed from the FYE 30 June 2021 to FPE 31 December 2035. Direct labour cost includes remuneration for 1 plant manager, 6 plant operators, 1 lab assistant, 1 chargeman and agency fees for foreign workers. 6. The major overhaul maintenance cost of RM2 million charged every 8 years is based on recommendations by the supplier of the biogas engine. 7. Land rental cost is RM150,000 per annum as per the tenancy agreement dated 9 December 2016. It is at a fixed rate for 16 years. 8. The plant overhead cost is RM245,380 per annum is based on management estimates. Growth of 2% per annum is assumed for other plant overhead cost from FYE 30 June 2021 to FPE 31 December 2035. 9. Cost of sales is estimated to range from 41.79% to 83.57% and is at an average of 50.03%. 10. GP margin ranged from 16.43% to 58.21% and is at an average of 49.97%. 11. Net profit margin is estimated to range from -12.65% to 28.27% and is at an average of 13.88%. The Board (save for the Interested Directors), the management of the Company and the management of Dolphin Biogas Group confirm that there is no other cost of goods sold that they are aware of save for those as assumed in the Financial Projections. We note that most costs are assumed at 2% increment per annum, this is reasonable as inflation rate for 2020 moving forward is expected to be 2% as per the estimates from Ministry of Finance Malaysia: Accommodative monetary policy stance will continue to support economic growth in an environment of low inflation and stable financial conditions. International monetary fund anticipates inflation for 2020 to be 2% due to low energy prices. *(Source: Economic Outlook Report 2020, Ministry of Finance Malaysia)*
4.	Finance cost	Interest on bank borrowing is 5.85% per annum for the 6-month FYE 30 June 2020 to FYE 30 June 2031. The computation of interest on bank borrowing, which is based on actual cost of financing for the FPE 31 December 2019. We noted that the cost of borrowing is cushioned by the 2% interest/profit rate subsidy provided by the government.

No.	Items	Assumptions
		The Board (save for the Interested Directors), the management of the Company and the management of Dolphin Biogas Group confirm that there is no other finance costs that they are aware of save for those as assumed in the Financial Projections.
5.	Interest income	Interest income of 2.95% per annum of the cash and bank balance for the 6-month FYE 30 June 2020 to FPE 31 December 2035 based on the actual percentage of fixed deposit interest rate over the cash and bank balance for the FPE 31 December 2019. The Board (save for the Interested Directors), the management of the Company and the management of Dolphin Biogas Group confirm that there is no other interest income that they are aware of save for those as assumed in the Financial Projections.
6.	Tax rate and tax incentive	The statutory tax rate applied to taxable income is 24% and pioneer status with income tax exemption of 100% of statutory income for 10 years. The Board (save for the Interested Directors), the management of the Company and the management of Dolphin Biogas Group confirm that there is no other tax allowance or incentives that they are aware of save for those as assumed in the Financial Projections.
7.	Other assumptions	(i) Trade receivables turnover period of 60 days is based on management estimates; (ii) Trade payables turnover period of 15 days is based on management estimates; (iii) Biogas Sulpom is a going concern and is expected to sustain its operations for a period of 16 years; (iv) Dolphin Biogas Group is not expected to have material change in Biogas Sulpom's ability to sell electricity to be generated from its Biogas Plant to TNB under SEDA's feed-in tariff system; (v) Dolphin Biogas Group is able to realise the profit margins, credit terms and inventory turnover periods as assumed and adopted in the Financial Projections; (vi) The Projections Period is sufficient as it is a reasonable reflection of an industry cycle where Dolphin Biogas Group operates in; (vii) assurance that Biogas Sulpom is able to sell electricity to TNB at the approved rate of RM0.4669 kWh under SEDA's feed-in tariff system for a period of 16 years;

No.	Items	Assumptions
		(viii) Administrative and operating costs shall comprise all costs to be incurred for Biogas Sulpom as Biogas Sulpom does not have any other businesses or operations; (ix) The administrative and operating costs are expected to increase by 2.0% annually; (x) There will be no significant changes to the prevailing national economic and political conditions or other abnormal changes and elsewhere, especially those conditions that affect the industry, which will adversely affect directly or indirectly the activities and performance of Biogas Sulpom for the concession period; (xi) There will be no significant changes in the present legislation or government regulations affecting the activities of Biogas Sulpom; (xii) There will be no major breakdown or disruption in the operations, arising from industrial disputes, shortages in labour, social, economic and political changes or other abnormal factors which will adversely affect the activities of Biogas Sulpom; (xiii) There will be no unusual events or transactions that will materially affect the operations or results of Biogas Sulpom; (xiv) There will be no legal proceedings against Biogas Sulpom which will adversely affect the activities or performance of Biogas Sulpom or give rise to any contingent liabilities, which will materially affect the position or business of Biogas Sulpom; (xv) There will be no adverse effect from weather conditions, industrial accidents or other similar occurrence, climatic diseases, wars, terrorist attacks, and other natural risks, both domestically and internationally, that may affect the operations, income and expenditure of Biogas Sulpom; (xvi) Biogas Sulpom meets all the regulations and standards prescribed by the authorities; (xvii) There will not be any substantial impairment to the carrying value of Biogas Sulpom property, plant and equipment and other non-current assets.

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We have considered the Financial Projections and are satisfied that the bases and assumptions approved and adopted by the Board (save for the Interested Directors), the management of the Company and the management of Dolphin Biogas Group are reasonable. Nonetheless, we wish to highlight that the DCF valuation is based on prevailing economic, market and other conditions as at the reference date for valuation parameters, as well as publicly available information and information provided by the Company and 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. The non-interested shareholders of Dolphin should note that any departure in the assumptions used in the Financial Projections could have a material impact on the fair value of Dolphin Biogas Group.

Based on the key bases and assumptions adopted above, we have performed a sensitivity analysis on 2 parameters namely the cost of equity (K_e) and illiquidity discount as these assumptions have significant impact on the fair value of Dolphin Biogas Group. We have varied the values adopted for the cost of equity (K_e) with a range of 10.93% to 11.43% and illiquidity discount with a range of 30% to 35% to arrive at a range of fair value of Dolphin Biogas Group.

The fair value of Dolphin Biogas Group calculated based on the DCF valuation method is summarised as follows:

Discount factor @K_e	**10.93%**	**11.43%**
Equity value of Biogas Sulpom	3,766,467	3,693,160
NAV of Dolphin Biogas	(12,722)	(12,722)
Fair value of Dolphin Biogas Group	3,753,745	3,680,438
Illiquidity discount (%)	**30%**	**35%**
Fair value of 80% of Dolphin Biogas Group	3,002,996	2,944,350
Less: Value of illiquidity discount	(900,899)	(1,030,523)
After illiquidity discount	2,102,097	1,913,827
Disposal Consideration	2,123,676	2,123,676
Premium of Disposal Consideration to Fair value of Dolphin Biogas Group (in RM)	**21,579**	**209,849**
Premium of Disposal Consideration to Fair value of Dolphin Biogas Group (in %)	**1.03%**	**10.96%**

Premised on the results of the sensitivity analysis above, by varying the cost of equity and illiquidity discount, we obtained the fair value of 80% of Dolphin Biogas Group of RM1.9 million to RM2.1 million. Hence, the Disposal Consideration represents a premium between RM0.02 million (1.03%) to RM0.21 million (10.96%) over the fair value of Dolphin Biogas Group.

<u>Consideration of other valuation methods</u>

We have also considered the relative valuation analysis for the purposes of appraising the fair value of Dolphin Biogas Group. However, we are of the opinion that the relative valuation analysis would not be the appropriate valuation method in evaluating the fair value of Dolphin Biogas Group as there is no company listed in the Southeast Asia region which is directly comparable to Dolphin Biogas Group in terms of composition of business, scale of operations, size in terms of market capitalisation and future prospects.

We did not evaluate Dolphin Biogas Group using the earnings based valuation methods involving the analysis of price to earnings ratio ("**PE Ratio**") and the enterprise value ("**EV**")/ earnings before interest, tax, depreciation and amortisation **("EBITDA")("EV/EBITDA")** ratio because the use of the valuation methods such as PE Ratio and EV/EBITDA ratio are not appropriate as Dolphin Biogas Group has only commenced operations on 3 December 2019 and it was loss making for all of the financial years under review.

We noted from Section 2.1.1 of Part A of the Circular that the Disposal Consideration was arrived at based on, among others, the unaudited NA of Dolphin Biogas as at 31 December 2019 of RM2.7 million.

Pursuant thereto, we have considered the adjusted NAV for the purposes of appraising the fair value of Dolphin Biogas Group. However, we are of the opinion that the NAV analysis would not be the appropriate valuation method in evaluating the fair value of Dolphin Biogas Group as the Company has not engaged an independent valuer to appraise the independent market value of Biogas plant as at 31 December 2019 as the Board (save for the Interested Directors) has no intention to dispose of Dolphin Biogas Group on a break-up basis as Biogas Sulpom is a going concern and is expected to sustain its operations for a period for the next 16 years.

SCA's commentary:

Based on the DCF valuation methodology, the Disposal Consideration of RM2.1 million is higher than the fair value of 80% of Dolphin Biogas Group of RM1.9 million to RM2.1 million. Hence, the Disposal Consideration represents a premium between RM0.02 million (1.03%) to RM0.21 million (10.96%) over the fair value of Dolphin Biogas Group. Hence, we are of the view that the Disposal Consideration is **fair**.

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5.3. Salient terms of the Disposal SSA

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

Reference in Part A of the Circular	Salient terms of the Disposal SSA	SCA's commentary
Appendix II, Section 1	**Sale and Purchase** The Company shall sell and AP Green Energy shall purchase 4,500,000 ordinary shares in Dolphin Biogas, representing 80% equity interest in Dolphin Biogas free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto and all dividends, rights and distributions declared, paid or made in respect thereof from the Completion Date (as defined herein) at the Disposal Consideration.	We are of the opinion that this clause is in line with common practice and are general commercial terms.
Appendix II, Section 2	**Conditions precedent** a) The sale and purchase of the Sale Shares shall be condition upon the fulfilment of the following conditions precedent within 5 months from the date of the Disposal SSA or such other period as the parties may mutually agree in writing: i. Asia Poly obtaining the approval of its board of directors and its shareholders in a general meeting for the proposed acquisition of the Sale Shares by AP Green Energy and proposed diversification of its business as a result of the acquisition of the Sale Shares; ii. Company obtaining the approval of its board of directors and its shareholders in a general meeting for the Proposed Disposal; iii. completion of a financial and legal due diligence review to be undertaken by AP Green Energy on the Dolphin Biogas Group, of which the result shall be satisfactory to AP Green Energy; iv. if required, the consent from SEDA, Electric Commission of Malaysia and/or TNB for the change of shareholders and directors of Dolphin Biogas pursuant to the Proposed Disposal; v. Company obtaining the written waiver and consent of SULPOM, not to exercise its rights to acquire the Sale Shares and the tag-along rights as provided under the Dolphin Biogas Shareholders Agreement; and	It is noted that the agreed timeframe/ Conditional Period of within five months are to be observed by the Parties in fulfilling the conditions precedent in order to ensure the timely completion of the Disposal SSA. The Conditions Precedent includes approvals which are necessary to give effect to the Proposed Disposal. The Disposal SSA also highlights the party responsible for the satisfaction of such Conditions Precedents. Should there be material adverse findings on Dolphin Biogas which are not clarified, represented or remedied to the satisfaction of AP Green Energy within the specific period, AP Green Energy may further discuss and negotiate with Dolphin Biogas on any of the variation of the terms of the Disposal SSA or alternatively, terminate the Disposal SSA. These terms are deemed reasonable and not detrimental to the non-interested shareholders of the Company.

Reference in Part A of the Circular	Salient terms of the Disposal SSA	SCA's commentary
	vi. if applicable, the parties obtaining such other requisite consents and approvals from the government and regulatory bodies for the purpose of the transfer of the Sale Shares. b) The Conditions Precedent may be waived in whole or in part and conditionally or unconditionally upon the mutual agreement of the parties in writing. c) In the event that the Conditions Precedent are not fulfilled within the Conditional Period, the Disposal SSA shall be terminated and the Company shall within 7 days from the date of termination return the Earnest Deposit and Balance Deposits received and pay AP Green Energy an amount equivalent to the amount owing by the Dolphin Biogas Group to Dolphin Applications free of interest. Following such termination, the Disposal SSA shall be null and void and of no further force and effect with neither party having any rights or obligations against the other save and except for any antecedent breach. d) The Disposal SSA shall become unconditional on the date of which the last of the Conditions Precedent is fulfilled.	
Appendix II, Section 3	**Completion** The Disposal Consideration shall be satisfied in full on a day falling on or before the expiry of 5 months from the Unconditional Date.	We noted that the completion shall take place upon payment of the balance Disposal Consideration, payment of the settlement sum in relation to the Amount Owing and the delivery of the documents. This term is typical to transactions of such a nature and as such is reasonable.

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Reference in Part A of the Circular	Salient terms of the Disposal SSA	SCA's commentary
Appendix II, Section 4	**Default and Termination** a) In the event that any party shall: (i) neglect or by wilful default fail or refuse or be unable to complete the Proposed Disposal in accordance with the provisions of the Disposal SSA; or (ii) subject to (d) below, materially breach any of the provisions of the Disposal SSA, (A) give notice in writing to the party in default and if the party in default fails to remedy the breach(es) within 14 business days of receipt of the Termination Notice, the Non-Defaulting Party may without further reference to the party in default terminate the Disposal SSA, in which event Sections 4(b) and 4(c) below shall apply and thereafter the Disposal SSA shall be null and void and the parties shall have no further claims against each other save and except for any antecedent breaches; or alternatively (B) complete the Disposal SSA, in which case the remedy of specific performance of the Disposal SSA under the Specific Relief Act, 1950 shall be available to the Non-Defaulting Party without any prejudice to that party's right or rights to claim against the party in default any damages, losses, costs, expenses or outgoings whatsoever arising from or in connection with the events set out in Sections 4(a)(i) and 4(a)(ii) above. b) In the event that the Disposal SSA is terminated in accordance with Section 4(a)(i) above: (i) Default by the parties (A) Default by Dolphin - Dolphin shall return to AP Green Energy the Earnest Deposit and Balance Deposit and other amounts received by it from AP Green Energy; and - Dolphin shall pay AP Green Energy an amount equivalent to	We note that upon a default or breach, the other party is entitled to purse an action for specific performance or terminate the Disposal SSA, and the defaulting party shall pay the Earnest Deposit and Balance Deposit and other amounts as agreed liquidated damages and refund all monies that have been paid by the Purchaser, failing which the defaulting party shall pay interest at the rate of 8% p.a. on the amount outstanding. The prescribed rate of 8% p.a. is in line with common commercial terms of other disposal or acquisition transactions. We also wish to highlight that if Dolphin is unable to obtain shareholders' approval for the Proposed Disposal, Dolphin shall be liable to return all the Earnest Deposit and Balance Deposit received by it to AP Green Energy, Dolphin shall pay AP Green Energy an amount equivalent to the amount owing by the Dolphin Biogas Group to Dolphin Applications and Dolphin shall pay all professional fees, disbursements and expenses incurred and paid or payable by AP Green Energy in relation to or in connection with the Disposal SSA. This term entitles each party to terminate the Disposal SSA at any time prior to the completion of the Disposal SSA and claim the stated amount in the Disposal SSA, if the other party shall refuse, fail and/or neglect to complete the transaction contemplated under the Disposal SSA or shall breach any material term or condition of the Disposal SSA or becomes or is adjudicated or found to be bankrupt or insolvent. Such termination clause is reasonable as it safeguards the interests of the non-defaulting party from breach of any material or fundamental terms or conditions of the Disposal SSA or a failure to perform any material undertaking, obligation or agreement expressed or implied in the Disposal SSA.

Reference in Part A of the Circular	Salient terms of the Disposal SSA	SCA's commentary
	the amount owing by the Dolphin Biogas Group to Dolphin Applications; (B) Default by AP Green Energy - Dolphin shall return all the Earnest Deposit and Balance Deposit received by it to AP Green Energy; and - Dolphin shall pay AP Green Energy an amount equivalent to the amount owing by the Dolphin Biogas Group to Dolphin Applications; (ii) the party in default shall, pay to the Non-Defaulting Party all the professional fees, disbursements and expenses incurred and paid or payable by the Non-Defaulting Party in relation to or in connection with the Disposal SSA as evidenced by invoices and receipts, within 14 business days from the date after the expiration of the Termination Notice. In the event that any of the party fails to pay any of the aforesaid monies within the said 14 business day period, the said party shall be further liable to pay interest on any amount remaining unpaid at the end of the said 14 business day period at the rate of 8% per annum from the end of the said 14 business day period until the date of actual payment of the outstanding amount. c) Simultaneously with the events stated in Section 4(b) above, AP Green Energy shall return all documents and things forwarded by Dolphin in relation to the Disposal SSA, save and except where AP Green Energy requires the same for application for refund of any stamp duty paid pursuant hereto, in which case the documents and things shall be returned as soon as reasonably possible. d) Notwithstanding any other provision to the contrary contained in the Disposal SSA, in the event the Proposed Disposal has been completed in accordance with the terms and conditions therein, the	

Reference in Part A of the Circular	Salient terms of the Disposal SSA	SCA's commentary
	parties shall not be entitled to terminate the Disposal SSA by reason of any breach of any terms of the Disposal SSA but without prejudice to any other remedies which the parties may have against each other.	

SCA's commentary:

According to Clause 4 of the Disposal SSA, we noted the payment milestones for the Disposal Consideration as follows:

	Payment milestone		Payment date	RM	Percentage of Disposal Consideration
1	Earnest Deposit (Tranche 1)	Paid upon execution of the Disposal SSA	31 January 2020	212,367.55	10.00%
2	Balance Deposit (Tranche 2)	Paid upon execution of the Disposal SSA	31 January 2020	416,400.00	19.61%
3	Balance Deposit (Tranche 3)	Paid in accordance with the Disposal SSA	31 March 2020	416,400.00	19.61%
4	Balance Deposit (Tranche 4)	Upon expiry of 4 months from the date of the Disposal SSA	31 May 2020	416,400.00	19.61%
5	Balance Purchase Price (Tranche 5)	Upon completion of the Disposal SSA	On or before the expiry of 5 months after the EGM	662,107.95	31.18%
	Total Disposal Consideration			**2,123,675.50**	**100.00%**

As shown above, Dolphin had received an aggregate RM628,768 or 29.61% of the Disposal Consideration on the execution of the Disposal SSA on 31 January 2020. The high amount of Disposal Consideration received on the execution date was used to pay the monthly instalments of Biogas Sulpom's secured term loans from the date of the Disposal SSA up to the completion of the Proposed Disposal, thereby, to reduce the risk of default, especially since Biogas Sulpom's term loans are secured by a corporate guarantee by Dolphin. We understand from the management of Dolphin that upon completion of the Proposed Disposal, Dolphin shall be fully discharged from the guarantee to the repayment of the entire Biogas Sulpom's secured term loans.

Dolphin has received the second portion of the Balance Deposit (Tranche 3) of RM0.42 million on 31 March 2020. In aggregate, Dolphin has received a total of RM1.05 million or 49.22% of the Disposal Consideration prior to obtaining shareholders' approval for the Proposed Disposal. In summary, the payment milestones are favourable terms to Dolphin Group.

However, we note that if Dolphin is unable to obtain shareholders' approval for the Proposed Disposal, Dolphin shall be liable to return all the Earnest Deposit and Balance Deposit received by it to AP Green Energy, Dolphin shall pay AP Green Energy an amount equivalent to the amount owing by the Dolphin Biogas Group to Dolphin Applications and Dolphin shall pay all professional fees, disbursements and expenses incurred and paid or payable by AP Green Energy in relation to or in connection with the Disposal SSA.

We wish to highlight that the release of corporate guarantee was not included as a condition precedent and it is customary practice for banks and financial institutions in Malaysia to consent to the release of existing corporate guarantees and personal guarantees granted as security for financing facilities only upon/after completion of a transaction involving a change of shareholder and for the new shareholder to provide substitute security only upon/after completion of such transaction. Banks and financial institutions will generally not permit release of existing securities until substitute security is provided and a purchaser will not grant any such substitute security until and unless the sale and purchase transaction is completed.

However, we noted from the Disposal SSA that the Vendor shall procure SULPOM to enter into a supplementary agreement to the Dolphin Biogas Shareholders Agreement for the purpose substituting the corporate guarantee provided by the Vendor thereunder with a new corporate guarantee by the Purchaser before the completion of the Disposal SSA. We noted that the delay in sale of electricity affected Biogas Sulpom's overall operating cash flow needed to service the bank borrowings, hence for AP Green Energy, being the Purchaser, to reimburse Dolphin, being the Vendor is beneficial to Dolphin.

We also noted that Dolphin is liable to repay the Biogas Sulpom's secured term loans if Biogas Sulpom is unable to continue to pay the monthly instalments for the loan. As Dolphin, being the Vendor will continue to pay the monthly instalments until the Completion Date.

Additionally, we noted that the repayment of amount owing to Dolphin Applications Sdn Bhd is reasonable and in line with common practice.

Premised on the above, we have evaluated the salient terms and conditions of the Disposal 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.

5.4. Effects of the Proposed Disposal

The effects of the Proposed Disposal are as set out in Section 5 of Part A of the Circular.

5.4.1. Effects of the Proposed Disposal

Effects of the Proposed Disposal	SCA's comments
Issued share capital and substantial shareholders' shareholdings	The Proposed Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of Dolphin as it does not involve any issuance of new Shares by Dolphin.
NA and gearing	As set out in Section 5 of Part A of the Circular, based on the audited figures of Dolphin Group and Dolphin Biogas for the FYE 31 December 2018, upon completion of the Proposed Disposal, the pro forma NA of the Dolphin Group is not expected to increase substantially due to the gain arising from the Proposed Disposal of approximately RM0.5 million and after excluding estimated expenses of RM0.2 million for the Proposed Disposal. The Proposed Disposal would result in reduced gearing by 50% from 1.6 times to 0.8 times due to the deconsolidation of the Dolphin Biogas Group's bank borrowings amounting to RM19.4 million as at 31 December 2019. Premised on the above and the reduced gearing and interest savings arising from the Proposed Disposal, the effects of the Proposed Disposal, taken as a whole, are not detrimental to the non-interested shareholders of the Company.
Earnings and EPS	The Proposed Disposal is expected to result in a gain on disposal of approximately RM0.5 million which will subsequently affect the earnings and EPS of Dolphin for the FYE 30 June 2020 as the Proposed Disposal is expected to be completed or take effect by the 2nd quarter of Dolphin's FYE 30 June 2020.

Notwithstanding the future income of Biogas Sulpom foregone, there would be:

(i) a net gain on disposal of RM0.50 million (as mentioned above);

(ii) reduced gearing by 50% from 1.6 times to 0.8 times due to the deconsolidation of the Dolphin Biogas Group's bank borrowings amounting to RM19.4 million as at 31 December 2019; and

(iii) benefits that are expected to accrue to Dolphin with the realisation of the assets of Dolphin Biogas Group and payments for the monthly installments of the Biogas Sulpom's secured term loans in a timely manner to avoid Dolphin from defaulting on the monthly installment payments.

Premised on the above, notwithstanding for the future income of Biogas Sulpom foregone, we are the view that the financial effects of the Proposed Disposal taken as a whole, are **fair and reasonable and not detrimental** to Dolphin and its minority shareholders.

5.5. Industry overview and prospects

We wish to draw the attention of the Board (save for the Interested Directors) and non-interested shareholders to the following industry overview associated with the Proposed Disposal.

5.5.1. Overview and outlook of the global economy

The global economy experienced a sharp moderation in the first quarter of 2020. The rapid spread of the COVID-19 virus resulted in the introduction of lockdown and social distancing measures in many major economies. This also resulted in elevated volatility in global financial markets.

Growth in PR China contracted by 6.8%, as aggressive containment measures were introduced from 23 January to 8 April to slow the spread of COVID-19. These measures resulted in a significant decline in economic activity, as reflected by the broad-based contraction in fixed asset investments, consumption and production activities.

By the end of the quarter, most major economies globally had introduced containment measures of varying stringency, most of which remain in place. As a result, labour market conditions across major economies deteriorated sharply in 1Q 2020. Jobless claims and short-time work claims in the US and Germany, respectively, rose in March beyond levels experienced during the 2008-09 Global Financial Crisis. In the US, growth moderated sharply to 0.3% from 2.3% in 4Q 2019. Private sector expenditure and imports moderated significantly, reflecting the sudden turnaround in labour market conditions, rising risk aversion, and weaker growth prospects. Nevertheless, government consumption was sustained, providing an anchor to US growth. In the euro area, where lockdown measures were introduced earlier and more widely, restrictions in operating capacity and business activities led to contractions in economic activity.

(Source: Quarterly Bulletin for First Quarter of 2020, Bank Negara Malaysia)

5.5.2. Overview and outlook of the Malaysian economy

The Malaysia economy registered a lower growth of 0.7% in the first quarter of 2020. reflecting the earlier impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (MCO) in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%)

The agriculture sector contracted further (-8.7%; 4Q 2019: -5.7%). Oil palm production continued to be weighed by the lingering effects of the severe dry weather conditions and cutbacks in fertiliser applications experienced in the early part of 2019. This was further affected by the MCO, which led to lower production across most agriculture sub-sectors.

Following two months of steady expansion, economic activity experienced a sharp down-shift in March as a result of MCO (18-31 March). This was evidenced by the decline in the Industrial Production Index and Index of Wholesale and Retail Trade which recorded an average growth of 3.4% and 5.5%, respectively, in January-February before contracting to -4.9% and -6.1% in March (1Q 2020: 0.4% and 1.5% respectively). The MCO comprised government closure of schools, universities, and non-essential services, border closures and restrictions on public movement, work and operating hours, as well as mandatory social distancing and personal protection measures. Essential services include telecommunications, finance, production and the provision of food supplies, healthcare, utilities, E&E, as well as selected industries in the primary and consumer clusters in the manufacturing sector. Sectors which were more labour intensive and require face-to-face interaction were more impacted by the MCO. In particular, constructions activity was completely prohibited during the MCO phase. In contrast, the production capacity in industries which were more capital intensive, such as mining and the E&E manufacturing sub-sector, were affected to a lesser extent. The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail sub-sectors, and a temporary halt in ongoing investments.

(*Source: Quarterly Bulletin for First Quarter of 2020, Bank Negara Malaysia*)

In January, investor sentiments remained affected by external factors. While sentiments were supported by the signing of the phase one trade deal between the US and PR China earlier in the month, investors turned cautious following uncertainties on the potential economic impact from the outbreak of COVID-19.

These uncertainties contributed to mixed performance in the domestic financial markets. The higher investor risk-aversion led to a broad-based decline in regional equity indices, including Malaysia. Consequently, the FBM KLCI declined by 3.6% to close at 1,531 points as at end-January.

(Source: Monthly highlights for January 2020, Bank Negara Malaysia)

5.5.3. Outlook of the palm oil prices

Malaysian palm oil futures could fall below 2,500 ringgit over coming weeks if the spread of a deadly coronavirus in China continues to disrupt travel and normal activity in the world's second-largest palm oil importer, brokers and traders said.

The fast-spreading virus, which has so far claimed more than 350 lives and infected more than 17,000 people in two dozen countries, has raised fears of a sustained disruption in supply chains and eating habits in the world's most populous nation and second-largest economy.

Dalian palm oil futures plunged by their daily limit of 7% on Monday as trading resumed after an extended Lunar New Year break, but still have further to fall to match the roughly 11% decline in benchmark Malaysian palm oil futures over China's holiday period.

Palm prices had already been under pressure from January 8, when top palm oil buyer India restricted imports of refined grades and informally stopped all purchases from Malaysia over a diplomatic spat between the two nations.

"The bear is out of hibernation," said Paramalingam Supramaniam, director at Selangor, Malaysia-based brokerage Pelindung Bestari Sdn Bhd.

Malaysia's benchmark palm oil contract for April delivery on the Bursa Malaysia Derivatives Exchange plunged 14.9% in January, its biggest monthly drop since August 2014.

The contract was up 1.2% at 2,634 ringgit per tonne on Monday, after dropping nearly 9% last week.

Five traders told Reuters they expect palm oil to fall to between 2,470 and 2,575 ringgit a tonne within coming weeks.

Prices had overextended to the upside in an end-2019 rally and are now coming back down, said Anilkumar Bagani, research head of Sunvin Group, a Mumbai-based vegetable oil broker.

The tropical oil climbed 46.7% from October 1 to January 6 to three-year highs of 3,133 ringgit a tonne on expectations of lower production in both Indonesia and Malaysia due to dry weather and lower fertilizer use.

Lower demand, though, from top consumers India and China have taken a toll on prices since then, despite falling inventories in Malaysia, and Paramalingam said the market will remain bearish until fresh demand starts to emerge.

Meantime, brokers are taking on more short positions, a Kuala Lumpur-based trader said.

Open interest across all Malaysia palm oil contracts grew by roughly 30,000 contracts in January as prices retreated from above 3,100 ringgit, indicating a gain in shorts.

"When fear (of the virus outbreak) takes over, (falling) end-stocks are no solace. Nobody wants to try to catch a falling knife," Paramalingam said.

Malaysia's palm oil stocks hit a 27-month low of 2.01 million tonnes at end-December, down 11% from end-November, the Malaysian Palm Oil Board said in January.

(Source: Palm oil set for more losses on China coronavirus, India import curbs, Reuters News, 3 February 2020).

5.5.4. Overview of the biogas industry

The Government will study new potential renewable energy sources to enhance the generation mix. During the Eleventh Plan, biomass and biogas power plants will be pursued because of the large potential of these sources. In addition, other renewable energy sources such as wind, geothermal, and ocean, as well as off-grid renewable energy facilities, will be explored and promoted. Offgrid electricity supply using renewable energy sources in relevant local areas will be provided in a cost-efficient manner, as successfully implemented in other countries. Electricity generation capacity through renewable sources including biomass, biogas, solar photovoltaic, and mini hydro are targeted to reach 7.80% of total installed capacity in Peninsular Malaysia and Sabah by 2020, or about 2,080 megawatts. *(Source: Eleventh Malaysian Plan 2016-2020, Economic Planning Unit, Prime Minister's Department)*

As part of liberalising of the electricity market, the Government has decided to migrate the current power purchase system towards a wholesale market in the future. Renewable energy suppliers will also be able to compete directly in the retail market. The more transparent and competitive electricity market will ensure a lower cost of electricity for Malaysian consumers. The Government intends to attain Malaysia's goal to generate 20% of our energy consumption from renewal sources by 2025. (*Source: Malaysia Budget 2020*)

SCA's commentary

Depending on the severity and duration of the coronavirus outbreak, we note that the slowing macroeconomics amidst the coronavirus outbreak is contributing to an increasingly volatile global economy. Malaysian palm oil futures fell the most in over a decade, on rising fears that a fast-spreading coronavirus outbreak will affect the demand for palm oil which will further exacerbate the financial conditions of Dolphin Group. The bearish sentiment was further confirmed by lower exports due to an ongoing diplomatic row with India. Palm oil is generally affected by price movements in related oils, as it competes for a share in the global vegetable oil market. We also note that the ringgit has been falling against the USD since mid-January 2020, making palm oil cheaper for holders of foreign currencies, which will alleviate some of the reduced demand from lower exports of palm oil.

Additionally, we noted that, save for the initiative of Government in promoting investment in green technology industry, there are no elements in Malaysia Budget 2020 which could impact the effects of the Proposed Disposal.

We note that the current global economic environment remains challenging amidst the coronavirus outbreak, geopolitical issues, inflation and volatile energy cost. The prospects of the Dolphin Group are very much dependent on the global demand for palm oil and its ability to maintain its competitive edge in the palm oil business. We also note that the Group are facing various financial challenges as disclosed under the rationale for the Proposed Disposal as set out in Section 3.1 of Part A of the Circular. As Dolphin Biogas Group has not been able to provide sustainable revenue to Dolphin Group, we are of the view that it is **reasonable** and **not detrimental** to the non-interested shareholders of Dolphin to monetise Dolphin Biogas via the Proposed Disposal.

5.6. Risk factors

We noted and concur with the risk factors of the Proposed Disposal as set out in Section 4 of Part A of the Circular. We also wish to draw the attention of the Board (save for the Interested Directors) and non-interested shareholders to the following additional risk factors that may arise from or is associated with the Proposed Disposal:

SCA's commentary

5.6.1. Completion risk

We take cognisance of the fact that the Company will take all reasonable measures to fulfil all the Conditions Precedent to ensure the completion of the Proposed Disposal within the agreed timeline as set out in the Disposal SSA.

Furthermore, we note that the Company shall take all reasonable measures to ensure that the obligations of the Company to achieve the Completion Date will be met on a timely basis in order for the Proposed Disposal to be completed within the timeframe stipulated under the Disposal SSA. The details of the obligations of the Company to achieve the Completion Date.

We take further cognisance that the Dolphin Group would receive the Earnest Deposit and Balance Deposits from AP Green Energy which can be utilised by Dolphin to assist Biogas Sulpom to pay its monthly instalments in respect of the Biogas Sulpom's secured term loans to mitigate the risk of default, especially since the Biogas Sulpom's secured term loans are secured by a corporate guarantee by Dolphin.

Besides that, additionally we noted that the Vendor shall procure SULPOM to enter into a supplementary agreement to the Master Agreement for the purpose substituting the corporate guarantee provided by the Vendor thereunder with a new corporate guarantee by the Purchaser before the completion of the Disposal SSA.

5.6.2. Loss of contribution and future income from Dolphin Biogas Group

Upon completion of the Proposed Disposal, Dolphin Biogas Group will no longer be a subsidiary company of the Company and Dolphin will cease consolidating the results of Dolphin Biogas Group.

However, we note that Biogas Sulpom was only notified by TNB on 28 February 2020 and 9 March 2020 to bill for the sale of electricity to TNB from October 2019 (i.e. the beginning of testing) to February 2020 after verification of the meter reading by TNB. Notwithstanding the delay in billing, the Dolphin Biogas Group is required to pay for its operating expenses as well as service the monthly instalments of Biogas Sulpom's secured term loans resulting in net cash outflows for the Dolphin Biogas Group, which is draining Dolphin Group's financial resources.

The proceeds from the Proposed Disposal would enable Dolphin Group to receive the Earnest Deposit and Balance Deposits from AP Green Energy to assist Biogas Sulpom to pay its monthly instalments in respect of the Biogas Sulpom's secured term loans to mitigate the risk of default, especially since the Biogas Sulpom's secured term loans are secured by a corporate guarantee by Dolphin.

To mitigate the risk of loss of contribution and future income from Dolphin Biogas Group, we understand from the Company that they will actively seek to identify suitable investments as well as taking reasonable measures including assessing the merits and risks of each investment as well as conducting due diligence on the proposed investments.

5.6.3 Absence of alternative bids

In view of the urgency to repay the monthly instalments of the Biogas Sulpom's term loans and avoid defaulting on the said loan, the management of Dolphin did not have sufficient time to look for alternative purchaser for Dolphin Biogas through a bidding process. The Disposal Consideration of RM2.1 million for 80% of Dolphin Biogas from AP Green Energy may represent the only available offer at this juncture. Notwithstanding that, we are of the view that the terms of the Proposed Disposal is reasonable.

6. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Disposal 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 Disposal.

A summary of our evaluations are as follows:

(a)	Rationale for the Proposed Disposal	We are of the opinion that the Proposed Disposal is **reasonable** and **not detrimental** to the non-interested shareholders of Dolphin as: (i) Taking into account the financial constraints faced by Dolphin Group since the FYE 31 December 2016 and payments of the monthly instalments of Biogas Sulpom's secured term loans which is taking a financial toll on Dolphin Group, we are of the opinion that Dolphin would be better off disposing Dolphin Biogas which is not a core asset of the Dolphin Group and re-allocate its focus and resources to finance other secured projects which is within the core activities of Dolphin Group; (ii) After the Proposed Disposal, the Board (save for the Interested Directors) and management of Dolphin would be to focus on the Dolphin Group's business and not be encumbered with having to deal with the repayment of the Biogas Sulpom's secured term loans; and (iii) Pursuant to the Proposed Disposal, there will be a deconsolidation of the Dolphin Biogas Group's bank borrowings amounting to RM19.4 million, thereby reducing its finance cost, resulting in improved financial performance in future years. In addition, the reduction in borrowings and gearing would improve its financial footing and ease its cash flow as Dolphin Group no longer have to repay the Biogas Sulpom's secured term loans.
(b)	Evaluation of the Disposal Consideration	For the purposes of appraising the fair value of Dolphin Biogas Group and to evaluate the fairness of the Disposal Consideration, we view that the DCF valuation method is the most appropriate valuation method as it takes into consideration Dolphin Biogas Group's potential earnings and free cash flows available to the equity holders of the company as well as the risk and timing of such future cash flows. The Disposal Consideration of RM2.1 million is higher than the range of fair value of 80% of Dolphin Biogas Group of RM1.9 million to RM2.1 million. Hence, the Disposal Consideration represents a premium between RM0.02 million (1.03%) to RM0.21 million (10.96%) over the range of fair value of 80% equity interest in Dolphin Biogas Group. Hence, we are of the view that the Disposal Consideration is **fair**.

(c)	Salient terms of the Disposal SSA	In general, the terms in the Disposal SSA are deemed reasonable and not detrimental to the non-interested shareholders of the Company. We further noted that Clause 4 - payment term of the Disposal SSA is favourable to Dolphin as opposed to AP Green Energy. Dolphin had received an aggregate RM628,768 or 29.61% of the Disposal Consideration on the execution of the Disposal SSA on 31 January 2020. The high amount of Disposal Consideration received on the execution date was used to pay the monthly instalments of Biogas Sulpom's secured term loans from the date of the Disposal SSA up to the completion of the Proposed Disposal. Dolphin has received the second portion of the Balance Deposit (Tranche 3) of RM0.42 million on 31 March 2020. In aggregate, Dolphin has received a total of RM1.05 million or 49.22% of the Disposal Consideration prior to obtaining shareholders' approval for the Proposed Disposal. We are of the view that the terms are **reasonable** and are **not detrimental** to the non-interested shareholders of Dolphin.
(d)	Effects of the Proposed Disposal	The Proposed Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of Dolphin as it does not involve any issuance of new shares by Dolphin. The pro forma NA of the Dolphin Group is not expected to increase substantially due to the gain arising from the Proposed Disposal of approximately RM0.5 million and after excluding estimated expenses of RM0.2 million for the Proposals. The Proposed Disposal would result in reduced gearing by 50% from 1.6 times to 0.8 times due to the deconsolidation of the Dolphin Biogas Group's bank borrowings amounting to RM19.4 million as at 31 December 2019. Hence, taking into consideration the justifications as discussed in Section 5.2(i) of this IAL, we are the view that the financial effects of the Proposed Disposal taken as a whole, are **fair and reasonable and not detrimental** to Dolphin.
(e)	Industry overview and prospects	The global economy experienced a sharp moderated in the first quarter of 2020. The rapid spread of the COVID-19 virus resulted in the introduction of lockdown and social distancing measures in many major economies which also resulted in elevated volatility in global financial markets. The Malaysian economy registered a lower growth of 0.7% reflecting the earlier impact of measures taken both globally and domestically to contain the spread of COVID-19 pandemic. We also noted the overview and outlook of the palm oil industry in Malaysia remains challenging. We further note that the situation was exacerbated by increasing concerns of the coronavirus outbreak resulting in slowing macroeconomics which has caused demand for palm oil to fall. Depending on the severity and duration of the coronavirus outbreak, the outbreak is contributing to an increasingly volatile global economy. As the uncertainties and bearish movement of

the palm oil industry is resulting in Dolphin group's poor performance of its core business. Dolphin is unable to generate enough income to repay Biogas Sulpom's secured term loans.

We have also taken into consideration the Government's plans for renewable energy sector in the coming years up to 2025.

We noted that, save for the initiative of Government in promoting investment in green technology industry, there are no elements in Malaysia Budget 2020 which could impact the effects of the Proposed Disposal. Thus, we are of the view that it is **reasonable** and **not detrimental** to the non-interested shareholders of Dolphin to unlock the value of Dolphin Biogas via the Proposed Disposal to, among others, provide the necessary funding for its existing operations.

(f) Risk factors

In addition to the risk factors as set out in Section 4 of Part A of the Circular, we also noted the following risk factors in relation to the Proposed Disposal:

(i) Completion

We note that the Company shall take all reasonable measures to ensure that the obligations of the Company to achieve the Completion Date will be met on a timely basis in order for the Proposed Disposal to be completed within timeframe stipulated under the Disposal SSA.

(ii) Loss of contribution and future income from Dolphin Biogas Group

Upon completion of the Proposed Disposal, Dolphin Biogas Group will no longer be a subsidiary company of the Company and Dolphin will cease consolidating the results of Dolphin Biogas Group.

To mitigate such risks, we note that Dolphin will actively seek to identify suitable investments as well as taking reasonable measures including assessing the merits and risks of each investment as well as conducting due diligence on the proposed investments.

(iii) Absence of alternative bids

In view of the urgency to repay the monthly instalments of the Biogas Sulpom's term loans and avoid defaulting on the said loan, the management of Dolphin did not have sufficient time to look for alternative purchaser for Dolphin Biogas through a bidding process.

The Disposal Consideration of RM2.1 million for 80% of Dolphin Biogas from AP Green Energy may represent the only available offer at this juncture.

We wish to highlight that although measures will be taken by the Dolphin Group to contain or mitigate the risks associated with the Proposed Disposal, no assurance can be given that one or a combination of the risk factors as stated above and in Section 4 of Part A of the Circular will not occur and give rise to material and adverse impact on the business and operations of Dolphin

Group, its financial performance, financial position or prospects thereon.

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

Therefore, in the absence of unforeseen circumstances, the Proposed Disposal 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 Disposal 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	**TAN HOOI WEN**
Executive Director	Senior Manager, Corporate Finance

PART D

IAL 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 B 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 (save for the Interested Directors) as set out in Part B 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 27 February 2020, Dolphin entered into the Acquisition SSA with the Vendors for the acquisition of 6,000,000 AP F&B Shares from the Vendors, representing the entire issued share capital of AP F&B, free from encumbrances for the Purchase Consideration.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of:

(i) Asia Poly, being a major shareholder of Dolphin and a vendor in respect of the Proposed Acquisition;

(ii) Thoo Soon Huat, being an Executive Director of Dolphin and a Non-Independent Non-Executive Director of Asia Poly; and

(iii) Tan Ban Tatt, being an Independent Non-Executive Director of Dolphin and Asia Poly.

Further details of which are set out in Section 8 of Part B of the Circular.

Accordingly, the Board (save for the Interested Directors) has, on 13 January 2020, appointed SCA as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of Dolphin as to whether the Proposed Acquisition is fair and reasonable insofar as the shareholders are concerned, and whether the Proposed Acquisition is to the detriment of the non-interested shareholders. As the Proposed Acquisition is inter-conditional with the Proposed Rights Issue, Proposed Capitalisation and Proposed Diversification, our evaluation also encompasses the evaluation of the Proposed Rights Issue, Proposed Capitalisation and Proposed Diversification.

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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 of the Proposals	We are of the view that the rationale of the Proposals is **reasonable and not detrimental** to the non-interested shareholders of Dolphin as: (i) The Proposed Rights Issue will be implemented on a Minimum Subscription Level and a minimum of RM12.81 million will be raised. Most of the proceeds i.e., RM9.80 million or 76.48% will be utilised to part finance the Proposed Acquisition while RM1.51 million or 12.0% will be allocated to partially fund the SLPOM Project (further details of the SLPOM Project is in Note (ii) of Section 2.1.2 of Part B of the Circular). (ii) The Proposed Capitalisation would enable the settlement of the amounts owing by the Dolphin Group to its identified creditors and a shareholder of Dolphin via the issuance of Settlement Shares at the TERP of RM0.076, being the theoretically adjusted market price of Dolphin Shares up to the LTD after taking into consideration the Proposed Rights Issue, thereby reducing the cash outlays. (iii) The Proposed Acquisition would accord the Group with the following benefits: • opportunity to venture into the food and beverage service industry; • able to consolidate AP F&B's revenue and earnings and reduce dependency on the existing businesses of the Dolphin Group; and • a long-term viable business. (iv) The Proposed Diversification is sought as the Dolphin Group will continue with its existing businesses notwithstanding the Proposed Acquisition, and the new business (i.e., AP F&B) is expected to contribute more than 25% of the net profits of the Group in the future.
Section 5.2	Evaluation of the Purchase Consideration	We noted that the Purchase Consideration (of RM22.0 million): (i) is lower than the range of the fair value for 100% equity interest in AP F&B which ranges from RM22.1 million to RM24.6 million, as appraised by SCA; and

Section in this IAL	**Area of evaluation**	**SCA's comments**
		(ii) is within the range of the fair value for 100% equity interest in AP F&B which ranges from RM20.9 million to RM22.8 million, as appraised by Asia Equity Research; using the free cash flow to equity ("**FCFE**") and relative valuation approach ("**RVA**") methodologies. We have compared our valuation against Asia Equity Research'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 RM1.10 million is intended to reflect AP F&B's restaurant business's expected steady annual income stream for a 12-month period moving forward and thus is line with the implied price earnings ratio or price earnings multiple ("**P/E Multiple**") of the Purchase Consideration of 20.0 times. The implied P/E Multiple of 20.0 times falls within the range of the P/E Multiples of the Comparable Companies (as defined in Section 5.2.1 of this IAL) of 11.8 times and 33.2 times and approximates the average P/E multiple of 19.9 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 AP F&B, discount rate and terminal value adopted by Asia Equity Research are **reasonable** and the valuation of 100% equity interest of AP F&B is **fair**. We are of the view the salient terms of the Profit Guarantee are **reasonable.** We are of the view the Purchase Consideration is **<u>fair</u>** and the basis in arriving at the Purchase Consideration is **<u>reasonable</u>.**
Section 5.3	Evaluation of the issue price of the Consideration Shares	We noted that the issue price of the Consideration Shares of RM0.076 per Share is at the TERP of Dolphin Shares which represents the theoretically adjusted market price of Dolphin Shares up to the LTD, after taking into consideration the Proposed Rights Issue. As the TERP was computed from the 5-day VWAMP of Dolphin Shares up to and including 26 February 2020, being the LTD of RM0.097, we have primarily made reference to the following:

Section in this IAL	Area of evaluation	SCA's comments
		(i) the historical price performance of Dolphin Shares (being the historical VWAMPs of up to 12-months 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 26 February 2019 to the LTD). We noted that Dolphin's Share price was generally trending downwards from RM0.135 being the closing price on 26 February 2019 until the Share price reached its lowest at RM0.085 on 10 September 2019. Subsequently, the Share price was fluctuating until it reached its highest at RM0.16 on 3 January 2020, 6 January 2020 and on 10 February 2020. After that, the Share price continued to decline to RM0.090 being the closing price on the LTD. Premised on our analysis, we are of the view that the issue price for the Consideration Shares is **fair**.
Section 5.4	Evaluation of the issue price of the Rights Shares and exercise price of Warrants B	We noted the following: (i) the issue price of the Rights Share of RM0.06 is at discounts of not more than 36.17% to the TERPs computed based on the historical VWAMP of up to 12-months up to and including the LTD; and (ii) the exercise price of Warrants-B of RM0.08 is at premiums of not more than 9.09% to TERPs computed based on the closing price on the LTD and 5-day VWAMP up to and including the LTD and at discounts of not more than 14.89% to the other TERPs computed based on the historical VWAMPs of up to 1-month, 3-months, 6-months, 9-months and 12-months up to and including the LTD. We are of the opinion that the rationale for the Proposed Rights Issue is **reasonable and not detrimental** to the shareholders of Dolphin as a whole. Thus, based on our analysis, we are of the view that the issue price of the Rights Shares and exercise price of Warrants-B are **fair**.
Section 5.5	Salient terms of the Acquisition SSA	We are of the opinion that the salient terms of the Acquisition SSA are generally **reasonable and not detrimental** to the interests of the non-interested shareholders.
Section 5.6	Effects of the Proposed Acquisition	Based on the Minimum Scenario, the Proposed Rights Issue, Proposed Capitalisation and Proposed Acquisition would result in dilution of

Section in this IAL	Area of evaluation	SCA's comments
		the pro forma shareholdings of the non-interested shareholders of Dolphin. Upon completion of the Proposed Acquisition, the Consideration Shares would represent 19.2% of the enlarged number of Dolphin Shares. The pro forma shareholdings of Asia Poly would increase from 11.0% to 18.3% and Uncle Don's Holdings' pro forma shareholdings would increase from nil to 9.8%. Based on the <u>Maximum Scenario</u>, save for the dilution arising from the assumed exercise of all outstanding Warrants-A and issuance of the maximum number of 29,970,000 new Shares under the Placement completed prior to the Entitlement Date, assuming all shareholders full subscribe for their respective entitlements pursuant to the Proposed Rights Issue, there would be no further dilution to their pro forma shareholdings. The Proposed Capitalisation and 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 13.6% of the enlarged number of Dolphin Shares. The pro forma shareholdings of Asia Poly would increase from 11.0% to 12.9%, and Uncle Don's Holdings' pro forma shareholdings would increase from nil to 6.9%. 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 **<u>not detrimental</u>** to the interest of the non-interested shareholders of Dolphin.
Section 5.7	Industry overview and prospects	The global economy experienced a sharp moderation in the first quarter of 2020. The rapid spread of the COVID-19 virus resulted in the introduction of lockdown and social distancing measures in many major economies. The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020. This was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the MCO in Malaysia. The implementation of the MCO substantially affected business activity, tourism and consumer spending. This led to a sharp slowdown in the

Section in this IAL	Area of evaluation	SCA's comments
		wholesale and retail trade, as well as food and beverages and accommodation sub-sectors. We noted the coronavirus epidemic in China is causing demand for palm oil and palm oil prices to fall. In addition, palm oil had already been under pressure when India restricted imports of refined grades and informally stopped all purchases from Malaysia. Depending on the severity and duration of the coronavirus outbreak, we also noted the slowing macroeconomics amidst the coronavirus outbreak is contributing to an increasingly volatile global economy. We noted that the uncertainties and challenges faced in palm oil industry has affected the Group's core business of provision of milling systems and solutions and supply of parts and maintenance services and the Group's NA is on a down trend. Thus, the entry into the food and beverage service industry via AP F&B represents an attractive investment option as food and beverage is largely consumer staples, which tends to be non-cyclical and subject to smaller market fluctuations compared to the palm oil industry. We note that the food and beverage services industry is expected to be affected by the outbreak of COVID-19, however we concur with the IMR that the long-term prospects and outlook of the food and beverage services industry, after taking into account, 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. AP F&B's prospects and outlook also appear to be promising and the performance of its outlets is expected to stabilise and provide an additional income stream to the enlarged Dolphin Group. Thus, we are of the view that it is **reasonable** for the Dolphin Group to proceed with the Proposed Acquisition.
Section 5.8	Risk factors	We are of the view that the risk factors associated with the Proposed Acquisition have been adequately considered by the Dolphin Group. Nevertheless, we wish to highlight that 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 risk factors as stated in Section 5 of Part B of the Circular will not occur and give rise to material and adverse impact on the business and operations of AP F&B,

Section in this IAL	Area of evaluation	SCA's comments
		its financial performance, financial position or prospects thereon.

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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14 May 2020

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 27 February 2020, Mercury Securities, on behalf of the Board, announced that Dolphin has resolved to undertake, among others, the Proposed Acquisition.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08(2) of the Listing Requirements in view of the interests of the Interested Directors and Asia Poly, being the interested major shareholder of Dolphin, further details of which are set out in Section 8 of Part B of the Circular.

Accordingly, the Board (save for the Interested Directors) has, on 13 January 2020, appointed SCA as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of Dolphin as to whether the Proposed Acquisition is fair and reasonable insofar as the shareholders of Dolphin are concerned, and whether the Proposed Acquisition is to the detriment of the non-interested shareholders as well as whether they should vote in favour of the Proposed Acquisition, in accordance to Paragraph 10.08(3) of the Listing Requirements.

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. As the Proposed Acquisition is inter-conditional with the Proposed Rights Issue, Proposed Capitalisation and Proposed Diversification, our evaluation also encompasses the evaluation of the Proposed Rights Issue, Proposed Capitalisation and Proposed Diversification.

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 (SAVE FOR THE INTERESTED DIRECTORS) AS SET OUT IN PART B 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.

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 B of the Circular and the accompanying appendices;

(ii) the Acquisition SSA dated 27 February 2020 between Dolphin and the Vendors;

(iii) the audited financial statements of Dolphin for the FYEs 31 December 2016 to 2018 and the unaudited quarterly results of Dolphin for the 12-month FPE 31 December 2019 and the previous corresponding period;

(iv) the audited financial statements of AP F&B for the FYEs 31 December 2017 to 2019;

(v) the Business Valuation Report;

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

(vii) the Financial Projections (as defined in Section 5.2.2 of this IAL), other information, documents, confirmations and representations furnished to us by the directors, management and/or representatives of AP F&B ("**Representatives of AP F&B**");

(viii) discussions with the Representatives of Dolphin and Representatives of AP F&B; and

(ix) 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 AP F&B. We have relied on Dolphin as well as its Directors, management and/or representatives and AP F&B as well as its Directors, management and/or representatives 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 Directors) 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, views and recommendation 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 Directors), management and/or representatives of Dolphin as well as Representatives of AP F&B, 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, 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 Acquisition 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 appointed on 13 January 2020 for the Proposed Disposal which is currently pending shareholder's approval; and

(iii) We are a holder of a Capital Markets Services License issued by the SC 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 the Independent Adviser for the past 3 years comprises the following:

(i) IAL dated 24 May 2017 included in the circular of Sin Heng Chan (Malaya) Berhad ("SHC")

Independent advice to the non-interested shareholders of SHC in relation to the proposed acquisition by SHC of 100% equity interest in Tunas Cool Energy Sdn Bhd which is principally involved in the business of supplying cooling energy and related activities for a total cash consideration of RM7.5 million.

(ii) IAL dated 16 October 2017 included in the circular of Amalgamated Industrial Steel Berhad ("AIB")

Independent advice to the non-interested shareholders of AIB in relation to the proposed acquisition of 100% equity interest in Parkwood Sdn Bhd ("**Parkwood**") by AIB from LGB Holdings Sdn Bhd ("**LGB**") and CSLim Holdings Sdn Bhd for a total cash consideration of RM0.71 million together with the settlement sum of the amount owing by Parkwood to LGB of RM19.6 million.

(iii) IAL dated 23 April 2018 included in the circular of Amtek Holdings Berhad ("AHB")

Independent advice to the shareholders of AHB in relation to the proposed disposal by Apparel International Sdn Bhd ("**AISB**"), an indirect wholly-owned subsidiary of AHB, of the inventories and retail fixed assets of its "Crocodile" brand retail business to Crocodile International Sdn Bhd for a final sale consideration of approximately RM5.6 million. The proposed disposal by AISB is deemed a major disposal pursuant to Paragraph 10.11A of the Listing Requirements.

(iv) IAL dated 31 January 2019 included in the circular of Vertice Berhad ("Vertice")

Independent advice to the non-interested shareholders of Vertice in relation to the proposed disposal by Vertice of 60% equity interest in Kumpulan Voir Sdn Bhd to Mr. Seow Khim Soon for a total cash consideration of approximately RM32.62 million and proposed provision of corporate guarantee of up to RM13.10 million for the banking facilities procured by Kumpulan Voir Sdn Bhd.

(v) IAL dated 4 February 2019 included in the circular of YKGI Holdings Berhad ("YKGI")

Independent advice to the non-interested shareholders of YKGI in relation to the proposed disposal by YKGI of its coated coil business to NS BlueScope (Malaysia) Sdn Bhd for a total cash consideration of RM125.0 million.

(vi) IAL dated 6 March 2019 included in the circular to shareholders of Vertice

Independent advice to the non-interested shareholders of Vertice in relation to the proposed acceptance of the award of contract for the construction of Package 2 Project of the Penang Mega Infrastructure Project for a fixed contract sum of RM815.0 million by Buildmarque Construction Sdn Bhd, a joint venture company between Vertice Construction Sdn Bhd (a wholly-owned subsidiary of Vertice) and Vizione Construction Sdn Bhd (a wholly-owned subsidiary of Vizione Holdings Berhad).

(vii) IAL dated 21 February 2020 included in the circular to shareholders 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 consideration of RM10.0 million.

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.

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3. DETAILS OF THE PROPOSED ACQUISITION

The full details of the Proposed Acquisition are set out in Section 2.3 of Part B of the Circular and should be read and fully understood in its entirety by the non-interested shareholders of Dolphin.

In view of the inter-conditionality of the Proposed Acquisition with the Proposed Rights Issue, Proposed Capitalisation and Proposed Diversification, please also refer to the full details of the said proposals as set out in Sections 2.1, 2.2 and 2.4, respectively of Part B of the Circular. They should be be read and fully understood in its entirety by the non-interested shareholders of Dolphin.

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

Save for the Interested Directors and Asia Poly, who is the interested major shareholder of Dolphin and a vendor in respect of the Proposed Acquisition, none of the other Directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposals.

Please refer to Section 8 of Part B of the Circular for the full details.

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 Proposals	Section 5.1
(b)	Evaluation of the Purchase Consideration	Section 5.2
(c)	Evaluation of the issue price of the Consideration Shares	Section 5.3
(d)	Evaluation of the issue price of the Rights Shares and exercise price of Warrants-B	Section 5.4
(e)	Salient terms of the Acquisition SSA	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 Proposals

The rationale of the Proposals is set out in Section 3 of Part B of the Circular.

SCA's commentary

In view of the inter-conditionality of the Proposed Acquisition with the Proposed Rights Issue, Proposed Capitalisation and Proposed Diversification, we have evaluated the rationale of the Proposals.

5.1.1. Proposed Rights Issue

We noted that the Proposed Rights Issue will be undertaken on a Minimum Subscription Level (i.e., based on the Minimum Scenario, it is assumed that none of the outstanding Warrants-A will be exercised prior to the Entitlement Date, no Dolphin Shares are placed out under the Placement prior to the Entitlement Date and the minimum subscription of 213,557,500 Rights Shares by Asia Poly and the underwriters to raise a minimum of RM12.81 million).

The Maximum Scenario assumes that all outstanding Warrants-A will be exercised, the issuance of the maximum number of 29,970,000 new Shares under the Placement has been completed prior to the Entitlement Date and all the Entitled Shareholders and/or their renouncees/transferees fully subscribe for their respective entitlements under the Proposed Rights Issue.

We are of the view that it is unlikely that all Warrants-A will be exercised as the exercise price of Warrants-A at RM0.80 is deeply out-of-the-money while the Placement is not conditional with the Proposed Acquisition. As such, we have primarily made reference to the Proposed Rights Issue based on the Minimum Scenario.

Based on the Minimum Scenario, a minimum of RM12.81 million will be raised and most of the proceeds i.e., RM9.80 million or 76.48% will be utilised to part finance the Proposed Acquisition while RM1.51 million or 12.0% will be allocated to partially fund the SLPOM Project (further details of the SLPOM Project is in Note (ii) of Section 2.1.2 of Part B of the Circular).

Please refer to the Sections 5.1.3 and 5.1.4 of this IAL for our commentary on the rationale for the Proposed Acquisition and Proposed Diversification.

We considered the rationale for the Proposed Rights Issue together with our evaluation of the issue price for the Rights Shares and exercise of Warrants-B in Section 5.4 of this IAL.

5.1.2. Proposed Capitalisation

We noted that the amounts owing to the identified creditors and a shareholder of Dolphin arose due to the events/ purposes as set out in Section 2.2 of Part B of the Circular. The settlement of the said amounts owing will be via the issuance of Settlement Shares at the TERP of Dolphin Shares based on the 5-days VWAMP of Dolphin Shares up to and including the LTD of RM0.076, being the theoretically adjusted market price of Dolphin Shares up to the LTD after taking into consideration the Proposed Rights Issue.

We understand from the Representatives of Dolphin that the said creditors and shareholder were identified based on, among others, the following criteria:

- value of the amount owing is not less than RM75,000; and
- the creditors and shareholder agreed to enter into a settlement agreement with Dolphin based on the terms and conditions as set out therein.

We further noted the following:

	Audited As at 31 December 2018 RM'000	**Unaudited As at 31 December 2019 RM'000**
Trade and other payables:		
- Current	23,629	21,746
- Non-current*	4,103	3,997
Total	27,732	25,743
Capitalised amount	7,196	7,196
Proportion of total trade payables, other payables and accruals	25.95%	27.95%

Note:

* *Including amount owing to directors of RM4.0 million as at 31 December 2019 (as at 31 December 2018: RM3.94 million)*

Based on the above, capitalised amount represents 25.95% and 27.95% of the trade and other payables balances as at 31 December 2018 and 31 December 2019, respectively. Thus, with Proposed Capitalisation, the cash outlays required for payment to the trade and other payables would be reduced accordingly thereby enabling the Group to conserve its cash resources for its operations and reduce its gearing by virtue of the increase in issued share capital.

5.1.3. Proposed Acquisition

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

(i) Opportunity to venture into the food and beverage service industry

As at the LPD, AP F&B is licensed to operate 3 restaurant outlets under the trade name of "Uncle Don's". The 3 restaurant outlets are part of a restaurant chain, "Uncle Don's" where they are licensed with the non-exclusive right to operate under the trade name of "Uncle Don's" together with the associated trademark logo for a period of 5 years with an option to extend for another 5 years upon expiry, according to the Licensing Agreements.

- 2 of the outlets are operational and are located in the Klang Valley i.e., Setia Alam (commenced operations in August 2019) and Danau Desa (commenced operations in December 2019) while the remaining outlet is in Ipoh is currently undergoing renovation. Thus, this provides the Group with an expeditious entry to the food and beverage service industry as the business is already operational.

- As the Dolphin Group has no prior experience in the food and beverage service industry, the Group will be able to leverage on the resources that are in place (such as the necessary renovation, equipment and human resources) as opposed to having to build up its own trade name. Dolphin would also be able to leverage on the expertise of the key personnel of AP F&B to run and manage the new restaurant business.

(ii) Able to consolidated AP F&B's revenue and earnings and reduce dependency on the existing businesses of the Dolphin Group

The Vendors have provided the Profit Guarantee totaling RM2.20 million for the Profit Guarantee Periods. Thus, the consolidation of AP F&B's revenue and earnings would improve the financial performance of the Dolphin Group.

Currently, the Dolphin Group is involved in the sale, design, engineering, development and integration of a wide range of machineries and systems used to deliver and facilitate palm oil milling automation and control processes.

A summary of the Group's financial performance and position is as set out below:

Dolphin Group	**Audited FYE 31 December**			**Unaudited 12-month FPE 31 December**
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	44,136	10,641	13,353	8,387
LAT	(4,622)	(57,291)	(4,247)	(225)
LAT attributable to owners of the Company	(4,626)	(57,139)	(4,230)	(210)
Shareholders' funds/ NA	79,067	26,234	23,948	23,824

Based on the above, the Group has been experiencing decreasing revenues and incurring LAT since the FYE 31 December 2016 until the 12-month FPE December 2019. Thus, the Group's NA is also on a downtrend. Please refer to Appendix XV of the Circular for details on the historical financial performance of the Group.

We noted the Group has taken steps to address the challenges faced in the palm oil milling market such as by securing a new contract for the supply on construction materials for upgrading of facilities at the train cargo terminal in the FYE 31 December 2018 and by focusing on smaller projects and trading of machinery parts which have better margins in the 12-month FPE 31 December 2019. The Group's efforts have been reflected in the lower LAT in the said financial year and period compared to the LAT for the FYE 31 December 2017.

We also noted that the Dolphin Group intends to continue with its existing businesses in the same manner and momentum.

(iii) A long-term viable business

The Board (save of the Interested Directors) views the prospects of the food and beverage service industry positively and is of the view the Proposed Acquisition would provide the Group with a long-term viable business.

5.1.4. Proposed Diversification

The new business segment (being the provision of food and beverage service) is expected to provide an additional income stream to the Group while the Group also intends to continue with its existing business.

In view that the new business segment is expected to contribute more than 25% of the net profits of the Group in the future, Dolphin is seeking a diversification pursuant to Paragraph 10.13 the Listing Requirements.

Premised on our evaluation as set out above, we are of the view that the rationale of the Proposals is **reasonable and not detrimental** to the non-interested shareholders.

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5.2. Evaluation of the Purchase Consideration

The basis and justification for the Purchase Consideration is set out in Section 2.3.2 of Part B of the Circular.

SCA's commentary

We noted that the Purchase Consideration of RM22.00 million (comprising a cash consideration of RM12.0 million and consideration of RM10.0 million to be settled via the issuance of the Consideration Shares at an issue price RM0.076, being the TERP of Dolphin Shares based on the 5-days VWAMP of Dolphin Shares up to and including the LTD after taking into consideration the Proposed Rights Issue) was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the key factors as set out in Section 2.3.2 of Part B of the Circular.

We have compared our valuation against Asia Equity Research's valuation in arriving at our opinion on the fairness of the Purchase Consideration.

We wish to highlight that the cut-off date for our valuation and Asia Equity Research's valuation in arriving at the valuation of AP F&B is 27 February 2020.

We take note of the update on 27 April 2020 as stated in the Business Valuation Report: "*Subsequent to the completion of the Business Valuation Report issued on 27 February 2020, the Malaysian government has implemented a MCO, as a preventive measure towards the COVID-19 pandemic from 18 March 2020 to 9 June 2020. During this period, the outlets operated by AP F&B, in compliance with the MCO had from 18 March 2020 to 31 March 2020, opened for take-aways and deliveries only. From 1 April 2020 until 30 April 2020, AP F&B has temporary ceased operation for both outlets. From 1 May 2020 until 9 June 2020, AP F&B intends to open the two outlets catering for take-aways and deliveries only and monitoring the progress of later announcements by the Malaysian government. AP F&B has estimated the direct loss before tax of approximately RM133,000 from 1 March 2020 until 31 May 2020. You should take note that the fair value ascribed by Asia Equity Research does not consider the direct loss and any potential future negative commercial effects of COVID-19. Until the full economic recovery to the normal circumstance, COVID-19 is expected to have a negative impact on AP F&B and shall translate to a discount to the fair valuation ascribed by Asia Equity Research.*".

Similarly, the fair value ascribed by SCA is based on an on-going normal circumstance as the cut-off date for our valuation is 27 February 2020. Notwithstanding the above, we have also taken into consideration of the potential effects of COVID-19 to the business of AP F&B. We had opted to adopt a more conservative growth rate due to the uncertainty around the virus' future impact on the economy.

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 as set out below.

5.2.1. Valuation of AP F&B

In arriving at the valuation for the entire equity interest of AP F&B, we noted that Asia Equity Research has chosen the FCFE as the appropriate method to be used (primary approach) as AP F&B is cash-based and has less than a full year financial results but requires an estimate of projected sales per outlet to derive the projected revenue. We have also chosen the FCFE approach as our primary approach.

Based on the FCFE approach, the equity valuation of AP F&B is determined based on the present value of AP F&B's projected net cash flows from 1 January 2020 to 31 December 2022 discounted at a specific discount rate.

We wish to highlight that both the equity valuations of AP F&B conducted by Asia Equity Research and SCA was determined based on the present value of AP F&B's projected free cash flows on an on-going normal circumstance.

We noted that Asia Equity Research has chosen the RVA as the secondary approach and to supplement its fair valuation under the primary approach, compares the implied P/E Multiple and implied EV/ EBITDA Multiple of the Purchase Consideration against the P/E Multiples and EV/ EBITDA Multiples of the selected companies listed on listing exchanges that are involved in the food and beverage sector ("**Comparable Companies**"). We have also chosen the RVA methodology as our secondary approach.

In this regard, the implied P/E Multiple of the Purchase Consideration of 20.0 times was derived based on the full year operation of 12 months with 3 outlets from 1 July 2020 to 30 June 2021 where AP F&B is projected to earn a steady state PAT of approximately RM1.10 million and compared against the range of leading P/E Multiple of the Comparable Companies of AP F&B selected by Asia Equity Research of between 11.8 times and 33.2 times with an average of 19.9 times. We have also compared against the range of leading P/E Multiple of the Comparable Companies of AP F&B selected by SCA of between 11.6 times and 39.2 times with an average of 20.8 times. The implied EV/ EBITDA Multiple of AP F&B of 8.4 times was compared against the range of leading EV/ EBITDA Multiple of the Comparable Companies of AP F&B selected by Asia Equity Research of between 7.5 times and 15.3 times with an average of 9.4 times. We have also compared against the range of leading EV/ EBITDA Multiple of the Comparable Companies of AP F&B selected by SCA of between 3.6 times and 7.5 times with an average of 5.8 times.

From the Business Valuation Report, we noted that the selection criteria are listed companies engaging in the food and beverage sector within Malaysia and also companies operating in the food and beverage sector in Singapore, Taiwan, Philippines, Thailand, Hong Kong and Nasdaq US and with market capitalisation less than RM1.0 billion after excluding outliers. Asia Equity Research also evaluated recently announced corporate transactions that Asia Equity Research deemed to be comparable. SCA's selection criteria are listed companies engaging in the food and beverage sector within Malaysia and also companies operating in the food and beverage sector in Singapore and Hong Kong and with market capitalisation less than RM1.0 billion after excluding outliers.

The Comparable Companies we 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 Holding Ltd	Japan Foods Holding 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.
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.
Tang Palace China Holding Limited	Tang Palace (China) Holdings Limited is an investment holding company principally engaged in the restaurants operation and foods production businesses. The brands operated by the Company include Tang Palace Seafood Restaurant, Tang's Cuisine, Tang Palace, Social Place, Canton Tea Room, Ninja Japanese Restaurant, Pepper Lunch, PappaRich. The Company operates through four business segments: the Southern China Region, the Eastern China Region, the Northern China Region and the Western China Region. In addition, the Company also offers venues and catering services for weddings and is involved in the intangible assets holding business through its subsidiaries.

(Source: Reuters.com)

We noted that the total Profit Guarantee amount of RM2.20 million is for a period of 30 months. In the First Profit Guarantee Period, we noted that AP F&B was still building its restaurant business and has in January and February 2020 made full payment of RM1.8 million to the Licensor to procure the licensing rights for the Ipoh outlet and as at the LPD, AP F&B is in the midst of setting up the new restaurant outlet in Ipoh which is currently undergoing renovation. We have inferred that the Profit Guarantee of RM1.10 million is intended to reflect AP F&B’s restaurant business’s expected steady annual income stream for a 12-month period moving forward and thus is line with the implied P/E Multiple of the Purchase Consideration of 20 times.

Taking into consideration the Profit Guarantee is part of the basis and justification for the Purchase Consideration, and AP F&B’s business is cash-based, has only been in operations for less than 1 financial year and is asset-light, we consider the valuation methodologies adopted by Asia Equity Research to be appropriate and reasonable.

A summary of the Comparable Companies as extracted from the Business Valuation Report is as follows:

Country	Comparable Companies	Market capitalisation as at 3 February 2020 (RM million)	Net margin (%)	Cost of equity (%)	P/E Multiple^ (times)	EV/ EBITDA Multiple* (times)
	Median		4.1	9.0	19.0	8.2
	Average		2.6	8.8	19.9	9.4
	Minimum		(8.2)	6.3	11.8	7.5
	Maximum		7.6	10.6	33.2	15.3
Malaysia	Berjaya Food Berhad	459	3.9	6.3	19.1	7.5
Malaysia	Oversea Enterprise Berhad	30	(8.2)	9.2	-	15.3
Singapore	ST Group Food Industries Holdings Ltd (“**STGFIHL**”)	177	3.7	8.8	33.2	9.4
Singapore	Jumbo Group Ltd	607	7.6	8.2	16.6	8.1
Taiwan	La Kaffa International Co Ltd	896	4.3	10.6	19.0	8.1
Philippines	Max’s Group Incorporated	878	4.5	9.8	11.8	8.1

(Source: Business Valuation Report)

A summary of the Comparable Companies as selected by SCA is as follows:

Country	Comparable Companies	Market capitalisation as at 3 February 2020 (RM million)	Net margin (%)	P/E Multiple^ (times)	EV/ EBITDA Multiple* (times)
	Median		5.2	19.1	6.5
	Average		5.4	20.8	5.8
	Minimum		2.4	11.6	3.6
	Maximum		9.6	39.2	7.5
Malaysia	Berjaya Food Berhad	459	3.9	19.1	7.5
Singapore	Japan Foods Holding Ltd	219	5.2	20.5	7.2
Singapore	Kimly Ltd	812	9.6	13.5	6.5
Singapore	Soup Restaurant Group Ltd	124	2.4	39.2	4.4
Australia	Tang Palace China Holding Limited	578	5.7	11.6	3.6

(Source: Bloomberg and published historical financial results as announced up to 3 February 2020)

Notes:

^ *P/E Multiple represents the ratio of the market value of a company’s shares relative to its earnings per share.*

* *EV/EBITDA Multiple is a ratio used to determine the value of a company and is computed by dividing enterprise value by earnings before interest, taxes, depreciation, and amortisation.*

	P/E Multiple of the Comparable Companies selected by Asia Equity Research (times)	P/E Multiple of the Comparable Companies selected by SCA (times)	EV/EBITDA Multiple of the Comparable Companies selected by Asia Equity Research (times)	EV/EBITDA Multiple of the Comparable Companies selected by SCA (times)
Minimum	11.8	11.6	7.5	3.6
Maximum	33.2	39.2	15.3	7.5
Average	19.9	20.8	9.4	5.8

SCA's commentary:

The range of leading P/E Multiple of the Comparable Companies of AP F&B selected by Asia Equity Research of between 11.8 times and 33.2 times with an average of 19.9 times. We have also compared against the range of leading P/E Multiple of the Comparable Companies of AP F&B selected by SCA of between 11.6 times and 39.2 times with an average of 20.8 times which is slightly higher than the implied P/E Multiple of the Purchase Consideration of 20.0 times. However, we are of the opinion that the implied P/E Multiple of the Purchase Consideration of 20.0 times is **fair** as it falls between the range of leading P/E Multiple of the Comparable Companies of AP F&B selected by SCA of between 11.6 times and 39.2 times.

The range of leading EV/EBITDA Multiple of the Comparable Companies of AP F&B selected by Asia Equity Research of between 7.5 times and 15.3 times with an average of 9.4 times. We have also compared against the range of leading EV/EBITDA Multiple of the Comparable Companies of AP F&B selected by SCA of between 3.6 times and 7.5 times with an average of 5.8 times which is lower than the implied EV/EBITDA Multiple of AP F&B of 8.4 times. The high implied EV/EBITDA Multiple of AP F&B of 8.4 times means that the company is potentially overvalued relative to the Comparable Companies selected by SCA.

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 AP F&B 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 which includes food processing, supply and distribution of food products and ingredients services segments across several different jurisdictions and subject to different risks. Hence, we are of the opinion that the relative high implied EV/EBITDA Multiple of AP F&B of 8.4 times is justifiable as 2 of its outlets are located in Klang Valley and another new outlet is located in Ipoh, Perak, all locations have vibrant and robust environment which is optimal to grow food and beverage services businesses.

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5.2.2. FCFE approach

In determining the indicative value of the entire equity interest of AP F&B under the FCFE approach, the key bases and assumptions provided by the Representatives of AP F&B and adopted by Asia Equity Research in the Business Valuation Report 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 AP F&B ("Financial Projections")</u>

Bases and assumptions of the Financial Projections:	SCA's commentary
The Representatives of AP F&B assumes full responsibility for the accuracy, completeness and reliability of the Financial Projections as well as the reasonableness of the underlying bases and assumptions used therein.	We note that AP F&B assumes full responsibility for the accuracy, completeness and reliability of the Financial Projections as well as the reasonableness of the underlying bases and assumptions. Notwithstanding the above, SCA has evaluated and made various enquiries to the Representatives of AP F&B to obtain a proper understanding of the business and operations of AP F&B, the derivation of the bases and assumptions and how such bases and assumptions are reflected in the Financial Projections.
As AP F&B has been in operations for less than 1 financial year, generated a GP of RM0.55 million and GP margin of 34% and incurred a LAT of RM0.56 million. The underlying bases and assumptions used therein have been based on the Licensor's other outlets that have been in operations for a longer period. As AP F&B's 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 the Licensor's other outlets.	We note that the Licensor's other outlets does not need to pay the initial fee, royalty and licensing fee, unlike AP F&B. In the Business Valuation Report in Appendix XI of the Circular, the Independent Valuer stated that the additional fees such as royalty and licensing fees were separately factored in the projections furnished by AP F&B. The Independent Valuer also stated that they are not able to compare the financials for other franchised outlets not operated by D&D F&B as all their financials are not publicly available and D&D F&B is also not able to furnish the financials for outlets that are not operated by them. Therefore, the only option to make estimations for the financial projections for the 3 new outlets operated by AP F&B is based on the past performance of other Uncle Don's outlets owned by D&D F&B. We take note that AP F&B had to pay initial fee, royalty and licensing fee amounting to an estimate of RM4.7 million. However, unlike the other franchised outlets not operated by D&D F&B, the Vendors had undertaken to

Bases and assumptions of the Financial Projections:	SCA's commentary
	guarantee that AP F&B shall achieve a minimum PAT of RM1.1 million in each of the First Profit Guarantee Period and Second Profit Guarantee Period. The Management is of the opinion that the outlets owned by D&D F&B are appropriate comparables due to the following: (i) the initial and licensing fee paid by AP F&B is utilised for the building and fitting out of an "Uncle Don's" outlet which is similar to the cost of D&D F&B incurred to build and fit out its own outlet. AP F&B does not incur any additional renovation, building, fit out expenses as it is all covered by the initial licensing fee; (ii) the royalty of RM450,000 has already been prepaid and will be expensed out and amortised at the rate of RM7,500 per month which is not a material amount; (iii) the deposit of RM150,000 is fully refundable; (iv) D&D F&B has the longest operational outlets to enable a proper and fair assessment of past performances; and (v) Post-acquisition, the operations of AP F&B shall be managed by common support team members of D&D F&B who are supporting D&D F&B's outlets and headed by Mr. Kannan Mahadhavan, the existing senior manager of AP F&B. Additionally, the Management is of the opinion that the outlets not owned by D&D F&B are not appropriate comparables due to the following: i) they are much newer, most being only a few months in operation, without sufficient past performances to adequately form a comparable nor to base projections on; ii) the outlet of the other licensees is most likely only a part of those companies' business and so the financial accounts from them would not accurately reflect the Uncle Don's business module; iii) they are not run by the same team as AP F&B and D&D F&B and are free to use different methods in running the business and account methods towards their own company interests and directions; and iv) the other licensees have merely invested in an Uncle Don's outlet with no knowledge of the food and beverage service business and

Bases and assumptions of the Financial Projections:	SCA's commentary
	their accounts may not be an accurate comparison due to mismanagement, pilferage and wastage, etc. Taking account of the above, we are of the opinion that in due time, the 3 new outlets operated by AP F&B will be able to generate sufficient profits to recover the start-up costs of the initial fee, royalty and licensing fee. Additionally, the outlets operated by other licensees may have faced teething problems having to incur additional pre and post-opening start-up expenses hence their revenue and profits may not be accurately reflected.
The Gross Profit Margin of 40% is adopted based on the past historical performances of comparable 5 outlets owned by D&D F&B, located at Taman Tun Ismail, SS2, Taipan, Hartamas and Solaris.	We take note that these 5 outlets owned by D&D F&B, are more established, with a longer operation history and different locations. However, as mentioned above, we are not able to compare the financials for other franchised outlets not operated by D&D F&B. Therefore, we are unable to acquire information such as the gross profit margin for those outlets. 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 D&D F&B have been building the brand and their efforts will overflow into enhancing the marketability and profitability of the outlets operated by AP F&B.
<u>Major bases and assumptions</u> (i) The main driver for revenue is the average sales per month. AP F&B currently has 2 outlets, 1 in Danau Desa and 1 in Setia Alam that have been operating since August 2019 and December 2019, respectively. The new outlet in Ipoh is currently undergoing renovation. In determining the projected revenue, the Representatives of AP F&B has considered the following: • analysis of past performance of the Licensor's outlets, of which there are 5 such outlets; • average sales per month for AP F&B's 2 operating outlets at Danau Desa and Setia Alam; and	In assessing the major bases and assumptions for the Financial Projections, we noted the following: (i) Based on the latest unaudited financial results of the Licensor for the FYE 31 December 2019: • the average sales per month of all the Licensor's 5 outlets was RM325,000; • the average sales per month for 2 outlets of the Licensor's that are larger in size relative to the other 3 outlets was RM464,000; and • the gross profit ("**GP**") margin and net profit margin for 1 of the outlets that the Representatives of AP F&B considered and made reference to in the preparation of the Financial Projections were 40% and 9.0%, respectively. (ii) Based on the latest unaudited financial results of AP F&B for the FYE 31 December 2019:

Bases and assumptions of the Financial Projections:	SCA's commentary
• business strategies, plan layout, capacity, location, design, demographics of AP F&B's 3 locations.	• the average sales per month for the 2 operating outlets was RM360,000; • GP was RM0.55 million and GP margin was 34%; and • LAT was RM0.56 million.

Bases and assumptions of the Financial Projections (continued):

Based on the above, the Representatives of AP F&B assumed as follows:

	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022 and thereafter
Average sales per month per outlet in RM	380,000	400,000	405,000 to 415,000

(ii) Cost of sales is assumed at 60% which translates to a GP margin of 40%, based on past performance of the Licensor's 5 outlets.

(iii) The revenue, net profit and net profit margin for the Financial Projections are as follows:

	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022
Revenue in RM	12,160,000	14,400,000	14,760,000
Net profit in RM	802,404	1,113,457	1,102,953
Net profit margin (%)	6.6	7.7	7.5

SCA's commentary (continued):

(iii) We understand from the Representatives of AP F&B that in addition to the historical financial performance of the Licensor's and AP F&B's outlets, other factors such as the following were considered in the preparation of the Financial Projections:

- growing brand recognition for "Uncle Don's" as evidenced by the increase in demand for licensing of the brand;
- business strategies and future marketing plans* which would increase patronage and sales of the outlets;
- plan layout, capacity, location, design and demographics of AP F&B's 3 locations; and
- an outlet's business generally needs 6 months to achieve a steady flow as marketing and promotion plans are implemented to create awareness of an outlet.

* *Such business strategies and future marketing plans include, among others, the following:*

- *introduction of all platforms of electronic wallet (e-wallet) payment by the Licensor at the outlets along with tie-ins with several online sales and marketing gateways that are all currently being negotiated;*
- *recently launched food delivery options by the Licensor with both Food Panda and GrabFood and sales from these are expected to compensate the ebb during this period of the coronavirus scare and to increase sales when this scare is over; and*
- *other advertising and promotional efforts undertaken by the Licensor.*

(Source: Representatives of AP F&B)

As at the LPD, there are 16 restaurant outlets under the Uncle Don's restaurant chain (including those operated by AP F&B) of which 15 of them are located in the Klang Valley and 1 in Penang.

Bases and assumptions of the Financial Projections:	SCA's commentary
	Of the 16 outlets, 5 are operated and owned by the Licensor and the balance 11 are operated by the respective licensees (which includes AP F&B's 2 outlets). We also understand from the Representatives of AP F&B that in addition to the 11, the Licensor has granted 5 more new licensed outlets at various stages of construction, 1 of which is the Ipoh outlet licensed to AP F&B. (iv) Continuity of key personnel of AP F&B Although the Dolphin Group has no prior experience in the food and beverage service industry, it will be able to leverage on the competency and experience of Ian Ong Ming Hock, the key director of AP F&B and Kannan Mahadhavan, the senior manager of AP F&B, whom will continue to run and manage the restaurant business of AP F&B. (v) Findings set out in the IMR Report prepared by PROVIDENCE • "*Dolphin will be operating in the full-service restaurant segment.* • *The overall F&B service market size in Malaysia, depicted by food service value, grew from RM33.1 billion in 2014 to an estimated RM41.6 billion in 2019, registering a CAGR of 4.7%.* • *As a subset of the overall F&B service market, the full-service restaurant segment is estimated to have accounted for 58.2% of the total market size in 2019. The full-service restaurant segment was estimated to grow at a CAGR of 3.5% during the period of 2014 to 2019, from RM20.4 billion to an estimated RM24.2 billion. Moving forward, the full-service restaurant segment is forecast to reach RM25.4 billion in 2022, growing from an estimated RM24.4 billion in 2020 at a CAGR of 2.0%. The segment is expected to be adversely impacted by the global outbreak of COVID-19 in 2020. The implementation of the national lockdown policy to curb the spread of the virus in the country has restricted dining out at full-service restaurants. Nevertheless, the segment is expected to recover in the following years as it will 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*

Bases and assumptions of the Financial Projections:	SCA's commentary
	range of cuisines as well as the use of applications and electronic wallets. • *The competitive landscape of the full-service restaurant segment of the food and beverage service market in Malaysia is large and fragmented.*" Based on the above, we deduce the growth prospects for Dolphin to venture into the food and beverage service industry via AP F&B appear positive notwithstanding it will be a competitive venture.
(iv) Administrative expenses are based on estimated running cost for all the 3 AP F&B outlets with an assumed annual inflation cost of 3.0% as follows: • RM3.11 million from 1 January 2020 to 31 December 2020; • RM3.60 million from 1 January 2021 to 31 December 2021; and • RM3.76 million from 1 January 2022 to 31 December 2022, which comprises mainly staff costs, rental and utilities.	We noted that the staff cost was derived mainly from the average monthly salary and related expenses and rental cost was based on the month rental of the 3 outlets. In considering the assumed annual inflation cost of 3.0%, we noted the following: *Consumer Price Index ("**CPI**") increased 1.6% in January 2020 to 122.4 as against 120.5 in the same month of the preceding year. The increase in the overall index was driven by the index of transport (3.9%), miscellaneous goods & services (2.5%), housing, water, electricity, gas & other fuels (1.7%), education (1.7%) and communication (1.5%).* *Three states namely Selangor & Wilayah Persekutuan Putrajaya (2.1%), Wilayah Persekutuan Kuala Lumpur (1.8%) and Johor (1.8%) surpassed the national CPI rate of 1.6 per cent in January 2020 as compared to the same month in the preceding year.* *(Source: Press Release CPI Malaysia January 2020, Department of Statistics Malaysia)* Based on the above, we are of the view that the assumed annual inflation rate of 3.0% is prudent and reasonable for the Financial Projections as 2 of AP F&B 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 AP F&B's business.

Bases and assumptions of the Financial Projections:	**SCA's commentary**
(v) Turnover periods: • trade receivables turnover period - 10 days • trade payables turnover period – 60 days • inventory turnover period – 5 days	We noted that the Representatives of AP F&B has adopted the said turnover periods after taking into consideration the historical performance of AP F&B, the Licensor's 5 outlets and the expectation of its future performance.
General bases and assumptions: (i) No major interruption in the operations of the outlets due to any external factors that disrupts the supply of food by the Licensor to the outlets owned by AP F&B. (ii) No major variation in the major assumptions used in deriving the average outlet sales per month for AP F&B's 3 outlets. (iii) No significant changes to the general economy, inflation rate, taxation rate, labour supply, political scenario both domestic and globally. (iv) No present and future contingent liabilities / claims made against AP F&B and there are no events that affect the trade name of "Uncle Don's". (v) Tax is assumed at 24% on the profit before tax.	We are of the view the general bases and assumptions appear **reasonable** as the business AP F&B is expected to continue as a going concern.

We note that AP F&B has been in operations for less than 1 financial year, generated a GP of RM0.55 million and GP margin of 34% but incurred a LAT of RM0.56 million. Based on the Financial Projections, AP F&B shall achieve a minimum PAT of RM1.1 million in each of the First Profit Guarantee Period and Second Profit Guarantee Period. In addition, as AP F&B's 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 the Licensor'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, among others, its ability to generate sales, location, customer base and effectiveness in the management of each outlet.

As such, taking into consideration the average historical sales per outlet of the Licensor and AP F&B, AP F&B's GP of RM0.55 million and GP margin of 34% for the FYE 31 December 2019, business strategies and future market plans, continuity of key personnel of AP F&B as well as the growth prospects in the IMR, 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 FCFE approach.

For the purpose of valuing AP F&B, we noted that Asia Equity Research adopted the terminal value of RM 21.9 million, which was derived by applying 0.20% perpetual growth rate on the projected free cash flows to equity of AP F&B achieved at the terminal year ending by 31 December 2022.

We note from the Business Valuation Report that: "*At the end of the projection period, it is assumed that AP F&B shall continue to operate 3 outlets. As at the date of the Business Valuation Report, AP F&B has 2 operating outlets and one new outlet in Ipoh scheduled to operate in second quarter of 2020. From FYE 2021 onwards, it is assumed that all the 3 outlets have achieved its annual steady state growth and grow at a conservative annual growth rate of 0.20% annually. It is assumed that all the cash surpluses are paid out as dividend instead of being used to open up new outlets or expansion. The terminal value is equivalent to an implied forward P/E for FYE 2020 of 19.9 times. From the set of Comparable Companies, we noted that the implied forward P/E is within the range of the P/E of the Comparable Companies from 11.8 times to 33.2 times*."

We note that the business concept of AP F&B is different from some of the comparable companies. According to the IMR Report: "*The competitive landscape of the full-service restaurant segment of the F&B service market in Malaysia is large and fragmented. As AP F&B will be operating D&D F&B's "Uncle Don's" outlets on a licence model basis post the Proposed Acquisition, the IMR Report has identified industry players which are also chain based full-service restaurants, particularly those that serve both alcoholic beverages and meals.*"

It is not possible 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. As we are unable to find a public listed company with which fits the restaurant profile of D&D F&B of serving alcoholic beverages as well as western and Asian meals, STGFIHL was the most similar consumer-based comparable company as STGFIHL has full-service restaurants namely, Papa Rich chain of restaurants and also their food products sold cater to the Malaysian market*.

Note:

* *STGFIHL carries a number of brands which are also sold in Malaysia such as PappaRich, Pafu, Kurimu, NeNe Chicken, Hokkaido Baked Cheese Tart, Gong Cha, Ippudo and iDarts and hence is considered a suitable comparable company. STGFIHL owns the exclusive franchise and license to six international food and beverage brands or concepts in Australia, Malaysia, New Zealand and United Kingdom. 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: Business Valuation Report)

We understand from the Representatives of AP F&B that the Financial Projections were prepared for 3 financial years i.e., from FYE 31 December 2020 to FYE 31 December 2022 in view of the Profit Guarantee Periods (i.e., from 1 January 2020 to 30 June 2022). Thus, we opine that 3 financial years would be a reasonable period as the valuation would be subject to less uncertainty.

SCA's evaluation:

For the purpose of valuing AP F&B, we have adopted the terminal value based on annual sustainable growth rate of 0.10%. We opted to adopt a more conservative growth rate due to the uncertainty around the coronavirus' future impact on the economy. Should the pandemic last through 2020, we are of the opinion that spending on things like eating out and other entertainment could be the first to suffer, hence we opted to adopt a more conservative growth rate of 0.10%.

We are of the opinion that Asia Equity Research's adoption of the following is reasonable and close to the terminal values adopted by SCA:

- Terminal value of RM20,520,453 (based on the lower range value) for FYE 31 December 2022 in arriving at the lower range value of RM20.9 million; and

- Terminal value of RM22,739,461 (based on the upper range value) FYE 31 December 2022 in arriving at the upper range value of RM22.8 million.

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.

While we are mindful that the shareholders of Dolphin may continue to invest and support the enlarged Dolphin Group beyond the 3 financial years projection period, its 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 AP F&B, Asia Equity Research and SCA had discounted the projected FCFE of AP F&B at a cost of equity (“**Ke**”) that was derived from the Capital Asset Pricing Model (“**CAPM**”) based on the following parameters:

	Parameters	Applied by Asia Equity Research	Applied by SCA	SCA’s commentary
(i)	Valuation cut-off date	27 February 2020	27 February 2020	The valuation cut-off date is 27 February being the date that Dolphin entered into the Acquisition SSA with the Vendors.
(ii)	Risk free rate (“**Rf**”) The Rf represent the expected rate of return from a risk-free investment.	Rf = 3.123% *(Source: Bloomberg)*	Rf = 3.133% *(Source: Bank Negara Malaysia)* We have adopted the 10-year Malaysia Government Securities (“**MGS**”) yield as at 3 February 2020.	We noted that the Rf is consistent with the 10-year MGS yield as at 3 February 2020. *(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 = 9.724% *(Source: Bloomberg)* ERP = 6.601% (Rm – Rf)	Rm = 9.724% *(Source: Bloomberg)* ERP = 6.591% (Rm – Rf)	We noted that the Rm is based on the Malaysian market return for the past 10 years up to 3 February 2020.
(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	Relevered β = 0.507	Relevered β = 0.52 As AP F&B is not a listed company, we had extracted the average unlevered β of the Comparable Companies as a proxy of the unlevered β for AP F&B which is equivalent to	We noted that Asia Equity Research adopted the median β (which is STGFIHL’s β) and computed the unlevered β of the food and beverage sector in Malaysia. We are agreeable to the adoption of STGFIHL as a benchmark company as STGFIHL has

	Parameters	Applied by Asia Equity Research	Applied by SCA	SCA's commentary
	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.		0.45. The unlevered β for AP F&B was then relevered according to the average 3-year capital structure for each financial year in the Financial Projections, which translates to levered β of 0.52*.	full-service restaurants namely, Papa Rich chain of restaurants and also their food products sold cater to the Malaysian market which is similar to food and beverage products served in the "Uncle Don's" outlets which are western and asian cuisines and both restaurant chains cater for a consumer segment which is largely family based. We further noted STGFIHL is a food and beverage group headquartered in Australia successfully listed on the Singapore Exchange (SGX), Catalist Board on 3 July 2019. Thereon, Asia Equity Research has applied the unlevered β of the industry to determine the levered β of AP F&B. As AP F&B's projected financing mix is funded entirely by equity, the levered β is similar to the unlevered β.
(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 = 8.50% to 8.75% Ke = 3.123% + 0.507 (6.601%) +2.25% = 8.75% (for the lower range value) Ke = 3.123% + 0.507 (6.601%) + 2.0% = 8.50% (for the upper range value)	Ke = 8.56% to 9.56% Ke = 3.133%+0.52(6.591%)+3% = 9.56% (for the lower range value) Ke = 3.133%+0.52(6.591%)+2% = 8.56% (for the upper range value) We have included a specific risk of 2% to 3% to arrive at the Ke to account for specific risk inherent a private company as compared with a listed company. In addition, AP F&B has yet to generate profit for 1 financial year.	We noted that Asia Equity Research included a specific risk of 2.00% to 2.25% to arrive at the Ke to account for specific risk inherent a private company as compared with a listed company. In addition, AP F&B has been in operations for less than 1 financial year.

Based on our evaluation of the discount rate, we are of the view that the discount rate of 8.50% to 8.75% adopted by Asia Equity Research in arriving at the valuation of AP F&B is **reasonable** as it is close to the discount rate adopted by SCA of 8.56% to 9.56%.

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Sensitivity analysis

Based on the underlying assumptions for the Financial Projections, Asia Equity Research has also performed a sensitivity analysis on the average monthly sales per outlet, discount rate, terminal value and FCFE. This serves to illustrate how the valuation can change due to changes in the key assumptions such as the assumptions of average sales per outlet per month.

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 of AP F&B 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 AP F&B, discount rate and terminal value adopted by Asia Equity Research are **reasonable**, we are of the opinion that the valuation of the entire equity interest of AP F&B of between RM20.9 million to RM22.8 million by Asia Equity Research based on the FCFE is **fair** as it is lower than the valuation of the entire equity interest of AP F&B of between RM22.1 million to RM24.6 million by SCA.

5.2.3. Profit Guarantee

The salient terms of the Profit Guarantee are set out in Section 2.3.1 of Part B of the Circular.

SCA's commentary

The breakdown of the Profit Guarantee is as follows:

Profit Guarantee Periods	**Profit Guarantee**	**Balance of the Purchase Consideration**	
		Uncle Don's Holdings portion	**Asia Poly's portion**
	RM'000	**RM'000**	**RM'000**
First Profit Guarantee Period	1,100	561	539
Second Profit Guarantee Period	1,100	561	539
Total	2,200	1,122	1,078
Agreed proportions of the Vendors	(A)	(B) = A x 51.0%	(C) = A x 49.0%

We noted that RM2.20 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 2.3.1 of Part B of the Circular.

Thus, not more than RM1.10 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 RM1.10 million will be paid upon AP F&B 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 AP F&B and the Proposed Acquisition would contribute positively to the Dolphin Group's earnings over the Profit Guarantee Period.

We also noted that should AP F&B suffer an aggregate loss for the Profit Guarantee Periods, Dolphin shall be discharged from paying to the Vendors the balance of the Purchase Consideration or any remaining Balance Purchase Consideration and Vendors shall compensate Dolphin for the aggregate loss in the above agreed proportions.

We further noted that the PAT achieved or LAT suffered by AP F&B for the Profit Guarantee Periods shall be based on AP F&B's audited financial statements for each of Profit Guarantee Periods.

Based on the above, we are of the view the salient terms of the Profit Guarantee are **reasonable**.

5.2.4. Prospects of AP F&B

The prospects of AP F&B are set out in Section 4.4 of Part B of the Circular.

<u>SCA's commentary</u>

As mentioned in our evaluation in Section 5.2.2 of this IAL, from the findings of the IMR Report by PROVIDENCE, we deduce the growth prospects for Dolphin to venture into the food and beverage service industry via AP F&B appear positive notwithstanding it will be a competitive venture.

Nevertheless, we noted that as part of the larger group, AP F&B stands to benefit from various economies of scales such as the brand recognition of Uncle Don's, bulk purchases from central kitchen at competitive prices and start-up supports from the Licensor. We take into consideration that AP F&B may not be able to source its own ingredients due to the centralized kitchen system. However, taking into account of the Licensor's extensive expertise and experience in the food and beverage services industry, we concur that this would enable AP F&B to better compete and facilitate its expansion further in the food and beverage services industry compared to other smaller restaurant chain and/or independent restaurant owners. There is no restriction for AP F&B to operate more "Uncle Don's" outlets, should AP F&B have future plans to do so.

We further noted the importance for the outlets to have strategic locations such as being surrounded by residential areas, shopping complexes and commercial complexes as well as being able to strategically tap into a highly populated area among the locals and tourists. In addition, AP F&B's 3 outlets are large enough to host individual or corporate events and functions which will further contribute positively to its restaurant sales.

We also noted the growing proliferation of food delivery options, on-line sales and marketing gateways and e-wallet payments are expected to contribute positively to restaurant sales.

Taking into consideration the above, AP F&B's 2 existing outlets (1 in Setia Alam and 1 in Danau Desa) have been in operations for less than 1 financial year and is generating a GP of RM0.55 million and GP margin of 34%, the outlet in Ipoh is currently undergoing renovation, the expectation that their performance would stabilise and provide an additional income stream to the enlarged Dolphin Group moving forward, we concur that the prospects and outlook appear to be promising.

We take note that Section 4.4 of Part B of the Circular states the following: *"Nevertheless, the short-term prospects of AP F&B appear to be challenging due largely to the recent global outbreak of COVID-19, which has adversely impacted the prospects of global economies as many countries around the world, including Malaysia, implemented national lockdown policy to curb the spreading of COVID-19. This has resulted in, amongst others, lower industrial productions, lower business activities as well as disruption of supply chains worldwide.*

Notwithstanding, as set out in Section 4.1 of Part B of the Circular, the Malaysian Government and Bank Negara Malaysia has undertaken several economic measures to cushion the headwinds arising from the COVID-19 pandemic. With the economic stimulus packages in place as well as other economic easing measures that may be undertaken by other countries to stimulate the growth of their respective economies, it is envisaged that the domestic and/or global economies may progressively recover in the foreseeable future, which in turn, would enable AP F&B to alleviate the adverse impacts arising from the global outbreak of COVID-19."

We concur with the Board (save for the Interested Directors) that the long-term prospects and outlook of AP F&B, after taking into account, 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.

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. Evaluation of the issue price of the Consideration Shares

The basis and justification for the issue price of the Consideration Shares are set out in Section 2.5(ii) of Part B of the Circular.

SCA's commentary

The Proposed Acquisition will be undertaken after the Proposed Rights Issue. We note that the issue price of the Consideration Shares of RM0.076 per Share is at the TERP based on the 5-day VWAMP of Dolphin Shares up to and including the LTD (of 26 February 2020) which represents the theoretically adjusted market price of Dolphin Shares, after taking into consideration the Proposed Rights Issue.

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 RM0.076 against:

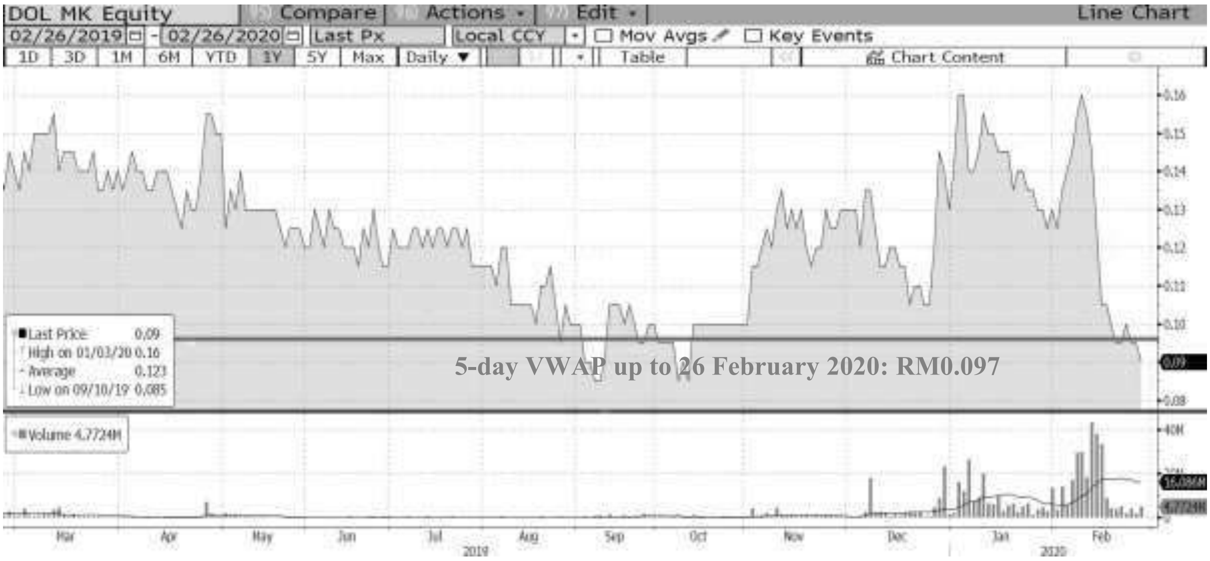
- closing price of Dolphin Shares on the LTD of RM0.090;
- 5-day VWAMP of Dolphin Shares up to and including the LTD of RM0.097; and
- TERP of Dolphin Shares, based on the respective VWAMP's as set out in the table below:

Basis of comparison based on	VWAMP / Closing price	TERP	Premium/ (discount) of the issue price of RM0.076 over the respective TERPs	
	RM	RM	RM	%
Closing market price on the LTD	0.090	0.073	0.003	3.64%
5-day VWAMP up to and including the LTD	0.097	0.076	-	(0.29%)
VWAMP for the 1-month up to and including the LTD	0.134	0.093	(0.017)	(18.14%)
VWAMP for the 3-months up to and including the LTD	0.137	0.094	(0.018)	(19.15%)
VWAMP for the 6-months up to and including the LTD	0.136	0.094	(0.018)	(19.15%)
VWAMP for the 9-months up to and including the LTD	0.136	0.094	(0.018)	(19.15%)
VWAMP for the 12-months up to and including the LTD	0.136	0.094	(0.018)	(19.15%)

(Source: Bloomberg)

Based on the above, we noted that the issue price of the Consideration Shares is at discounts not higher than RM0.018 or 19.15% when compared to the TERPs of the VWAMPs for the 1-month, 3-months, 6-months, 9-months and 12-months up to and including the LTD and a slight premium of RM0.003 or 3.64% to the TERP of Dolphin Shares of the closing market price on the LTD.

We also considered the daily closing prices of Dolphin Shares from 26 February 2019 (being the first trading day of the 12-month period prior to the LTD) up to and including the LTD ("**Review Period**") as set out below. We are of the view that the Review Period which covers a full year up to the LTD represents a reasonable period to provide a general overview of the historical trend of Dolphin's share price when assessing the issue price for the Consideration Shares.



(Source: Bloomberg)

As shown in the chart, the closing prices of the Dolphin Shares ranged from RM0.085 to RM0.16 with an average closing price of RM0.123 per Share.

The issue price of the Consideration Shares of RM0.076 was arrived at based on the TERP of the 5-day VWAMP up to and including the LTD after taking into consideration the Proposed Rights Issue. As the TERP represents the theoretically adjusted Dolphin's share price, we have considered Dolphin's share price based on the 5-day VWAMP up to and including the LTD of RM0.097 and noted that the said share price:

- represents a discount of 21.54% to the average closing price of RM0.123;
- represents a discount of 39.69% to the maximum closing price of RM0.160; and
- represents a premium of 13.53% to the minimum closing price of RM0.085.

We also noted that Dolphin's Share price was generally trending downwards from RM0.135 being the closing price on 26 February 2019 until the Share price reached its lowest at RM0.085 on 10 September 2019. Subsequently, the Share price was fluctuating until it reached its highest at RM0.16 on 3 January 2020, 6 January 2020 and on 10 February 2020. After that, the Share price continued to decline to RM0.090 being the closing price on the LTD.

In view of the above-mentioned decline in Dolphin's Share price, the issue price of the Consideration Shares is at discounts not higher than RM0.018 or 19.15% when compared to the TERPs of the VWAMPs for the 1-month, 3-months, 6-months, 9-months and 12-months up to and including the LTD.

Nevertheless, the issue price of the Consideration Shares of RM0.076 per share is at the TERP of the 5-day VWAMP up to and including the LTD Dolphin Shares which represents the theoretically adjusted current market price of Dolphin Shares then, after taking into consideration the Proposed Rights Issue.

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 the Dolphin Group, to the extent of the additional new Dolphin Shares to be issued to the Vendors. Nevertheless, going forward, such dilution impact may be mitigated through potential contribution of AP F&B 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**.

5.4. Evaluation of the issue price of the Rights Shares and exercise price of Warrants B

The basis and justification for the issue price of the Rights Shares are set out in Section 2.5(i) of Part B of the Circular.

The basis and justification for the exercise price of Warrants-B are set out in Section 2.6 of Part B of the Circular.

SCA's commentary

Based on the Minimum Scenario, a minimum of RM12.81 million will be raised and most of the proceeds i.e., RM9.80 million or 76.48% will be utilised to part finance the Proposed Acquisition while RM1.51 million or 12.0% will be allocated to partially fund the SLPOM Project (further details of the SLPOM Project is in Note (ii) of Section 2.1.2 of Part B of the Circular).

As mentioned in Section 5.1.1 of this IAL, we have primarily made reference to the Proposed Rights Issue based on the Minimum Scenario.

The issue price of RM0.06 for the Rights Shares was arrived at based on a discount of RM0.016 or 21.1% over the TERP of Dolphin Shares based on the 5-days VWAMP of Dolphin Shares up to and including the LTD (of 26 February 2020) of RM0.076.

The exercise price of RM0.08 for Warrants-B was arrived at a premium of RM0.004 or 5.3% over the TERP of Dolphin Shares based on the 5-days VWAMP of Dolphin Shares up to and including the LTD of RM0.076.

In assessing the fairness and reasonableness of the issue price of the Rights Shares and exercise price of Warrants-B, we have primarily made reference to the historical share price performance of Dolphin Shares. We have compared the issue price of the Rights Shares and exercise price of Warrants B against:

- closing price of Dolphin Shares on the LTD of RM0.090;
- 5-day VWAMP of Dolphin Shares up to and including the LTD of RM0.097; and
- TERP of Dolphin Shares, based on the respective VWAMP's as set out in the table below:

Basis of comparison based on	VWAMP/ Closing price	TERP	Premium/ (discount) of the issue price of Rights Shares of RM0.06 over the respective TERP		Premium/ (discount) of the exercise price of Warrants B of RM0.080 over the respective TERP	
	RM	RM	RM	%	RM	%
Closing market price on the LTD	0.090	0.073	(0.013)	(18.18%)	0.007	9.09%
5-day VWAMP up to and including the LTD	0.097	0.076	(0.016)	(21.28%)	0.004	5.30%
VWAMP for the 1-month up to and including the LTD	0.134	0.093	(0.033)	(35.38%)	(0.013)	(13.83%)
VWAMP for the 3-months up to and including the LTD	0.137	0.094	(0.034)	(36.41%)	(0.014)	(14.89%)
VWAMP for the 6-months up to and including the LTD	0.136	0.094	(0.034)	(35.93%)	(0.014)	(14.89%)
VWAMP for the 9-months up to and including the LTD	0.136	0.094	(0.034)	(35.87%)	(0.014)	(14.89%)
VWAMP for the 12-months up to and including the LTD	0.136	0.094	(0.034)	(36.11%)	(0.014)	(14.89%)

(Source: Bloomberg)

In view of the inter-conditionality of the Proposed Rights Issue with the Proposed Acquisition, we have also considered the historical share prices for the 12-month period up to and including the LTD.

Based on the above, the issue price of the Rights Share is at discounts to the TERPs, and the exercise price of Warrants-B is at premiums to the TERPs computed based on the closing price and 5-day VWAMP up to and including the LTD and at discounts to the other TERPs.

Taking into consideration the rationale for undertaking the Proposed Rights Issue which includes, among others,

(i) to partially fund the cash consideration of RM12.0 million for the Proposed Acquisition;
(ii) to partially fund an existing project to enhance and optimise client's oil palm mill;
(iii) provides the entitled shareholders with an opportunity to further increase their equity participation in the Company in light of the new business (i.e., AP F&B) to be injected; and
(iv) enhance Dolphin's capital base and improve the trading liquidity of its Shares,

we are of the opinion that the rationale for the Proposed Rights Issue is considered **reasonable** and **not detrimental** to the shareholders of Dolphin as a whole.

Premised on the above, we are of the view that the issue price of the Rights Shares and exercise price of Warrants-B are **fair**.

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5.5. Salient terms of the Acquisition SSA

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

Reference in the Circular	Salient terms of the Acquisition SSA	SCA's commentary
Appendix IX, Section 1	**1. Sale and Purchase of the Sale Shares** The Vendors and Dolphin shall hereinafter collectively be referred to as the "**Parties to the Acquisition SSA**". The Vendors shall sell and the Company shall purchase the Sale Shares representing the entire equity interest in AP F&B free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto and all dividends, rights and distributions declared, paid or made in respect thereof as from the Completion Date (as defined herein) at the Purchase Consideration.	Pursuant to the Acquisition SSA, the Company has, subject to the conditions (as set out below) being met, agreed to acquire from the Vendors the Sale Shares, representing the entire issued share capital of AP F&B 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.

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Reference in the Circular	Salient terms of the Acquisition SSA	SCA's commentary
Appendix IX, Section 2	**2. Conditions precedent** (i) The sale and purchase of the Sale Shares shall be conditional upon the fulfilment of the following conditions precedent ("**Conditions Precedent**") within 6 months from the date of the Acquisition SSA or such other period as the Parties to the Acquisition SSA may mutually agree in writing ("**Conditional Period**"): (a) Asia Poly obtaining the approval of its shareholders in a general meeting to be convened for the disposal of the Asia Poly's entire shareholding held in AP F&B; (b) Dolphin obtaining the approval of its shareholders in a general meeting to be convened for the Proposed Acquisition; (c) issuance of the abridged prospectus in relation to the Proposed Rights Issue; (d) Dolphin procuring the necessary approvals from Bursa Securities for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities; (e) where applicable, the Vendors procuring the requisite consents and approvals from the government, regulatory bodies, financiers or such other party to consummate the sale and purchase of the Sale Shares contemplated under the Acquisition SSA; and (f) completion of a financial, legal and tax due diligence inquiry undertaken or to be undertaken by the Company on AP F&B, of which the result shall be satisfactory to the Company;	The Conditions Precedent would enable: (i) all necessary approvals to be obtained which are deemed necessary for Parties to the Acquisition SSA to comply with regulatory requirements and AP F&B to continue with its operations uninterrupted; (ii) the successful completion of the Proposed Rights Issue to satisfy the cash portion of the Purchase Consideration pursuant to the Proposed Acquisition to ensure that the Acquisition SSA can be completed; and (iii) the necessary due diligence to be carried out on AP F&B in order for Dolphin to verify the assets, liabilities, legal, financial and tax standing of AP F&B and hence protect Dolphin in relation to any adverse findings discovered during the due diligence exercises so as to prevent unnecessary risks or losses to Dolphin arising from the Proposed Acquisition. These terms are reasonable and not detrimental to the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the Acquisition SSA	SCA's commentary
	(ii) The Conditions Precedent may be waived in whole or in part and conditionally or unconditionally upon the mutual agreement of the Parties to the Acquisition SSA in writing. (iii) In the event that the Conditions Precedent are not fulfilled within the Conditional Period, the Acquisition SSA shall be terminated. Following such termination, the Acquisition SSA shall be null and void and of no further force and effect with neither party having any rights or obligations against the other save and except for any antecedent breaches. (iv) The Acquisition SSA shall become unconditional on the date of which the last of the Conditions Precedent is fulfilled ("**SSA Unconditional Date**").	
Appendix IX, Section 3	**3. Condition Subsequent** (i) The Vendors shall use all necessary endeavours in procuring the appointment of Ian Ong Ming Hock as a Non-Executive Director of the Company ("**Conditions Subsequent**") within 1 month from the Completion Date ("**Fulfilment Period**"). (ii) Without prejudice to the other rights and remedies available to Dolphin under the Acquisition SSA, at law or in equity, Uncle Don's Holdings hereby agrees to fully indemnity Dolphin against any and all losses whatsoever incurred or suffered by Dolphin in connection to, as a consequence of, incidental to or with respect of the non-fulfilment of the Conditions Subsequent within the Fulfilment Period.	The appointment of Ian Ong Ming Hock as a Non-Independent Non-Executive Director of the Company serves to provide the Board with an overview of and insights into the food and beverage service industry but he will not be involved in the executive and managerial decision making at board level. Upon completion of the Proposed Acquisition, Ian Ong Ming Hock will pass over his role of managing the day-to-day operations of AP F&B to Kannan Mahadhavan, the existing Senior Manager of AP F&B. As such, Ian Ong Ming Hock will not have any direct influence over the running of AP F&B, save for his role as a Non-Independent Non-Executive Director of our Company and as 1 of the directors of AP F&B. Nevertheless, as he will be a key personnel involved in managing the business of AP F&B, this provides the Board with the assurance that the new food and beverage business acquired (i.e., AP F&B) will be under the purview of an experienced and knowledgeable person. We are of the view these terms are reasonable and not detrimental to the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the Acquisition SSA	SCA's commentary
Appendix IX, Section 4	**4. Purchase Consideration** Please refer to Section 2.3 of Part B of the Circular for the details.	Please refer to Section 5.2 of this IAL for SCA's evaluation on the salient terms of the Purchase Consideration.
Appendix IX, Section 5	**5. Profit Guarantee** Please refer to Section 2.3.1 of Part B of the Circular for the details.	Please refer to Section 5.2.3 of this IAL for SCA's evaluation on the salient terms of the Profit Guarantee.
Appendix IX, Section 6	**6. Completion** Completion of the sale and purchase of the Sale Shares shall be satisfied in full on a day falling on or before the expiry of 2 months from the Acquisition SSA Unconditional Date or such other date as may be mutually agreed by the Parties to the Acquisition SSA ("**Completion Date**").	Such term is typical to transactions of such nature and thus is reasonable.
Appendix IX, Section 7	**7. Default and Termination** (i) It is a terminating event by Dolphin, 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 Acquisition 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 Company) upon its receipt of a notice from the Company specifying such breach; (b) any representation, warranty or undertaking relating to any of the Vendors or given by any of the Vendors under the Acquisition SSA becomes false, misleading or incorrect when made or deemed to be made under the Acquisition SSA;	In the event of such defaults by the Vendors on or prior to Completion Date, these terms entitle Dolphin to: • the right of specific performance under the Acquisition SSA or claim for damages as a result of such breaches by the Vendors; or • terminate the Acquisition SSA with immediate effect in the manner set out in the Acquisition SSA. Such clauses are reasonable as it safeguards the interests of Dolphin being the non-defaulting party from the Vendors' breach of any material or fundamental terms or conditions of the Acquisition SSA or a failure to perform any material undertaking, obligation or agreement expressed or implied in the Acquisition SSA.

Reference in the Circular	Salient terms of the Acquisition SSA	SCA's commentary
	(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 Company) from the date of notice in writing by the Company; (d) an order or petition of winding-up is issued or threatened against any of the Vendors, which could involve the appointment of receiver, receiver and manager, administrator or similar officials over its assets; (e) any step is taken for the winding-up or dissolution of any of the Vendors or AP F&B or a petition for winding-up is presented against any of them; or (f) any of the Vendors or AP F&B enters into or resolves to enter into any arrangement, composition or comprise with, or assignment for the benefit of, their creditors or any class of them pursuant to the applicable laws and requirements applicable to any of them. (ii) Upon occurrence of any such event under Section 7(i) above, on or prior to the Completion Date, Dolphin shall be entitled to: (a) the right of specific performance under the Acquisition 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 Company under the Acquisition SSA or otherwise at law or in equity to claim for damages as a result of such breach by the Vendors; or	These terms are deemed reasonable and not detrimental to the non-interested shareholders of Dolphin.

Reference in the Circular	Salient terms of the Acquisition SSA	SCA's commentary
	(b) terminate the Acquisition SSA with immediate effect by giving written notice to the Vendor before the Completion Date ("**Termination Notice**"), whereupon: (A) the Vendors shall reimburse the Company all costs and expenses incurred by the Company on a reasonable basis, for the sale and purchase of the Sale Shares contemplated hereunder proportionate to the Vendors' shareholdings in AP F&B within 14 Business Days from the date of the Termination Notice, subject always to a cap of Ringgit Malaysia One Hundred Thousand (RM100,000.00) only; (B) the Vendors shall return or cause the Vendors' solicitors to return all the Company's deliverables as set out in the Acquisition SSA delivered, within 14 Business Days from the date of the Termination Notice; (C) the Company shall return or cause the Company's solicitors to return all the Vendors' execution deliverables as set out in the Acquisition SSA, within 14 Business Days from the date of the Termination Notice; and (D) thereafter, the Acquisition SSA shall lapse and cease to have any effect and none of the Parties to the Acquisition SSA shall have any claims whatsoever against the other Parties to the Acquisition SSA in respect of the Acquisition SSA.	

We have evaluated the salient terms and conditions of the Acquisition 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.

5.6. Effects of the Proposed Acquisition

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

SCA's commentary

Effects of the Proposals	SCA's commentary
Issued share capital	The issued number of Dolphin Shares and issued share capital of the Company will increase pursuant to the Proposed Rights Issue, Proposed Capitalisation and Proposed Acquisition, as per the table set out in Section 6.1 of Part B of the Circular. In view that part of the Purchase Consideration (amounting to RM10.0 million) is to be settled via the issuance of 131,578,947 new Dolphin Shares at RM0.076, the issued share capital for both the Minimum and Maximum Scenarios will increase by RM10.0 million pursuant to the Proposed Acquisition. The remaining Purchase Consideration (amounting to RM12.0 million) is to be settled via cash, thus has no impact on the issued share capital.
Substantial shareholders' shareholdings	Minimum Scenario The Proposed Rights Issue, Proposed Capitalisation and Proposed Acquisition would result in dilution of the pro forma shareholdings of the non-interested shareholders of Dolphin, as per the table set out in Section 6.3(i) of Part B of the Circular. Upon completion of the Proposed Acquisition, the Consideration Shares would represent 19.24% of the enlarged number of Dolphin Shares after the Proposed Acquisition. The pro forma shareholdings of Asia Poly would increase from 11.0% to 18.3% and Uncle Don's Holdings' pro forma shareholdings would increase from nil to 9.8%. Maximum Scenario Save for the dilution arising from the assumed exercise of all outstanding Warrants-A and issuance of the maximum number of 29,970,000 new Shares under the Placement has been completed prior to the Entitlement Date, assuming all shareholders full subscribe for their respective entitlements pursuant to the Proposed Rights Issue, there would be no further dilution to their pro forma shareholdings. The Proposed Capitalisation and Proposed Acquisition would result in dilution of the pro forma shareholdings of the non-interested shareholders of Dolphin, as per the table set out in Section 6.3(ii) of Part B of the Circular. Upon completion of the Proposed Acquisition, the Consideration Shares would represent 13.59% of the enlarged number of Dolphin Shares after the Proposed Acquisition. The pro forma shareholdings of Asia Poly would increase from 11.0% to 12.9%, and Uncle Don's Holdings' pro forma shareholdings would increase from nil to 6.9%.
NA and gearing	The Proposed Rights Issue, Proposed Capitalisation and Proposed Acquisition would result in increases in the pro forma consolidated NA of Dolphin, as per the tables set out in Section 6.2 of Part B of the Circular.

Effects of the Proposals	SCA's commentary
	However, the Proposed Rights Issue, Proposed Capitalisation and Proposed Acquisition would result in minimal dilution to the pro forma consolidated NA per Dolphin Shares as per the tables set out in Section 6.2 of Part B of the Circular. Nevertheless, moving forward, such dilutive impact may be mitigated through potential contribution of AP F&B to the future consolidated earnings and NA of the Group. The Proposed Rights Issue, Proposed Capitalisation and Proposed Acquisition would result in decreases in the pro forma gearing, as per the tables set out in Section 6.2 of Part B of the Circular.
Earnings and EPS	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. Reference is made to the illustration in Section 6.4 of Part B of the Circular, assuming the Proposed Acquisition and the Profit Guarantee had been in place on 1 January 2018, AP F&B would have contributed a PAT of RM1.10 million and reduced the impact of the LAT attributable to Dolphin's shareholders of the enlarged Dolphin Group for the FYE 31 December 2018.

The Proposed Diversification will not have any effect on the issued share capital of Dolphin, substantial shareholders' shareholding in the Company as well as the NA, gearing, earnings and EPS of the Dolphin Group.

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 of Part B of the Circular. We also wish to draw the attention of the Board (save for the Interested Directors) and non-interested shareholders to the following additional industry overview associated with the Proposed Acquisition, which are not mentioned in Section 4 of Part B of the Circular.

5.7.1. Overview and outlook of the global economy

The global economy experienced a sharp moderation in the first quarter of 2020. The rapid spread of the COVID-19 virus resulted in the introduction of lockdown and social distancing measures in many major economies. This also resulted in elevated volatility in global financial markets. By the end of the quarter, most major economies globally had introduced containment measures of varying stringency, most of which remain in place. As a result, labour market conditions across major economies deteriorated sharply in 1Q 2020. Jobless claims and short-time work claims in the US and Germany, respectively, rose in March beyond levels experienced during the 2008-09 global financial crisis.

(Source: Quarterly Bulletin for First Quarter of 2020, Bank Negara Malaysia)

5.7.2. Overview and outlook of the Malaysian economy

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020. This was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the MCO in Malaysia. On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

(Source: Quarterly Bulletin for First Quarter of 2020, Bank Negara Malaysia)

5.7.3. Overview of the services sector in Malaysia

The services sector moderated to 3.1% in 1Q 2020 (4Q 2019: 6.2%), the slowest growth since 2Q 2009. The sector was affected by the COVID-19 pandemic, particularly the tourism-related and non-food retail subsectors. The implementation of the MCO substantially affected business activity, tourism and consumer spending. This led to a sharp slowdown in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors.

(Source: Quarterly Bulletin for First Quarter of 2020, Bank Negara Malaysia)

5.7.4. Outlook of palm oil prices

Malaysian palm oil futures could fall below 2,500 ringgit over coming weeks if the spread of a deadly coronavirus in China continues to disrupt travel and normal activity in the world's second-largest palm oil importer, brokers and traders said.

The fast-spreading virus, which has so far claimed more than 350 lives and infected more than 17,000 people in two dozen countries, has raised fears of a sustained disruption in supply chains and eating habits in the world's most populous nation and second-largest economy.

Dalian palm oil futures plunged by their daily limit of 7% on Monday as trading resumed after an extended Lunar New Year break, but still have further to fall to match the roughly 11% decline in benchmark Malaysian palm oil futures over China's holiday period.

Palm prices had already been under pressure from January 8, when top palm oil buyer India restricted imports of refined grades and informally stopped all purchases from Malaysia over a diplomatic spat between the two nations.

"The bear is out of hibernation," said Paramalingam Supramaniam, director at Selangor, Malaysia-based brokerage Pelindung Bestari Sdn Bhd.

Malaysia's benchmark palm oil contract for April delivery on the Bursa Malaysia Derivatives Exchange plunged 14.9% in January, its biggest monthly drop since August 2014.

The contract was up 1.2% at 2,634 ringgit per tonne on Monday, after dropping nearly 9% last week.

Five traders told Reuters they expect palm oil to fall to between 2,470 and 2,575 ringgit a tonne within coming weeks.

Prices had overextended to the upside in an end-2019 rally and are now coming back down, said Anilkumar Bagani, research head of Sunvin Group, a Mumbai-based vegetable oil broker.

The tropical oil climbed 46.7% from October 1 to January 6 to three-year highs of 3,133 ringgit a tonne on expectations of lower production in both Indonesia and Malaysia due to dry weather and lower fertilizer use.

Lower demand, though, from top consumers India and China have taken a toll on prices since then, despite falling inventories in Malaysia, and Paramalingam said the market will remain bearish until fresh demand starts to emerge.

Meantime, brokers are taking on more short positions, a Kuala Lumpur-based trader said.

Open interest across all Malaysia palm oil contracts grew by roughly 30,000 contracts in January as prices retreated from above 3,100 ringgit, indicating a gain in shorts.
"When fear (of the virus outbreak) takes over, (falling) end-stocks are no solace. Nobody wants to try to catch a falling knife," Paramalingam said.

Malaysia's palm oil stocks hit a 27-month low of 2.01 million tonnes at end-December, down 11% from end-November, the Malaysian Palm Oil Board said in January.

(Source: Palm oil set for more losses on China coronavirus, India import curbs, Reuters News, 3 February 2020).

SCA's commentary

We noted the coronavirus epidemic in China is causing demand for palm oil and palm oil prices to fall. In addition, palm oil had already been under pressure when India restricted imports of refined grades and informally stopped all purchases from Malaysia. Depending on the severity and duration of the coronavirus outbreak, we also noted the slowing macroeconomics amidst the coronavirus outbreak is contributing to an increasingly volatile global economy.

In view of the uncertainties and challenges faced in palm oil industry, the Group's core business of provision of milling systems and solutions and supply of parts and maintenance services has been affected and the Group's NA is on a down trend. Thus, the entry into the food and beverage service industry via AP F&B represents an attractive investment option as food and beverage is largely consumer staples, which tends to be non-cyclical and subject to smaller market fluctuations compared to the palm oil industry. We also noted the key factors driving the full-service restaurant segment and leading to greater propensity for dining out such as rising urbanisation and income levels, lifestyle trend and venue to socialise, availability of diverse range of cuisines and applications and electronic wallets that serve as a new marketing avenue.

While the recent coronavirus outbreak would have a negative impact on earnings from patrons of full-service restaurants or customers dining out, the increasing number of applications that enable delivery and takeaway services may mitigated the loss of earnings from customers dining out.

Additionally, as mentioned in the IMR Report: "*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 serve customers remotely 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.

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. In addition, the Government of Malaysia launched the e-Tunai Rakyat initiative on 15 January 2020 to spur the adoption and use of electronic wallets. Eligible applicants will receive a RM30 incentive in their electronic wallet to promote digital payments among Malaysians. The marketing incentives provided by these electronic wallet service providers also serve as an indirect marketing tool for full-service restaurants, thus contributing to the growth of the full-service segment of the food and beverage service market in Malaysia.

While the economy in Malaysia is expected to be impacted by the recent 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 Government of Malaysia. In particular, the Government of Malaysia had announced stimulus packages to stimulate the growth of the local economy."

We concur with the IMR that the long-term prospects and outlook of the food and beverage services industry, after taking into account, 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.

The management of AP F&B had updated us that Taman Desa and Setia Alam outlets have resumed dine-in operations at a limited capacity on 4 May 2020 and 13 May 2020 respectively. This decision was made pursuant to the conditional MCO announced by the Government of Malaysia which states that beginning from 4 May 2020, customers are allowed to eat and drink within premises but subject to social distancing being complied with. In addition to the dine-in option, both outlets are still continuing take-out and delivery options and have increased their available delivery options to customers.

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

In evaluating the Proposed Acquisition, you should carefully consider the risk factors as set out in Section 5 of Part B 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:

SCA's commentary

5.8.1. Non-completion of the Proposed Acquisition

We take cognisance of the fact that the Company will take all reasonable measures to fulfil the conditions precedent to ensure the completion of the Proposed Acquisition within the agreed timeframe as set out in the Acquisition SSA.

We also note that the inter-conditionality of the Proposed Acquisition with the Proposed Rights Issue, Proposed Capitalisation and Proposed Diversification. Therefore, the non-completion of either one of the Proposals may result in the non-completion of the Proposed Acquisition and the Dolphin Group would not be able to reap the benefits as stated in Sections 2.3.1 and 3 of Part B of the Circular as well as Section 5.1 of this IAL.

5.8.2. Business risk

We take note that the Dolphin Group seeks to mitigate such business risk through leveraging of the experience of the key personnel of AP F&B and accessing quality supplies from the central kitchen. We are of the view that such risks are inherent in the food and beverage business and could not be mitigated in its entirety.

Certain risks such as consumer preference and market perception are expected to continually change and there is no guarantee that the market receptiveness to the brand will persist, hence the Group would have to continuously adapt to such changes.

We are also of the view that the Dolphin Group would have to ensure that there are sufficient internal controls in place and adherence to food health and safety requirements, to ensure that the production and preparation of the food and beverages are up to standard.

We also note that AP F&B stands to benefit from, among others, various economies of scales such as the brand recognition of Uncle Don's, bulk purchases from central kitchen at competitive prices and start-up supports from the Licensor. Such benefits would assist in mitigating in increases in costs, arising from, among others, advertising and brand building as well as purchases of food ingredients.

Additionally, as mentioned in the IMR Report: "*The segment is expected to be adversely impacted by the global outbreak of COVID-19 in 2020. The implementation of the national lockdown policy to curb the spread of the virus in the country has restricted dining out at full-service restaurants. Nevertheless, the segment is expected to recover in the following years as it will 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*."

We concur with the IMR that the long-term prospects and outlook of the food and beverage services industry, after taking into account, 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.

5.8.3. Impairment of Goodwill

Based on Section 1.6(c) of the pro forma consolidated statement of financial position of Dolphin as at 31 December 2018 as set out in Appendix XIII of this Circular, the Proposed Acquisition would result in a pro forma goodwill of RM16.38 million while the pro forma consolidated NA of Dolphin after the Proposed Acquisition would be RM52.75 million (based on the Minimum Scenario) and RM111.87 million (based on the Maximum Scenario). As such, an impairment to the goodwill arising from the Proposed Acquisition may materially and adversely affect the Group's financial position, earnings and EPS.

Nevertheless, we note that the amount of goodwill to be recognised will depend on the fair value of assets and liabilities acquired as at the completion of the Acquisition SSA. We also noted the Company will take the necessary actions, such as closely monitoring the financial performance of AP F&B and working closely with the management team of AP F&B, to mitigate the risks arising from any fair value adjustments and effects of such adjustments, which may materially and adversely affect the Group's financial position, earnings and EPS.

Notwithstanding the above, we also noted, among others, the following:

(i) based on the Business Valuation Report (set out in Appendix XI of the Circular), the fair valuation range for a 100% equity interest in AP F&B is between RM20.9 million and RM22.8 million.

    We further noted that the Financial Projections were prepared after taking into consideration, among others, the past performance of 5 outlets owned and operated by the Licensor and performance of AP F&B's outlets. AP F&B's 2 existing outlets have been in operations for less than 1 financial year and have generated a GP of RM0.55 million and a GP margin of RM34% for the FYE 31 December 2019. The expected net profit margin for the Financial Projections ranged from 6.6% to 7.7%;

(ii) business strategies and future marketing plans that are expected to increase patronage and sales of the outlets;

(iii) the growth prospects of the industry based on the IMR Report, includes "*The full-service restaurant segment was estimated to grow at a CAGR of 3.5% during the period of 2014 to 2019, from RM20.4 billion to an estimated RM24.2 billion. Moving forward, the full-service restaurant segment is forecast to reach RM25.4 billion in 2022, growing from an estimated RM24.4 billion in 2020 at a CAGR of 2.0%.*"; and

(iv) there will be continuity of the key personnel to run and manage the restaurant business of AP F&B.

Premised on the above, we are of the view the Company also needs to monitor that AP F&B's financial performance and operating environment continue to be in line with the above.

5.8.4. Termination and non-renewal risk of the Licensing Agreements

We take note that AP F&B will endeavour to take all necessary effort to maintain the licenses as they are a prerequisite to operate the restaurants under the trade name of "Uncle Don's" and its operational procedures. Nevertheless, we also take note that the restaurants may continue to operate but without using the "Uncle Don's" trade name and its operational procedures.

We also wish to highlight the risk of litigation which may be brought against AP F&B for any defaults or breaches in the Licensing Agreements or as a result of disagreements between the Group and Licensor that could not be resolved amicably through negotiations.

The above may have material and adverse effects on the operations of AP F&B's outlets and in turn, its financial performance and position.

5.8.5. Competition risk

The food and beverage service industry landscape is expected to continually change and there is no guarantee that the market receptiveness to the brand will persist, hence the Dolphin Group would be continuously challenged to adapt to such changes.

Nevertheless, we take note that the Licensor is supportive of the growth of AP F&B's outlets and has undertaken not to grant any other party/ licensee with similar rights to operate a restaurant outlet of Uncle Don's within a radius of 8km from each of the location of the 3 restaurant outlets of AP F&B. As such, this reduces the impact of competition between the restaurant outlets of Uncle Don's any restaurant outlets owned or to be opened by the Licensor or any other licensee is not expected to cannibalise on the restaurant outlets of AP F&B.

5.8.6. Dependence on key personnel

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

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

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 of the Proposals**	We are of the view that the rationale of the Proposals is **reasonable and not detrimental** to the non-interested shareholders of Dolphin as: (i) The Proposed Rights Issue will be implemented on a Minimum Subscription Level and most of the proceeds will be utilised to part finance the Proposed. (ii) The Proposed Capitalisation would enable the settlement of the amounts owing by the Dolphin Group to its identified creditors and a shareholder of Dolphin via the issuance of Settlement Shares at the TERP of Dolphin Shares based on the 5-days VWAMP of Dolphin Shares up to and including the LTD of RM0.076, being the theoretically adjusted market price of Dolphin Shares up to the LTD after taking into consideration the Proposed Rights Issue, thereby reducing the cash outlays. (iii) The Proposed Acquisition would accord the Group with the following benefits: • opportunity to venture into the food and beverage service industry; • able to consolidated AP F&B's revenue and earnings and reduce dependency on the existing businesses of the Dolphin Group; and • a long-term viable business. (iv) The Proposed Diversification is sought as the new business (i.e., AP F&B) is expected to contribute more than 25% of the net profits of the Group in the future.
(b)	**Evaluation of the Purchase Consideration**	We noted that the Purchase Consideration (of RM22.0 million): (i) is lower than the range of the fair value for 100% equity interest in AP F&B which ranges from RM22.1 million to RM24.6 million, as appraised by SCA; and (ii) is within the range of the fair value for 100% equity interest in AP F&B which ranges from RM20.9 million to RM22.8 million, as appraised by Asia Equity Research; using the FCFE and RVA methodologies.

Consideration factors		Our evaluation
		We have compared our valuation against Asia Equity Research'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 are of the view the Purchase Consideration is **fair** and the basis in arriving at the Purchase Consideration is **reasonable.**
(c)	**Evaluation of the issue price of the Consideration Shares**	We noted that the issue price of the Consideration Shares of RM0.076 per Share is at the TERP of Dolphin Shares based on the 5-days VWAMP of Dolphin Shares up to and including the LTD, which represents the theoretically adjusted market price of Dolphin Shares up to the LTD, after taking into consideration the Proposed Rights Issue. We are of the view that the issue price for the Consideration Shares is **fair**.
(d)	**Evaluation of the issue price of the Rights Shares and exercise price of Warrants-B**	We noted the following: (i) the issue price of the Rights Share is at discounts of not more than 36.17% to the TERPs computed based on the historical VWAMP of up to 12-months up to and including the LTD; and (ii) the exercise price of Warrants-B of RM0.08 is at premiums of not more than 9.09% to TERPs computed based on the closing price on the LTD and 5-day VWAMP up to and including the LTD and at discounts of not more than 14.89% to the other TERPs computed based on the historical VWAMPs of up to 1-month, 3-months, 6-months, 9-months and 12-months up to and including the LTD. We are of the view that the issue price of the Rights Shares and exercise price of Warrants-B are **fair**.
(e)	**Salient terms of the Acquisition SSA**	We are of the opinion that the salient terms of the Acquisition SSA are generally **reasonable and not detrimental** to the interests of the non-interested shareholders.
(f)	**Effects of the Proposed Acquisition**	Based on the Minimum Scenario, upon completion of the Proposed Acquisition, the Consideration Shares would represent 19.2% of the enlarged number of Dolphin Shares. The pro forma shareholdings of Asia Poly would increase from 11.0% to 18.3% and Uncle Don's Holdings' pro forma shareholdings would increase from nil to 9.8%. Based on the Maximum Scenario, upon completion of the Proposed Acquisition, the Consideration Shares would represent 13.6% of the enlarged number of Dolphin

Consideration factors		Our evaluation
		Shares. The pro forma shareholdings of Asia Poly would increase from 11.0% to 12.9%, and Uncle Don's Holdings' pro forma shareholdings would increase from nil to 6.9%. 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 prospects**	We have considered the industry overview and prospects in light of the Dolphin Group's existing core business and AP F&B's restaurant business. We are of the view that it is **reasonable** for the Dolphin Group to proceed with the Proposed Acquisition.
(h)	**Risk factors**	We are of the view that the risk factors associated with the Proposed Acquisition have been adequately considered by the Dolphin Group. Nevertheless, we wish to highlight that 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 risk factors as in Section 5 of Part B of the Circular will not occur and give rise to material and adverse impact on the business and operations of AP F&B, its financial performance, financial position or prospects thereon.

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
Senior Manager, Corporate Finance

INFORMATION ON DOLPHIN BIOGAS

1. HISTORY AND BUSINESS

Dolphin Biogas was incorporated in Malaysia on 21 September 2016 under the Companies Act 1965 (deemed registered under the Act) as a private limited company.

Dolphin Biogas is an investment holding company and through Biogas Sulpom, its wholly-owned subsidiary, is involved in the generation and sale of renewable energy in Malaysia.

In 2014, Biogas Sulpom had obtained SEDA's approval to sell renewable energy/electricity to be generated from its Biogas Plant to TNB under SEDA's feed-in tariff system for a period of 16 years. Please refer to Appendix III of this Circular for the salient terms of the RePPA.

On 9 December 2016, our Company, Dolphin Biogas and SULPOM had entered into a subscription and shareholders agreement to regulate their relationship as shareholders of Dolphin Biogas in relation to the conduct, business and affairs of Dolphin Biogas ("**Dolphin Biogas Shareholders Agreement**").

In 2017, Biogas Sulpom has secured term loans totalling to RM20.0 million to partially finance the construction cost of the Biogas Plant, whereby these term loans were secured by way of corporate guarantee of our Company.

Further information on the Biogas Plant are as set out below:

Beneficial owner	:	Biogas Sulpom
Location of installation	:	13844, Batu 34, Jalan Dengkil/Banting, 43800 Dengkil, Selangor Darul Ehsan
Feedstock	:	Palm oil mill effluent
Production capacity	:	2 megawatts per hour
Total estimated construction costs	:	Approximately RM25.0 million
Capital outlay invested by Dolphin Biogas	:	Approximately RM5.1 million
Construction completion date	:	3 December 2019
Operation commencement date	:	3 December 2019

2. DIRECTORS AND SHAREHOLDERS

As at the LPD:

(i) the issued share capital of Dolphin Biogas is RM5,292,789 comprising 5,625,000 ordinary shares in Dolphin Biogas; and

(ii) the directors (all are Malaysian) and shareholders of Dolphin Biogas (all of which are incorporated in Malaysia) as well as their respective shareholdings in Dolphin Biogas are as follows:

		Direct Interest		Indirect Interest	
Name	**Designation**	**No. of shares**	**%**	**No. of shares**	**%**
Low Teck Yin	Director	-	-	-	-
Hoh Yeong Cherng	Director	-	-	-	-
Dolphin	Shareholder	4,500,000	80.0	-	-
SULPOM	Shareholder	1,125,000	20.0	-	-

3. SUBSIDIARY AND ASSOCIATED COMPANY

Save for Biogas Sulpom, a wholly-owned subsidiary of Dolphin Biogas, Dolphin Biogas does not have any other subsidiary or associated company as at the LPD.

Biogas Sulpom was incorporated in Malaysia on 30 July 2013 under the Companies Act 1965 (deemed registered under the Act) as a private limited company. Biogas Sulpom is principally involved in the generation and sale of renewable energy in Malaysia.

As at the LPD, the issued share capital of Biogas Sulpom is RM5.0 million comprising 5,000,000 ordinary shares in Biogas Sulpom.

4. FINANCIAL INFORMATION

The financial information of the Dolphin Biogas Group based on its (i)unaudited consolidated financial statements are as set out below:

	From 21 Sep 2016 (date of incorporation) to 31 Dec 2017	**FYE 31 Dec 2018**	**FYE 31 Dec 2019**
	RM'000	**RM'000**	**RM'000**
Revenue	-	-	-
Loss before tax	(1,692)	(582)	(358)
Loss after tax	(1,692)	(582)	(364)
Share capital	(ii)	(ii)	(ii)
NA	(1,692)	3,019	2,655
Total borrowings	-	20,746	19,442
No. of issued shares	(ii)	(ii)	(ii)
LPS (RM)	(846)	(291)	(182)
NA per share (RM)	(846)	1,510	1,328
Current ratio (times)	(iii)	1.08	0.20
Gearing (times)	-	6.87	7.32

Notes:

(i) *Under the Malaysian Financial Reporting Standards ("**MFRS**") 10, Paragraph 4, Dolphin Biogas is not required to prepare and present its consolidated financial results. Hence, the unaudited financial information of the Dolphin Biogas Group for the:*

   (a) *financial period ended 31 December 2017 and FYE 31 December 2018 was prepared by the management of our Company based on the audited financial statements of Dolphin Biogas and Biogas Sulpom of the respective financial period/year under review; and*

   (b) *FYE 31 December 2019 was prepared by our management based on the unaudited financial statements of Dolphin Biogas and Biogas Sulpom for the FYE 31 December 2019.*

(ii) *Issued share capital of RM2 comprising 2 ordinary shares in Dolphin Biogas.*

(iii) *Less than 0.01.*

Financial commentaries

For the financial period ended 31 December 2017, the Dolphin Biogas Group incurred net losses of approximately RM1.7 million, mainly due to unclaimable goods and services tax of RM0.4 million, keyman insurance policy premium of RM0.9 million pursuant to the terms and conditions of the term loans, and legal fees of RM0.4 million for loan agreements as well as advisory services.

For the FYE 31 December 2018, the Dolphin Biogas Group incurred net losses of approximately RM0.6 million, mainly due to unclaimable goods and services tax of RM0.8 million which was offset by net interest income of RM0.2 million arising from the impact of *MFRS 9-Financial Instrument* on fair value gain on financial liabilities. During the said financial year, the Dolphin Biogas Group had obtained term loans totalling RM20.0 million to partially fund the construction costs of the Biogas Plant.

For the FYE 31 December 2019, the Dolphin Biogas Group did not record any revenue as it did not receive any notification from TNB to bill for the sale of electricity generated. During the said financial year, the Dolphin Biogas Group incurred net losses of RM0.4 million, mainly due to the impact of *MFRS 9-Financial Instrument* on fair value gain on financial liabilities.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Dolphin Biogas 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 the Dolphin Biogas Group, and its Directors are not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Dolphin Biogas Group.

6. MATERIAL CONTRACTS

The Dolphin Biogas Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

SALIENT TERMS OF THE DISPOSAL SSA

The salient terms of the Disposal SSA include, amongst others, the following:

1. Sale and Purchase

Our Company shall sell and AP Green Energy shall purchase 4,500,000 ordinary shares in Dolphin Biogas, representing 80% equity interest in Dolphin Biogas ("**Sale Shares**") free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto and all dividends, rights and distributions declared, paid or made in respect thereof from the Completion Date (as defined below) at the Disposal Consideration.

2. Conditions Precedent

(i) The sale and purchase of the Sale Shares shall be conditional upon the fulfilment of the following conditions precedent within 5 months from the date of the Disposal SSA or such other period as the parties may mutually agree in writing ("**Conditional Period**"):

(a) Asia Poly obtaining the approval of its board of directors and its shareholders in a general meeting for the proposed acquisition of the Sale Shares by AP Green Energy and proposed diversification of its business as a result of the acquisition of the Sale Shares;

(b) our Company obtaining the approvals of our Board and our Company's shareholders for the Proposed Disposal at our Company's forthcoming EGM;

(c) completion of a financial and legal due diligence reviews to be undertaken by AP Green Energy on the Dolphin Biogas Group, of which the result shall be satisfactory to AP Green Energy;

(d) if required, the consent from SEDA, Electric Commission of Malaysia and/or TNB for the change of shareholders and directors of Dolphin Biogas pursuant to the Proposed Disposal;

(e) our Company obtaining the written waiver and consent of SULPOM, not to exercise its rights to acquire the Sale Shares and the tag-along rights as provided under the Dolphin Biogas Shareholders Agreement; and

(f) if applicable, the parties obtaining such other requisite consents and approvals from the government and regulatory bodies for the purpose of the transfer of the Sale Shares,

(collectively, the "**Conditions Precedent**").

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

(iii) In the event that the Conditions Precedent are not fulfilled within the Conditional Period, the Disposal SSA shall be terminated and our Company shall within 7 days from the date of termination return the Earnest Deposit and Balance Deposits received and pay AP Green Energy an amount equivalent to the amount owing by the Dolphin Biogas Group to Dolphin Applications free of interest. Following such termination, the Disposal SSA shall be null and void and of no further force and effect with neither party having any rights or obligations against the other save and except for any antecedent breaches.

(iv) The Disposal SSA shall become unconditional on the date of which the last of the Conditions Precedent is fulfilled ("**Unconditional Date**").

3. Completion

The Disposal Consideration shall be satisfied in full on a day falling on or before the expiry of 5 months from the Unconditional Date ("**Completion Date**").

4. Default and Termination

(a) In the event that any party shall:

(i) neglect or by wilful default fail or refuse or be unable to complete the Proposed Disposal in accordance with the provisions of the Disposal SSA; or

(ii) subject to (d) below, materially breach any of the provisions of the Disposal SSA,

the party not in breach of the Disposal SSA ("**Non-Defaulting Party**") shall be entitled at its absolute discretion to elect either to:

(A) give notice in writing ("**Termination Notice**") to the party in default and if the party in default fails to remedy the breach(es) within 14 business days of receipt of the Termination Notice, the Non-Defaulting Party may without further reference to the party in default terminate the Disposal SSA, in which event Sections 4(b) and 4(c) below shall apply and thereafter the Disposal SSA shall be null and void and the parties shall have no further claims against each other save and except for any antecedent breaches; or alternatively

(B) complete the Disposal SSA, in which case the remedy of specific performance of the Disposal SSA under the Specific Relief Act, 1950 shall be available to the Non-Defaulting Party without any prejudice to that party's right or rights to claim against the party in default any damages, losses, costs, expenses or outgoings whatsoever arising from or in connection with the events set out in Sections 4(a)(i) and 4(a)(ii) above.

(b) In the event that the Disposal SSA is terminated in accordance with Section 4(a)(i) above:

(i) Default by the parties

(A) Default by our Company

- our Company shall return to AP Green Energy the Earnest Deposit and Balance Deposits and other amounts received by it from AP Green Energy; and

- our Company shall pay AP Green Energy an amount equivalent to the amount owing by the Dolphin Biogas Group to Dolphin Applications;

(B) Default by AP Green Energy

- our Company shall return all the Earnest Deposit and Balance Deposits received by it to AP Green Energy; and

- our Company shall pay AP Green Energy an amount equivalent to the amount owing by the Dolphin Biogas Group to Dolphin Applications;

(ii) the party in default shall, pay to the Non-Defaulting Party all the professional fees, disbursements and expenses incurred and paid or payable by the Non-Defaulting Party in relation to or in connection with the Disposal SSA as evidenced by invoices and receipts,

within 14 business days from the date after the expiration of the Termination Notice.

In the event that any of the party fails to pay any of the aforesaid monies within the said 14 business day period, the said party shall be further liable to pay interest on any amount remaining unpaid at the end of the said 14 business day period at the rate of 8% per annum from the end of the said 14 business day period until the date of actual payment of the outstanding amount.

(c) Simultaneously with the events stated in Section 4(b) above, AP Green Energy shall return all documents and things forwarded by our Company in relation to the Disposal SSA, save and except where AP Green Energy requires the same for application for refund of any stamp duty paid pursuant hereto, in which case the documents and things shall be returned as soon as reasonably possible.

(d) Notwithstanding any other provision to the contrary contained in the Disposal SSA, in the event the Proposed Disposal has been completed in accordance with the terms and conditions therein, the parties shall not be entitled to terminate the Disposal SSA by reason of any breach of any terms of the Disposal SSA but without prejudice to any other remedies which the parties may have against each other.

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SALIENT TERMS OF THE REPPA

The salient terms of the RePPA include, amongst others, the following:

1. Term

Unless earlier terminated, the RePPA shall be effective for 16 years from the feed-in tariff commencement date, 3 December 2019 (“**FiT Commencement Date**”) (“**Term**”).

2. Sale and Purchase Obligations

(i) Pricing

Subject to the Renewable Energy Act 2011 ("**Renewable Energy Act**”) and the terms and conditions of the RePPA, Biogas Sulpom shall sell and deliver to TNB and TNB shall purchase and accept the renewable energy generated by the Biogas Plant:

(a) from the initial operation date to the FiT Commencement Date (“**Test Renewable Energy**”), at the price of equivalent to 30% of the prevailing displaced costs; and

(b) commencing from the FiT commencement date (“**Metered Renewable Energy**”), at the feed-in tariff rate of RM0.4669/kWh (“**Feed-in Tariff Rate**”) subject to the maximum of 17,520 MWh per annum (“**Declared Annual Availability**”).

(c) The Feed-in Tariff Rate shall be fixed throughout the Term, except when:

(A) Biogas Sulpom sells and delivers and TNB purchases and accepts the renewable energy generated in excess of the Declared Annual Availability for a relevant year throughout the Term ("**Surplus**”), in which case Biogas Sulpom shall be paid by TNB:

- a price equivalent to the prevailing displaced cost for the Surplus generated up to the equivalent of 110% of the Declared Annual Availability (“**Maximum Surplus Payable**”). The displaced cost refers to the average cost of generating and supplying one kWh of electricity from resources other than renewable resources through the supply line up to the point of interconnection with the Biogas Plant; and

- a price as may be mutually agreed between Biogas Sulpom and TNB and approved by SEDA for the renewable energy generated in excess of the Maximum Surplus Payable.

(B) SEDA determines that the Biogas Plant has achieved grid parity pursuant to Section 21 of the Renewable Energy Act, in which case Biogas Sulpom shall instead be paid by TNB a price that is based on the prevailing displaced cost for the remaining duration of the Term. Grid parity refers to the time at which the feed-in tariff rate applicable to the Biogas Plant is equal to or less than the displaced cost;

(C) in the event of an occurrence of a force majeure event under the RePPA before the FiT Commencement Date and affecting Biogas Sulpom or there is a change in law which resulted in Biogas Sulpom having to make material capital improvement or modification to the installation and interconnection facilities of the Biogas Plant required for the purpose of enabling Biogas Sulpom to fulfil its obligations under the RePPA, Biogas Sulpom shall instead be paid by TNB a price in the manner as set out in the RePPA.

(d) TNB shall make payment for the Test Renewable Energy and Metered Renewable Energy to Biogas Sulpom as follows:

(A) reading of meters, issuance of bills and payment towards such bills shall be carried out in accordance with the applicable provisions of the Renewable Energy (Technical and Operational Requirements) Rules 2011 ("**T&O Rules**");

(B) each party shall be entitled to receive from the other party interest on any due but unpaid amount pursuant to the RePPA and/or the T&O Rules, calculated at the rate of 1% above the base lending rate then in effect at the principal office of Malayan Banking Berhad or its successors-in-title, from the date on which such amount became due, including such date, until the date full settlement is made, excluding such date.

3. <u>Default and Termination</u>

(i) Event of Default

The following shall, unless excused under another provision of the RePPA, constitute an event of default ("**Event of Default**"):

(a) any party shall fail to make payments for undisputed amounts due under the RePPA to another party within 60 days after receipt of written notice of such non-payment;

(b) Biogas Sulpom's authorisation shall have been revoked or terminated and, all applicable appeal periods shall have expired or a final decision on the appeal confirming such suspension, revocation or termination shall have been issued;

(c) any party shall fail to comply with any of its other material obligations under the RePPA, and such failure shall continue un-remedied for 90 days after notice thereof by another party, provided that if such failure cannot be remedied within such period of 90 days with the exercise of reasonable diligence, then such remedy period shall be extended for an additional period of 90 days so long as such failure is susceptible to remedy, and such party is exercising reasonable diligence to remedy such failure;

(d) Biogas Sulpom abandons the development, design, financing, insurance, procurement, construction, installation, testing, commissioning, ownership, operation, management and maintenance of the Biogas Plant, the interconnection facilities as described in Appendix B of the RePPA and all the communication facilities as described in Appendix C of the RePPA including ancillary buildings and associated activities related to this project and any modification thereof ("**Project**") and fails to resume activities within a period of time determined by SEDA;

(e) if:

(i) any party becomes insolvent or suspends payment of its debts generally or is unable to pay its debts as they fall due;

(ii) a receiver, receiver and manager, administrator, liquidator, provisional liquidator, trustee, custodian or similar officer is validly appointed (other than one appointed by the persons providing financing or refinancing to Biogas Sulpom for the Project and includes an agent or trustee under a bond issue ("**Financing Parties**")) over all or a material part of the undertakings, property or assets of any party or a security holder lawfully takes possession (and does not relinquish possession within 30 days) of the whole or a material part of the undertakings, property or assets of any party or distress or any other form of execution is levied, enforced or adjudged against or upon any such assets and is not discharged within 30 days of being levied, enforced or adjudged;

(iii) an order is made or a resolution passed for the liquidation, winding-up or dissolution of any party, save for a members' voluntary liquidation solely for the purpose of a solvent reconstruction or amalgamation, or a petition is presented for the winding up of a party (which petition is not withdrawn or stayed or contested in good faith within 60 days); or

(iv) any party enters into a general assignment, arrangement or compositions with or for the benefit of its creditors pursuant to the Act.

(ii) Right to terminate

(a) If an Event of Default occurs, the non-defaulting party may, in addition to any rights described in specific clauses of the RePPA, terminate the RePPA by giving 14 days written notice to the defaulting party. The termination of the RePPA shall not prejudice or affect the accrued rights or claims and liabilities of the parties.

(b) Save and except an Event of Default, no party shall have the right to terminate the RePPA for a breach of any obligation under the RePPA. The right of termination shall be in addition to all other rights and remedies available to such party, at law or in equity or otherwise, for the breach of the RePPA by the other party, which may include compensation for monetary damages, injunctive relief and specific performance.

(iii) Consequences of termination

(a) If TNB terminates the RePPA as a result of an Event of Default by Biogas Sulpom, TNB shall have the option but not the obligation, exercisable by notice in writing to Biogas Sulpom and SEDA within 60 days of the termination of the RePPA, to purchase the Project in the manner and at the purchase price as set out in the RePPA. In the event the option is exercised, Biogas Sulpom shall sell the Project (including the Feed-in Approval) to TNB subject to the conditions of transfer.

(b) If Biogas Sulpom terminates the RePPA as a result of an Event of Default by TNB, Biogas Sulpom shall have the option but not the obligation, exercisable by notice in writing to TNB and SEDA within 60 days of the termination of the RePPA, to sell the Project to TNB in the manner and at the purchase price as set out in the RePPA. In the event the option is exercised, TNB shall purchase the Project (including the Feed-in Approval) from Biogas Sulpom subject to the conditions of transfer.

DOLPHIN BIOGAS SDN. BHD.
(1202440-V)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2018

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company has not commenced any business operations since the date of incorporation. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	RM
Loss for the financial year, net of tax	(7,861)

DIVIDENDS

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2018.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ensure that any currents assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the finiancial period and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up any unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Low Teck Yin*
Hoh Yeong Cherng*

* Directors of the Company and subsidiary.

Other than as stated above, the names of the directors of the subsidiary of the Company in office during the financial year and during the period from end of financial year to the date of report are:

Yap Hai San
Teoh Kah Lean

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the holding company

	Number of ordinary shares			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
<u>The holding company</u>				
Dolphin International Berhad				
Direct interests:				
Low Teck Yin	46,632,514	-		46,632,514
Hoh Yeong Cherng	46,812,527	-		46,812,527
Indirect interests:				
Hoh Yeong Cherng*	484,500	-	-	484,500

3

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

Interest in the holding company (continued)

* Deemed interested in the direct shareholdings in the holding company of his sibling, Hoh Yeong Jian, and father, Hoh Kok Wah.

	Number of warrants of RM0.80/- each			
	At 1.1.2018	**Exercised**	**Sold**	**At 31.12.2018**
The holding company				
Dolphin International Berhad				
Direct interests:				
Low Teck Yin	28	-	-	28
Hoh Yeong Cherng	31	-	-	31
Indirect interests:				
Hoh Yeong Cherng*	75	-	-	75

* Deemed interested in the direct shareholdings in the holding company of his sibling, Hoh Yeong Jian.

By virtue of their interests in the ordinary shares of the holding company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Low Teck Yin and Hoh Yeong Cherng are deemed to have an interest in the ordinary shares of the Company and its related corporations to the extent that the holding company has an interest.

Interest in the related company

	Number of ordinary shares of USD 1.00 each			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
The related company				
PT Dolphin Indonesia				
Direct interests:				
Hoh Yeong Cherng	175,000	-	-	175,000

DIRECTORS' BENEFITS

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 emoluments received or due and receivable, by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS (CONTINUED)

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there were no indemnity given to or insurance effected for, any director and officer of the Company.

SUBSIDIARIES

The details of the Company's subsidiary is disclosed in Note 5 to the financial statements.

INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

Other than as disclosed elsewhere in this report, the Company does not have any interests in shares in the holding company and its other related corporations during the financial year.

HOLDING COMPANY

The directors regard Dolphin International Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company of the Company.

AUDITORS REMUNERATION

The details of the auditors' remuneration are disclosed in Note 10 to the financial statements.

INDEMNTY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

This report was approved and signed by the Board of Directors in accordance with a resolution of the directors.

....
LOW TECK YIN
Director

....
HOH YEONG CHERNG
Director

Kuala Lumpur

Date: 29 April 2019

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
ASSET			
Non-current asset			
Investment in a subsidiary	5	5,095,000	5,095,000
Total non-current asset		5,095,000	5,095,000
Current assets			
Deposit		260	260
Cash and bank balances		1,154	9,995
Total current assets		1,414	10,255
TOTAL ASSETS		5,096,414	5,105,255
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	6	2	2
Capitan reserve	7	5,292,975	-
Accumulated losses		(199,498)	(191,637)
TOTAL EQUITY		5,093,479	(191,635)
Current liabilities			
Other payables	8	2,935	5,296,890
Total current liabilities		2,935	5,296,890
TOTAL LIABILITIES		2,935	5,296,890
TOTAL EQUITY AND LIABILITIES		5,096,414	5,105,255

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

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income			
Administrative expenses		(7,861)	(188,909)
Operating loss		(7,861)	(188,909)
Finance cost	9	-	(2,728)
Loss before tax	10	(7,861)	(191,637)
Income tax expense	11	-	-
Loss for the financial year, representing total comprehensive loss for the financial year		(7,861)	(191,637)

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

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company			
	Share capital RM	Capital reserve RM	Accumulated losses RM	Total equity RM
At 1 January 2017	2	-	-	2
Total comprehensive loss for the financial year	-	-	(191,637)	(191,637)
At 31 December 2017	2	-	(191,637)	(191,635)
Deemed capital contribution from holding company (Note 7)	-	5,292,975	-	5,292,975
Total comprehensive loss for the financial year	-	-	(7,861)	(7,861)
At 31 December 2018	2	5,292,975	(199,498)	5,093,479

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

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Loss before tax		(7,861)	(191,637)
Adjustments for:			
Finance cost		-	2,728
Operating loss before changes in working capital		(7,861)	(188,909)
Changes in working capital:			
Receivables		-	(260)
Payables		(980)	3,915
Net cash flows used in operations		(8,841)	(185,254)
Interest paid		-	(2,728)
Net cash used in operating activities		(8,841)	(187,982)
Cash flows from investing activity			
Acquisition of a subsidiary		-	(5,095,000)
Net cash used in investing activity		-	(5,095,000)
Cash flows from financing activities	(a)		
Amount due to holding company		(5,292,975)	5,292,975
Deemed capital contribution from holding company		5,292,975	-
Proceeds from issuance of ordinary shares		-	2
Net cash from financing activities		-	5,292,977
Net (decrease)/increase in cash and cash equivalents		(8,841)	9,995
Cash and cash equivalents at the beginning of the financial year		9,995	-
Cash and cash equivalents at the end of the financial year		1,154	9,995
Analysis of cash and cash equivalents:			
Cash in hand		-	12
Cash at bank		1,154	9,983
		1,154	9,995

10

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities

	At 1.1.2018	Deemed Capital Contribution (Note 7)	At 31.12.2018
	RM	RM	RM
Amount due to holding company	(5,292,975)	5,292,975	-

	At 1.1.2017	Cash flows	At 31.12.2017
	RM	RM	RM
Amount due to holding company	-	(5,292,975)	(5,292,975)

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

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENT

1. CORPORATE INFORMATION

Dolphin Biogas Sdn. Bhd. ("the Company") is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 17 & 19, Jalan Puteri 5/20, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan.

The directors regard Dolphin International Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company of the Company.

The principal activity of the Company is investment holding. The Company has not commenced any business operations since the date of incorporation. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statement were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Company has adopted the following new MFRSs, amendments/improvements to MFRSs that are mandatory for the current financial year:

<u>New MFRSs</u>

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contract
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

<u>New IC Int</u>

IC Int 22	Foreign Currency Transactions and Advance Consideration

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Company, and did not result in significant changes to the Company's existing accounting policies.

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statement of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statement of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Company has not restated the comparative information, which continues to be reported under MFRS 139. The Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Company has complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Company, except for those as discussed below.

(i) Classification and measurement

The following are the changes in the classification of the Company's financial assets:

- Other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

(i) Classification and measurement (continued)

In summary, upon the adoption of MFRS 9, the Company had the following reclassifications as at 1 January 2018:

MFRS 139 Measurement category	RM	MFRS 9 Measurement Category Amortised cost RM
Financial assets		
Loans and receivables		
Deposit	260	260
Cash and bank balances	9,995	9,995
Financial liabilities		
Other financial liabilities		
Other payables	5,296,890	5,296,890

(ii) Impairment

In previous financial years, other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Company are expected credit losses on all its other receivables, either on a 12 month or lifetime basis.

The adoption of MFRS 9 did not have a material impact on the Company's other comprehensive income or the Company's operating, investing and financing cash flows.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Company has not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates & Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021#
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred/ 1 January 2021#
MFRS 132	Financial Instruments: Presentation	1 January 2021#

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

The Company has not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (continued):

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs (continued)</u>		
MFRS 134	Financial instruments: Presentation	1 January 2021#
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021#
MFRS 140	Investment Property	1 January 2021#
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to IC Int</u>		
IC Int 12	Service Consession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 32	Intangible Assets – Web Site Costs	1 January 2020*

* Amendments to References to the Conceptual Framework in MFRS Standards
# Amendments as to the consequence of effective of MFRS 17 Insurance Contract

(a) The Company plans to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised as per ensuring page.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Company as a lessee currently accounts for as operating leases. On adoption of this standard, the Company will be required to capitalise its rented premises, equipment on the statement of financial position by recognising them as "rights- of- use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Company plans to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Company is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 also clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (continued)

Amendments to References to the Conceptual Framework in MFRS Standards (continued)

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 5, MFRS 7, MFRS 15, MFRS 107, MFRS 116, MFRS 132, MFRS 136 and MFRS 140.

(b) The detailed analysis on the financial effects of the adoption of other new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are currently still being assessed by the Company.

2.4 Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimate and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.7 Fundamental accounting principle

During the financial year ended 31 December 2018, the Company incurred a net loss of RM7,861 and, as of that date, the Company's current liabilities exceeded its current assets by RM1,521.

The ability of the Company to continue as a going concern will be dependent on the continuous support from the holding Company to provide adequate funds for the Company to meet its liabilities as and when they fall due.

The directors of the Company are of the opinion that the preparation of the financial statements of the Company on a going concern basis remains appropriate after considering the cash flows generated from the operations of the Company and of the available financing facilities supporting the assessment of the Company's ability to continue as a going concern of at least 12 months from the end of the financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Company.

3.1 Separate financial statements

In the Company's statement of financial position, investment in subsidiary is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.5(b) to the financial statements.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

Pursuant to Paragraph 10 of MFRS 127 Separate Financial Statements, the consolidated financial statements have not been prepared as the Company is, at the end of the financial year, a wholly-owned subsidiary of Dolphin International Berhad, a company incorporated in Malaysia and listed in Main Markett of Bursa Malaysia Securities Berhad, with it register office located at No.17 & 19, Jalan Puteri 5/20, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan. The consolidated financial statements for the financial year ended 31 December 2018 are prepared at the holding company level.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Investment in subsidiary

Subsidiary is entity including structured entity in which the Company has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over entity.

Potential voting rights are considered when assessing control only when such rights are substantive. The Company also considers it has the factor, power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.5(b) to the financial statements. On disposal of such investment, the difference between the net disposal proceed and their carrying amount is recognised as gain or loss on disposal in the income statements.

3.3 Financial instruments

Accounting policies applied from 1 January 2018

Except for the trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement

The Company categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified to financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Company reclassifies financial assets when and only when their business models for managing those assets change.

Debt Instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments at amortised cost.

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.5(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

Equity Instruments

The Company subsequently measures all equity investments at fair value. Upon initial recognition, the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument - by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss.

Company No. 1202440-V

DOLPHIN BIOGAS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

The Company categorises the financial instruments as follows (continued):

(i) Financial assets (continued)

Equity instruments (continued)

Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Company classifies its financial liabilities to financial liabilities at amortised cost.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.