

SMRT HOLDINGS BERHAD

PROPOSED DISPOSAL OF THE ENTIRE BUSINESS IN FORZIA TECH PTE LTD TO PAY ASIA MANAGEMENT PTE LTD (“PROPOSED DISPOSAL”)

1. INTRODUCTION

The Board of Directors of SMRT Holdings Berhad (“SMRT” or “Company”) wishes to announce that it’s indirect subsidiary namely Forzia Tech Pte Ltd (“Forzia” or “Seller”), had on 14 July 2020 entered into an Asset Purchase Agreement (“APA”) with Pay Asia Management Pte Ltd (“PayAsiaM” or “Buyer”) for the proposed disposal of the entire businesses of Forzia (“Forzia Business”) for a consideration of Singapore Dollars Twenty Five Thousand (S\$25,000.00) Only (“Sale Consideration”) (“Proposed Disposal”). The Forzia Business comprises rights on unregistered Intellectual property software (“Talentoz”), moveable assets, existing contracts, and employees.

This APA is executed simultaneously with the APA entered into between Talentoz Sdn Bhd (“TSB”), a subsidiary of SMRT and Pay Asia Pte Ltd (“PayAsia”) and PayMy Outsourcing Sdn Bhd (“PayMy”) for the proposed disposal of the entire business in Talentoz (“Talentoz Business”), for a consideration of Singapore Dollar One Million Six Hundred and Twenty Five Thousand Only (S\$1,625,000.00).

Upon completion of the Proposed Disposal, Forzia shall cease it’s business operations.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information on Pay Asia Management Pte Ltd (“PayAsiaM”)

PayAsiaM was incorporated in Singapore as a private limited company on 5 June 2008 with company registration number : U85300KA2008PTC046675. PayAsiaM has it’s registered address at Leela Landmark Second Floor No. 07, 1st Cross, 3rd Main, Ashwini Layout, Ejipura, Bengaluru 560047. . The directors are PayAsiaM are Mark Samlal (Australian) and Sachin Goklaney (Australian).

PayAsiaM is a wholly-owned subsidiary of Pay Asia Pte Ltd, a private company incorporated in Singapore on 6th October 2006, which in turn is a wholly-owned subsidiary of PYG, a company listed at Australia Stock Exchange (“ASX”) and having its operationally headquartered in Singapore.

PYG is an investment holding company and its subsidiaries provide Software-with-a-Service (“SaaS”) payroll solutions and APP enabled Cloud Software-as-a-Service (“SaaS”) Human Capital Management (“HCM”) software operating in Asia Pacific region for multinational companies.

As at the date of this Announcement, the issued share capital of PayAsia is Rs. 5,025,780 comprising 502,578 ordinary shares.

2.2 Information on Forzia

Forzia is a company incorporated in India under the Companies Act 1956 of India on 2 March 2015, having its registered office at Plot 391, Door No. 17/6, 8th East Street, Kamaraj Nagar, Thiruvannamivur, Chennai-600041, India.

As at the date of this Announcement, the issued share capital of Forzia was Rs.100,000.00 comprises of 10,000 ordinary shares which have been issued and fully paid-up.

The nature of business of Forzia is designing, developing, managing and deploying creative technology solutions which help businesses work better, smarter and easier for a vast range of companies across India, Middle East and South East Asia..

The Directors of Forzia as at the date of this announcement are Muralidharan Ramakrishnan, Vinod Kumar Chandrasekar and Vijayakumar Rangaraju

2.3 Salient Terms of the APA

The salient terms of the APA include, amongst others, the following :

(a) Sale Consideration & Basis of the Sale Consideration

The Sale Consideration for the Forzia Business is Singapore Dollar Twenty Five Thousand (S\$25,000.00) Only.

The Sale Consideration is arrived at based on a willing buyer-willing seller basis, after taking into consideration, amongst others, the existing contracts in hand of Forzia as well as the future prospects and earnings potential of business in Forzia in relation to the on-cloud Human Capital Management (“HCM”) solutions in India and GCC.

The Sale Consideration is to be satisfied in SGD\$25,000 shall be paid in cash on the date of entering into APA.

(b) Conditions Precedent

Closing and consequently transfer of Assets shall be conditional upon the following items (collectively, the "Conditions Precedent", and each a " Condition Precedent") having been fulfilled on or before the Cut Off Time of the Closing Date or if specifically identified, by 1st July 2020 (“Effective Date”), unless one or more of the following is specifically waived in writing by the Buyer:

- (i) the completion of commercial, legal, financial and technology due diligence exercise by the Buyer on the Assets of the Seller, the results of such exercise being satisfactory to the Buyer (acting reasonably);
- (ii) completion of a vulnerability assessment and penetration testing exercise, the results of such exercise being satisfactory to the Buyer (acting reasonably);
- (iii) Buyer obtaining the requisite approvals from its board of directors and shareholders for the purchase of the Assets, and satisfying any procedures deemed necessary in relation to the purchase of the Assets;
- (iv) no material adverse change (as determined by the Buyer acting reasonably) in the prospects, operations or financial conditions of the Assets occurring on or after the Effective Date;
- (v) due execution of the TalentOz APA;
- (vi) due execution by the Parties of all documents as may be required for the assignment or novation of the Seller's Assets (excluding the Contracts) to a member of the Buyer's Group;

- (vii) due execution of all documents as may be required for the Buyer's employment of the Key Employees on or before the Effective Date, which shall include undertakings from the Key Employees to maintain their employment with the Buyer in their respective roles for at least 12 months after the Effective Date;
- (viii) due execution of all documents as may be required for the Buyer's employment of the Transferring Employees on or before the Effective Date;
- (ix) Seller obtaining a no-dues certificate under Section 281 of the Income Tax Act, 1961 in connection with the sale of Assets;
- (x) Seller obtaining all corporate approvals necessary for Closing of the transaction as envisaged in this Agreement;
- (xi) Seller obtaining all necessary consents under any arrangement (contractual, statutory, regulatory or otherwise) which may be required in connection with the transaction contemplated hereunder and confirmation that apart from the consents obtained herein, no further consents or permissions are required to be obtained from any Third Person or Government Agency for consummation of the transactions hereunder;
- (xii) confirmation from the Seller that all technology, systems and processes forming part of the Assets are in full compliance with applicable Data Protection Laws;
- (xiii) cancellation or extinguishment of the Seller's outstanding loans or liabilities vis-à-vis any member of the Seller's Group where relevant to the transfer of Assets;
- (xiv) all Warranties being complied with, true, accurate and correct as at the Execution Date, Effective Date and up to the Cut Off Time of the Closing Date; and
- (xv) Seller having fulfilled, performed, and complied with all the obligations and conditions under this Agreement which are required to be fulfilled, performed, and complied with on or before the Closing or Effective Date, as provided for in APA.

3. Original Cost of Investment

Talentoz is an in-house development Cloud Based Human Capital Management (“HCM”) solutions since year 2017. Talentoz provides component and tools to help plan, hire, manage and analyze a large employee base, covering workplace planning, talent management, recruiting tools, compensation, benefits, time management and attendance.

Talentoz covers the entire lifecycle of employee from Recruitment to Separation (also called Hire-to-Retire Processes). It is a user centric platform which helps employees “manage their work” and assist managers “manage people” to build an organisation of the future. With the power of “SMAC”(Social, Mobile, Analytics and Cloud) compliant unified talent management processes, organisations can bring all phases of employee life cycle under one single platform that is accessible from anywhere using any device. Talentoz HCM suite includes modules pertaining to transactional HR such as Leaves, Time & Attendance and Payroll plus strategic HR functions such as: Competency Management, Performance Appraisals, Employee surveys.

SMRT’s total cost of investment in development of Talentoz’s application was approximately RM6.3 million.

The loss on the Proposed Disposal of Talentoz Business and Forzia Business is approximately RM1.2 million.

4. RATIONALE

The rationale of the Proposed Disposal is to liquefy the on-cloud HCM solution business at the profitable valuation.

5. UTILISATION OF PROCEEDS

The cash proceeds from the Proposed Disposal are expected to be utilised as general working capital.

6. FINANCIAL EFFECTS

The Proposed Disposal will not have any material impact on the issued and paid-up share capital, substantial shareholders, gearing, net assets and earnings of the company, but will give positive impact to the liquidity position of the Company in the next 12 months.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the Directors, major shareholders and persons connected with a Director or major shareholder have any interest, direct or indirect, in the Proposed Disposal.

8. HIGHEST PERCENTAGE RATIO

Collectively with the APA entered with Talentoz Sdn Bhd, the highest percentage ratio applicable to the Proposed Disposal pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad is 15.7% based on the latest audited consolidated financial statements for the financial year ended 31 December 2019.

9. STATEMENT BY DIRECTORS

The Board of Directors, after having considered all aspects, is of the opinion that the Proposal Disposal is in the best interest of the Company.

10. APPROVALS REQUIRED

The Proposed Disposal is not subject to the approval of the shareholders of SMRT and the relevant government authorities.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the Board of Directors of SMRT expects the Proposed Disposal to be completed by first quarter of 2021.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The APA is available for inspection at the Company's registered office at Level 8, Tower Block, CUCMS Campus, Persiaran Bestari, Cyber 11, 63000 Cyberjaya, Selangor Darul Ehsan during normal office hours from Mondays to Fridays (excluding public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 14 July 2020.