DAGANG NeXCHANGE BERHAD ("DNeX" OR THE "COMPANY")

I. PROPOSED ACQUISITION;
II. PROPOSED DIVERSIFICATION; AND
III. PROPOSED PRIVATE PLACEMENT

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1. INTRODUCTION

On 8 February 2021, DNeX announced that Khazanah Nasional Berhad ("**Khazanah**") had on 5 February 2021 informed DNeX and its strategic partner, namely Beijing CGP Investment Co Ltd ("**CGP**") ("**Consortium**") that Khazanah accepted the bid by the Consortium, led by DNeX, for the proposed sale by Khazanah of the entire issued share capital of SilTerra Malaysia Sdn Bhd ("**SilTerra**").

On behalf of the Board of Directors of DNeX ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company and Beijing Integrated Circuit Advanced Manufacturing and High-End Equipment Equity Investment Fund Center (Limited Partnership) ("**CGP Fund**") had together on 31 March 2021, entered into a conditional share sale and purchase agreement ("**SSPA**") with Khazanah ("**Vendor**"), for the acquisition by DNeX and CGP Fund* (as purchasers) of the entire issued share capital of SilTerra as at the completion date of the SSPA ("**Sale Share(s)**"), representing the entire equity interest in SilTerra, for a purchase consideration of RM273,000,000 to be satisfied entirely via cash ("**Purchase Consideration**") ("**Proposed Acquisition**").

Note:-

* *For information purpose, CGP, a private and independent investment management company, is the general partner and manager of CGP Fund*

Subject to the terms and conditions of the SSPA, the equity interest in the Sale Shares attributable to DNeX's and CGP Fund's acquisition portion shall be 60% and 40% respectively, pursuant to the Proposed Acquisition. Both DNeX and CGP Fund shall nominate its own subsidiary, namely DNeX Semiconductor Sdn Bhd (formerly known as DNeX Clean Utilities Sdn Bhd) ("**DNeX SPV**") and Tethystronics Technologies Company Limited ("**CGP Fund SPV**") respectively, as the special purpose vehicles intended to be the recipient of the Sale Shares attributable to their acquisition portion. In this regard, the purchase consideration attributable to DNeX's 60% interest in the Sale Shares pursuant to the Proposed Acquisition shall amount to RM163,800,000.

In conjunction with the Proposed Acquisition, DNeX intends to diversify its existing principal activities to include the manufacture, sale and marketing of semiconductor wafers, semiconductor-related tools and any other related activities ("**Proposed Diversification**").

In addition, DNeX also intends to undertake a fundraising exercise via a private placement which involves the issuance of new ordinary shares in DNeX ("**DNeX Share(s)**" or "**Share(s)**") representing up to 30% of the total number of issued shares of DNeX to third party investor(s) to be identified later at an issue price to be determined later ("**Placement Shares**") ("**Proposed Private Placement**"), of which the proceeds arising thereto are mainly intended to finance the Proposed Acquisition, either in whole or in part, subject to the successful procurement of placee(s) and implementation of the placement prior to completion of the Proposed Acquisition.

(The Proposed Private Placement, Proposed Acquisition and Proposed Diversification are collectively referred to as the "**Proposals**").

Further details on the Proposals are set out in the ensuing sections of this announcement.

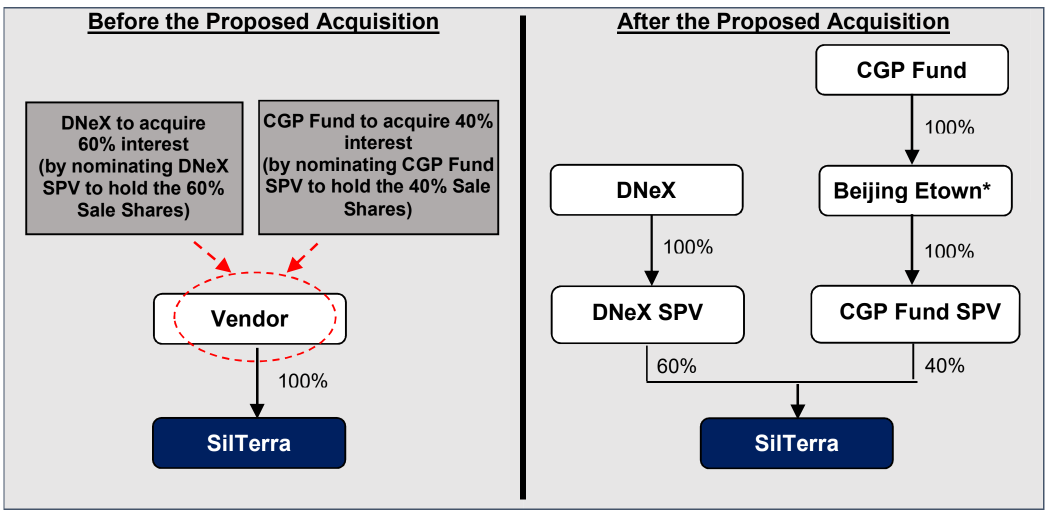
2. PROPOSED ACQUISITION

Both DNeX and CGP Fund had on 31 March 2021 entered into the SSPA with the Vendor for the Proposed Acquisition. The Proposed Acquisition entails the acquisition by DNeX and CGP Fund of the Sale Shares, from the Vendor, for the Purchase Consideration of RM273,000,000 which shall be satisfied entirely via cash. Please refer to **Appendix I** of this announcement for the salient terms of the SSPA.

Pursuant to the SSPA, DNeX shall acquire a 60% equity interest in the Sale Shares, whilst CGP Fund shall acquire the balance 40% equity interest in the Sale Shares. Both parties shall nominate their respective subsidiaries, namely DNeX SPV and CGP Fund SPV, as the recipient of their respective Sale Shares portion.

Subject to the terms and conditions of the SSPA, the Sale Shares will be acquired free from all liens, charges and encumbrances and with full legal and beneficial title with all rights, benefits and advantages attaching thereto (including all dividends and distributions (if any) which may be declared, made or paid in respect thereof) and on the basis of the warranties provided by the Vendor.

The structure of the Proposed Acquisition as depicted in the diagram below:-



Note:-

* *Referred to as Beijing Etown Saturn Technology Company Limited*

Upon completion of the Proposed Acquisition, SilTerra and its subsidiaries (collectively, the "**SilTerra Group**") will become a 60%-owned subsidiary of DNeX, indirectly held through DNeX SPV.

For avoidance of doubt, the Proposed Acquisition is not a related party transaction as prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").

2.1 Information on SilTerra

SilTerra was incorporated on 29 November 1995 in Malaysia under the Companies Act, 1965 as a private limited company under the name of Wafer Technology (Malaysia) Sdn Bhd. On 24 December 1999, SilTerra changed its name to its present name. SilTerra's headquarters and factory are located in Malaysia's Kulim Hi-Tech Park, with its corporate office in Selangor (Malaysia) and its sales and marketing offices in San Jose (California) and Hsinchu (Taiwan).

As at 19 March 2021, being the latest practicable date of this announcement ("**LPD**"), the issued share capital of SilTerra is RM1,182,319,751.00 comprising the following shares:-

(i) RM975,413,865 being the total issued ordinary share capital of SilTerra comprising 975,413,865 ordinary shares of SilTerra; and

(ii) RM206,905,886 being the total irredeemable convertible preference shares ("**ICPS**") of SilTerra comprising the following:-

(a) 7,600,000 of Series A ICPS amounting to RM52,592,000 (comprising RM7,600,000 at RM1.00 per share and RM44,992,000 for share premium) ("**ICPS A**"); and

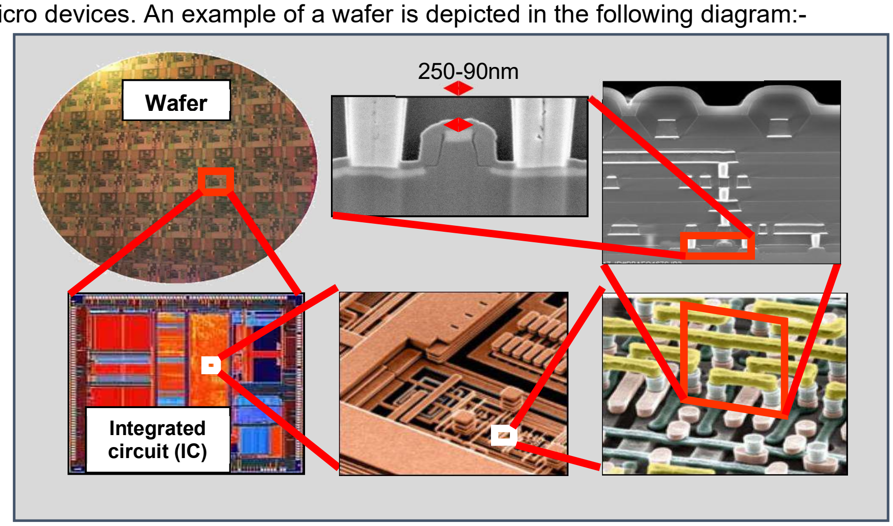
(b) 154,313,886 of Series B ICPS amounting to RM154,313,886 ("**ICPS B**").

For avoidance of doubt, the Sale Shares comprised in the Proposed Acquisition will include the ordinary shares that will be issued to the Vendor upon the conversion of the ICPS A and ICPS B ("**ICPS Conversion**"), which shall take place as part of the conditions precedent to the SSPA, further details of which is set out in **Appendix I** of this announcement.

SilTerra was established by the Government of Malaysia ("**Government**") in 1995 as a project of strategic national interest to promote front-end semiconductor manufacturing and a catalyst for high technology investments in Malaysia. SilTerra Group is principally engaged in the manufacturing of semiconductor wafers, sale of semiconductor-related tools, provision of semiconductor-related training and consulting services. SilTerra is an established pure-play semiconductor foundry offering complementary metal oxide semiconductor ("**CMOS**") Logic*, high voltage and mixed signal/ radio frequency process technologies which are supplied mainly to multinational companies (i.e. fabless and integrated device manufacturer (IDM) companies).

* *A logic integrated circuit ("**IC**") using a CMOS circuit configuration is called a "**CMOS Logic**". In this circuit, the gate current flows only when the metal–oxide–semiconductor field-effect transistor ("**MOSFET**") is switched on and off, and the gate current hardly flows in the steady state. ICs that use CMOS circuits can form logic circuits that consume less current than in the case of transistor–transistor logic (TTL), a logic family built from bipolar junction transistors*

SilTerra's revenue is primarily contributed from the sale of semiconductor wafers. A semiconductor wafer is characterised as a thin slice of semiconductor substance, like crystalline silicon, used in electronics for the making of integrated circuits. In the electronics terminology, a thin slice of semiconductor material is called as a wafer. It could be a silicon crystal which is used in the making of integrated circuits and other micro devices. An example of a wafer is depicted in the following diagram:-



The application for SilTerra's wafer technologies/ products span across a wide range of industries, including but not limited to the following:-

Consumer electronics	Optical data communications	Life sciences	Automotive	Industrial
Wireless charger, load switches, LED driver, fast switching power device applications, wireless gadgets, game controllers, sensors in smartphones, small-medium panel display drivers for smartphone, identification (smart card, sim card), fingerprinting applications	Optical transceiver modules in I/O links in servers and data centres, high speed networking switches	DNA sequencing chips, biosensors, ultrasound and medical imaging, motion sensors in wearables, medical technologies	Head-up display, motor driver ICs, power switch, LED driver, microcontrollers for human machine interface (HMI) (i.e. audio, side mirror, seat, wiper controls), electric vehicle (EV) charging station power supply, sensors (i.e. gyroscopes, temperature sensors, car navigation), next- generation illumination	Smart home appliances, high power driving applications (i.e. motor drivers for home appliances, white goods such as air conditioners, dryers, washing machine, industrial automation), smart metering, self-learning temperature sensor, beacons for indoor GPS

In terms of key technological capabilities, SilTerra has unique Silicon Photonics process capabilities that allows it to integrate optical and electrical layers into wafers as a single chip, thereby reducing cost and volume. SilTerra also has patents, unique processes & intellectual property to manufacture small panel driver IC using HV (high-voltage) technology combined with CMOS process, and Piezoelectric MEMS (microelectromechanical systems) devices on the top of CMOS that is being used in various sensors.

SilTerra mainly generates its revenue from the export market, and a summary of its revenue breakdown by geographical markets based on the past 3 financial years up to the financial year ended ("**FYE**") 31 December 2019 are as follows:-

	FYE 31 December 2017		**FYE 31 December 2018**		**FYE 31 December 2019**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
USA	47,553	7.7	38,115	8.0	13,855	3.5
Asia	425,869	69.0	241,360	50.5	196,604	49.6
Europe	103,291	16.7	62,607	13.1	66,587	16.8
Others	40,372	6.5	135,985	28.4	119,462	30.1
Total revenue	**617,086**	**100.0**	**478,067**	**100.0**	**396,508**	**100.0**

SilTerra operates in the following leased manufacturing premises:-

Address/ location	**Description/ Existing use**	**Lease term**	**Land area/ built-up area**
Lot 8, Mukim Padang China, District of Kulim located within the Kulim Hi-Tech Industrial Park Zone Phase II.	A 2-storey factory building used for wafer fabrication project and 4-storey office building	From 24.06.1999 to 23.06.2059, with the option to renew lease for a further term of 39 years	<u>Land area</u> 12.67 hectares <u>Built-up area</u> approximately 588,000 square feet

As at the LPD, the directors of SilTerra, of which none of them have any direct and indirect shareholdings in SilTerra, are as follows:-

Name	Nationality	Designation
Jalaluddin Bin Dato's Mohd Jarjis	Malaysian	Chairman
Datuk Dr Mohamed Arif Bin Nun	Malaysian	Director
Firdaus Bin Abdullah	Malaysian	Director
Effizal Faiz Bin Zulkifly	Malaysian	Director
Chong Yit Phin[*1]	Malaysian	Alternate Director
Dr Farid Bin Mohamed Sani	Malaysian	Director

Note:-

[*1] *Alternate Director to Effizal Faiz Bin Zulkifly*

SilTerra is a wholly-owned subsidiary of Khazanah. As at the LPD, Khazanah directly holds (i) 975,413,865 ordinary shares in SilTerra; (ii) 7,600,000 ICPS A; and (iii) 154,313,886 ICPS B, in SilTerra.

As at the LPD, the subsidiaries of SilTerra are as follows:-

Company	Country/ date of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
SilTerra Sales & Marketing Sdn Bhd	Malaysia/ 01.12.1997	RM100,000	100.0	Global sales and marketing of advanced semiconductor products including fabricated wafers
SilTerra Capital Berhad	Malaysia/ 20.11.2006	RM2	100.0	To provide funding to its holding company via the issuance of conventional or Islamic debt securities
Pembinaan Waferfab Sdn Bhd	Malaysia/ 23.03.1999	RM4,000,000	100.0	Wholesale of computer hardware, software and peripherals
SilTerra Sales and Marketing (L) Ltd	Federal Territory of Labuan/ 18.04.2003	USD2	100.0	Trading and providing marketing services for its ultimate holding.
SilTerra USA Inc.	Delaware, USA/ 30.03.2005	USD1	100.0	Dormant

As at the LPD, SilTerra does not have any associate and joint venture company.

A summary of the financial information of SilTerra for the past 3 financial years up to FYE 31 December 2019 is set out below:-

	<---------Audited FYE 31 December--------->		
	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	617,086	478,067	396,508
Loss before taxation ("**LBT**")	(52,438)	(8,021)	(172,022)
Loss after taxation ("**LAT**")	(52,554)	(20,152)	(172,138)
Total Equity or Net assets ("**NA**")	(378,483)	(408,103)	(574,570)
Total borrowings	802,361	824,493	929,226

	<---------Audited FYE 31 December--------->		
	2017	2018	2019
	RM'000	RM'000	RM'000
Dividend declared for the financial year	-	-	-
Total issued shares (units) ('000)	1,137,328	1,137,328	1,137,328
Current asset	270,090	278,752	254,216
Current liabilities	837,649	899,383	989,929
LBT margin (%)	(8.50)	(1.68)	(43.38)
LAT margin (%)	(8.52)	(4.22)	(43.41)
Loss per share ("**LPS**")	(0.05)	(0.01)	(0.15)
NA per share	(0.33)	(0.36)	(0.51)
Current ratio (times)	0.33	0.31	0.26
Gearing (times)	2.12	N.A.	N.A.
Net cash flow (used in)/from operating activities	129,255	(47,065)	(24,058)
Research & development ("**R&D**") expenditures	27,100	33,608	33,484
No. of persons employed in R&D	80	72	64

For FYE 31 December 2017 to FYE 31 December 2019, there was no:-

i. exceptional or extraordinary item during the financial years under review;

ii. accounting policy adopted by SilTerra which is peculiar to SilTerra because of the nature of its business or the industry it is involved in; and

iii. audit qualification of the financial statements of SilTerra for the financial years under review.

<u>FYE 31 December 2017 vs FYE 31 December 2016</u>

SilTerra recorded revenue of RM617.09 million for FYE 31 December 2017 which represents an increase of RM18.87 million or 3.15% as compared to RM598.22 million for FYE 31 December 2016. The increase in revenue was mainly driven by the increase in shipments of components for smartwatch and smartphone original equipment manufacturer (OEM) manufacturers, notably from China.

SilTerra recorded LBT of RM52.44 million for FYE 31 December 2017 as compared to the profit before tax ("**PBT**") of RM12.42 million posted for FYE 31 December 2016. The LBT recorded was mainly due to a higher loss from foreign currency translation ("**Forex**") of RM92.21 million as compared to Forex loss of RM40.70 million in 2016. The recurring Forex impact represents the effect of translating functional currency (USD) into Malaysian Ringgit for reporting purposes.

<u>FYE 31 December 2018 vs FYE 31 December 2017</u>

SilTerra recorded revenue of RM478.07 million for FYE 31 December 2018 which represents a decrease of RM139.02 million or 22.53% as compared to RM617.09 million for FYE 31 December 2017. The decrease in revenue was mainly due to lower orders from smartwatch and smartphone OEM manufacturers as a result of the technological advancement in smartwatch and smartphone technology. SilTerra was unable to meet the required process specifications as prescribed by these customers and was at that time facing technological constraint based on its machinery and tooling capability.

SilTerra recorded LBT of RM8.02 million for FYE 31 December 2018 which represents a decrease of RM44.42 million or 84.71% as compared to RM52.44 million for FYE 31 December 2017. The improvement in LBT was mainly due to the recognition of Forex gain of RM22.63 million in 2018 as compared to Forex loss of RM92.21 million incurred in 2017.

FYE 31 December 2019 vs FYE 31 December 2018

SilTerra recorded revenue of RM396.51 million for FYE 31 December 2019 which represents a decrease of RM81.56 million or 17.06% as compared to RM478.07 million for FYE 31 December 2018. The decrease in revenue was mainly due to the initial phase of the US-China trade war which had led to the withholding of new orders by certain customers, particularly during the first half of 2019. The drop in revenue was partially mitigated by increase in revenue from new niches in alternative markets/ customers, notably focused on the development and supply of components catering to smart television manufacturers and the life sciences industry, as well as the application of Silicon Photonics technology.

SilTerra recorded LBT of RM172.02 million for FYE 31 December 2019 which represents an increase of RM164.00 million or 2,044.89% as compared to LBT of RM8.02 million for FYE 31 December 2018. The higher LBT recorded was mainly in tandem with the lower revenue posted for FYE 31 December 2019, as well as attributable to the Forex loss of RM18.53 million incurred in 2019.

2.2 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis between DNeX, CGP Fund and Khazanah, after taking into consideration the following:-

(i) a price-to-book ("**PB**") multiple of 1.89 times over the pro forma net assets ("**NA**") of SilTerra based on its latest audited statement of financial position as at 31 December 2019 of RM144.3 million, computed as follows:-

		RM'000
Net liabilities of SilTerra as at 31 December 2019		(574,570)
Add: Vendor Loan Capitalisation (as defined in the **Section 2.1, Appendix I** of this announcement)		718,869[*1]
Pro forma NA	A	**144,299**
Implied PB multiple (times)	B	1.89
Purchase Consideration	A x B	273,000

Note:-

*1 *Represents all amounts due and owing by SilTerra Group to Khazanah (Vendor) as at the date of SSPA ("**Khazanah Loan**"). For information purpose, the Khazanah Loan shall be capitalised by the Vendor prior to completion of the Proposed Acquisition pursuant to the Vendor Loan Capitalisation, which shall take place as part of the conditions precedent to the SSPA, further details of which is set out in **Appendix I** of this announcement*

(ii) The rationale and future prospects of SilTerra, including amongst others, the opportunity for DNeX Group to obtain control of an established pure-play semiconductor foundry entity that serves multinational companies (i.e. fabless and integrated device manufacturer (IDM) companies) globally, as well as the opportunity to derive business synergies and expand the Group's income stream by leveraging on SilTerra's capabilities and networks, further details of which are set out in **Sections 5.1** and **6.6** of this announcement.

Nevertheless, the Board has appointed FHMH Corporate Advisory Sdn Bhd to provide its independent fairness opinion on the Purchase Consideration for the Proposed Acquisition as means for further evaluation and justification, the opinion of which will be set out in the circular to shareholders.

2.3 Mode of settlement of the Purchase Consideration (represented by DNeX's interest in the 60% Sale Shares)

Pursuant to the terms of the SSPA, the mode of settlement of the Purchase Consideration (represented by DNeX's interest in the 60% Sale Shares) shall be satisfied by DNeX in the following manner:-

	Payment terms	Timing	RM
i.	Deposit (10%)[*1]	To be paid within 15 business days from the date of the SSPA	16,380,000
ii.	Balance purchase consideration (90%)	To be paid on completion which is a date within 15 business days from the date the SSPA becomes unconditional subject to the terms and conditions of the SSPA	147,420,000
		Total	**163,800,000[*2]**

Notes:-

[*1] *Refundable deposit, in event of rescission or termination of the SSPA by any party in accordance with the SSPA, as further set out in* ***Section 1.3, Appendix I*** *of this announcement*

[*2] *Equivalent to the interest attributable to the 60% Sale Shares to be acquired by DNeX pursuant to the Proposed Acquisition*

For avoidance of doubt, the above terms of settlement are also similarly applied to CGP Fund (in respect of the cash consideration represented by its interest in the 40% Sale Shares), in accordance with the SSPA.

2.4 Source of funding

The purchase consideration amounting to RM163.80 million shall be funded by DNeX through a combination of proceeds to be raised from the Proposed Private Placement, either in whole or in part, subject to the successful procurement of placee(s) (as further elaborated in **Section 4.6** of this announcement), internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals.

2.5 Liabilities to be assumed by DNeX

Save for the obligations and liabilities stated in and arising from, pursuant to or in connection with the SSPA, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by DNeX arising from the Proposed Acquisition.

2.6 Additional financial commitment required

There are no other additional financial commitment required by DNeX to put the business of SilTerra on-stream as it is an ongoing business entity with existing operations.

Notwithstanding that and upon completion of the Proposed Acquisition, both DNeX and CGP Fund had undertaken in the SSPA to procure DNeX SPV and CGP Fund SPV to commit to a capital injection of RM200.00 million (in aggregate) by way of subscribing for new ordinary shares to be allotted and issued by SilTerra to DNeX SPV and CGP Fund SPV (in proportion to their shareholdings in SilTerra) under a share subscription agreement, within 180 days after completion of the Proposed Acquisition ("**Capital Injection**").

The Capital Injection is proposed to be utilised by SilTerra within the next 3 years following the completion of the Proposed Acquisition for the following purposes:-

- **Extending the CMOS Core**
  Improve utilisation in current CMOS Core with process equipment upgrade and remove bottlenecks.
- **More-than-Moore**
  Work with CGP's investee companies to develop capabilities in manufacturing MEMS, gallium nitride (GaN) and Power MOSFET.
- **Working capital**
  Operational improvement programmes, sales and marketing and operating and administrative expenses.

The additional financial commitment attributable to DNeX's interest in the Capital Injection shall be represented by its 60% shareholdings in SilTerra post-completion of the Proposed Acquisition, and as such shall amount to RM120.00 million. DNeX intends to fund the said capital injection amount (RM120.0 million) through internally generated funds and/ or bank borrowings and/ or proceeds to be raised from fund-raising exercises.

2.7 Information on the Vendor

Khazanah was incorporated on 3 September 1993 in Malaysia under the Companies Act, 1965 as a public limited company and began operations a year later. Except for one ordinary share owned by the Federal Land Commissioner, all the remaining ordinary shares of Khazanah (99.99%) is owned by the Ministry of Finance Incorporated.

Khazanah is the investment holding arm of the Government of Malaysia and is empowered as the Government's strategic investor. As trustee to the nation's commercial assets, Khazanah's main objective is to promote economic growth and make strategic investments on behalf of the Government which would contribute towards nation building.

As at the LPD, the issued share capital of Khazanah is RM12,284,201,000, comprising 5,443,953,229 ordinary shares and 1,000,000 redeemable convertible cumulative preference shares.

As at the LPD, the directors of Khazanah, of which none of them have any direct and indirect shareholdings in Khazanah, are as follows:-

Name	Nationality	Designation
Tan Sri Muhyiddin Mohd Yassin	Malaysian	Chairman
Dato' Seri Mohamed Azmin Ali	Malaysian	Director
Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz	Malaysian	Director
Goh Ching Yin	Malaysian	Director
Dato' Mohammed Azlan Hashim	Malaysian	Director
Dato' Zainal Abidin Putih	Malaysian	Director
Lau Seng Yee	Malaysian	Director
To' Puan Azian Mohd Aziz	Malaysian	Director
Datuk Shahril Ridza Ridzuan	Malaysian	Managing Director

2.8 Information on CGP Fund

CGP Fund was established in September 2014 under the laws of People's Republic of China as the first private equity fund focusing on the semiconductor industry in China.

CGP, a private and independent investment management company, is the general partner and manager of CGP Fund which is market-oriented principles, professionally managed private equity manager. The management team has substantial years of collective experience and a wide and diverse range of international network resources in the capital market and in the semiconductor and other high technology industries.

3. PROPOSED DIVERSIFICATION

DNeX and its subsidiaries (collectively, "**DNeX Group**" or the "**Group**") are principally involved in two core business segments:-

i.	**Information Technology ("IT") segment**	-	Supply, delivery, installation, testing, commissioning and maintenance of IT hardware, development, management and provision of business-to-government ("**B2G**") & business-to-business ("**B2B**") e-commerce and others
ii.	**Energy segment**	-	Provision of upstream oil and gas exploration, production, sale of oil and gas related equipment and services, provision of engineering, technical support and energy related business

As a consequence of the Proposed Acquisition, DNeX Group intends to diversify its existing principal activities to include the manufacture, sale and marketing of semiconductor wafers, semiconductor-related tools and any other related activities ("**Semiconductor Business**"). The Board views that the diversification into the Semiconductor Business provides an avenue for future growth potential as well as potential enhancement to the Group's income stream over a medium to long term horizon.

It is pertinent to note that SilTerra has over 25 years of existence track record in the semiconductor industry and is backed by an established management team with the requisite expertise as set out in **Section 3.1** of this announcement to continue running and growing the business. Further details of SilTerra are set out in **Section 2.1** of this announcement. Upon completion of the Proposed Acquisition, the Board anticipates that the Semiconductor Business may contribute 25% or more of the consolidated net profits and/ or result in the diversion of 25% or more of the consolidated NA of DNeX moving forward.

Paragraph 10.13(1) of the Listing Requirements states that a listed issuer must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

(i) the diversion of 25% or more of the NA of the listed issuer to an operation which differs widely from those operations previously carried on by the listed issuer; or

(ii) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

In view thereof, the Board intends to seek the approval from the shareholders of DNeX for the Proposed Diversification at an extraordinary general meeting to be convened. Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's existing principal activities in the same manner and the Board will review the Group's business operations from time to time with the intention to further optimising the Group's business operations and/ or improve the Group's financial performance.

3.1 Key Management Personnel

The Board believes that DNeX Group has the capacity, capability and resources to diversify into semiconductor related activities by capitalising on the competencies and experience of the following key management of SilTerra Group:-

(i) Firdaus Abdullah ("Firdaus")

Nationality	Malaysian
Age	49
Academic background	• MBA with distinction from Oxford University, United Kingdom • M.Sc and B.Sc in Electrical Engineering from Stanford University, California.
Work experience	Firdaus brings extensive senior-level international experience in executive management, principal investments, mergers and acquisitions (M&A), and corporate business development to SilTerra. Firdaus was previously a Partner at 1st Corporate Technologies, a London-based corporate finance house specializing in technology M&A and investments in Europe and the US. Previously, he was a venture capitalist with IDG Ventures Europe and MSC Venture. He has led and executed investment transactions in technology companies in North America, Europe, and Asia, and has played key roles at all stages of company growth from formation to exit. Prior to that, he was a Chevening Technology Enterprise Fellow at the University of Edinburgh where he co-founded an EDA startup and worked on commercializing academic research in microelectronics. Firdaus has also served at MDeC, where he was involved in implementing national-level strategic initiatives in the technology space. Firdaus's early career was as a design engineer at Intel Corporation and at a communications chip startup, both in California. Firdaus has been working for SilTerra for approximately 10 years.
Designation in SilTerra	Chief Executive Director / Executive Director
Date of appointment in SilTerra	Firdaus joined SilTerra in 2007 as Vice President. He was appointed Executive Director in 2010 and then to the Executive Committee in November 2014. He was later promoted to Interim CEO on 11 May 2015 and subsequently to CEO on 1 May 2016.

(ii) Kader Ibrahim Abdul Wahab ("Kader")

Nationality	Malaysian
Age	54
Academic background	• Degree in Electronic Engineering from National University of Malaysia • Master's Degree in Manufacturing System from University Putra Malaysia • MBA from Northern University of Malaysia.
Work experience	Kader has more than 27 years of experience in the semiconductor industry. He held various positions in diffusion ion implantation, photolithography and CMP (Chemical mechanical polishing). He also headed SilTerra's Quality department. Apart from Operations, he also heads the Finance, Procurement and Logistics division. Prior to joining SilTerra in 1998, he was attached with Motorola Seremban as a bipolar wafer fab engineer in-charge of diffusion and wafer testing/probing.

	Kader has been working for SilTerra for more than 19 years.
Designation in SilTerra	Chief Operating Officer
Date of appointment in SilTerra	Kader joined SilTerra in 1998 as a Staff Process Engineer. Since then, he was promoted to Member of the Technical Staff on 1 April 2001, to Senior Manager on 1 February 2003, to Director on 1 April 2005, to Senior Director on 1 April 2010, to Interim COO on 11 May 2015 and subsequently to COO on 1 May 2016.

(iii) Dato Lai Yit Loong ("Dato Lai")

Nationality	Malaysian
Age	56
Academic background	Degree in Computer Science from National University of Singapore
Work experience	Dato Lai brings more than 30 years of experience in Engineering, Sales & Marketing fields. Prior to joining SilTerra, he was the Vice President of Sales & Marketing in Nvidia, Taiwan where he was responsible for the sales & marketing activities in South East Asia and Oceania. He was with Intel for more than 10 years as Sales Director for South East Asia region and he later became the Country Managing Director at Intel China. He has been with SilTerra for approximately 10 years.
Designation in SilTerra	Executive Vice President of World Wide Sales & Marketing
Date of appointment in SilTerra	Dato Lai joined SilTerra on 1 April 2007 as Vice President of Sales & Marketing. He was promoted to Senior Vice President of World Wide Sales & Marketing on 1 April 2011 and subsequently to Executive Vice President of World Wide Sales & Marketing on 1 May 2017.

(iv) Arjun Kumar Kanthimahanti ("Arjun")

Nationality	Malaysian
Age	53
Academic background	• Master's Degree in Microelectronic Engineering from Texas A&M, Texas, USA • Degree in Electrical and Electronic from Sri Venkateswara University, India
Work experience	Arjun brings with him more than 23 years of experience in the semiconductor industry where he held various key engineering and management positions. Prior to joining SilTerra in 2001, Arjun was attached with Chartered Semiconductor Manufacturing, Singapore.
Designation in SilTerra	Senior Vice President of Technology Development & Design Technology
Date of appointment in SilTerra	Arjun joined SilTerra in 2001 as a Manager. Since then, he was promoted to Senior Manager on 1 May 2002, to Director on 8 November 2002 (two promotions in 2002), to Senior Director on 1 April 2008 and subsequently to Vice President Technology Development on 1 May 2017.

(v) Tan Eng Tong ("Tan")

Nationality	Malaysian
Age	62
Academic background	• B.Sc (Hons) Electrical Engineering from Imperial College, UK • Executive MBA from Cranfield School of Management, UK.

Work experience	Tan brings more than 30 years of experience leading product development teams and managing innovation at global blue-chip companies to create products that became international standards in the areas of wireless, storage and security technologies. He held executive positions in a wide range of functions including marketing, manufacturing, R&D and corporate strategy in Hewlett-Packard, HP Laboratories, Seagate Technology at several locations in the US and UK. He led start-ups in Singapore and Beijing, advised incubators at NUS Singapore and was COO at Putra Business School in Malaysia. As VP Strategic Management, Tan's role is to identify the strengths of the teams in SilTerra, articulate a clear strategic direction, and put in place best practices to allow them to flourish. As the strategic relationship lead with SilTerra's strategic partner, he organised the successful "Semiconductors in Life Sciences Symposium" to promote SilTerra's achievements and showcase the strategy in Life Sciences, Mobility and IoT.
Designation in SilTerra	Vice President of Strategic Management
Date of appointment in SilTerra	Tan joined SilTerra on 1 November 2016 as Vice President of Strategic Management.

(vi) Munawir Ab Ghani ("Munawir")

Nationality	Malaysian
Age	57
Academic background	• MBA from Sheffield Hallam University, Sheffield, UK • Degree in Industrial Engineering from Texas Tech University, Texas, USA
Work experience	Munawir brings with him more than 30 years of diverse work experiences and combined background in Engineering and Human Resources. Prior to joining SilTerra, he held various key positions at various multinational companies such as Sony Electronics, Philip Electronics and Seagate Technology.
Designation in SilTerra	Senior Vice President of Human Resources
Date of appointment in SilTerra	He joined SilTerra as a Senior Director of Human Resources on 20 July 2004 and was promoted to Vice President of Human Resources on 1 April 2010, and subsequently to Senior Vice President of Human Resources in 1 May 2017.

(vii) Mahendran Marimuthu ("Mahendran")

Nationality	Malaysian
Age	55
Academic background	• Master of Business Administration from Henley Management College/Brunel University, UK • Bachelor of Accountancy (Honors) from University Malaya, Malaysia
Work experience	Mahendran brings more than 30 years of global experience at multinational corporations (MNCs), with wide experience ranging from Finance, Strategy, Planning, Risk Management and Industrial Engineering.

	Prior to joining SilTerra in 2001, Mahendran held key positions at various companies such as Pernas, Perwaja and Flex International. He left SilTerra in 2012 to join GlobalFoundries and later Felda. Mahendran rejoined SilTerra in December 2017 to handle Business Planning and Industrial Engineering. In view of his expanded capabilities, he has also been entrusted to head two additional departments which are Finance and Procurement.
Designation in SilTerra	Vice President of Finance
Date of appointment in SilTerra	18 December 2017

In line with the SSPA, DNeX and CGP Fund shall retain the management and key employees (including the persons mentioned above) of SilTerra Group upon completion of the Proposed Acquisition. Further, the management of DNeX and CGP Fund will also, from time to time, review the capabilities and resources needed for the Semiconductor Business. Should the need arise, DNeX, together with CGP Fund, will recruit additional personnel with the relevant experience, qualification and network to support the business needs of SilTerra.

4. PROPOSED PRIVATE PLACEMENT

4.1 Placement size

The Proposed Private Placement involves the issuance of new DNeX Shares representing up to 30% of the existing total number of issued Shares, at an issue price to be determined later.

As at the LPD, the total issued share capital of DNeX is RM473,657,398 comprising 2,191,404,478 DNeX Shares. Inclusive of 4,655,435 new Shares issued and listed on 30 March 2021 arising from the exercise of ESOS options pursuant to the Company's employees' share option scheme (which had since been terminated effectively on 8 March 2021), the enlarged issued shares of DNeX will be 2,196,059,913 Shares. In addition, as at the LPD, DNeX has a total of 711,396,809 outstanding warrants 2016/2021 in the Company ("**Warrant(s)**"). The Warrants are constituted by the deed poll dated 15 June 2016 and each Warrant carries the entitlement to subscribe for 1 new DNeX Share during the 5-year exercise period up to 30 July 2021 at an exercise price of RM0.50 per Warrant.

In addition, DNeX had on 28 July 2020 obtained the approval from Bursa Securities for the listing and quotation of up to 496,080,980 new Shares to be issued pursuant to a general mandate placement exercise ("**General Mandate Placement**") and have until 16 February 2021 to complete the General Mandate Placement. For information purposes, on 5 February 2021, UOBKH had, on behalf of DNeX, submitted an application to Bursa Securities for an extension of time for additional 6 months up to 16 August 2021 to implement and complete the General Mandate Placement. Bursa Securities had, vide its letter dated 10 February 2021, resolved to grant the Company an extension of time until 16 August 2021 to complete the implementation of the General Mandate Placement. As at the LPD, DNeX has issued 431,503,700 Shares over 5 tranches pursuant to the General Mandate Placement. As such, DNeX still has remaining 64,577,280 new Shares to be placed out within the prescribed timeframe prior to the implementation of the Proposed Private Placement ("**Remaining Placement Shares**"). Further details of the General Mandate Placement is set out in **Section 4.7** of this announcement.

Assuming the full exercise of all 711,396,809 outstanding Warrants and full issuance of 64,577,280 Remaining Placement Shares prior to the implementation of the Proposed Private Placement, the Company's enlarged number of issued Shares will be 2,972,034,002 DNeX Shares. Accordingly, a total of up to 891,610,200 new DNeX Shares ("**Placement Share(s)**"), representing approximately 30% of the enlarged number of issued shares of DNeX, may be issued pursuant to the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 10** of this announcement, where applicable.

The effects of the Proposed Private Placement are further set out in **Section 8** of this announcement.

4.2 Basis of determining the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 20% to the 5-day volume weighted average market price ("**VWAP**") of DNeX Shares up to and including the last trading day immediately preceding the price-fixing date, to be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price-fixing dates and issue prices.

For illustration, the indicative issue price of the Placement Shares is assumed at RM0.786 per Placement Share, which represents a discount of approximately 19.96% to the 5-day VWAP of DNeX Shares up to and including the LPD of RM0.9820.

4.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing DNeX Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

4.4 Listing and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities.

4.5 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

Additionally, the Placement Shares will not be placed out to the following parties:-

i. director, major shareholder or chief executive of DNeX or a holding company of DNeX, if applicable ("**Interested Person**");

ii. a person connected with an Interested Person; and

iii. nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

If the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

4.6 Utilisation of proceeds

Based on the indicative issue price of RM0.786 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM700.81 million. The gross proceeds from the Proposed Private Placement is intended to be utilised in the following manner:-

	Timeframe for utilisation from receipt of funds	Minimum Scenario RM'000	Maximum Scenario RM'000
To part or fully finance the Proposed Acquisition and/ or other business expansion/ investment*1	Within 24 months	494,331	677,306
Working capital*2	Within 12 months	20,000	20,000
Estimated expenses*3	Upon completion	3,500	3,500
Total		**517,831**	**700,806**

Notes:-

*1 *The earmarked proceeds that may be raised from the Proposed Private Placement shall be utilised to finance any suitable and viable potential business(es)/ investment(s), within 24 months from receipt of funds. This includes the financing of the Proposed Acquisition (being subject matter of this announcement) either in whole or in part, subject to the successful procurement of placee(s) and implementation of the placement prior to completion of the Proposed Acquisition.*

Notwithstanding the above and on best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the said settlement are as follows, subject to the funding requirements of DNeX Group at the time of utilisation:-

	Est. allocation of proceeds (%)
Proposed Acquisition	*32.0*
*Details of the Proposed Acquisition are set out in **Section 2** of this announcement. If DNeX is unable to identify placee(s) or raise sufficient funds for the Proposed Acquisition through placement, the Company may source from internally generated funds and/ or bank borrowings to satisfy the Purchase Consideration (or any part thereof).*	
Other business expansion/ investment	*68.0*
Apart from the Proposed Acquisition, the Group may also expand inorganically, via joint venture, collaborative arrangements, business agreements, and/ or M&A of businesses or investments that are similar or complementary to the nature of its businesses.	
*At this juncture, and in addition to the Proposed Acquisition, the management of DNeX has been actively seeking and/ or is still exploring options for new business expansions or investment opportunities as mentioned above. One such materialised deal which was announced on 22 January 2021 is the proposed acquisition by DNeX of 60% of the issued share capital in PING Petroleum Limited, an upstream oil and gas exploration and production company, for a purchase consideration of USD78,000,000 to be satisfied via a combination of cash consideration, issuance of new DNeX Shares, and issuance of new redeemable non-convertible preference shares in DNeX Energy Sdn Bhd (being a wholly-owned subsidiary of DNeX) ("**Proposed PING Acquisition**"). Depending on the size and receipt of placement funds, the proceeds raised from the Proposed Private Placement may allow the Group to capitalise on such viable investment opportunities in the Proposed PING Acquisition through the settlement of the cash consideration, either in whole or in part.*	

Notwithstanding the above, if the management of DNeX has identified other suitable business expansions or investment opportunities (other than the Proposed Acquisition and the Proposed PING Acquisition as mentioned above), DNeX may allocate certain level of proceeds arising from the Proposed Private Placement to capitalise on such other potential acquisition(s) and/ or business investment(s), as and when it arises. If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, DNeX shall seek the necessary approvals from its shareholders prior to completing the transaction.

Total	***100.0***

Notwithstanding the above, upon the determination of the gross proceeds raised from the Proposed Private Placement, the Board shall have the absolute discretion to decide on the allocation of the proceeds for part or fully finance the Proposed Acquisition and/ or other business expansion/ investment, guided by the estimated percentage of allocation from the gross proceeds as disclosed above. This includes any claw back of funds among these Proposed Acquisition and/ or other business expansion/ investment according to the priority at the relevant point in time.

*2 *The Group may utilise the proceeds to fund its working capital requirements, which include, but are not limited to, payment to suppliers/ creditors of the Group, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and any other overhead expenditures. The breakdown of such proceed has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation. Notwithstanding that, and on best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows, subject to the operating and funding requirements of the Group at the time of utilisation:-*

	Est. allocation of proceeds (%)
Payment to suppliers/ creditors of the Group	*80*
General administrative expenses and other operating expenses such as staff-related costs, utilities, statutory payments and any other overhead expenditures	*20*
Total	***100***

*3 *The proceeds earmarked for estimated expenses in relation to the Proposals will be utilised as follows:-*

	RM'000
Professional fees (i.e. adviser and placement agent)	*3,200*
Regulatory fees	*150*
Other incidental expenses in relation to the Proposals	*150*
Total	***3,500***

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for partly or fully finance the Proposed Acquisition and/ or other business expansion/ investment.

Any shortfall between the actual gross proceeds raised and the intended gross proceeds to be raised from the Proposed Private Placement will be funded via internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals (if necessary). Any excess in the actual gross proceeds raised and the intended gross proceeds to be raised from the Proposed Private Placement will be accordingly allocated to fund the Proposed Acquisition and/ or other business expansion/ investment.

Pending utilisation of the proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional general working capital for the Group.

Should the Board wish to vary the utilisation of proceeds as allocated above, DNeX will first make the relevant announcement, and procure shareholders' approval for the variation of the use of funds if the variance of the utilisation of proceeds is equal to or more than 25.0% from the intended purpose of utilisation of proceeds as disclosed above.

4.7 Other fund raising exercises in the past 12 months

In addition, DNeX had on 28 July 2020 obtained the approval from Bursa Securities for the listing and quotation of up to 496,080,980 new Shares to be issued pursuant to the General Mandate Placement.

As at the LPD, DNeX has placed out an aggregate number of 431,503,700 DNeX Shares, raising a total gross proceeds of approximately RM118.74 million, further details of which are set out below:-

Listing Date	Issue Price RM	Shares	Proceeds raised RM
30 October 2020	0.1701	10,000,000	1,701,000
24 November 2020	0.1843	140,000,000	25,802,000
5 February 2021	0.2010	80,000,000	16,080,000
16 February 2021	0.3000	167,618,000	50,285,400
19 March 2021	0.7339	33,885,700	24,868,715
Total		**431,503,700**	**118,737,115**

The status of the utilisation of the said gross proceeds as at the LPD is set out below:-

Details of utilisation	Expected timeframe for utilisation from receipt of funds	Proposed utilisation RM'000	Amount utilised as at the LPD RM'000
Future viable investments[*1]	Within 24 months	93,637	2,000
Partial repayment of bank borrowings	Within 6 months	20,000	20,000
Working capital[*2]	Within 12 months	5,000	4,567
Expenses	Upon completion	100	100
Total		**118,737**	**26,667**

Notes:-

*1 *The proceeds earmarked for future viable investments have been utilised mainly for the leasing of a subsea cable plough by the Group's cable laying business*

*2 *The breakdown and status of the utilisation of proceeds earmarked for working capital expenses as at the LPD are as follows:-*

	Proposed utilisation RM'000	***Amount utilised RM'000***	***Amount unutilised RM'000***
Payment to suppliers/ creditors of the Group	*4,000*	*3,567*	*433*
General administrative expenses and other operating expenses such as staff-related costs, utilities, statutory payments and any other overhead expenditures	*1,000*	*1,000*	*-*
Total	***5,000***	***4,567***	***433***

Save for the General Mandate Placement and the Proposed Private Placement, DNeX has not undertaken any other fund raising exercises in the past 12 months up to the LPD.

5. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

5.1 Proposed Acquisition and Proposed Diversification

The Proposed Acquisition, which is in line with the Group's business expansion objectives and growth strategy in the longer term, provides the Group with an opportunity to venture into the Semiconductor Business through the acquisition of a 60%-equity interest in SilTerra, an established pure-play semiconductor foundry entity that serves multinational companies (i.e. fabless and integrated device manufacturer (IDM) companies).

The Proposed Acquisition serves as a strategic entry for DNeX Group into the semiconductor industry. Semiconductors are essential technology enablers that power many of the cutting-edge digital devices, and that semiconductor wafers on the other hand are the direct input material to the semiconductor foundry industry. The application for SilTerra's semiconductor wafers are wide ranging and span across various industries ranging from consumer electronics, optical data communications, life sciences, automotive and industrial. Over the recent years, there has been an increase in the number of devices embedding semiconductor technology throughout the world, in line with the growth in development of a range of E&E devices such as smartphones and tablets, cloud computing data centres, as well as optoelectronics such as photonics and fibre optics. At the same time, the global foundry industry is set to benefit from global digital transformation and introduction of the fifth-generation wireless ("**5G**") networks which would generate higher 5G smartphone penetration, as well as demand for more efficient, reliable and/ or powerful telecommunication equipment parts and automatic data processing equipment.

The Board, premised on the above and also the positive global outlook of the semiconductor industry as set out in **Sections 6.2-6.5** of this announcement, anticipates that there is growth potential in the Semiconductor Business buoyed by the growing use for semiconductors which are increasingly deployed in virtually all electronics goods or devices on the back of rapidly evolving technological and/ or digitalised advancements across various industries moving forward.

Presently, SilTerra's customers include fabless and integrated device manufacturer (IDM) companies from the global market. The acquisition of SilTerra Group would provide an avenue for DNeX Group to derive business synergy with its IT segment from potentially developing a more comprehensive and compelling IT solutions offering (such as cross selling its radio-frequency identification (RFID) or cyber security solutions) to overseas customers of SilTerra. The venture into the Semiconductor Business, coupled with the aforesaid prospects for market expansion and business synergy, provides a platform for DNeX Group for future growth potential with additional income stream.

Further, DNeX Group intends to capitalise on the competency and experience of the key management of SilTerra, who have significant experience in the semiconductor industry, to ensure business and operational continuity. These key management personnel hold key executive and management roles in SilTerra, and have combined experiences in the semiconductor industry which will greatly contribute to the future growth and development of SilTerra. Further details on the profiles of the key management of SilTerra are set out in **Section 3.1** of this announcement.

In summary, the Board is of the view that the Proposed Acquisition and Proposed Diversification are expected to augur well for the growth prospects of DNeX Group in the long term, as both proposals provide the Group with an opportunity to expand its income stream and growth prospect.

5.2 Proposed Private Placement

As set out in **Section 4.6** of this announcement, the proceeds to be raised from the Proposed Private Placement is intended to be utilised in the following manner:-

(i) a majority of the proceeds is intended for the Group's future viable investments which include, amongst others, the financing of the Proposed Acquisition, either in whole or in part, subject to the successful procurement of placee(s) and implementation of the placement prior to completion of the Proposed Acquisition. Premised on the rationale set out in **Section 5.1** of this announcement, the Board anticipates that the Proposed Acquisition is expected to augur well for the growth prospects of DNeX Group moving forward; and

(ii) up to RM20.00 million is intended to fund the Group's immediate working capital requirements. Such proceeds will enable the Group to retain an adequate cash level and flexibility in respect of financial allocations for its operational requirements and short term obligations and liabilities, which in turn may enable the Group to carry out its day-to-day operations in a more efficient and timely manner.

After due consideration of the various methods of fund raising, the Board opines that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings which may affect the Group's bottom line. Additionally, the Proposed Private Placement represents an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as a rights issue, as the placement funds from the Proposed Private Placement will be paid within 5 market days from the relevant price-fixing date.

Upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen the financial position of the Company and improve the gearing level of the Group.

6. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF SILTERRA GROUP AND DNeX GROUP

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter of 2020 (3Q 2020: -2.6%), largely attributable to the imposition of the conditional MCO on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

Domestic demand recorded a decline of 4.4% in the fourth quarter of 2020 (3Q 2020: -3.3%), mainly due to the subdued private consumption and public investment activities. Private consumption contracted by 3.4% (3Q 2020: -2.1%). Household spending was subdued amid continued weaknesses in income and employment conditions during the quarter. Spending was also affected by tighter movement restrictions in selected states. Nevertheless, the decline in physical spending was partly mitigated by the continued acceleration in online spending. Meanwhile, public consumption continued to expand, albeit at a more moderate pace of 2.7% in the fourth quarter of 2020 (3Q 2020: 6.9%), supported by spending in emoluments.

Gross fixed capital formation contracted further by 11.9% (3Q 2020: -11.6%), as capital spending from both private and public sectors remained relatively weak. By type of asset, investment in structures contracted by 13.1% (3Q 2020: -12.9) while investment in machinery & equipment declined by 9.0% during the quarter (3Q 2020: -8.3%). Private investment recorded a smaller decline of 7.0% (3Q 2020: -9.3%), mainly supported by continued capital spending in existing projects, particularly in the export-oriented industries. Meanwhile, public investment registered a larger decline of 19.8% (3Q 2020: -18.6%). This reflects lower spending on fixed assets by the general government and weaker demand in most sectors which continued to weigh on capital spending by public corporations.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)

The Malaysian economy experienced the full impact of the coronavirus disease ("**COVID-19**") pandemic in the second quarter of 2020, with the real gross domestic product ("**GDP**") contracting by 17.1%. The contraction was mainly attributed to the imposition of the Movement Control Order ("**MCO**") to contain the outbreak. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives. Hence, the Government has announced several stimulus packages totalling RM305 billion to support both households and businesses. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's GDP is expected to contract by 4.5% in 2020, before rebounding between 6.5% and 7.5% in 2021. With the bold and swift measures undertaken Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Domestic demand is expected to contract by 3% in 2020, with private and public sectors' spending declining by 3.2% and 2.1%, respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turnaround to 1.5% during the period and expand further by 6.9% in 2021.

Private consumption declined by 6% during the first half of 2020, affected by the implementation of the MCO. However, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees' contributions to the Employees Provident Fund ("**EPF**") and discounts on electricity bill as well as low interest rates. As a result, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020.

Private consumption is anticipated to increase by 7.1% in 2021, mainly supported by higher disposable income arising from buoyant domestic economic activities, stronger export earnings, accommodative financial stance, extension of tax relief on childcare and favourable stock market conditions. Better job prospects, following broader improvement in the economy and measures addressing employability, are also expected to contribute to household spending. Furthermore, the expected recovery in the tourism-related industries following tax incentives on domestic tourism expenses for households will also provide additional impetus to private sector spending. As the nation rapidly shifts towards adopting digitalisation, the broader availability of various e-commerce platforms and rollout of 5G technology will facilitate economic activities.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

6.2 Overview of the Global Semiconductor Industry

Semiconductors are crucial parts and components to the E&E industry, as they are used in manufactured electronic products that utilise electrical current. The global semiconductor industry is considered to be at the mature stage with the presence of a pool of established industry players. The global semiconductor industry recorded sales of USD412.31 billion in 2019, representing a 12.0% decline from USD468.78 billion in 2018, mainly due to global trade wars and cyclicality in product pricing.

Despite substantial headwinds caused by the COVID-19 pandemic, the global semiconductor sales was estimated at USD433.15 billion in 2020, which was an increase of 5.1% over the previous year. In terms of contribution by region, the world's total semiconductor revenue can be divided into four regions namely the Americas, Asia Pacific, Japan and Europe. The Asia Pacific region has continued to exert itself as a dominant force in the world's semiconductor industry. It retained its position as the highest revenue contributor to the world's semiconductor industry in 2020. This is not surprising given that Asia Pacific region is home to some of the major semiconductor companies in the world, such as Samsung Electronics (South Korea), MediaTek Inc. (Taiwan) and Hynix Semiconductor Inc. (South Korea). Total semiconductor sales generated in the Asia Pacific region in 2020 was estimated at around USD267.59 billion – accounting for more than 60% of the total worldwide semiconductor revenue in 2020. The Americas had the second highest contribution in terms of revenue, accounting for approximately 21.6%, while the remaining two regions accounted for around 8.4% (Europe) and 8.3% (Japan) respectively.

Similarly, there are also four main product categories under the semiconductor industry, namely discrete semiconductors, optoelectronics, sensors and ICs. ICs, which include analogue, micro, logic and memory, contributed the lion's share in terms of the industry's revenue. In 2020, ICs accounted for approximately 81.9% of the global semiconductor industry revenue, amounting to around USD354.56 billion. This is followed by the optoelectronics segment which recorded revenue of USD40.48 billion and accounted for 9.3% of the global semiconductor industry revenue, while discrete semiconductors and sensors held a share of 5.4% and 3.4%, respectively.

A notable technological advancement in today's semiconductor industry attributes to the trend of Internet of Things ("**IoT**"), where everyday objects are embedded with network connectivity. IoT trend has been evolving in modern society, where smart devices are increasingly embedded with software, sensors, actuators and networking connectivity to generate, receive and exchange signals and data. This trend has been embraced by various industries such as the building sector by adopting intelligent electricity meters, smart lighting and heat, ventilation and air conditioning systems. Elsewhere in the manufacturing industry, IoT is deployed as part of the manufacturing automation process for production flow monitoring, remote equipment management by setting limits and parameters, and offering various data throughout the manufacturing value chain for quality monitoring. The importance and adoption of IoT is set to drive the demand of semiconductor moving forward.

(Source: Protégé Associates Sdn Bhd)

6.3 Overview of the Global Foundry Industry

Foundry refers to the manufacture of semiconductor wafers. The foundry industry consists of two types of participants, namely pure-play foundries which produce ICs for other companies instead of designing and manufacturing their own ICs, as well as integrated device manufacturers ("**IDMs**") which offer foundry services in addition to manufacturing their own ICs.

The global foundry industry is highly concentrated, with the top three foundries accounting for more than 70% of the global market share. Some of the top foundry players in the global arena include Taiwan Semiconductor Manufacturing Co. ("**TSMC**"), Samsung Electronics Co ("**Samsung**"), GlobalFoundries Inc. and United Microelectronics Corporation. The high concentration of industry players can be attributed to the significant capital expenditure required when developing next generation products. At present, there are only three companies which have plans for further technology migration to produce node process below 10nanometrer ("**nm**"), namely TSMC, Samsung and Intel Corporation.

In particular, TSMC has been the industry leader, starting mass production of 7nm nodes in early 2018, which is almost two years earlier than its closest competitor Samsung and more than four years ahead of Intel's most optimistic 7nm projection. While the global foundry industry is currently being dominated by these leaders, there are a handful of players that are also trying to penetrate into the more advance node processes. Particularly, while China is a net importer of semiconductors which relies heavily on foreign manufacturers, the country has through its Made in China 2025 Initiative and Guidelines to Promote National Integrated Circuit Industry Development has been ramping up efforts using financial incentives, intellectual property and antitrust standards to accelerate the development of its domestic semiconductor industry to both diminish its reliance on foreign countries and to establish itself as a global tech leader. At present, Semiconductor Manufacturing International Corp. ("**SMIC**") is the most advanced chip maker in China. However, while TSMC is moving to 5nm production, SMIC's more advanced process node is 14nm, which contains half as many transistors as the 7nm node.

The demand for semiconductors has been increasing over the past years with the emergent of new technologies such as artificial intelligence, quantum computing, IoT and advanced wireless communications notably 5G. On the flip side, the ongoing COVID-19 pandemic and international trade disputes have been disrupting the industry's supply and value chains. This coupled with the US and China fighting for technology supremacy has further splintered the supply chain. This however has also led to increase in wafer bookings, which bodes well for the global foundry industry. As such, there has been a flurry of activities to boost supply of semiconductors by constructing new fabrication facilities or increase capacity at existing ones, including companies such as SMIC and GlobalFoundries Inc. In 2019, the global foundry industry was estimated at USD67 billion, an increase of 9.8% from US61 billion in the previous year.

(Source: Protégé Associates Sdn Bhd)

6.4 Prospects and Outlook of the Global Semiconductor Industry and Global Foundry Industry

Going forward, the global semiconductor sales projected to increase by 8.4% in 2021, demonstrating the industry's resilience so far. Its growth will be driven by an ever-increasing number of devices embedding semiconductor technology throughout the world, as more E&E devices range from smartphones and tablets, cloud computing data centres, as well as optoelectronics such as photonics and fibre optics are being created.

At the same time, the global foundry industry is set to benefit from rising 5G smartphone penetration, whereby new phones adopt the most advanced chips to improve performance and reduce power consumption. 5G smartphones also use more power management integrated circuits as compared to older model phones. At the same time, the revival of the global automotive market coupled with higher new energy vehicles is expected to boost demand for automotive electronics demand, which will in turn drive demand for semiconductors. While the COVID-19 pandemic is expected to be brought under control in 2021, the work-from-home trend is expected to exhibit a certain degree of stickiness, thus driving demand for work-from-home devices. Supported by the above factors, the global foundry industry is expected enjoy double-digit growth in 2021, supported by increase in wafer shipments as well as from expected increase in average selling prices due to limited supply.

(Source: Protégé Associates Sdn Bhd)

6.5 Overview of the Semiconductor Industry in Malaysia

The manufacturing sector expanded by 3.0% (3Q 20: 3.3%), as robust Electrical and Electronics ("**E&E**") production more than offset lower activity in the consumer cluster. The strong performance in the E&E sub-sector was supported by sustained global demand for semiconductors components, which has led to a global shortage. This has resulted in a build-up of order backlogs among Malaysian producers which are highly integrated in the global value chain. The positive growth in E&E was partially offset by the weakness in consumer-cluster.

Manufactured exports continued to expand (7.6%; 3Q 2020: 6.8%), supported mainly by E&E exports (13.8%; 3Q 2020: 16.0%). This was driven by robust demand for semiconductors for work from home equipment and medical devices.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)

The manufacturing sector is forecast to rebound by 7% in 2021, driven by steady improvement in both the export- and domestic-oriented industries. The E&E segment is projected to accelerate in line with the digital transformation as work from home and virtual communication become part of new business practices. Higher demand for integrated circuits, memory and microchips within the global semiconductor market will further support the segment. With the economic recovery, consumer-related products will benefit from higher household disposable income, while construction-related products will be supported by major infrastructure and affordable housing projects.

Gross exports are expected to rebound by 2.7% in 2021, benefiting from the recovery in global trade and supply chains. Exports of manufactured goods are anticipated to turnaround by 2.5%, supported by improved demand for E&E and non-E&E products. Higher demand for semiconductor, telecommunication equipment parts as well as automatic data processing equipment in line with the global digital transformation and 5G roll-out is expected to expand the exports of E&E by 3%.

(Source: Macroeconomic Outlook, Malaysia Economic Outlook 2021, Ministry of Finance Malaysia)

"To facilitate this, 1 billion ringgit will be provided as a special incentive package for high value-added technology. Among others, this fund aims to support R&D investment in aerospace as well as electronic clusters such as in Batu Kawan, Penang and Kulim, Kedah industrial parks. In addition, a High Technology Fund worth 500 million ringgit will be provided by Bank Negara Malaysia (BNM) to support high technology and innovative companies. The fund will enable Malaysia to remain competitive in the global supply chain and maintain the supply chain ecosystem and protect high skilled jobs."

(Source: Extract from Minister of Finance's speech on Budget 2021)

6.6 Prospects of SilTerra Group and DNeX Group

The Proposals mark DNeX Group's first foray into the Semiconductor Business segment, and the management expects that upon completion of the Proposals, the Semiconductor Business segment will grow at a strong pace riding on the current semiconductor chip shortage coupled with increasing demand for semiconductor chips in a post-Covid 19 environment. Through the acquisition of a 60%-equity interest in SilTerra, the Proposed Acquisition allows DNeX Group an immediate access to an established pure-play semiconductor foundry entity that serves multinational companies (i.e. fabless and integrated device manufacturer (IDM) companies) globally, and also provides the opportunity for DNeX Group to obtain control of a company that plays an important role in the global semiconductor supply chain.

Upon completion of the Proposed Acquisition, DNeX and its consortium partner CGP Fund (or through its general partner, CGP), through SilTerra, intend to pursue various initiatives that will both increase the utilisation of SilTerra's factories whilst at the same time, increase the technological capability of SilTerra, which in turn is expected to drive the turnover and optimise the earnings potential of SilTerra. At this juncture, the management of DNeX and CGP Fund have lined up certain initiatives which are envisaged to include but not limited to:-

(i) Introduce new customers and to optimise SilTerra's factory utilisation

Apart from the immediate RM200 million in form of a Capital Injection by both DNeX and CGP Fund for the main purpose of capital expenditure as stated in **Section 2.6** of this announcement, both DNeX and CGP Fund (or through its general partner, CGP) intend to bring in new customers to fill SilTerra's existing capacities which in turn is expected to improve the utilisation and hence profitability of the company. In doing so, DNeX and CGP intend to leverage on their existing customer network as well as other key business partners and their capillary networks within the IT and global semiconductor value chain.

(ii) Improve SilTerra's technology platform offering to new markets

SilTerra has been leveraging on its current technology platform since its inception. While some in-house development has resulted in advancement in Silicon Photonics and MEMS technology, pursuing the same R&D strategy may have less than favourable impact on SilTerra’s factory utilisation and in turn its profitability. Upon completion of the Proposed Acquisition, DNeX and CGP Fund intend to turnaround SilTerra's business by;-

a) introducing new technology partners to SilTerra; and

b) undertaking joint research and development program with MIMOS Berhad, Malaysia's national applied research and development centre under the Ministry of Science, Technology And Innovation,

over the next few years which is expected to greatly accelerate the adoption of advanced MEMS manufacturing technologies and GaN Power devices manufacturing know-how by SilTerra, which will allow SilTerra to penetrate new and growing technology market such as more advanced sensors, IoT and power devices.

Barring any unforeseen circumstances, the Board, after having considered the abovementioned prospects, is optimistic that the Proposed Acquisition and DNeX and CGP Fund's plan to turnaround SilTerra will be able to facilitate the long term growth potential as well as potentially improve the financial performance of DNeX Group moving forward.

(Source: Management of DNeX and CGP Fund)

7. RISK FACTORS

Save as disclosed below, the Board does not foresee any material risk pursuant to the Proposed Acquisition and Proposed Diversification. Additional potential risks that may have an impact on the DNeX Group, which may not be exhaustive pertaining to the Proposed Acquisition and Proposed Diversification are set out below:-

7.1 Acquisition risk

The Proposed Acquisition is expected to contribute positively to the future performance of the enlarged DNeX Group in the long term. However, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised after the completion of the Proposed Acquisition. Accordingly, there can be no assurance that the anticipated benefits from the Proposed Acquisition will be realised, and the enlarged DNeX Group will be able to generate sufficient revenue or earnings to offset the associated costs arising from the Proposed Acquisition.

DNeX and its partner CGP Fund (or through its general partner, CGP) will constantly monitor the progress and performance of SilTerra and to leverage on its management expertise and experience to properly manage the operations of SilTerra. Additionally, the Board will continue to exercise due care and take appropriate measures such as, amongst others, identifying and evaluating the risks in planning the successful integration of SilTerra with DNeX's existing business operations.

7.2 Business risks

By virtue that DNeX will be exposed to inherent risks faced by SilTerra upon completion of the Proposed Acquisition and Proposed Diversification. The following sets out a summary of the key risks relating to SilTerras's business and the semiconductor industry:-

7.2.1 Structural trends in the markets for end-user products produced by SilTerra's customers, or material volatility in demand for these products, may limit SilTerra's ability to maintain or increase sales and profit levels

A significant portion of SilTerra's revenues is derived from customers who use ICs manufactured by the company as components to produce a wide range of end-products including automotive, industrial, medical and communications devices. SilTerra's growth strategy is based in part on its expectation that analog/mixed-signal ICs will be subject to high and growing levels of demand by manufacturers in these end-user markets. However, end-user demand in certain of these markets may be volatile. Any decrease in the level of demand for these end-user products may have a corresponding impact on demand for analog/mixed-signal ICs globally, including those provided by SilTerra, as producers of these products experience inventory build-up and/or difficulty selling their products. For example, declines in automobile sales, such as during the period immediately following the global financial crisis in 2008, may have an impact on demand for SilTerra manufacturing services for ICs used in a wide range of automobile components, such as safety, security, connectivity, environmental control, and monitoring devices. Similarly, volatility in mobile phone sales globally influences demand for SilTerra manufacturing services for devices including ICs with fingerprint sensors.

In recent years, the end-user markets where SilTerra's key customers operate have broadly been characterized by periods of stable growth and an increasing use of analog/mixed-signal ICs across a range of technologies, particularly in the automotive industry. Although SilTerra anticipates continued growth in these markets, and an increasing use of analog/mixed-signal ICs in the end-user products produced for these markets, there can be no assurance that they will grow as expected. If the market for these end-user products does not grow in accordance with SilTerra's expectations, or if the current trend toward increased use of analog/mixed-signal ICs in these and new end-user products slows or is reversed, SilTerra may not reach its target operating or sales levels.

Factors that could adversely affect SilTerra's customers in these markets include:

i. recessionary periods or periods of reduced growth;
ii. the inability of its customers to adapt to rapidly changing technology and evolving industry standards;
iii. the risk that its customers' products may become obsolete or fail to gain widespread commercial acceptance; and
iv. the possibility of reduced consumer demand for its customers' products.

Should one or more of these factors impact SilTerra's customers or the industries in which they operate, it may lead to decreased demand for the company's semiconductors, devices, and manufacturing services which could have a material adverse effect on SilTerra's business, financial condition, results of operations and prospects.

7.2.2 Political, economic, market and regulatory considerations

SilTerra's business is subject to inherent and indirect risks arising from general and sector-specific economic conditions in the markets in which it operates, particularly in Asia, Europe, and the United States, where the company's revenues are predominantly generated. In recent years, several major systemic economic and financial crises and events leading to political uncertainty, particularly between the United States and China, have negatively affected global business conditions in the semiconductor industry.

SilTerra also faces risks arising from the increasing prevalence of protectionist political sentiment in Europe and the United States, which could have an impact on global trade. Since SilTerra provides manufacturing services to companies globally, any new trade barriers could materially adversely affect the company's sales. In addition, since many of the company's customers sell goods in global markets, any increased trade barriers could result in declines in their operating performance, which could also impact SilTerra. As a result of these dynamics, any future economic deterioration, political uncertainty, or restrictions on global trade could have a material adverse effect on the company's business, financial condition, results of operations and prospects.

7.2.3 Absence of long-term contracts with customers

Due to the nature of the semiconductor supply chain, which is subject to continuous technological changes and rapid advancement in industry standards, and frequent changes to product design or specification, SilTerra's customers typically do not enter into long-term production commitments, but would instead provide SilTerra with short-term rolling forecast of their potential orders which ranges from 6 to 12 months. SilTerra's sales are secured by way of production orders from its customers from time to time, which may also vary from the forecasted volume shared to SilTerra earlier.

Without a long-term contract, there can be no assurance that SilTerra will not lose any of its existing customers, nor is there any certainty that its existing customers will continue to utilize SilTerra's services in the future. The termination of SilTerra's business relationship or a reduction in orders from any of its major customers may have an adverse impact on the financial performance, utilisation rate and business operations of SilTerra.

7.2.4 Disruptions to SilTerra's facility and business operations

SilTerra's business operations are dependent on its facility running smoothly and efficiently. Nevertheless, as the fabrication of ICs is a highly complex and precise process, requiring production in a tightly controlled cleanroom environment any interruptions in the manufacturing process, even momentarily, can result in an entire batch of wafers becoming defective.

Power outages are one potential source of manufacturing interruptions. In the event of a sustained disruption to its power supply, SilTerra would be required to halt operations whilst pending resumption of power supplies. This in turn will result in the loss of a portion of the semiconductors that were being produced at the time of the black-out.

Since the fabrication process is complex, manufacturing issues or interruptions could arise for a variety of other reasons as well, including bottlenecks arising due to failures in machinery or a shortage of supplies at one stage of the process, or other issues involving third parties. Additionally, SilTerra is subject to the risk of interruption or loss due to environmental issues, such as chemical leaks, or to explosion and fire because some of the materials used in the company's manufacturing processes are highly combustible. The interruption of manufacturing the company's manufacturing sites could decrease capacity and adversely affect its business. Further, any major natural disaster occurring in SilTerra's manufacturing facility may cause severe disruptions to the company's operations and and financial performance. While SilTerra has only experienced minimal disruptions or interruptions over the historical period, it has in place business continuity management and emergency response plans intended to prevent or minimise losses in the future as well as relevant insurance policies. Notwithstanding that, there is no assurance that the measures will sufficiently off-set such losses.

7.2.5 SilTerra's ability to grow its turnover and earnings is dependent on its ability to increase capacity, maintain appropriate utilisation levels and/ or selling products with higher margins

The profitability of SilTerra's operations, like that of other semiconductor manufacturers, is closely tied to its level of capacity and utilisation, as well as ability to derive better returns from its products. SilTerra's ability to improve or maintain these factors depends on, amongst others, the general economic environment, the success of its major customers and its ability to offer the technologies and processes required for it to stay competitive.

There can be no assurance that SilTerra will be able to increase its capacity and utilisation level, optimise better product mix and/ or achieve higher sales margin. Further, difficulties in projecting future business levels make it more difficult to reach and to maintain optimal utilisation levels. SilTerra makes significant decisions based on its estimates of customer requirements, including determining the levels of business that the company will seek and accept, production schedules and resource requirements. Although the company has long-term relationships with many of its customers, and the design and prototyping processes for new products typically require a significant amount of time and resources, the short-term nature of contractual commitments by many of SilTerra's customers and the possibility of rapid changes in demand for their products can at times hinder the company's ability to estimate future customer requirements accurately.

Decreased customer demand and significant declines in the average selling prices of end-user products, which may in extreme circumstances cause end-user product manufacturers to decrease production or stop making certain products entirely, could lead to the under-utilisation of SilTerra's manufacturing facility. Any such changes in customers' demand may make it difficult for SilTerra to reach and to maintain optimal levels of utilisation, which could have an adverse effect on the company's business, financial condition, results of operations and prospects.

7.2.6 SilTerra's profitability may be affected by foreign exchange fluctuation

SilTerra is exposed to foreign currency risk on sales, purchases, and borrowings. SilTerra's functional currency is in USD, whilst its reporting currency is in RM, and as such changes in the exchange rate of the USD to RM could result in translational losses in a given year as compared to prior operating periods.

As majority of SilTerra's revenue is denominated in USD, while a substantive portion of its costs are incurred in RM, a depreciation in the value of the USD as compared to the RM would have an adverse impact on SilTerra's financial results. In the future, SilTerra's exposure to foreign exchange volatility may be higher if the company experiences a significant mismatch between the currency in which it incurs costs and earns revenues in respect of a particular client or operation. If the currencies in which the company incurs expenses appreciate materially as compared to the currencies in which it receives revenues, it will have a negative impact on the company's operating margins.

SilTerra has not engaged in exchange rate hedging transactions to partly mitigate the impact of exchange rate fluctuations. Further, SilTerra cannot guarantee that any hedging transactions it will enter into will be effective or will not result in exchange rate hedging losses, or that the cost of entering into such arrangements will not exceed any losses that would otherwise have been incurred as a result of foreign exchange movements. Notwithstanding the above, DNeX and CGP Fund (or through its general partner, CGP) may seek to mitigate SilTerra's exposure to foreign exchange risks by entering into forward exchange contracts and maintaining part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies, as and when deemed appropriate.

7.2.7 SilTerra may incur increased capital expenditure in the future and therefore may require additional financing

SilTerra's ability to expand its business operations is dependent upon continued capital expenditures, which include the purchase of new machinery and equipment.

In this regard, DNeX and CGP Fund (or through its general partner, CGP) have allocated a Capital Injection amounting to RM200.0 million to SilTerra mainly for its capital expenditure purposes, as elaborated in **Section 2.6** of this announcement. Upon full utilisation of such proceeds, SilTerra may require additional funds to continue investing in new machinery and equipment and may not generate sufficient cash flows from operations or have the capital resources to meet such future capital expenditures. If this occurs, SilTerra may need to raise funds either in the form of debt or equity financing. There can be no assurance that SilTerra will be able to obtain additional borrowings on terms acceptable to it. Further, additional borrowings, if obtained, will increase its exposure to interest rate fluctuations. Any future increase in interest rates will increase SilTerra's borrowing costs and reduce its profitability. Higher interest rates may also adversely affect the company's ability to service its debt repayment obligations and limit its ability to obtain additional borrowings.

7.2.8 SilTerra may be unsuccessful in its attempts to increase its production capacity and capabilities

DNeX and CGP Fund have a long term strategy to expand SilTerra's capabilities and capacity at the company's existing site. Any future expansion plans would be accompanied by a variety of risks, such as delays in the delivery, installation, commissioning and qualification of manufacturing equipment; difficulties in securing necessary government approvals or land use rights; entry into markets in which it may have limited or no experience; the potential need for an equity raise or increase in indebtedness to fund the expansion; the diversion of management's attention due to transition or integration issues; or interruptions to ongoing fabrication processes. In addition, the benefits of expansion activities may take considerable time to realize, and DNeX, CGP Fund (or through its general partner, CGP) and SilTerra cannot guarantee that any expansion will in fact produce the intended benefits in a timely manner, or at all.

7.2.9 Infringement of intellectual property rights

SilTerra's ability to compete successfully depends on its ability to operate without infringing the intellectual property rights of others. SilTerra could find itself subject to claims that it has violated intellectual property rights of others, even if it has been wholly unaware that it had done so. Any such claims could result in an award for damages and could, in addition, require SilTerra to pay royalties or license fees going forward or to interrupt its production processes and seek new production technologies. If any third party had a valid claim against the company or its customers, SilTerra may be held liable for significant damages and could be required to:-

i. discontinue using certain process technologies, which could cause it to stop manufacturing certain ICs;
ii. seek to develop non-infringing technologies, which may be costly or time-consuming or may not be feasible; or
iii. seek to acquire licenses to the infringed technology which may not be available on commercially reasonable terms.

SilTerra also gains, in the course of the product-design process realized together with its customers, access to considerable proprietary information from its customers in certain cases. Although SilTerra takes measures to safeguard this information and to ensure that it is not passed to other customers or used without permission in its processes for other customers, should these safeguards fail, SilTerra could find that it is subject to claims from its customers relating to alleged abuse of proprietary information. Any such claim could result an award for damages and could also result in the loss of customers, which could have a material adverse effect on the company's business, financial condition, results of operations and prospects.

7.2.10 SilTerra's insurance coverage may not be adequate to compensate for any interruptions or loss of business.

Although DNeX is made to understand from the Vendor that SilTerra has taken out insurance policies to cover against losses resulting from business interruption, SilTerra is subject to the risk that the estimations carried out or appraised by the company, its insurers and/ or insurance brokers regarding the levels and types of insurance that it carries are incorrect, or SilTerra's insurance and its contractual limitations on liability may not adequately protect it against liability for events involving, without limitation, a catastrophic incident, such as an explosion, a fire or flooding, any of which could result in interruption and closure of that location, or other environmental liability in excess of insurance cover. Hence, there can be no assurance that SilTerra will be able to recover the full extent of loss following a period of severe or prolonged disruption to the company's operations.

7.3 Goodwill and impairment risk

DNeX may recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of SilTerra's identifiable assets (including intangible assets, if any) and liabilities acquired as at the completion date. Any subsequent fair value adjustments allocated to the identifiable assets acquired and liabilities assumed as well as the effects of the amortisation of intangible assets, if any, arising from the Proposed Acquisition may materially affect DNeX's financial performance.

Additionally, any impairment on the carrying amount of the intangible assets (such as goodwill arising from the Proposed Acquisition) as a result of impairment tests may also materially affect DNeX's financial performance. Nevertheless, DNeX will continuously monitor the performance of SilTerra and cash flow of DNeX to ensure that the goodwill is supported by the cash flow of the relevant cash generating units at all times.

7.4 Completion risk

The completion of the Proposed Acquisition is subject to, amongst others, the fulfillment of the conditions precedent as disclosed in **Section 2.1, Appendix I** of this announcement. In the event any of the conditions precedent is not been fulfilled, the Proposed Acquisition may not be completed, which may result in the failure of DNeX Group to achieve the objectives and benefits of the Proposed Acquisition. Notwithstanding that, the Board and management of DNeX, along with the management of CGP Fund (or through its general partner, CGP) shall use their best endeavours to ensure every effort is taken to procure all necessary approvals to satisfy the aforesaid conditions precedent.

8. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any impact on the issued share capital, NA and gearing, substantial shareholders' shareholdings and convertible securities of DNeX.

For illustration, throughout this announcement, the effects of the Proposed Private Placement shall be illustrated based on the following 2 scenarios:-

Minimum Scenario	:	Assuming none of the Warrants and Remaining Placement Shares are exercised or issued prior to the implementation of the Proposals
Maximum Scenario	:	Assuming the full exercise of Warrants and full issuance of Remaining Placement Shares prior to the implementation of the Proposals

8.1 Issued share capital

The Proposed Acquisition will not have any impact on the issued share capital of DNeX as the said proposal does not involve any issuance of DNeX Shares.

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD[*1]	2,196,059,913	475,150,736	2,196,059,913	475,150,736
Assuming full exercise of Warrants	-	-	711,396,809	361,389,579[*2]
Assuming the full issuance of Remaining Placement Shares	-	-	64,577,280	57,086,316[*3]
	2,196,059,913	**475,150,736**	**2,972,034,002**	**893,626,631**
No. of Placement Shares to be issued pursuant to the Proposed Private Placement	658,817,973	517,830,927[*3]	891,610,200	700,805,617[*4]
Enlarged issued share capital	**2,854,877,886**	**992,981,663**	**3,863,644,202**	**1,594,432,248**

Notes:-

*1 *Inclusive of 4,655,435 new Shares issued and listed on 30 March 2021 arising from the exercise of ESOS options at the subscription price of RM0.245 each pursuant to the Company's employees' share option scheme (which had since been terminated effectively on 8 March 2021), and after accounting for the reversal of share option reserve of approximately RM0.35 million*

*2 *Computed based on the exercise price of RM0.50 per Warrant and after accounting for the reversal of warrant reserve of approximately RM5.69 million*

*3 *Computed based on the indicative issue price of RM0.884 per Remaining Placement Share, which represents a discount of 9.98% to the 5-day VWAP of DNeX Shares up to and including the LPD of RM0.9820*

*4 *Computed based on the indicative issue price of RM0.786 per Placement Share*

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8.2 NA per Share and gearing level

Based on the latest audited consolidated financial statements of the Group for FYE 31 December 2019, the pro forma effects of the Proposed Acquisition and the Proposed Private Placement on the NA per Share and gearing of the Group are set out as follows:-

Minimum Scenario

		I	II	III
	Audited as at FYE 31 December 2019	**After adjusting for subsequent events*1**	**After I and the Proposed Private Placement**	**After II and the Proposed Acquisition**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share capital	354,339	475,151	992,982*2	992,982
Warrant reserve	5,691	5,691	5,691	5,691
Share option reserve	827	-	-	-
Other reserves	(5,430)	(5,430)	(5,430)	(5,430)
Retained earnings	114,331	112,101	111,801*3	108,601*4
Shareholders' fund/ NA	**469,758**	**587,513**	**1,105,044**	**1,101,844**
No. of Shares in issue ('000)	1,758,090	2,196,060	2,854,878	2,854,878
NA per Share (RM)	0.27	0.27	0.39	0.39
Total borrowings (RM'000)	66,269	46,269	46,269	256,626
Gearing ratio (times)	0.14	0.08	0.04	0.23*5

Notes:-

**1* *After adjusting for the following:-*

i. *issuance of the placement shares under the General Mandate Placement in the following tranches as set out below:-*

Tranche	*Date of listing*	*No. of placement shares*	*Issue price (RM)*
1	*30.10.2020*	*10,000,000*	*0.1701*
2	*24.11.2020*	*140,000,000*	*0.1843*
3	*05.02.2021*	*80,000,000*	*0.2010*
4	*16.02.2021*	*167,618,000*	*0.3000*
5	*19.03.2021*	*33,885,700*	*0.7339*

ii. *issuance of 6,465,735 new Shares issued and listed on 8 March 2201 and 30 March 2021 arising from the exercise of ESOS options at the subscription price of RM0.245 each pursuant to the Company's employees' share option scheme (which had since been terminated effectively on 8 March 2021), and after accounting for the reversal of share option reserve of approximately RM0.83 million*

iii. *repayment of bank borrowings amounting to RM20.0 million through the funds raised from the General Mandate Placement as set out in* ***Section 4.7*** *of this announcement*

**2* *Assuming 658,817,973 Placement Shares are issued at the indicative issue price of RM0.786 per Placement Share*

**3* *After deducting estimated expenses of RM300,000 in relation to the Proposed Private Placement*

**4* *After deducting estimated expenses of RM3,200,000 in relation to the Proposed Acquisition*

**5* *After consolidating the total bank borrowings (less Khazanah Loan amount) of SilTerra of approximately RM210.36 million based on its latest audited financial statements for the FYE 31 December 2019*

Maximum Scenario

	Audited as at FYE 31 December 2019	I After adjusting for subsequent events[*1]	II After I and assuming full exercise of Warrants and full issuance of Remaining Placement Shares	III After II and the Proposed Private Placement	IV After III and the Proposed Acquisition
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	354,339	475,151	893,627	1,594,432[*2]	1,594,432
Warrant reserve	5,691	5,691	-	-	-
Share option reserve	827	-	-	-	-
Other reserves	(5,430)	(5,430)	(5,430)	(5,430)	(5,430)
Retained earnings	114,331	112,101	112,101	111,801[*3]	108,601[*4]
Shareholders' fund/ NA	**469,758**	**587,513**	**1,000,298**	**1,700,803**	**1,697,603**
No. of Shares in issue ('000)	1,758,090	2,196,060	2,972,034	3,863,644	3,863,644
NA per Share (RM)	0.27	0.27	0.34	0.44	0.44
Total borrowings (RM'000)	66,269	46,269	46,269	46,269	256,626[*5]
Gearing ratio (times)	0.14	0.08	0.05	0.03	0.15

Notes:-

*1 *After adjusting for the following:-*

i. *issuance of the placement shares under the General Mandate Placement in the following tranches as set out below:-*

Tranche	*Date of listing*	*No. of placement shares*	*Issue price (RM)*
1	*30.10.2020*	*10,000,000*	*0.1701*
2	*24.11.2020*	*140,000,000*	*0.1843*
3	*05.02.2021*	*80,000,000*	*0.2010*
4	*16.02.2021*	*167,618,000*	*0.3000*
5	*19.03.2021*	*33,885,700*	*0.7339*

ii. *issuance of 6,465,735 new Shares issued and listed on 8 March 2201 and 30 March 2021 arising from the exercise of ESOS options at the subscription price of RM0.245 each pursuant to the Company's employees' share option scheme (which had since been terminated effectively on 8 March 2021), and after accounting for the reversal of share option reserve of approximately RM0.83 million*

iii. *repayment of bank borrowings amounting to RM20.0 million through the funds raised from the General Mandate Placement as set out in **Section 4.7** of this announcement*

*2 *Assuming 891,610,200 Placement Shares are issued at the indicative issue price of RM0.786 per Placement Share*

*3 *After deducting estimated expenses of RM300,000 in relation to the Proposed Private Placement*

*4 *After deducting estimated expenses of RM3,200,000 in relation to the Proposed Acquisition*

*5 *After consolidating the total bank borrowings (less Khazanah Loan amount) of SilTerra of approximately RM210.36 million based on its latest audited financial statements for the FYE 31 December 2019*

8.3 Substantial shareholding structure

The Proposed Acquisition will not have any impact on the substantial shareholding structure of DNeX as the said proposal does not involve any issuance of DNeX Shares.

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Minimum Scenario

					I			
	Shareholdings as at the LPD				After the Proposed Private Placement[*1]			
	<-------------Direct------------>		<-----------Indirect----------->		<-------------Direct------------>		<-----------Indirect----------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Zainal 'Abidin bin Abd Jalil	-	-	362,136,000[*2]	16.5	-	-	362,136,000[*2]	12.7

Notes:-

*1 *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)*

*2 *Deemed interested by virtue of his shareholding in Arcadia Acres Sdn Bhd and the shareholding of his spouse in DNeX pursuant to Section 8(4) and 59(11)(c) of the Act, respectively*

Maximum Scenario

					I			
	Shareholdings as at the LPD				Assuming full exercise of Warrants and full issuance of Remaining Placement Shares			
	<-------------Direct------------>		<-----------Indirect----------->		<-------------Direct------------>		<-----------Indirect----------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Zainal 'Abidin bin Abd Jalil	-	-	362,136,000[*1]	16.5	-	-	362,136,000[*1]	12.2

	II After I and the Proposed Private Placement[*3]			
	<-------------Direct------------>		<-----------Indirect----------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Zainal 'Abidin bin Abd Jalil	-	-	362,136,000[*1]	9.4

Notes:-

[*1] *Deemed interested by virtue of his shareholding in Arcadia Acres Sdn Bhd and the shareholding of his spouse in DNeX pursuant to Section 8(4) and 59(11)(c) of the Act, respectively*

[*2] *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)*

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8.4 Earnings and EPS

8.4.1 Proposed Acquisition

For illustration only assuming that the Proposed Acquisition had been effected on 1 January 2019 (being the beginning of the latest audited FYE 31 December 2019 of DNeX), the pro forma effects of the Proposed Acquisition on the earnings and the EPS of DNeX Group are as follows:-

	Audited FYE 31 December 2019 RM'000	**After the Proposed Acquisition RM'000**
PAT/ (LAT) attributable to:-		
- Owners of the Company	30,037	(73,246)[*1]
- Non-controlling interest	5,460	(63,395)[*1]
Total PAT/ (LAT)	**35,497**	**(136,641)**
Total number of Shares in issue ('000)	1,758,090	1,758,090
Basic EPS/ (LPS) (sen)	**1.71**	**(4.17)**
Diluted EPS/ (LPS) (sen)	**1.03**	**(2.52)**

Note:-

*1 *After accounting for LAT of SilTerra based on its latest audited financial results for the FYE 31 December 2019, represented by 60% equity interest to be acquired by DNeX allocated to PAT attributable to owners of the Company, and with the remaining 40% equity interest allocated to the non-controlling interest*

Notwithstanding the above, the impact of the Proposed Acquisition on the earnings and EPS of DNeX Group moving forward will depend on the future earnings generated from SilTerra.

8.4.2 Proposed Private Placement

The Proposed Private Placement is not expected to have any material impact on the earnings of the Group for FYE 30 June 2021. However, the EPS of the Group is expected to be diluted upon completion of the Proposed Private Placement as a result of the increase in the number of DNeX Shares in issue arising from the Proposed Private Placement.

The Proposed Private Placement is expected to contribute positively to the future earnings of the Group when the benefits from the utilisation of proceeds to be raised from the Proposed Private Placement as set out in **Section 4.6** of this announcement are realised.

8.5 Convertible securities

As at the LPD, save for the outstanding Warrants, the Company does not have any other existing convertible securities.

Pursuant to the terms and conditions governing the Warrants, no adjustments will be made to the exercise price and the number of Warrants pursuant to the Proposals.

9. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 82.51%, calculated based on the latest audited total assets of SilTerra over the latest audited total assets of DNeX as at 31 December 2019.

10. APPROVALS REQUIRED

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

i. Bursa Securities for the listing and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities;

ii. the Company's shareholders at a general meeting of the Company to be convened;

iii. the approval from the Ministry of International Trade and Industry ("**MITI**") and/ or the Malaysian Investment Development Authority ("**MIDA**") to effect the sale and purchase of the Sale Shares contemplated under the SSPA, pursuant to the conditions of the manufacturing licence of SilTerra; and

iv. Any other relevant authority and/ or party, if required.

The Proposed Acquisition and the Proposed Diversification are inter-conditional with each other. The Proposed Private Placement is not conditional upon both the Proposed Acquisition and Proposed Diversification, and vice versa.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

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

None of the Directors, major shareholders and/ or chief executive of DNeX and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals.

12. DIRECTORS' STATEMENT

The Board, having considered and deliberated on all aspects of the Proposals, including but not limited to the terms and conditions of the SSPA, the rationale of the Proposals, the outlook of semiconductor industry, and the prospects of SilTerra Group, is of the opinion that the Proposals are in the best interests of the Group.

13. APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposals are expected to be made within a period of 2 months from the date of this announcement.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the fulfilment of all the conditions precedent to the SSPA, including all the required approvals being obtained, the Proposed Acquisition and the Proposed Private Placement are expected to be completed by the second quarter of 2021.

The Proposed Diversification will take immediate effect upon obtaining the approval of DNeX's shareholders at the general meeting to be convened.

15. PRINCIPAL ADVISER AND PLACEMENT AGENT

UOBKH has been appointed by the Company to act as the Principal Adviser for the Proposals and the Placement Agent for the Proposed Private Placement.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The SSPA is available for inspection at the registered office of the Company at Dagang Net Tower, Block 10 (A & B) Corporate Park, Star Central, Lingkaran Cyberpoint Timur, Cyber 12, 63000 Cyberjaya, Selangor, during office hours from Monday to Friday (except for public holidays) for a period of 3 months from the date of this Announcement.

This announcement is dated 31 March 2021.

The following is a summary of the salient terms of the SSPA:-

1. Purchase Consideration

1.1. Amount

The consideration for the purchase of the Sale Shares shall comprise as follows:

(a) RM27,300,00.00, being the sum equal to ten percent (10%) of the Purchase Consideration ("**Deposit**") which shall be paid by both of the Purchasers simultaneously to the Vendor:

(i) in respect of DNeX, an amount in cash equal to the sum as set out in Column 5 of Schedule 6 of the SSPA, against the name of DNeX (or DNeX shall procure that DNeX SPV pays to the Vendor on behalf of DNeX) within 15 business days from the date of the SSPA; and

(ii) in respect of CGP Fund, an amount in cash equal to the sum as set out in Column 5 of Schedule 6 of the SSPA, against the name of CGP Fund (or CGP Fund shall procure that CGP Fund SPV pays to the Vendor on behalf of CGP Fund) within 15 business days from the date of the SSPA; and

(b) RM245,700,000.00 being the sum equal to ninety percent (90%) of the Purchase Consideration ("**Completion Amount**") to be paid by the Purchasers simultaneously to the Vendor in accordance with the terms and conditions of the SSPA on or before the Completion Date in the following manner:

(i) in respect of DNeX, an amount in cash equal to the sum as set out in Column 6 of Schedule 6 of the SSPA, against the name of DNeX (or DNeX shall procure that DNeX SPV pays to the Vendor on behalf of DNeX); and

(ii) in respect of CGP Fund, an amount in cash equal to the sum as set out in Column 6 of Schedule 6 of the SSPA, Against the name of CGP Fund (or CGP Fund shall procure that CGP Fund SPV pays to the Vendor on behalf of CGP Fund).

(c) The Purchasers' obligation to pay any part of the Purchase Consideration is several and not joint. Any liability arising from a breach by any Purchaser in respect of payment of the Purchase Consideration shall be entirely borne by that Purchaser only, to the exclusion of the other Purchaser.

1.2. Deferring of Completion

Where Completion is deferred to another date being the new Completion Date, the obligation of the Purchasers to complete the purchase of the Sale Shares and pay the Completion Amount, if any, on the terms and conditions of the SSPA, shall likewise be deferred to the new Completion Date.

1.3. Refund of Amount Paid

(a) Subject to Clause (b) below, the Deposit is a refundable deposit paid by the Purchasers to the Vendor and shall account towards the Purchase Consideration. Subject to the fulfilment of the conditions precedent of the SSPA ("**Conditions Precedent**"), if any Purchaser refuses to pay its portion of the Completion Amount according to the SSPA, only that Purchaser will be in breach and default of the SSPA.

(b) In the event of rescission or termination of the SSPA by any Party in accordance with the SSPA, the following shall apply:

(i) where the rescission or termination is pursuant to Clause 4.6, Clause 6.3 and Clause 8.2 of the SSPA, the Vendor shall refund the Deposit and/or the Completion Amount, if paid, without interest, to each of the Purchasers not in breach of the SSPA in the proportions or amounts set out in Columns 5 and 6 of Schedule 6 of the SSPA, within 10 business days from the date of rescission or termination of the SSPA; or

(ii) where the rescission or termination is due to a breach of the SSPA and the defaulting Party is one of the Purchasers, the Vendor shall be entitled to forfeit only the proportion of the Deposit paid by that defaulting Purchaser, without interest, and the Vendor shall refund to the non-defaulting Purchaser all and any amount(s) paid by such non-defaulting Purchaser under the SSPA, including the Deposit and/or Completion Amount, without interest, within 10 business days from the date of rescission or termination of the SSPA; or

(iii) where the rescission or termination is due to a breach of the SSPA and the defaulting Parties are both of the Purchasers, the Vendor shall be entitled to forfeit the Deposit, without interest, and the Vendor shall refund, where applicable, to the defaulting Purchasers the Completion Amount, if paid, without interest, within 10 business days from the date of rescission or termination of the SSPA; or

(iv) where the rescission or termination of the SSPA is due to any reason other than any Purchaser in default or breach of the SSPA, except where the Vendor is the defaulting Party, the Vendor shall refund the Deposit, Completion Amount and/or the Balance, if paid, to the Purchasers in the amounts or proportion set out in Column 5 of Schedule 6 of the SSPA against the Purchasers' respective names, without interest, within 10 business days from the date of rescission or termination of the SSPA; or

(v) where the rescission of the SSPA is due to the SSPA not becoming unconditional by the Stop Date due to the non-satisfaction of the Vendor's Conditions Precedent under Clause 4.1(a) and Clause 4.1(b) of the SSPA and such Condition Precedent is not waiver in accordance with Clause 4.3(a) of the SSPA, the Vendor shall refund the Deposit to any Purchaser(s) not in breach of the SSPA in the amounts or proportion set out in Columns 5 and 6 of Schedule 6 of the SSPA against the Purchasers' respective names, without interest, within 10 business days from the date of rescission or termination of the SSPA;

(vi) where the rescission of the SSPA s due to the SSPA not becoming unconditional by the Stop Date due to the non-satisfaction by DNeX of the Conditions Precedent as set out under Clause 4.1(c) of the SSPA and such Condition Precedent is not waived in accordance with Clause 4.3(b) of the SSPA, the Vendor shall (a) reserve the right at its sole and absolute discretion to forfeit the proportion of the Deposit paid by DNeX without interest and (b) refund to CGP Fund the proportion of the Deposit paid by CGP Fund within 10 business days from the date of rescission or termination of the SSPA,

and thereafter, all Parties shall not have any claim against the other, save for any claims arising from any antecedent breaches of the SSPA.

2. Conditions

2.1 Conditions Precedent

The SSPA is conditional upon the satisfaction of all of the following conditions precedent, on or prior to the Stop Date:

(a) Conditions Precedent to be fulfilled by the Vendor

(i) the written approval by the Vendor, as the sole shareholder of SilTerra, for the waiver by the Vendor of all amounts due and owing by SilTerra and its subsidiaries ("**Group Companies**") to the Vendor, which amounted to RM718,869,000.00 as at the date of the SSPA ("**Vendor Loan Capitalisation**"); and

(ii) the written approval by the Vendor as the sole shareholder of SilTerra, for the ICPS Conversion in accordance with the terms of the constitution of SilTerra.

(b) Conditions Precedent to be fulfilled by the Vendor, but undertaken by SilTerra

(i) SilTerra obtaining the written approval of its board of directors and its shareholder for, and undertaking, the Vendor Loan Capitalisation and the ICPS Conversion;

(ii) the approval of the lenders and financiers of the Group Companies for the change in, among others, the constitution, shareholders, directors and/or management of the relevant Group Companies pursuant to the sale and purchase of the Sale Shares contemplated under the SSPA;

(iii) the approvals from MITI and/or MIDA to effect the sale and purchase of the Sale Shares contemplated under the SSPA pursuant to the conditions of the manufacturing licence of SilTerra (Licence No. A012073, Serial No. A019436);

(iv) the registration of the lease in respect of the land held under Geran 212159, Lot 12072, Seksyen 39, Bandar Kulim with the land registry and the delivery of a copy of the land title reflecting the registration of the aforementioned lease on the land title;

(v) delivery of documents evidencing that the consideration of the Lease Agreements has been fully settled by SilTerra according to the Lease Agreements;

(vi) the receipt by SilTerra of the unconditional written approval of IMEC (Interuniversitair Micro-Electronica Centrum) vzw ("**IMEC**") under the Strategic Partnership Agreement dated 13 February 2014 entered into between SilTerra and IMEC, to effect the sale and purchase of the Sale Shares contemplated under the SSPA; and

(vii) the receipt by SilTerra of the written approval of Silicon Works Co., Ltd under the manufacturing agreement dated 1 July 2018 to effect the sale and purchase of the Sale Shares contemplated under the SSPA.

(c) Conditions Precedent to be fulfilled by DNeX

(i) the approval of the shareholders of DNeX, at an extraordinary general meeting of DNeX to be convened, to be obtained:

(A) for the receipt by DNeX SPV of the DNeX Sale Shares according to the terms and conditions set out in the SSPA; and

(B) for the proposed diversification in operations by DNeX arising from the receipt by DNeX SPV of the DNeX Sale Shares.

2.1 Unconditional Date and Rescission

(a) The SSPA shall become unconditional on the day upon which the last of the Condition Precedent having been verified by the other Part(ies) pursuant to Clause 4.2(b) of the SSPA as being fulfilled or is deemed to be fulfilled or is waived (as the case may be) in accordance with the provisions of the SSPA.

(b) Each of the Parties shall verify the fulfilment of each Condition Precedent by the other Part(ies) responsible to fulfil the Condition Precedent within 5 business days upon receipt of all documents necessary from the other Part(ies) to evidence the fulfilment of such Condition Precedent in accordance with Clause 4.4 of the SSPA.

(c) If any of the Conditions Precedent is not obtained by the Stop Date, the Party(ies) which are entitled to waive but have not waived such Conditions Precedent may rescind the SSPA by written notice to the other Parties and Clause 3.4 of the SSPA shall then apply.

2.2 Notification

The Party which is responsible to procure the fulfilment of a Condition Precedent shall immediately notify the other Parties within 5 business days upon becoming aware of the satisfaction of such Condition Precedent, and shall as soon as possible, furnish to the other Parties all documents necessary to evidence the fulfilment of such Condition Precedent. If any Party becomes aware or is notified that any of the Conditions Precedent is not satisfied or is incapable of being satisfied or is subject to conditions not acceptable to a Party, it must immediately upon receipt of such notification of the same notify the other Parties in writing.

2.3 Conditional Approvals

If conditions are imposed in respect of any of the approvals required and such conditions materially and adversely affect the Vendor, any Purchaser or any Group Company ("**Adverse Condition**"), either the Vendor where the Vendor is the affected party on one part, or any Purchaser, where that Purchaser or any Group Company is the affected party on the other part ("**Affected Party**"), shall be entitled to, within a period of 7 business days from the date the Affected Party receives notice of such Adverse Conditions or such other period as the Parties may mutually agree ("**Notice Period**"), notify the other Parties in writing of the Affected Party's election to either:

(a) accept the Adverse Conditions imposed, in which case the relevant approval must be deemed to have been obtained, provided that such Adverse Conditions must also be acceptable to the Purchasers collectively where the Adverse Conditions relate to the Conditions Precedent that the Purchasers are entitled to waive; or

(b) appeal to the person(s) imposing the Adverse Conditions, against the Adverse Conditions imposed.

If the Affected Party fails to notify the other Party of its election to either accept or appeal against the Adverse Conditions imposed within the Notice Period, the Affected Party shall be deemed to have accepted such Adverse Conditions thereto, and the relevant approval referred to shall be deemed to have been obtained.

In the event that the Affected Party elects to appeal against the Adverse Conditions imposed ("**Said Appeal**"), the Affected Party shall thereupon be entitled to request in writing the relevant Party responsible for fulfilling that Condition Precedent to submit or procure the submission of the appeal to the person imposing the Adverse Conditions within 14 business days from the date the Party that is responsible to fulfil such Condition Precedent receives a written request from the Affected Party or such other period as the Parties may mutually agree.

2.4 Decision of Appeal not received or subject to conditions

In the event that the decision on the Said Appeal has either not been obtained by the Stop Date or has been received with conditions remaining unacceptable to the Affected Party electing for the Said Appeal or the Purchasers collectively where the Adverse Conditions relate to the Conditions Precedent that the Purchasers are entitled to waiver:

(a) any Party may rescind the SSPA by notice in writing to the other Parties and Clause 3.4 of the SSPA shall then apply; or

(b) the Parties may mutually agree to extend the Stop Date for a duration to be agreed upon, in which case all references in the SSPA to the Stop Date must be construed as referring to the extended Stop Date.

2.5 Approval of other Relevant Authorities

If as a condition of the approval of any Relevant Authorities, the approval(s) of some other Relevant Authorities is required, the provisions of these clauses shall apply mutatis mutandis to the obtaining of such further approval or approvals.

2.6 Effect of Rescission

(a) Where any Party elects to rescind the SSPA in accordance with Clauses 4.2 or Clause 4.6 of the SSPA and Clause 3.4 of the SSPA shall apply.

(b) The surviving provisions shall survive the rescission of the SSPA.

3. Actions Pending Completion

3.1 The Vendor shall procure and ensure that, from the date of the SSPA and until Completion, each Group Company shall, subject to Clause 5.2 of the SSPA, among others:

(a) conduct its activities and operations in the usual and ordinary course of its business other than actions which are required to be taken by the Vendor and/or a Group Company for the purposes of fulfilling the terms of the SSPA or to remedy a breach of the terms of the SSPA;

(b) preserves and maintains the Properties and assets (including Intellectual Property), owned and used in the conduct of its business, in good working order and condition (ordinary wear and tear excepted), in the ordinary and usual course in a manner consistent with past practices of such Group Company;

(c) in respect of expired or expiring contracts which are necessary for the continued operation of the business of SilTerra and the manufacturing facility, such contracts shall, prior to expiry or on expiry, be renewed on an arm's length basis and on substantially similar terms, or where any of such contracts is not renewed, a comparable or similar contract is entered into on substantially similar terms; and

(d) maintains in full force and effect such insurance policies as were in effect at the date of the SSPA.

3.2 The Vendor shall procure and ensure that, from the date of the SSPA and until Completion, each Group Company shall not execute, implement or undertake any decision or action set out in Clause 5.2 of the SSPA, until and unless the prior written consent which shall not be unreasonably withheld) of the Purchasers' representative within 5 business days of the request by the Vendor, failing which the Purchasers would be deemed to have provided consent under Clause 5.2 of the SSPA, including, among others:

(a) making or permitting any change to the terms or conditions of or terminating, renewing or extending (i) the employment contract of any employee of the designation of vice president and above or (ii) the engagement contract of any consultant whose aggregate fee per annum is in excess of RM200,000;

(b) other than for the purpose of disposing of obsolete or unrepairable equipment, sell or transfer any of the business or assets of that Group Company which is in excess of RM3,000,000;

(c) acquire any (i) undertaking, (ii) business or (iii) asset (other than stock, tools, equipment, or materials for the business) in excess of RM1,000,000, of any person, firm or company or acquire or form any subsidiary or acquire any shares or other interest in any company, partnership or venture;

(d) enter into or terminate any contract (i) which is long-term contract or capital commitment for the supply of goods or services by or to a Group Company, and for this purpose, any contract or commitment for duration longer than three (3) years is deemed to be a long-term contract or commitment; (ii) that cannot be terminated on less than six (6) months' notice, (iii) which is unusual or onerous and not in the ordinary course of business;

(e) create, extend, grant or issue, or agree to create, extend, grant or issue any mortgage, charge, debenture, Encumbrance or other security over the business and assets of a Group Company;

(f) enter into any discussion, negotiations, arrangement or agreement with any person regarding the sale or transfer of any shares in any Group Company other than SilTerra;

(g) enter into any partnership or joint venture involving the sharing of revenue or profits or termination any such partnership or joint venture;

(h) incur any Indebtedness, other than normal trade payables or working capital financing or upfront fee from customers in the ordinary course of business of the Group Companies, or grant or accept any loans or prepay or discharge any loans which is in excess of RM10,000,000;

(i) commence, compromise or discontinue any legal or arbitration proceedings involving a claim in excess of RM1,000,000 (or its equivalent in any other currency) except the commencement of proceedings to prevent or avoid a cause of action being time barred during the period, prior to and three (3) months after Completion and save for those already disclosed in the virtual data room or disclosed as Vendor warranty;

(j) declare, make or pay any dividend or other distribution to any person; and

(k) other than in the ordinary course of business, do or permit or cause to do or omit to do anything which would or could result in or give rise to or cause any diminution or depletion in the financial position of any Group Company.

3.3 The Vendor shall promptly notify the Purchasers at least 5 business days prior to allowing or procuring each Group Company to execute, implement or undertake any decision or action set out below:

(a) incurring or committing to any expenditure that has a value or involves or is reasonably likely to have a value or involve an expenditure in excess of RM3,000,000; or

(b) incurring or committing to any expenditures which would result in a Group Company in aggregate incurring any capital expenditure above RM5,000,000.

4. Completion

4.1 When Completion Take Place

Subject always to Clause 4 (Conditions) of the SSPA, Completion shall take place at the office of the Vendors' solicitors on the Completion Date or at such other place or on such other date as may be agreed between the Purchasers and the Vendor.

4.2 Mechanics of Completion

At Completion, the Vendor shall deliver to each of the Purchasers documents to effect Completion including, (i) a written confirmation from the Vendor to the Purchaser that no material adverse change event has occurred, (ii) the respective original share certificates in respect of the Sale Shares, (iii) the completed but undated share transfer forms in respect of the Sale Shares, executed by the Vendor in favour of each of the Purchasers for the number of Sale Shares being purchased by each Purchaser, (iv) a certified true copy of the resolution of the board of directors of the relevant Group Companies approving the sale of the Sale Shares, (v) the relevant resolutions for Completion and (vi) a disclosure letter containing the relevant updates to the disclosures made in Paragraphs 5.2, 9.2, 11.1 and 18.1 of Schedule 2 of the SSPA, from the date of the SSPA up to immediately before Completion Date.

4.3 Breach by Vendor

Without prejudice to any other remedies available to the Purchasers if in any respect the provisions of Clause 6.2 of the SSPA are not complied with by the Vendor on the Completion Date, the Purchasers may (a) defer Completion to a date not more than thirty (30) days after the Completion Date (and so that the provisions of Clause 6.3 of the SSPA shall apply to Completion as so deferred); or (b) proceed to Completion so far as practicable (without prejudice to its rights under the SSPA); or (c) rescind the SSPA and Clause 3.4 of the SSPA shall then apply.

5. Right of Termination

5.1 In the event:

(a) any of the Purchaser's Warranties under the SSPA is untrue or misleading or unfulfilled to a material extent; or

(b) at any time any Purchaser does not pay its proportion of the Purchase Consideration when due or expresses its inability and/or unwillingness to give effect to the sale and purchase of the Sale Shares; or

(c) any of the Purchasers fails to perform or observe any undertaking, obligation or agreement expressed or implied in the SSPA (other than the terms of Clause 9 of the SSPA) and does not remedy the failure (if capable of remedy) within 30 business days after receipt by it of a notice from the Vendor specifying the failure;

the Vendor shall be entitled at its discretion (and in addition to and without prejudice to all other rights and remedies available to it under the SSPA and law) to elect to either (i) to claim for specific performance against the Purchaser(s) of its obligations under the SSPA, or (ii) terminate the SSPA and Clause 3.4 of the SSPA shall then apply.

5.2 In the event:

(a) any of the Vendor's fundamental warranties under the SSPA was, when given, or will be, or would be, untrue or inaccurate to a material extent;

(b) the Vendor expresses its inability and/or unwillingness to give effect to the sale and purchase of the Sale Shares;

(c) a material adverse change event occurs;

(d) the Vendor fails, refuses or neglects to perform or observe any undertaking, obligation or agreement expressed or implied in the SSPA and does not remedy the failure (if capable of remedy) within 30 business days after receipt by it of a notice from any of the Purchasers specifying the failure;

each of the Purchasers shall be entitled at its discretion (and in addition to and without prejudice to all other rights or remedies available to it under the SSPA and law) to elect either (i) to claim for specific performance against the Vendor of its obligations under the SSPA, or (ii) to rescind or terminate the SSPA and upon such termination Clause 3.4 of the SSPA shall apply.

6. Governing Law and Jurisdiction

6.1 The SSPA including its interpretation shall be governed by and construed in accordance with the laws of Malaysia.

6.2 Any dispute, controversy or claim arising out of or relating to the SSPA shall be settled by arbitration in accordance with the Rules of Arbitration of the Asian International Arbitration Centre (Malaysia) by three (3) arbitrators, who shall be appointed as follows, (i) one (1) will be appointed by the Vendor, (ii) one (1) will be appointed jointly by the Purchasers, and (iii) one (1) will be appointed jointly by the arbitrations under (i) and (ii).

Arbitration shall take place in Kuala Lumpur, Malaysia, in the English language. Each Party shall bear its own costs, and costs of the arbitration shall be split equally between the Parties.

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