

**MY E.G. SERVICES BERHAD [REGISTRATION NO. 200001003034 (505639-K)]
("THE COMPANY")
- SHARE SALE AGREEMENT AND PUT AND CALL OPTION AGREEMENT
ENTERED BY MY E.G. CAPITAL SDN. BHD., A WHOLLY OWNED SUBSIDIARY
OF THE COMPANY**

**The exchange rate of United States Dollar ("USD") 1.00 = RM4.2675 is based on Bank Negara Malaysia's prevailing middle rate as at 12.00pm on 10 June 2020*

1. INTRODUCTION

The Board of Directors of the Company wishes to announce that MY E.G. Capital Sdn. Bhd. [Registration No. 201201000819 (974343-K)] ("**MYEG Capital**"), a wholly owned subsidiary of the Company had on 10 June 2020 entered into the following agreements:-

- (a) Share Sale Agreement ("**SSA**") with Merrington Assets Limited (Company No. 1896290) ("**MAL**") and the Company for the purchase of 118,000,000 ordinary shares of S5 Holdings Inc. (Company No. LL14071) ("**S5**"), representing 10% of the issued and paid-up share capital of S5 by MYEG Capital from MAL for a total purchase consideration of RM90,000,000.00 ("**Purchase Consideration**"), to be satisfied partly by cash and partly by shares ("**Proposed Acquisition**"); and
- (b) Put and Call Option Agreement ("**PCOA**") with MAL to accept and grant option from/to MAL, pursuant to the terms and conditions as set out in the PCOA.

(collectively referred to as "**the Investment**").

2. INFORMATION ON THE PARTIES

2.1 MYEG Capital

MYEG Capital is a private limited company incorporated in Malaysia on 9 January 2012 having its registered address at Level 43A, MYEG Tower, No. 8, Jalan Damansara, Empire City, PJU 8, 47820 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal activity of MYEG Capital is investment holdings and it has an issued and paid up share capital of RM1,000,000 comprising of 1,000,000 ordinary shares.

The Directors of MYEG Capital are as follows:-

- (i) Dato' Dr Norraesah binti Haji Mohamad; and
- (ii) Wong Thean Soon.

2.2 MAL

MAL is a company incorporated in the British Virgin Island having its registered address at Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

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The principal activity of MAL is investment holdings and it has an issued and paid up share capital of USD50,000 (equivalent to approximately RM213,375.00) comprising 50,000 ordinary shares, which are held by the following parties:-

Shareholders	Number of Shares	Percentage (%)
Vent Millions Sdn. Bhd.	12,500	25.0
Barolagun Sdn. Bhd.	12,500	25.0
Venstraits Sdn. Bhd.	10,000	20.0
Matrix Indeks Sdn. Bhd.	8,000	16.0
Sinar Estet Sdn. Bhd.	7,000	14.0
Total	50,000	100.0

The Directors of MAL are as follows:-

- (i) Rizwan Bin Rasid;
- (ii) Thamilarasan A/L Ramasamy;
- (iii) Muhamad Azril Bin Ahmad Rozi;
- (iv) Darul Ehsan Bin Ahmad; and
- (v) Sasikumar A/L Loganathan

2.3 S5

S5 is a private limited company incorporated in Labuan having its registered address at Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan Federal Territory, Malaysia.

The principal activity of S5 is investment holdings and it has an issued and paid up share capital of USD6,682,869.00 (equivalent to approximately RM 28,519,143.46), comprising 1,180,000,000 ordinary shares, which are held by the following parties:-

Shareholders	Number of Shares	Percentage (%)
MAL	236,000,000	20.0
NSA Tehcnology Sdn. Bhd.	901,321,377	76.4
Avocat Sdn. Bhd.	42,678,623	3.6
Total	1,180,000,000	100.0

The Directors of S5 are as follows:-

- (i) Tuan Syed Mohammad Hafiz Bin Syed Razlan;
- (ii) Aaron Loke Khy-Min;
- (iii) Kurian Thomas A/L Jacob Thomas;
- (iv) Chan See Siang; and
- (v) Effendi Bin Ramli

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S5 has two (2) subsidiaries as follow:-

Company Name	Business Activity
S5 Systems Sdn. Bhd.	Provision of national security solutions which involves the provision of security technology intellectual property as well as the development and customisation of solutions and systems, consultancy and support in all related information technology and security industries.
S5 Code Solutions Kazakhstan LLP	In the process of being voluntary wound up by its shareholder.

(collectively referred to as "**S5 Group**")

3. DETAILS OF THE INVESTMENT

3.1 SSA

3.1.1 Net Asset Attributable to the shareholders and Net Profit of S5

The net asset attributable to the shareholders of S5 amounts to RM21,723,853 as at 30 June 2019 and its net profit amounts to RM63,243,448 for the year ended 30 June 2019.

3.1.2 Conditions Precedent

The completion of the SSA is conditional on:-

- (a) the Company obtaining the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the 12,500,000 new ordinary shares in the Company representing approximately 0.36% of the existing total issued and paid-up capital of the Company (excluding treasury shares) on the Main Market of Bursa Securities ("**Consideration Shares**").
- (b) MYEG Capital and/or the Company conducting or cause to be conducted due diligence on S5 Group to the satisfaction of MYEG Capital and/or the Company.

The conditions precedent shall be satisfied on or before 30 September 2020 ("**Cut-Off Date**"). Thereafter, the Parties may have an extension(s) of time as may be agreed between the Parties to comply with the conditions precedent. If the conditions precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between the Parties, then the SSA shall lapse and cease to have any further force or effect and the Parties shall return to each other any documents which have been

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delivered to them under the SSA and thereafter none of the Parties shall have any rights against the other(s).

3.1.3 Purchase Consideration

The Purchase Consideration of RM90,000,000.00 shall be paid by MYEG Capital in the following manner:-

- (a) MYEG Capital shall pay the cash consideration of RM75,000,000.00 to MAL in such manner as MAL shall instruct; and
- (b) the balance sum of RM15,000,000.00 shall be satisfied by the allotment and issuance of Consideration Shares to MAL.

3.1.4 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration for the Proposed Acquisition was arrived at a willing buyer, willing seller basis and after taking into consideration the following:-

- (i) S5 Group's track record and position as the market leader in the provision of national security solutions;
- (ii) the potential synergistic benefits arising from the the Proposed Acquisition;
- (iii) future growth prospects of S5 Group and the favarouble outlook of digitalization of government services; and
- (iv) the rationale for the Proposed Acquisition as set out in section 4 below.

3.1.5 Basis and justification of arriving at the issue price of the Consideration Shares

The issue price of the Consideration Shares of RM1.20 per share was determined based on a discount of 5.88% over the 5-day volume weighted average price of the Company's shares up to and including 9 June 2020, being the last market day preceding the date of the SSA of RM1.275.

3.1.6 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the existing Company's shares, save and except that the holder of the Consideration Shares will not be entitled to any dividends, rights, allotment and/or any other distributions that may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the Consideration Shares.

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3.1.7 Listing of and quotation for the Consideration Shares

An application will be made to Bursa Securities for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities.

3.1.8 General mandate pursuant to Section 76 of the Companies Act 2016

The issuance of the Consideration Shares will be undertaken in accordance with the general mandate pursuant to Section 76 of the Companies Act 2016 which was obtained from the shareholders of the Company at the annual general meeting convened on 14 March 2019, whereby the Board has been authorised to allot and issue new Company's shares provided that the number of shares to be issued does not exceed 10% of the total number of issued shares of the Company ("**General Mandate**"). The General Mandate shall continue to be in force until the conclusion of the next annual general meeting of the Company, which is expected to be after completion of the Proposed Acquisition.

3.1.9 Source of funding

The Purchase Consideration will be partially funded by internal generated funds and partially by issuance of new Company's shares.

3.1.10 Liabilities to be assumed

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the Investment, there are no liabilities (including contingent liabilities and/or guarantees) to be assumed by the Company as a result of the Investment.

3.2 PCOA

3.2.1 Put Option

MAL shall irrevocably grant MYEG Capital and/or its permitted assignee(s) the right for MYEG Capital to sell to MAL, and to require MAL to purchase or cause or procure the purchase by MAL the option shares of 118,000,000 ("**Option Shares**") at an option price of RM0.76271 per Option Share, less dividend or distribution paid to and received by MYEG Capital ("**Option Price**") ("**Put Option**"), exercisable during the option period to require MAL to purchase and/or cause or procure the purchase by MAL or its nominee notified in writing of the Option Shares and MAL shall purchase and/or cause or procure its nominee notified in writing to purchase from MYEG Capital and/or its permitted assignee(s) all and not part of the Option Shares, free from all restrictions, moratorium, liens, charges and all other encumbrances and with all rights attaching thereto at the Option Price and upon the terms and subject to the conditions set out in the PCOA.

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The Put Option will no longer be valid and is deemed terminated in the event:-

- (i) S5 is listed on a recognised stock exchange prior to the exercise of the Put Option by MYEG Capital; or
- (ii) MYEG Capital has disposed of any of the Option Shares acquired under the SSA to bona fide third-party purchaser (not being a permitted assignee(s) of MYEG Capital) with the written consent of MAL.

3.2.2 Call Option

MYEG Capital shall irrevocably grant to MAL the right for MAL to purchase from MYEG Capital, and to require MYEG Capital to sell or cause or procure the sale by MYEG Capital, the Option Shares at the Option Price ("**Call Option**"), exercisable during the option period to require MYEG Capital to sell and/or cause or procure the sale by MYEG Capital's permitted assignee(s) of the Option Shares and MYEG Capital shall sell and/or cause or procure its permitted assignee(s) to sell to MAL all and not part of the Option Shares, free from all restrictions, moratorium, liens, charges and all other encumbrances and with all rights attaching thereto at the Option Price and upon the terms and subject to the conditions set out in the PCOA.

The Call Option will no longer be valid and is deemed terminated in the event:-

- (i) S5 is listed on a recognised stock exchange prior to the exercise of the Call Option by MAL; or
- (ii) MYEG Capital has disposed of any of the Option Shares acquired under the SSA to bona fide third-party purchaser (not being a permitted assignee(s) of MYEG Capital) with the written consent of MAL.

4. RATIONALE AND BENEFITS OF THE INVESTMENT

As the leading e-government services provider in the region, the Company is committed to continuously broadening its product and service offerings to ensure it remains at the forefront of supporting national digital aspirations and enhancing government service delivery through the deployment of cutting-edge technology and innovations.

In this connection, the Investment is consistent with these overarching objectives as S5's solutions and systems are complementary to the Company's existing and prospective service offerings, especially within the Immigration space in Malaysia.

The Company intends to leverage the relationship with S5 to achieve greater synergies and mutual benefits, thus expanding the Company's footprint in Malaysia and strengthening the Company's position as the nation's flagship and preferred e-government services provider.

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5. PROSPECTS

As an open and growing economy, Malaysia consistently sees regular and active movement of people and goods across its borders. In this respect, demand for technological solutions and innovations capable of meeting the country's increasingly complex border control and immigration security needs is expected to continue growing for the foreseeable future, in line with the underlying expansion of the country's economy within a globalised world.

The Company is optimistic that as a market leader in the area of immigration security and control systems, S5 is well-placed to continue playing a meaningful role in providing the necessary solutions to support and enable the government to achieve its national security objectives. Furthermore, going forward, S5 will have the opportunity to leverage the Company's established track record, experience and capabilities as the flagship e-government service provider in Malaysia with a growing presence in the region to enhance its performance and generate synergies for the mutual benefit of all stakeholders.

Accordingly, the Company is positive on its long-term business and growth prospects.

6. RISK FACTORS

6.1 Non-Completion Risk

The completion of the Investment is conditional upon the fulfilment of the conditions precedent in the respective agreements. Failure to fulfil and/or obtain a waiver for any conditions precedent in the SSA within the stipulated timeframe may result in the SSA being terminated. There can be no assurance that such conditions precedent will be fulfilled or waived within the timeframe stipulated in the SSA.

Notwithstanding the above, the Company will take all reasonable steps to ensure the fulfilment of the conditions precedent, including obtaining approvals required which are within its control, for the purpose of completing the Investment.

6.2 Investment Risk

The Investment is expected to contribute positively to the future earnings of the Company and its subsidiaries (collectively referred to as "**the Group**"). However, there is no assurance that the anticipated benefits from the Investment will be realised or that the Company will be able to generate sufficient returns from the Investment to offset the associated cost of investment. Nevertheless, the Board has exercised due care in evaluating the potential risks and benefits associated with the Investment and believes that the Investment which provide an avenue to the Group to broaden its product offerings will be value accretive to the Group.

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6.3 Business Risk

Any adverse development in the political, economic and regulatory environment in Malaysia may have a material adverse effect on the financial performance and prospects of S5. These uncertainties include changes in political leadership, economic conditions and foreign investment policies.

There is no assurance that there will be no future change in the regulatory environment which could adversely affect S5's operations. Notwithstanding the foregoing, the Company will adopt a proactive approach in monitoring any development in the political, economic and regulatory environment in Malaysia and will seek the necessary professional advice to mitigate any risk arising from such changes.

Although the Board endeavours to mitigate such risks through the practice of efficient operating procedures and prudent financial management, there is no assurance that the occurrence of such risks would not affect the financial performance of the Group.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Share capital

As at the date of this announcement, the proforma effects of the Proposed Acquisition on the share capital of the Company are set out below:-

	No. of shares of the Company	RM
Issued share capital ¹	3,606,305,993	360,630,599.30
Shares to be issued pursuant to the Proposed Acquisition	12,500,000	15,000,000.00
Enlarged share capital	3,618,805,993	375,630,599.30

Note:-

¹*The Issued share capital includes 152,104,400 of shares held as treasury shares as at the date of this announcement.*

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7.2 Substantial shareholders’ shareholdings

As at the date of this announcement and based on the register of substantial shareholders’ shareholding of the Company, the proforma effects of the Proposed Acquisition on substantial shareholders’ shareholdings are set out below:-

	Before the Proposed Acquisition				After the Proposed Acquisition			
	Direct Shareholding		Indirect Shareholding		Direct Shareholding		Indirect Shareholding	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
<u>Substantial Shareholders:</u>								
Asia Internet Holdings Sdn Bhd	714,428,577	20.68	-	-	714,428,577	20.61	-	-
Wong Thean Soon	362,939,130	10.51	714,428,577 ⁽³⁾	20.68	362,939,130	10.47	714,428,577 ⁽³⁾	20.61
Kumpulan Wang Persaraan (Diperbadankan) (“KWAP”)	173,580,900	5.03	15,584,400 ⁽⁴⁾	0.45	173,580,900	5.01	15,584,400 ⁽⁴⁾	0.45
Employees Provident Fund Board	184,705,500	5.35	-	-	184,705,500	5.33	-	-

Notes:-

- (1) Based on the share capital of 3,454,201,593 shares (excluding 152,104,400 of shares held as treasury shares as at the date of this announcement)*
- (2) Based on the enlarged share capital of 3,466,701,593 shares (excluding 152,104,400 of shares held as treasury shares as at the date of this announcement)*
- (3) Deemed interested by virtue of his substantial shareholdings in Asia Internet Holdings Sdn Bhd pursuant to Section 8 of the Act*
- (4) Deemed interested via KWAP’s fund manager*

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7.3 Net assets per share and gearing

The Investment will not have any material effect on the net assets per share and gearing of the Company for the financial year ending 31 December 2020.

7.4 Earnings per share

The Investment is not expected to have any material effect on the earnings per share of the Company for the financial year ending 31 December 2020.

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

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interests, direct or indirect, in the Investment.

9. STATEMENT BY BOARD OF DIRECTORS

The Board of Directors of the Company, having reviewed and considered the terms and conditions of the Investment, is of the opinion that the Investment is in the best interest of the Company and the terms and conditions of the Investment are fair, reasonable and on terms that are not detrimental to the interest of the minority shareholders of the Company.

10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Investment pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is 15.85% in relation to the aggregate value of the consideration given in relation to the Investment, compared with the net assets of the listed issuers based on the Audited Financial Statements of the Company for the period ended 30 September 2018.

11. APPROVALS REQUIRED

The Investment is subject to the following approvals being obtained:-

- (a) Bursa Securities, for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; and
- (b) any other relevant authority, if required.

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Save for the above, the proposals are not conditional upon any other proposal undertaken or to be undertaken by the Company.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the third quarter of 2020. At the same time, the PCOA will come into effect upon completion of the Proposed Acquisition, and the PCOA will expire by fourth quarter of 2022, if the PCOA is not terminated and/or the Put/Call Option is not exercised.

13. DOCUMENTS FOR INSPECTION

The SSA and PCOA are available for inspection at the registered office of the Company at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, during normal business hours on Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 10 June 2020.