KEJURUTERAAN ASASTERA BERHAD ("KAB" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On behalf of the Board of Directors of KAB ("**Directors**") ("**Board**"), Mercury Securities Sdn Bhd ("**Mercury Securities**") wishes to announce that the Company proposes to undertake a private placement of up to 169,180,000 new ordinary shares in the Company ("**KAB Shares**" or "**Shares**"), representing 10% of the existing total number of issued Shares (excluding treasury shares), to independent third-party investor(s) to be identified and at an issue price to be determined later ("**Placement Shares**") ("**Proposed Private Placement**").

2. PROPOSED PRIVATE PLACEMENT

2.1 General mandate

The Company had obtained the approval from its shareholders ("**Shareholders**") at its last annual general meeting ("**AGM**") held on 20 May 2021, authorising the Directors to issue and allot new Shares pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**"), provided that the aggregate number of new Shares to be issued does not exceed 20%[(1)] of the total number of issued Shares (excluding treasury shares) ("**General Mandate**"). The said approval shall continue to be in force, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of the Company.

In the event the Proposed Private Placement transcends beyond the next AGM to be held by the Company, approval will be sought from the Shareholders at the next AGM for renewal of the General Mandate.

Note:-

(1) On 16 April 2020, Bursa Malaysia Securities Berhad ("**Bursa Securities**") had announced the "Additional Temporary Relief Measures To Listed Issuers" whereby the companies listed on the Main Market of Bursa Securities are allowed to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") of not more than 20% of the total number of issued shares (excluding treasury shares) of the listed issuer ("**20% General Mandate**") provided that the following are being complied with:-

(i) the listed issuer procures its shareholders' approval for the 20% General Mandate at a general meeting;

(ii) the listed issuer complies with all the relevant applicable legal requirements, including its constitution or relevant constituent document; and

(iii) in addition to the existing disclosure required in the statement accompanying the proposed resolution under Paragraph 6.03(3) of the Listing Requirements, the listed issuer must also disclose the views from its board of directors that the 20% General Mandate is in the best interest of the listed issuer and its shareholders, as well as the basis for such views.

The 20% General Mandate may be utilised by the listed issuer to issue new securities until 31 December 2021. After that, the 10% limit under Paragraph 6.03(1) of the Listing Requirements will be reinstated.

2.2 Size of placement

As at 22 June 2021, being the latest practicable date prior to this announcement ("**LPD**"), the Company has an issued share capital comprising 1,691,805,771 Shares (excluding 88,898 treasury shares) as well as the following convertible securities:-

(i) 845,902,607 outstanding KAB warrants 2021/2024 ("**Warrants**"), which have an exercise price of RM1.20 each and are expiring on 29 April 2024 (for information, the Warrants are currently out-of-the-money based on the 5-day volume-weighted average market price ("**VWAP**") of the Shares up to and including the LPD of RM0.6969); and

(ii) up to 253,770,865 options which may be granted pursuant to the maximum allowable amount under the existing by-laws governing the employees' share option scheme of the Company which took effect on 1 June 2018 for a period of 5 years ("**ESOS**") ("**By-laws**") and subject to the Listing Requirements ("**ESOS Options**").

The Warrants and ESOS Options are collectively referred to as the "**Convertible Securities**".

Based on the total number of 1,691,805,771 issued Shares (excluding 88,898 treasury shares) as at the LPD and assuming none of the outstanding Convertible Securities as at the LPD are granted and/or exercised into new Shares prior to the implementation of the Proposed Private Placement, the issuance of up to 169,180,000 Placement Shares under the Proposed Private Placement would represent 10% of such total number of issued Shares (after rounding down to the nearest 1,000 Shares).

For the avoidance of doubt, any increase in the number of issued Shares arising from the granting and/or exercise of the Convertible Securities will not affect the maximum number of Placement Shares to be issued under the Proposed Private Placement.

The effects of the Proposed Private Placement are set out in Section 6 of this announcement.

2.3 Placement arrangement

The Placement Shares are intended to be placed to independent third-party investor(s) to be identified later. Such investor(s) shall qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007. The Placement Shares are not intended to be placed to the following persons:-

(i) a director, major shareholder or chief executive of the Company or a holding company of the Company ("**Interested Person**");

(ii) a person connected with an Interested Person; or

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

The Proposed Private Placement may be implemented in 1 or more tranches (as the placees may be identified and procured over a period of time rather than simultaneously) within a period of 6 months from the date of approval from Bursa Securities for the listing and quotation of the Placement Shares or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions and depending on investor's interest at the point of implementation.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the then existing issued Shares.

2.5 Listing and quotation of the Placement Shares

Subject to the approval of Bursa Securities being obtained, the Placement Shares to be issued will be listed on the Main Market of Bursa Securities.

2.6 Basis of determining and justification of the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 10% to the 5-day VWAP of the Shares up to and including the last trading day immediately preceding the price-fixing date, to be determined by the Board after taking into consideration the prevailing market conditions.

As the Proposed Private Placement may be implemented in several tranches within 6 months from the date of approval from Bursa Securities for the listing and quotation of the Placement Shares, there could potentially be several price-fixing dates and issue prices to be determined and fixed separately by the Board.

For illustrative purposes only, based on an illustrative issue price of RM0.6273 per Placement Share, the issue price of the Placement Shares would represent a discount of 9.99% to the 5-day VWAP of the Shares up to and including the LPD of RM0.6969 (Source: Bloomberg).

3. UTILISATION OF PROCEEDS

Based on an illustrative issue price of RM0.6273 per Placement Share, the proceeds from the Proposed Private Placement are intended to be utilised by KAB and its subsidiaries ("**KAB Group**" or the "**Group**") in the following manner:-

Proposed utilisation of proceeds	Intended timeframe for utilisation from completion of the Proposed Private Placement	(1)RM'000
(i) Repayment of bank borrowings	Within 6 months	25,000
(ii) Working capital	Within 24 months	15,000
(iii) Funding for energy projects	Within 36 months	50,000
(iv) Tender deposits, tender bonds and/or performance bonds	Within 12 months	15,507
(v) Estimated expenses for the Proposed Private Placement	Immediate	(2)620
Total		**(3)106,127**

Notes:-

(1) Any proceeds raised will be allocated up to its respective maximum allocation in the following order:-
(i) estimated expenses for the Proposed Private Placement;
(ii) repayment of bank borrowings;
(iii) working capital;
(iv) funding for energy projects; and
(v) tender deposits, tender bonds and/or performance bonds.

(2) If the actual expenses incurred are higher than this amount, the deficit will be funded via the amount earmarked for working capital. Conversely, any surplus of funds following payment of expenses will be utilised for working capital.

(3) Any additional proceeds raised in excess of this amount will be allocated for working capital. Conversely, if the proceeds raised are less than this amount, the amount earmarked for tender deposits, tender bonds and/or performance bonds will be reduced accordingly.

Pending the utilisation of proceeds for the earmarked purposes, the unutilised proceeds shall be placed in interest-bearing deposits and/or money market financial instruments.

(i) Repayment of bank borrowings

As at the LPD, the total outstanding amount of the Group's bank borrowings stood at RM32.6 million.

The Group intends to utilise part of the proceeds from the Proposed Private Placement towards the part-repayment of bank borrowings, to be allocated in the following order:-

Type of borrowings	Outstanding amount as at the LPD RM'000	(2)Repayment amount RM'000	Estimated interest savings per annum RM'000
Trade financing(1)	4,339	4,339	(3)199
Banker acceptances(1)	13,020	13,020	(4)456
Overdrafts(1)	8,355	7,641	(5)420
	25,713	**25,000**	**1,075**

Notes:-

(1) These facilities were drawn down to finance the Group's working capital.

(2) While the Group intends to allocate proceeds of up to RM25.0 million from the Proposed Private Placement to repay these borrowings, these borrowings are subject to prevailing interest rates, drawdown and repayment from time to time. As such, the outstanding principal amount of these borrowings at the point of repayment may differ from the current amount as at the LPD.

In this event, any surplus shall be reallocated for the repayment of other bank borrowings of the Group. Conversely, any shortfall shall be funded via internally generated funds and/or future fund-raising exercises to be undertaken (if required).

(3) Based on an effective interest rate of 4.58% per annum.

(4) Based on an effective interest rate that ranges from 3.30% - 3.65% per annum.

(5) Based on an effective interest rate of 5.50% per annum.

(ii) Working capital

The Group intends to utilise part of the proceeds from the Proposed Private Placement for working capital purposes in the following manner:-

Working capital	Indicative percentage allocation (%)	RM'000
Staff costs(1)	50.0	7,500
Other operating and administrative expenses(2)	50.0	7,500
Total	**100**	**15,000**

Notes:-

(1) As at the LPD, the Group has a total of 217 employees. In tandem with the growth of the Group's business moving forward via the securing of new contracts, the Group plans to expand its headcount to cater for such growth.

The exact number of new employees to be hired cannot be determined at this juncture as it will depend on the contracts to be secured by the Group moving forward as well as the Group's operational requirements at the relevant time.

(2) This includes, amongst others, due diligence fees for potential projects, travelling cost to sites, upgrade of office equipment and software as well as monthly operational and upkeep cost for energy projects. The actual breakdown of these expenses cannot be determined at this juncture as it will depend on the actual operating and administrative requirements of the Group at the relevant time.

(iii) Funding for energy projects

The Group is principally involved in the provision of mechanical and electrical ("**M&E**") engineering services. Electrical engineering services is the Group's core business activity and involves the installation, testing and commissioning of electrical systems. The Group also provides mechanical engineering services including installation, testing and commissioning of air-conditioning and mechanical ventilation systems.

Apart from the above, the Group is also involved in the solar power segment and the clean energy generation segment. In this connection, the Group intends to allocate proceeds of up to RM50.0 million from the Proposed Private Placement as funding for its solar power and clean energy generation projects to be indicatively allocated in the following manner:-

Indicative allocation	RM'000
Solar power	35,000
Clean energy generation	15,000
Total	**50,000**

(a) Solar power

The Group is presently involved in the solar power segment via:-

(i) KAB Smart Solar Energy Sdn Bhd ("**KSSE**"), a wholly-owned subsidiary of the Company which operates in Malaysia; and

(ii) Energy Optimization Thailand Co., Ltd, an indirect 49.997%-owned subsidiary of the Company which operates in Thailand.

Currently, the Group's solar power segment is involved in the installation of solar photovoltaic ("**PV**") panels for its clients through either of the following arrangements:-

(i) direct installation and sale of solar PV panels for clients as per the agreed design; and

(ii) build-own-operate-transfer ("**BOOT**") model, whereby the Group will install solar PV panels at its clients' premises and will enter into a power purchase agreement ("**PPA**") with the client for the sale and purchase of the electricity generated by the solar system at an agreed rate throughout the concession period.

Presently, the Group's solar power segment has the following contracts in hand:-

Model	Contract value (RM'million)	Size (1)(kWp)	Contract award date
Malaysia			
Direct sale	1.3	551	March 2021
Direct sale	1.1	520	April 2021
Total	**2.4**	**1,071**	

Model	Estimated concession value (RM'million)	Size (1)(kWp)	Contract award date	Concession period (years)
Malaysia				
BOOT	13.3	1,580	December 2020	25
BOOT	3.3	521	July 2021	21
BOOT	2.9	450	July 2021	21
Thailand				
BOOT	8.7	966	April 2021	20
BOOT	5.5	999	May 2021	15
BOOT	2.4	450	May 2021	15
BOOT	7.6	1,497	May 2021	10
Total	**43.7**	**6,463**		

Note:-
(1) kWp refers to kilowatt peak, an energy measurement for the peak power of an energy generating system.

The total capital expenditure requirement for the above contracts is estimated to be RM17.0 million.

In addition to the above, the Group is currently in talks for 3 potential contracts in Malaysia for solar PV projects under the BOOT model with total capacity of 5,750 kWp for an estimated total capital expenditure requirement of RM14.8 million. In Thailand, the Group is in talks for 2 potential contracts for the solar PV projects with an estimated total capital expenditure requirement of RM12.7 million with total capacity of 4,135 kWp.

(b) Clean energy generation

The Group is also involved in clean energy generation segment via KAB Energy Power Sdn Bhd ("**KABEP**"), a wholly-owned subsidiary of the Company. KABEP is involved in the following:-

(i) Cogeneration - generation of electricity and thermal energy (i.e. heat and steam) within the same system, whereby the thermal energy recovered in cogeneration can be used for heating or cooling in industrial facilities or buildings.

(ii) Waste heat recovery - waste heat from hot combustion gases released into the atmosphere and heat produced from industrial processes are captured and reused for generating mechanical or electrical energy.

KABEP will undertake the engineering, procurement, construction and commissioning for the projects based on the BOOT model. The parties will enter into an energy purchase agreement for the sale and purchase of the mechanical and electrical energy generated.

The Group's maiden project was via Kiev CRG Sdn Bhd ("**Kiev CRG**"), a wholly-owned subsidiary of KABEP. Kiev CRG has a contract to build, own, operate and transfer a captive combined heat and power (also known as cogeneration) plant with a capacity of 1.5 Megawatts ("**MW**") in Seremban, Negeri Sembilan. The generated electricity and heat will be sold to a third party for a period of 8 years under an energy purchase agreement for an estimated concession value of RM47.8 million.

In addition to the above, the Group is also exploring other new ventures in the clean energy generation business, such as the proposed acquisitions by KABEP of Konpro Industries Sdn Bhd ("**Konpro Industries**") and Meru One Sdn Bhd ("**Meru One**") for a total consideration of RM7.9 million and RM4.1 million respectively as announced by the Company on 8 March 2021.

Konpro Industries owns and operates a 2.2 MW waste heat recovery facility located in Negeri Sembilan whereby the energy generated is sold to a third party via an energy purchase agreement executed in April 2017 for a concession period of 10 years from the commercial operation date on 1 July 2020. Commercial operation date refers to a date when all testing and commissioning has been completed and is the initiation date to which the seller can start producing electricity for sale.

Meru One owns a 2.0 MW cogeneration facility located in Klang, Selangor whereby the generated energy is being sold to a third party via an energy power agreement since January 2019 for a concession period of 8 years from the commercial operation date scheduled on 1 September 2021.

As at the LPD, the proposed acquisitions are pending the fulfilment of the conditions precedent to the share purchase agreements entered into between KABEP and Invest Energy Sdn Bhd ("**INVEN**") in respect of Konpro Industries as well as Meru One respectively.

Apart from the above, the Group is in the midst of discussions with a potential customer that is involved in glove manufacturing for the construction of a cogeneration plant and thereafter the sale of energy generated therefrom via an energy purchase agreement. The total capital expenditure requirement for this project is estimated to be RM20.0 million.

The proceeds from the Proposed Private Placement will be utilised mainly to fund the Group's ongoing projects as well future projects to be secured. In this respect, it is envisaged that the proceeds will be used to support the Group's cash flow as it undertakes these projects by covering expenses such as the following:-

(i) Solar power - project development and feasibility study costs, purchase of materials and components for the installation of solar PV systems (e.g. panels, mounting racks, inverters and installation cost).

(ii) Clean energy generation – project development and feasibility study costs, construction of cogeneration or waste heat recovery plants, procurement of engine / system and related parts, mechanical and electrical works, civil and structural works, land costs as well as authority and licensing cost.

Any shortfall in the Group's funding requirements for its projects is intended to be met via internally generated funds (including those to be generated from the projects), bank borrowings and/or any future fund-raising exercises to be undertaken, if required. However, the actual funding breakdown for the shortfall cannot be determined at this juncture as it will depend on the actual shortfall amount as well as the availability and suitability of other funding options at the relevant time.

Conversely, any surplus shall be allocated as funding for any future projects to be secured by the Group, repayment of bank borrowings and/or working capital. The actual funding allocation cannot be determined at this juncture as it will depend on the actual surplus amount as well as the funding requirements for the future projects to be secured by the Group.

(iv) Tender deposits, tender bonds and/or performance bonds

The Group is required to provide tender deposits, tender bonds and/or performance bonds, usually in the form of bank guarantees representing a certain percentage of the contract sum. Tender bonds and performance bonds are commonly required in the construction industry as a means of securing a client against the performance of a contractor against its contractual obligations.

Thus, the Group intends to utilise proceeds of up to RM15.5 million from the Proposed Private Placement for tender deposits, tender bonds and/or performance bonds.

As at the LPD, the Group has a tender book of RM270.0 million for M&E projects. Thus, the funding to be allocated for tender deposits, tender bonds and/or performance bonds will be aimed at strengthening the Group's ability to tender and secure these projects.

The allocation of proceeds between the tenders cannot be determined at this juncture as it will depend on the actual bank guarantee amounts to be obtained as well as the size of future tenders to be submitted by the Group from time to time.

(v) Estimated expenses for the Proposed Private Placement

The breakdown of the estimated expenses for the Proposed Private Placement is illustrated below:-

Estimated expenses	**RM'000**
Professional fees[(1)]	590
Fees to relevant authorities	30
Total	**620**

Note:-

(1) These include advisory fees payable to the Principal Adviser and placement management fees payable to the placement agent for the management of the placement process and identification of placees respectively ("**Placement Agent**"), and other professional fees payable to the independent market researcher, solicitors, company secretary and share registrar in relation to the Proposed Private Placement.

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4. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

As detailed in Section 3 of this announcement, the proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly to repay bank borrowings, provide additional working capital, fund the energy projects undertaken by the Group and provide funding for tender deposits, tender bonds and/or performance bonds. The repayment of bank borrowings is expected to result in interest savings and lower gearing while the additional working capital funds will help to facilitate the Group's existing day-to-day operations. The energy projects undertaken by the Group are expected to contribute positively to the earnings of the Group. The funding for tender deposits, tender bonds and/or performance bonds is aimed at strengthening the Group's ability to tender and secure M&E projects.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it would enable the Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments for bank borrowings, thereby allowing the Company to preserve its cash flow.

On the other hand, other fund-raising exercises such as a rights issue may not be suitable as it will involve a cash call from existing Shareholders. Moreover, it will also require the Company to identify certain Shareholders to provide irrevocable undertakings to subscribe for a minimum number of rights shares or, alternatively, procure underwriting arrangements (which will incur additional cost), in order to achieve a minimum subscription level. In addition, a rights issue exercise is likely to take a longer time to complete as compared to a private placement exercise.

Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen the financial position of the Company.

Save for the following, the Company had not undertaken any other equity fund-raising exercises in the past 12 months preceding this announcement:-

(i) Previous Private Placement

On 16 April 2021, the Company completed a private placement exercise involving the issuance of 30,596,700 new Shares (representing approximately 9% of the existing total number of issued Shares before the Previous Private Placement), raising a total of RM22.00 million.

The said proceeds have been utilised as follows:-

Utilisation of proceeds	Expected timeframe for utilisation from 16 April 2021	Actual proceeds raised RM'000	Amount utilised as at the LPD RM'000	Balance unutilised RM'000
(i) Expansion of customised energy efficiency solutions business[1]	Within 24 months	13,803	2,671	11,132
(ii) Project costs and expenses	Within 24 months	3,654	3,654	-
(iii) Acquisition and/or investment in other complementary businesses and/or assets	Within 24 months	3,811	3,811	-
(iv) Estimated expenses for the Previous Private Placement	Immediate	731	356	375
Total		**21,999**	**10,492**	**11,507**

Note:-

(1) The proceeds were allocated to fund the Group's development of chiller optimisation solution, current and future energy performance contracting contracts for implementation of customised energy efficiency solutions at customer premises, marketing expenses and working capital.

5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

5.1 Malaysian economy

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (fourth quarter of ("**4Q**") 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electrical and electronic ("**E&E**") products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order ("**MCO**") ("**MCO 2.0**") and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up.

All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related subsectors, as well as oil and gas facilities will provide further impetus to growth. The roll-out of the domestic Coronavirus disease 2019 ("**COVID-19**") vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors.

The balance of risks remains tilted to the downside, arising mainly from ongoing uncertainties in developments related to the pandemic, and continued challenges that affect the roll-out of vaccines both globally and domestically.

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2021, Bank Negara Malaysia ("**BNM**"))

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 gross domestic product is expected to contract by 4.5% in 2020 (2019: expanded by 4.3%), before rebounding between 6.5% and 7.5% in 2021.

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

Overall, Malaysia's gross domestic product growth contracted by 5.6% in 2020 (2019: expanded by 4.3%).

(Source: Annual Report 2020, BNM)

5.2 M&E engineering services industry in Malaysia

Engineering is the field or discipline, practice, profession and art that relates to the development, acquisition and application of technical, scientific and mathematical knowledge about the understanding, design, development, invention, innovation and use of materials, machines, structures, systems and processes for specific purposes.

In the construction sector, electrical engineering services involve electrical wiring and fitting for electricity transmission and distribution, communication and information technology networks and extra low voltage systems. Electrical engineering services may be employed in the installation of new electrical components and systems, or the maintenance and repair of existing electrical systems. Meanwhile, mechanical engineering services involve the deployment of heating, ventilation and air conditioning systems, water supply and sanitation systems, fire protection systems as well as escalators and lifts. Mechanical engineering services may be employed in the installation of new mechanical components and systems or the maintenance and repair of existing mechanical systems.

M&E engineering services providers are responsible for the implementation of systems that make properties function. This includes the implementation of mechanical systems such as heating, ventilation and air conditioning systems; water supply and sanitation; fire protection systems; escalators and lifts, as well as electrical systems such as electricity transmission and distribution systems; communications and information technology networks; lighting systems; and security and alarm systems.

Industry performance, outlook and prospects

M&E engineering services in Malaysia, measured in terms of total value of construction work done for M&E engineering services, increased from RM3.84 billion in 2018 to RM4.36 billion in 2020 at a compound annual growth rate ("**CAGR**") of 6.56%. Based on the latest available information, the total value of construction work done for the first quarter of 2021 was RM 1.48 billion. The total value of construction work done comprises the installation value of electrical, plumbing, heat and air-conditioning and other construction work done related to M&E engineering services.

SMITH ZANDER forecasts the M&E engineering services industry to further grow from RM4.36 billion in 2020 to RM4.46 billion in 2021 at a 2.29%, at a lower growth rate is in view of the disruption in construction activities resulting from the various movement restrictions imposed by the Malaysian Government ("**Government**") to curb the outbreak of the COVID-19 pandemic in Malaysia.

Demand conditions – Key demand drivers

- **Refurbishment of properties creates demand for M&E engineering services**

  Growth opportunities for refurbishment and maintenance projects are present in Malaysia's property and construction sector as existing buildings are getting old and require refurbishment and maintenance to prolong the life of the property. Among the factors that influence growth in property refurbishment are the increasing number of ageing buildings, limited vacant land for new development and technological changes, especially in the use of information communication technology. Collectively, these factors create demand for M&E engineering services for refurbishment and maintenance projects.

The prospects for property refurbishment and maintenance are positive, supported by the demand for secondhand residential and commercial properties, and the need to upgrade electrical and mechanical systems during the lifespan of buildings. The growth prospects for property refurbishment and maintenance are anticipated to create demand for M&E engineering services. Nevertheless, in view of the prolonged outbreak of COVID-19 pandemic in Malaysia, businesses and consumers are more cautious in their spending including spending on property refurbishment and maintenance. This may temporary slowdown the growth prospect of property refurbishment and maintenance services until the impact of the outbreak of the COVID-19 pandemic fully subsides.

- **Demand for residential, commercial and industrial properties creates demand for M&E engineering services**

  The demand for M&E engineering services, particularly in new development projects, is dependent on construction activities undertaken to erect residential, commercial and industrial properties. Construction activities are largely economic-driven. Economic growth has the potential to contribute to increased disposable incomes among the population arising from higher employment and increased earnings for businesses due to greater operating scale and wider market reach. Consequently, this leads to increased demand for residential, commercial and industrial properties, which in turn leads to higher demand for M&E engineering services.

  However, any sudden crisis, such as the outbreak of the COVID-19 pandemic, will dampen economic growth. Any prolonged dampening in economic growth, even after the various movement restrictions imposed by the Government are lifted, and until the impact of the outbreak of the COVID-19 pandemic fully subsides, may lead to loss of businesses and jobs, pay cuts or lower salary growth and an increase in the unemployment rate. All of these may subsequently reduce consumer purchasing power, including the purchase of properties which in turn will affect the demand for properties.

  In 2020, Malaysia recorded a gross domestic product of -5.6% due to the adverse economic conditions resulting from the pandemic which may have negatively impacted the demand for properties. BNM has revised the growth forecast in 2021 to a range of 6.00% to 7.50%. To mitigate the economic impact of the COVID-19 pandemic, a deferment of all loan/financing repayments for a period of 6 months, with effect from 7 July 2021 has been put in place to ease the cash flow of individuals and small and medium-sized enterprises as part of the National People's Well-Being and Economic Recovery Package (PEMULIH).

  Further, the National Home Ownership Campaign ("**HOC**") has been reintroduced for residential properties purchases between 1 June 2020 and 31 December 2021, and the 70% margin of financing limit applicable for a home-buyer's third housing loan onwards for properties priced RM600,000 and above will be uplifted during the HOC period. Additionally, as announced under Budget 2021, full stamp duty exemptions will be provided to first-time Malaysian homebuyers who purchase residential properties priced RM500,000 and below between 1 January 2021 and 31 December 2025. All of these initiatives are expected to support the demand for properties in Malaysia.

(Source: Independent market research report dated 7 July 2021 prepared by Smith Zander International Sdn Bhd ("**SMITH ZANDER**") ("**IMR Report**"))

5.3 Energy efficiency industry in Malaysia

Energy management comprises the tracking, monitoring and planning of energy usage to control and optimise energy consumption in a building, to achieve energy efficiency. Energy conservation involves the behaviour or act of conserving energy usage that can produce a positive outcome in reducing energy consumption.

Industry performance, outlook and prospects

The growth of the energy efficiency industry is built on the growth of electricity consumption. Energy efficiency solutions function to reduce energy consumption to perform the same task by encouraging efficient energy use. As such, when the consumption of electricity increases, it will create a larger potential market for the energy efficiency industry.

The total volume of electricity consumption in Malaysia grew from 155,641 Gigawatt hours ("**GWh**") in 2018 to an estimated 165,184 GWh in 2020, at a CAGR of 3.02%. SMITH ZANDER forecasts the volume of electricity consumption to grow by 2.66% from an estimated 165,184 GWh in 2020 to 169,578 GWh in 2021.

The potential size of the energy efficiency industry is estimated by measuring the potential cost savings that can be achieved from the forecast electricity consumption in value terms in 2021. The cost savings that can be achieved from the implementation of energy efficiency solutions is estimated to be at 3.90% in 2021, which translates to an estimated potential electricity cost savings of RM2.20 billion.

Demand conditions – Key demand drivers

- **Increasing consumption and rising prices of electricity to drive the demand for energy efficiency solutions from the commercial and industrial sectors**

  The demand for energy efficiency solutions is largely driven by the commercial and industrial sectors as these sectors comprise revenue generating businesses in which cost is an important factor in determining a business's profit. For the commercial sector, a large share of electricity is used in buildings for cooling, ventilation, lighting and appliances, amongst others; while for the industrial sector, electricity is often used for machine operations as well as for cooling, ventilation and lighting. Growth in electricity consumption, coupled with rising prices per unit of electricity is expected to drive the demand for energy efficiency solutions from the commercial and industrial sectors.

  As part of energy management measures in the commercial and industrial sectors, combined heat and power, also known as cogeneration, and waste heat recovery are adopted with the aim to carry out daily operations with less electrical energy consumption. Cogeneration is the generation of electricity and thermal energy (i.e. heat and steam) within the same system, whereby the thermal energy recovered in cogeneration can be used for heating or cooling in industrial environments or buildings. Based on the latest available information, the installed capacity for cogeneration in Malaysia grew from 5.50MW in 2016 to 12.40MW in 2018 at a CAGR of 50.15%. The installed capacity for cogeneration in Malaysia beyond 2018 is not publicly available. Whereas in waste heat recovery, waste heat from hot combustion gases released into the atmosphere and heat produced from industrial processes is captured and reused for heating or generating mechanical or electrical energy. The data in relation to waste heat recovery is not publicly available.

- **Government initiatives to drive the energy efficiency industry**

  The Government has undertaken and implemented various measures and initiatives to promote efficient energy use. This includes implementing energy efficiency initiatives such as the National Energy Efficiency Action Plan with a 10-year implementation period from 2016-2025. The implementation of energy efficiency initiatives is expected to positively impact the energy efficiency industry as individuals and companies seek to achieve efficient energy use. The electricity savings will eventually lead to a reduction in peak demand and the need to build new power plants in the future.

  In addition, the draft Energy Efficiency and Conservation Act ("**EECA**") has been presented and approved by the Cabinet and is expected to be presented to parliament and be tabled in 2021. EECA is expected to focus on reducing energy use and lower the electricity bills of consumers. Further, the 12th Malaysia plan which was scheduled to be tabled in Parliament in the first quarter of 2021, but has since been delayed due to the suspension of Parliament as a result of the state of Emergency announced by the Government in January 2021, includes an environmental sustainability dimension. It will include, amongst others, the blue economy, green technology, renewable energy as well as energy efficiency.

As such, these Government initiatives to promote efficient energy use will drive demand for energy efficiency solutions.

(Source: IMR Report)

5.4 Solar industry in Malaysia and Thailand

Renewable energy is generated from natural sources such as sunlight, wind, rain, tides and geothermal heat which are naturally replenished. Technologies for renewable energy include solar power, wind power, hydro power, biomass and biofuels. The rapid depletion of fossil fuels and its impact on the environment has driven nations to take up initiatives to further develop renewable energy sources which are widely available, untapped and have zero to minimal amounts of carbon dioxide emissions.

Solar energy is harnessed from the sun's radiant light and heat through technologies such as solar heating, solar PV, solar thermal energy, solar architecture and artificial photosynthesis. These technologies can be either active or passive depending on how they capture and distribute solar energy to convert this energy into solar power. Active solar technologies include the use of PV systems, concentrated solar power and solar water heating to harness this energy. Passive solar technologies include orienting buildings in the direction of the sun and selecting materials with favourable thermal mass or light dispersing properties.

Industry performance, outlook and prospects

Electricity is an integral infrastructural element for economic growth and a main input for production activities. Continuing economic development is expected to lead to higher electricity consumption. This will in turn drive the demand for electricity including electricity generated from solar power plants, supporting the growth of the solar power industries in Malaysia and Thailand.

Based on the latest available information, the commissioned solar PV installations in Malaysia increased from 367.64 Megawatt ("**MW**") in 2017 to 1,056.33 MW in 2019 at a CAGR of 42.16%. Commissioned solar PV installations in Thailand grew from 3,024.00 MW to 3,592.00 MW at a CAGR of 5.91%. The forecast for commissioned installed capacity for solar PV installations in Malaysia and Thailand in 2020 and beyond are not publicly available.

<u>Demand conditions – Key demand drivers</u>

- **Increasing consumption to drive the demand for renewable energy**

  Electricity is an integral infrastructural element for economic growth and a main input for production activities. Electricity underpins a wide range of products and services that improve the quality of life, increases productivity and promotes entrepreneurial activity.

  The total volume of electricity consumption in Malaysia grew from 155,641 GWh in 2018 to an estimated 165,184 GWh in 2020, at a CAGR of 3.02%, while the total volume of electricity consumption in Thailand declined slightly from 187,832 GWh in 2018 to 187,046 GWh in 2020, at a CAGR of 0.21%. The decline may have been caused by the disruption in economic activities in Thailand due to the Covid-19 pandemic which contributed to lower electricity consumption from businesses, in particular tourism, as well as the industrial and agriculture sectors.

  Given the fact that electricity plays a key role in powering growth, the electricity supply industry in Malaysia and Thailand is expected to experience growth in the coming years, as the economic activities in both nations resume and gradually return to pre-COVID levels once the pandemic is contained.

- **Government-driven initiatives to promote renewable energy**

  Malaysia targets to generate 20% of its energy consumption from renewable energy sources by 2025. To achieve this, the Government has launched several initiatives to drive the development of the renewable energy industry, beginning with the establishment and implementation of the Feed-in Tariff ("**FiT**") mechanism with the enforcement of the Renewable Energy Act 2011 on 1 December 2011. As a replacement for the FiT mechanism for solar PV facilities, the Government introduced the Net Energy Metering ("**NEM**") mechanism in 2016 to continue to encourage the use of solar power. The NEM enables consumers to generate solar power for their own consumption, with any excess power generated to be exported to Tenaga National Berhad to offset or reduce electricity bills.

  In 2016, the Government has also introduced the Large Scale Solar (LSS) programme, beginning, a competitive bidding programme to drive down the cost of energy through the development of large scale solar PV plants. Further to this, the Government fully launched the New Enhanced Dispatch Arrangement ("**NEDA**") in 2017, a programme which allows power generators such as co-generators and renewable energy generators/producers without PPAs and/or service level agreements (SLA) to operate and sell energy to the Single Buyer. The Single Buyer is an entity authorised by the Minister pursuant to the Electricity Supply Act (ESA) 1990 to conduct electricity planning and manage electricity procurement services for Peninsular Malaysia. NEDA allows power generators to bid their variable costs (fuel cost and operation and maintenance cost) other than those stated in PPAs and SLAs. NEDA is designed to enhance competition and the cost efficiency of the electricity supply industry.

  Thailand targets to increase its proportion of renewable energy quota to 30% by 2037. Under the Alternative Energy Development Plan (AEDP) 2018 and the Power Development Plan ("**PDP**") 2018, in order to increase the security of the supply from renewable and alternative sources, the PDP 2018 supports the development of power generation facilities using biomass and waste, relaxes rules for installing rooftop solar systems, and promotes investments in energy storage. In addition to that, tax and non-tax incentives are offered for renewable energy projects that meet the national development.

The Thai government has also adopted a new FiT which will be granted for 20 years, except for power systems fueled by landfill gas. In May 2019, the Energy Regulatory Commission introduced regulations governing Purchase of Power from Solar Rooftop Power Generation for Public Sector and Purchase of Power from Solar Rooftop Power Generation for Public Sector Household User Type. These regulations allow households to generate, store electricity and sell excess electricity back to the Metropolitan Electricity Authority (MEA) and the Provincial Electricity Authority (PEA). Further to that, in April 2020, the Energy Regulatory Commission announced a regulation governing Purchase of Power from Very Small Power Producers with respect to Community-Based Power Projects. This regulation allows very small power producers (VSPPs) to enter into PPAs with the community power plants for local economy project, which is a part of the Electricity Generating Authority of Thailand (EGAT)'s policy for the local economy.

- **Increased use of electrical and electronic products generates increased demand for electricity**

  Electrical and electronic products have a varied and wide application in consumer, commercial and industrial environments. In the recent decade alone, electrical and electronic products have evolved in terms of technology and functionality, and are key components in consumer retail, medical, manufacturing, and telecommunications industries. The medical industry for instance, relies on electronic medical equipment for patient diagnostics, monitoring and treatment. The manufacturing industry today also largely consists of fully or semi-automated manufacturing facilities, and thus electronic machinery and equipment form an integral component of manufacturing activities. Consumers are dependent on electrical and electronic products for communication, entertainment, food preparation and preservation, as well as to carry out domestic chores. Further product innovation and replacement, technology migration and the low cost of product ownership of existing electrical and electronic products in the market will lead to greater adoption and penetration of electrical and electronic products, where electricity supply will be key in ensuring the operability of these devices and/or machinery. Hence, the increased use of electrical and electronic products generates increased demand for electricity which subsequently, drive the demand for solar power.

(Source: IMR Report)

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5.5 Prospects and future plans for the Group

The Group is principally involved in the provision of electrical and M&E services in Malaysia. The nature of the Group's business is project-based and its customers are primarily main contractors, project owners and property developers in Malaysia's construction industry. Since 2019, the Group had also expanded its business to include other complementary services such as the provision of energy efficient solutions, clean energy generation, renewable energy solutions and building management solutions.

In light of the unprecedented COVID-19 global pandemic, the Government effected containment measures since mid-March 2020 through the implementation of the MCO (including subsequent phases of MCO) including, amongst others, travel bans and measures to promote social distancing. The Group's core electrical and M&E services business, which is primarily in the construction industry, have been affected in the short run mainly due to temporary suspension of project operations and supply chain disruptions. Nevertheless, the Group has resumed its operations for some of its projects since 4 May 2020 and resumed full operations for all its projects from 1 June 2020. Upon resumption of business operations, the Group incurred higher labour cost to meet the delayed project timeline. As a result, the Group's audited revenue and profit after tax ("**PAT**") for the financial year ended ("**FYE**") 31 December 2020 declined by 5.6% and 50.1% respectively as compared to the previous financial year.

However, despite the above, the Group completed a total of 7 M&E projects during FYE 31 December 2020.

The Government, however, imposed a countrywide MCO with renewed restrictions in 2021 to curb the sharp spike in COVID-19. Due to this, the Group's operations have been affected with most of the construction activities halted since June 2021 and therefore its project timelines are expected to be delayed. In respect of this, the Group together with its main / building contractors will put in efforts to expedite the progress of the projects once operations are allowed to be resumed.

In addition, the Group continued to secure several new projects during the calendar year 2020 as well as 9 new projects up to the LPD. As at the LPD, the Group's order book, contracts secured and tenders from its core business are as follows:-

(i) order book balance is approximately RM364.0 million; and

(ii) approximately RM270.0 million worth of tenders are still pending.

Moving forward, the Group plans to continue to strengthen its market position in Malaysia's electrical and M&E services industry by tendering for more projects. In addition to the Klang Valley area, the Group also intends to expand its business to cover other regions of Malaysia. Historically, the Group had focused on securing projects in the Central region of Malaysia, mainly in Kuala Lumpur and Selangor. Expansion of its business beyond the Klang Valley area is expected to bode well for the Group's long-term business growth, thereby allowing them to realise sustainable growth and generate greater revenue. Part of the funds to be raised from the Proposed Private Placement will help the Group to meet its working capital requirements for day-to-day operations and is expected to help the Group to conserve its existing cash flow in light of the unprecedented COVID-19 pandemic impact.

The Group intends to grow its revenue from the provision of energy efficient solutions, clean energy generation, renewable energy solutions and building management solutions.

The Group had in end-2019 begun to offer comprehensive end-to-end customised energy efficiency solutions, which utilises software and hardware to optimise energy consumption of an electrical system. As at the LPD, the Group has 13 performance contracts (2 in Malaysia, 11 in Thailand) for its energy efficiency solutions. Moving forward, the Group plans to further venture into neighbouring ASEAN countries (e.g. Thailand and Vietnam) to enhance its market presence for its customised energy efficiency solutions business.

In late-2020, the Group had completed the acquisition of Kiev CRG, marking the Group's foray into the clean energy generation business. Kiev CRG has a contract to build, own, operate and transfer a captive combined heat and power (also known as cogeneration) plant with a capacity of 1.5 MW in Seremban. The generated electricity and heat will be sold to a third party for a period of 8 years under an energy purchase agreement. As at the LPD, the cogeneration plant is under construction and the operation is expected to commence in the third quarter of 2021. This is expected to provide additional income sources to the Group upon commencement of the cogeneration plant.

The Group is also exploring other new ventures in the clean energy generation business, such as the proposed acquisition of Konpro Industries and Meru One. Konpro Industries is the owner of a 2.2 MW waste heat recovery facility located in Negeri Sembilan, while Meru One owns a 2 MW cogeneration facility located in Klang, Selangor. As at the LPD, the proposed acquisitions are pending the fulfilment of the conditions precedent to the share purchase agreements entered into between KABEP and INVEN in respect of Konpro Industries as well as Meru One respectively. Part of the proceeds from the Proposed Private Placement is intended to fund the Group's secured contracts for the clean energy generation segment, as detailed in Section 3(iii)(b) of this announcement.

As set out in Section 3(iii)(a) of this announcement, the Group plans to utilise part of the proceeds from the Proposed Private Placement to fund its expansion in solar power segment in Malaysia and Thailand. To-date, the Group has secured a total of 9 energy purchase contracts in Malaysia and Thailand with a combined capacity of 7,534 kWp under the BOOT and direct sale models. These contracts are expected to provide recurring income to the Group through the execution of a PPA or an operation & maintenance agreement with the relevant parties.

In addition, KSSE had on 2 June 2021 completed the subscription of 800,000 ordinary shares, representing 80% of the total enlarged share capital in Mayang Hijau Sdn Bhd, a company principally engaged in developing, financing, constructing, operating and maintaining solar PV projects and projects involving green technology. This marked the Group's foray into the renewable energy segment.

Further, the Group is also exploring renewable energy market in Vietnam through a collaboration agreement inked with Janakuasa Pte. Ltd. via KABEP on 23 June 2021. Through the collaboration, the parties intend to acquire hydropower plant projects located in Vietnam. These projects have existing PPAs with the state-owned utility company, Vietnam Electricity which will expire between January 2030 and first quarter of 2039. The collaboration shall mark the Group's expansion of its footprint in the Vietnam market for the renewable energy segment.

As set out in Section 5.3 of this announcement, there has been a rising demand for energy efficiency solutions and renewable energy due to increasing consumption of electricity as well as various government initiatives to drive the industries.

Further, there has also been several tax incentives introduced by the Malaysia Investment Development Authority (MIDA) to spur investment into green technology, including the Green Investment Tax Allowance, Green Income Tax Exemption for qualified green services and Green Income Tax Exemption for qualified green services for solar leasing activity. Many corporates are now looking to comply with environmental, social and governance (ESG) policies, which may motivate these companies to seek out greener energy sources. As such, despite growth being generally halted by the MCO as a result of the COVID-19 pandemic, the clean energy and renewable energy sectors are still expected to maintain its positive outlook.

Premised on the above as well as the outlook and prospects of the energy industry as set out in Sections 5.3 and 5.4 of this announcement, the Board is cautiously optimistic of the prospects of the Group moving forward. The Group will continue to review and monitor the COVID-19 pandemic and the economic situation in countries in which the Group operates in, while exercising prudence in spending in light of the market challenges and conditions brought about by the COVID-19 pandemic.

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are as follows:-

	No. of Shares	Share capital RM
Issued share capital as at the LPD(1)	1,691,894,669	60,799,253
New Shares be issued pursuant to the Proposed Private Placement	169,180,000	(2)106,126,614
Enlarged issued share capital	**1,861,074,669**	**166,925,867**

Notes:-
(1) Includes 88,898 Share held as treasury shares.
(2) Based on the illustrative issue price of RM0.6273 per Placement Share.

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6.2 Net assets ("NA") and gearing

The pro forma effects of the Proposed Private Placement on the NA and gearing of the Group are as follows:-

Group level	Audited as at 31 December 2020 RM'000	(I) After subsequent events[(1)] RM'000	(II) After (I) and the Proposed Private Placement[(2)] RM'000
Share capital	53,299	60,799	166,925
Foreign exchange translation reserve	(7)	(7)	(7)
Treasury shares	(4)	(4)	(4)
Retained profits	26,781	26,451	[(3)]25,831
Shareholders' fund / NA	**80,069**	**87,239**	**192,745**
Non-controlling interest	(102)	(102)	(102)
Total equity	**79,967**	**87,137**	**192,643**
No. of Shares in issue ('000)	931,609	1,691,895	1,861,075
NA per share (RM)	0.09	0.05	0.10
Total borrowings	27,190	27,190	[(4)]2,190
Gearing (times)	0.34	0.31	0.01

Notes:-

(1) After accounting for the following subsequent events up to the LPD:-
   (i) issuance of 8,333,100 new Shares on 9 February 2021 at the issue price of RM0.90 each arising from the issuance of final tranche of Shares under the Previous Private Placement;
   (ii) share split involving the subdivision of every 10 existing Shares into 18 Shares which was completed on 9 April 2021 ("**Share Split**");
   (iii) issuance of 845,902,607 Warrants pursuant to a bonus issue on the basis of 1 Warrant for every 2 existing Shares which was completed on 5 May 2021 ("**Bonus Issue of Warrants**"); and
   (iv) expenses incurred in relation to the Share Split and Bonus Issue of Warrants of RM0.33 million.

(2) Based on the issuance of 169,180,000 Placement Shares at an illustrative issue price of RM0.6273 each.

(3) After deducting estimated expenses to be incurred in relation to the Proposed Private Placement of approximately RM0.62 million.

(4) As set out in Section 3(i) of this announcement, proceeds of up to RM25.00 million from the Proposed Private Placement are intended to be utilised for the repayment of bank borrowings.

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6.3 Substantial Shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the substantial Shareholders' shareholdings based on the register of substantial Shareholders of the Company as at the LPD are as follows:-

	As at the LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Dato' Lai Keng Onn	636,220,600	37.61	(3)23,400,000	1.38	636,220,600	34.19	(3)23,400,000	1.26
GAT Success (M) Sdn Bhd	180,540,000	10.67	-	-	180,540,000	9.70	-	-
Everest Pavilion Sdn Bhd	-	-	(4)180,540,000	10.67	-	-	(4)180,540,000	9.70
Cherry Anne Tong Chun Ling	-	-	(5)180,540,000	10.67	-	-	(5)180,540,000	9.70
Kington Tong Kum Loong	156,316,464	9.24	(6)6,485,003	0.38	156,316,464	8.40	(6)6,485,003	0.35
Faith Chow Poh Ten	135,335,961	8.00	(6)6,485,003	0.38	135,335,961	7.27	(6)6,485,003	0.35

Notes:-

(1) Based on 1,691,805,771 Shares (excluding 88,898 treasury shares) as at the LPD.

(2) Based on 1,860,985,771 Shares (excluding 88,898 treasury shares) following the completion of the Proposed Private Placement.

(3) Deemed interest in the Shares held by Fastrans Ventures Sdn Bhd pursuant to Section 8 of the Act.

(4) Deemed interest in the Shares held by GAT Success (M) Sdn Bhd pursuant to Section 8 of the Act.

(5) Deemed interest by virtue of her interest in Everest Pavilion Sdn Bhd ("**EPSB**") pursuant to Section 8 of the Act. EPSB is deemed interested in the Shares held by GAT Success (M) Sdn Bhd pursuant to Section 8 of the Act.

(6) Deemed interest in the Shares held by Regalis Investment Ltd pursuant to Section 8 of the Act.

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6.4 Earnings and earnings per Share ("EPS")

While the Proposed Private Placement is not expected to have any immediate effect on the earnings of the Group, the Proposed Private Placement is expected to contribute positively to the future earnings of the Group via the benefits to be derived from the utilisation of proceeds as set out in Section 3 of this announcement.

Subsequent to the completion of the Proposed Private Placement, the EPS shall be correspondingly diluted as a result of the increase in the number of Shares arising from Proposed Private Placement.

The potential effects of the Proposed Private Placement on the consolidated earnings of the Company moving forward will depend on, amongst others, the actual number and issue price of Placement Shares to be issued and the level of returns generated from the utilisation of the proceeds to be raised from the Proposed Private Placement.

For illustration, assuming that the Proposed Private Placement had been completed at the beginning of the FYE 31 December 2020, the pro forma effects of the Proposed Private Placement on the consolidated earnings and EPS are as follows:-

	Audited FYE 31 December 2020	**(I) After subsequent events(1)**	**(II) After (I) and the Proposed Private Placement(2)**
PAT attributable to owners of the Company (RM'000)	5,288	5,288	4.668
Weighted average no. of Shares ('000)	838,220	1,598,506	1,767,686
EPS (sen)	0.01	0.33	0.26

Notes:-

(1) After accounting for the following subsequent events up to the LPD:-
   (i) issuance of 8,333,100 new Shares on 9 February 2021 at the issue price of RM0.90 each arising from the issuance of final tranche of Shares under the Previous Private Placement; and
   (ii) the Share Split involving the subdivision of every 10 existing Shares into 18 Shares.

(2) Based on the issuance of 169,180,000 Placement Shares and after deducting estimated expenses to be incurred in relation to the Proposed Private Placement of approximately RM0.62 million.

6.5 Convertible securities

Save for the following, the Company does not have any other outstanding convertible securities as at the LPD:-

6.5.1 Warrants

As at the LPD, there are 845,902,607 outstanding Warrants.

In accordance with the provisions of the deed poll constituting the Warrants dated 14 April 2021, the Proposed Private Placement will not result in any adjustment to the exercise price of RM1.20 of the Warrants and number of outstanding Warrants.

6.5.2 ESOS Options

As at the LPD, the Company does not have any outstanding ESOS Options. The Company has up to 253,770,865 ESOS Options which may be granted pursuant to the maximum allowable amount under the existing By-laws and subject to the Listing Requirements.

In accordance with the provisions of the By-laws, the Proposed Private Placement will not result in any adjustment to the exercise price and number of granted ESOS Options (if any).

7. APPROVALS REQUIRED AND CONDITIONALITY

7.1 Approvals required

The Proposed Private Placement is subject to approvals being obtained from:-

(i) Bursa Securities for the listing and quotation of the Placement Shares; and

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

7.2 Conditionality

The Proposed Private Placement is not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE COMPANY AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/or major Shareholders, chief executive of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposed Private Placement.

9. DIRECTORS' STATEMENT

The Board, having considered the current and prospective financial position, needs and capacity of the Group, and after careful deliberation as well as taking into consideration the rationale, utilisation of proceeds and all other aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company and the Shareholders.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposed Private Placement is expected to be completed by the fourth quarter of 2021.

11. APPLICATION TO THE AUTHORITIES

The application in relation to the Proposed Private Placement will be submitted to Bursa Securities on even date.

12. ADVISER AND PLACEMENT AGENT

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

This announcement is dated 15 July 2021.