PASUKHAS GROUP BERHAD ("PASUKHAS" OR THE "COMPANY")

(I) PROPOSED PRIVATE PLACEMENT; AND
(II) PROPOSED ESOS

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of the Company ("**Board**"), Mercury Securities Sdn Bhd ("**Mercury Securities**" or the "**Principal Adviser**" or the "**Placement Agent**") wishes to announce that the Company proposes to undertake the following:-

(i) private placement of up to 268,757,000 new ordinary shares in the Company ("**Pasukhas Shares**" or "**Shares**"), representing 30% of the total number of issued shares of the Company, to independent third-party investor(s) to be identified later and at an issue price to be determined later ("**Placement Shares**") ("**Proposed Private Placement**"); and

(ii) establishment of an employees' share option scheme ("**ESOS**" or "**Scheme**") involving up to 30% of the total number of issued shares of the Company (excluding treasury shares, if any) for eligible directors and employees of the Company and its subsidiaries ("**Pasukhas Group**" or the "**Group**") ("**Proposed ESOS**").

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Size of placement

The Proposed Private Placement involves the issuance of up to 268,757,000 new Shares, representing 30% of the total number of issued Shares, at an issue price to be determined later.

As at 6 October 2020, being the latest practicable date prior to this announcement ("**LPD**"), the Company has an issued share capital comprising 895,857,732 Shares.

Based on the total number of 895,857,732 issued Shares as at the LPD, the issuance of up to 268,757,000 Placement Shares under the Proposed Private Placement would represent 30% of such total number of issued Shares (after rounding down to the nearest 1,000 Shares).

The effects of the Proposed Private Placement are set out in Section 7 of this announcement.

2.2 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 placee(s) 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 Malaysia Securities Berhad ("**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.

2.3 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 existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the registered holders of the Shares ("**Shareholders**"), the entitlement date of which is prior to the date of allotment and issuance of such Placement Shares.

2.4 Listing of the Placement Shares

The Placement Shares to be issued will be listed on the ACE Market of Bursa Securities.

2.5 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 20% to the 5-day volume-weighted average market price ("**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 prevailing market conditions.

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 illustrative purposes only, based on an illustrative issue price of RM0.0583 per Placement Share, the issue price of the Placement Shares would represent a discount of 19.92% to the 5-day VWAP of the Shares up to and including the LPD of RM0.0728 *(Source: Bloomberg)*.

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3. PROPOSED ESOS

The Company proposes to establish and implement the Proposed ESOS, which involves granting of options ("**Options**") to the directors or employees of the Group who fulfil the criteria of eligibility for participation in the ESOS as set out in the by-laws governing the Scheme ("**By-laws**") ("**Eligible Persons**"). The Options granted under the Scheme shall entitle the Eligible Persons to subscribe for new Shares at an exercise price to be determined at a later date ("**Exercise Price**").

The Scheme will be administered by a committee to be duly appointed and authorised by the Board from time to time to administer the Scheme in accordance with the By-laws ("**ESOS Committee**"). The ESOS Committee will have the absolute discretion in administering the Scheme. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the ESOS Committee pursuant to the By-laws may be exercised at the ESOS Committee's sole and absolute discretion having regard to the terms of reference which the Board may establish to regulate and govern the ESOS Committee's functions and responsibilities.

3.1 Maximum number of Shares available under the Scheme

The aggregate maximum number of new Shares which may be made available under the Scheme shall not exceed 30% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the Scheme ("**Maximum Shares**").

Notwithstanding the above or any other provisions contained in the By-laws, in the event that the number of new Shares to be issued pursuant to the exercise of the Options granted under the Scheme exceeds the Maximum Shares as a result of the Company purchasing its own Shares in accordance with the Companies Act 2016 ("**Act**"), or the Company undertaking any other corporate proposal and thereby diminishing the total number of issued Shares, then such Options granted prior to the adjustment of such total number of issued Shares (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of the By-laws.

However, in such a situation, the ESOS Committee shall not make any further offer of Options ("**Offer**") until the total number of new Shares to be issued pursuant to the exercise of the Options granted or to be granted under the Scheme falls below the Maximum Shares at any point of time over the duration of the Scheme after such adjustment.

It should be noted that even if the Maximum Shares are granted to the Eligible Persons, the actual number of new Shares to be issued pursuant to the exercise of the Options may be lesser in view that not all Eligible Persons who have accepted an Offer ("**Grantees**") under the Scheme will exercise their Options in full or at all.

3.2 Basis of allotment and maximum allowable allocation of new Shares

Subject to the Maximum Shares and any adjustments which may be made under the By-laws, the aggregate maximum number of Options that may be granted to any 1 category / designation of employment of the Eligible Person shall be determined entirely at the discretion of the ESOS Committee.

The ESOS Committee will comprise directors of the Company ("**Directors**") and/or other persons identified and appointed from time to time by the Board. At this juncture, the composition of the ESOS Committee has yet to be decided by the Board.

The number of new Shares to be allocated to any Eligible Person who, either singly or collectively through persons connected with such Eligible Person, holds 20% or more of the total number of issued shares of the Company (excluding treasury shares, if any), shall not exceed 10% of the total number of new Shares to be issued under the Scheme.

Not more than 80% of the Options available under the Scheme shall be allocated in aggregate to the eligible directors and senior management personnel of the companies in the Group.

Subject to the By-laws, the aggregate maximum number of Shares that may be offered to an Eligible Person under the Scheme shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the provisions of the ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**") or other applicable regulatory requirements prevailing during the duration of the Scheme relating to employees' and/or directors' share issuance schemes and after taking into consideration the performance, targets, position, annual appraised performance, seniority and length of service, contribution, category or grade of employment of the Eligible Person or such other matters which the ESOS Committee may in its sole and absolute discretion deem fit. At the time an Offer is made, the ESOS Committee shall set out the basis of the allocation of the Offer made to the Eligible Person having the further particulars as set out in the By-laws.

For the avoidance of doubt, the ESOS Committee shall have the sole and absolute discretion in determining whether the Shares available for vesting under this Scheme are to be offered to the Grantees via:-

(i) 1 single Offer at a time determined by the ESOS Committee; or

(ii) several Offers, where the vesting of the Options comprised in those Offers is staggered or made in several tranches at such times and on such terms and conditions as may be determined by the ESOS Committee,

provided always that the aggregate number of new Shares in respect of the Offers granted to any Eligible Person shall not exceed the amount stipulated in Section 3.1 of this announcement. In deciding between (i) and (ii) above, the ESOS Committee shall consider, amongst others, whether it wishes to provide a one-off reward for the relevant Grantee's contribution to the Group to incentivise the Grantee's continued employment with the Group, or to motivate the relevant Grantee to achieve certain milestones throughout the course of the Grantee's career progression with the Group moving forward.

The ESOS Committee also has the discretion to determine, amongst others:-

(i) whether or not to stagger the Offer over the duration of the Scheme and each Offer shall be separate and independent from the others;

(ii) the number of Options to be offered in each Offer;

(iii) whether or not the Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance target; and

(iv) such other terms and conditions as it shall deem fit and appropriate to be imposed for the participation in the Scheme.

No Eligible Person shall participate in the deliberation and/or discussion of their own respective allocations under the Scheme.

No performance target has been set for the allocation of Options at this juncture. Notwithstanding this, the ESOS Committee may from time to time at its own discretion decide on the performance targets.

3.3 Eligibility to participate in the Scheme

Only Eligible Persons who fulfil the following conditions on the date on which the Offer was made ("**Date of Offer**") shall be eligible to participate in the Scheme:-

(i) in respect of an employee of the Group, the employee must fulfil the following criteria as at the Date of Offer:-

(a) he / she is at least 18 years of age and he / she is not an undischarged bankrupt or subject to any bankruptcy proceedings;

(b) he / she is employed on the Date of Offer:-

(aa) on a full-time basis and is on the payroll of any company in the Group (which are not dormant) and his/her employment has been confirmed by any company in the Group (which are not dormant) on the Date of Offer; or

(bb) under an employment contract for a fixed duration and has been in the employment of any company in the Group for such period as may be determined by the ESOS Committee; and

(c) such employee falls within any other eligibility criteria (including variations to the eligibility criteria under Section 3.3(i)(a) or (b) above) that may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding;

(ii) in respect of an eligible director, the eligible director must fulfil the following criteria as at the Date of Offer:-

(a) he / she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;

(b) he / she has been appointed as a director to the board of directors of any member of the Group which is not dormant; and

(c) such director fulfils any other criteria as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding;

(iii) in respect of a director, a chief executive officer, major shareholders of the Company or a person connected with a director, chief executive officer or major shareholder, the specific allocation of Options granted under the Scheme must have been approved by the Shareholders at a general meeting; and

(iv) if the Eligible Person is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary whether directly or indirectly held by the Company upon such acquisition, the Eligible Person must fulfil the following as at the Date of Offer:-

(a) he / she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings; and

(b) he / she is employed full time basis and is on the payroll of the newly acquired company for a continuous period of at least 1 year and his / her employment has been confirmed by the newly acquired company.

The Eligible Person must fulfil any other criteria and/or fall within such category / designation of employment as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.

Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the Options unless an Offer has been made by the ESOS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the By-laws.

3.4 Duration of the Proposed ESOS

The Scheme shall be in force for a duration of 5 years from the date on which the Scheme shall take effect, to be determined by the ESOS Committee ("**Effective Date**") subject however to any extension of the Scheme as provided under the By-Laws.

On or before the expiry of such 5 years of the Scheme, the Board shall have the discretion, without having to obtain approval of the Shareholders, to extend the duration of the Scheme, provided that the initial period of the Scheme and such extension of the Scheme made pursuant to the By-laws shall not in aggregate exceed a duration of 10 years from the Effective Date or such longer period as may be permitted by Bursa Securities or any other relevant authorities from time to time.

For the avoidance of doubt, no further sanction, approval, consent or authorisation of the Shareholders in a general meeting is required for any such extension. In the event the Scheme is extended in accordance with the provision of the By-laws, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make the necessary announcements to Bursa Securities prior to such extension (if required).

The Scheme may be terminated by the ESOS Committee at any time before its expiry provided that the Company shall make an announcement immediately through Bursa Securities.

In the event of termination of the Scheme, the following provisions shall apply:-

(i) no further Offer shall be made by the ESOS Committee from the effective date of termination of the Scheme ("**Termination Date**");

(ii) all Offers which have yet to be accepted by the Eligible Person(s) shall automatically lapse on the Termination Date;

(iii) all Offers which have yet to be vested in the Eligible Person(s) shall automatically lapse on the Termination Date; and

(iv) all outstanding Options which have yet to be exercised by the Grantees and/or vested (if applicable) shall be automatically terminated on the Termination Date.

Approval or consent of Shareholders by way of a resolution in a general meeting and written consent of the Grantees who have yet to exercise their Options are not required to effect the termination of the Scheme.

3.5 Exercise of Options

Subject to the By-laws, a Grantee shall be allowed to exercise the Options granted to him / her either in whole or part in multiples of 100 Shares as the Grantee may be entitled under the Options at any time during the period commencing from the date an Offer is accepted by a Grantee and expiring on the last day of the duration of the Scheme or such other date as stipulated by the ESOS Committee in the Offer or on the date of termination or expiry of the Scheme as provided in the By-laws ("**Option Period**") whilst he / she is in the employment of any company within the Group (which are not dormant).

There will be no restriction to the Grantee on the percentage of Options exercisable by him / her during the Option Period.

3.6 Exercise Price

Subject to any adjustments that may be made in accordance with the By-laws, the Exercise Price shall be based on a price to be determined by the Board upon recommendation of the ESOS Committee based on the 5-day VWAP of the Shares immediately preceding the Date of Offer with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities during the duration of the Scheme. The Exercise Price as determined by the ESOS Committee shall be conclusive and binding on the Grantees.

3.7 Ranking of the new Shares to be issued pursuant to the exercise of the Options

The new Shares to be issued arising from the exercise of the Options shall, upon allotment, issue and payment of the Exercise Price, rank equally in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment and issuance of such new Shares.

3.8 Retention period

The new Shares to be allotted and issued and/or transferred to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer unless otherwise stated in the Offer as may be determined by the ESOS Committee from time to time at its discretion. The Grantees are encouraged to hold the Shares as an investment rather than for any speculative purposes and/or for the realisation of any immediate gain.

Notwithstanding the above, pursuant to Rule 8.22 of the Listing Requirements, a Grantee who is a non-executive director of any company within the Group (excluding any dormant subsidiary) must not sell, transfer or assign his / her Shares obtained through the exercise of the Options offered to him / her pursuant to the Scheme within 1 year from the Date of Offer of such Options or such period as may be prescribed by Bursa Securities.

3.9 Alteration of share capital during the Option Period

In the event of any alteration in the capital structure of the Company during the duration of the Scheme, whether by way of rights issue, bonus issue or other capitalisation issue consolidation or subdivision of Shares or reduction or any other alteration in the capital structure of the Company or otherwise howsoever, the ESOS Committee may, at its discretion, determine whether the Exercise Price and/or the number of unexercised Options shall be adjusted, and if so, the manner in which such adjustments should be made.

Such adjustments must be confirmed in writing by the external auditors of the Company or principal advisers (acting as experts and not as arbitrators), to be in their opinion, fair and reasonable.

3.10 Modification, variation and/or amendment to the Scheme

Subject to the compliance with the Listing Requirements and any other relevant authorities, the ESOS Committee may at any time recommend to the Board any additions, modifications or amendments to or deletions of the By-laws as it shall at its discretion think fit.

Subject to the By-laws, the approval of the Shareholders in a general meeting shall not be required in respect of the additions or amendments to or modifications or deletion of the By-laws provided that no additions, modifications or amendments or deletions shall be made to the By-laws which will:-

(i) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee; or

(ii) increase the number of Shares available under the Scheme beyond the maximum set out in Section 3.1 of this announcement; or

(iii) alter any matter which are required to be contained in the By-laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee.

3.11 Utilisation of proceeds

The proceeds arising from the exercise of the Options will depend on, amongst others, the number of Options granted and exercised at the relevant point in time as well as the Exercise Price. As such, the actual amount of proceeds arising from the exercise of the Options as well as the timeframe for the utilisation of proceeds could not be determined at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the Options, if any, as working capital for the Group which commensurate with the business operations of the Group. The working capital raised from the exercise of the Options will be utilised to finance the Group's day-to-day operations, including the payment of staff salaries as well as defrayment of operational and administrative expenses (e.g. utilities, rental costs, transportation costs, marketing costs and other miscellaneous items). The actual funding breakdown cannot be determined at this juncture as it will depend on, amongst others, the actual proceeds to be raised from the exercise of Options as well as the working capital requirements of the Group at the relevant time.

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4. UTILISATION OF PROCEEDS FROM THE PROPOSED PRIVATE PLACEMENT

Based on an illustrative issue price of RM0.0583 per Placement Share, the gross proceeds to be raised from the Proposed Private Placement are intended to be utilised in the following manner:-

Utilisation of proceeds	Intended timeframe for utilisation from completion of the Proposed Private Placement	RM'000
(i) Repayment of borrowings	Within 12 months	1,930
(ii) Development of the Project (as defined below)	Within 24 months	12,959
(iii) Estimated expenses for the Proposals	Immediate	(1)780
Total		**(2)15,669**

Notes:-

(1) *If the actual expenses incurred are higher than the budgeted amount of RM0.78 million, the deficit will be funded via the amount earmarked for the development of the Project. Conversely, any surplus of funds following payment of expenses will be utilised for the development of the Project.*

(2) *Any additional proceeds raised in excess of the RM15.67 million will be allocated for the development of the Project and/or working capital. Conversely, if the proceeds raised are less than RM15.67 million, the amount earmarked for the development of the Project and/or working capital will be reduced accordingly.*

Pending the utilisation of proceeds as and when they may be utilised, the unutilised proceeds shall be placed in interest-bearing deposits and/or money market financial instruments.

(i) Repayment of borrowings

As at the LPD, the total outstanding principal amount of the Group's borrowings stood at approximately RM29.90 million.

The Group intends to utilise proceeds of up to RM1.93 million towards the repayment of borrowings as set out below:-

Name of bank	Facility	Outstanding amount as at the LPD RM'000	Repayment amount RM'000	Estimated annual interest savings RM'000
OCBC Bank (Malaysia) Berhad	Bankers' acceptance(1)	1,100	(3)1,100	(4)69
RHB Bank Berhad	Overdraft(2)	830	(3)830	(5)51

Notes:-

(1) *The bankers' acceptance was drawdown mainly to finance the Group's working capital and has no fixed tenure for repayment.*

(2) *The overdraft was drawdown mainly to finance the Group's working capital and has no fixed tenure for repayment.*

(3) *While the Group intends to allocate proceeds of up to RM1.93 million to fully repay these borrowings, these borrowings are subject to prevailing interest rate, 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 or deficit following the repayment of these borrowings shall be allocated to / from the proceeds earmarked for the working capital.*

(4) *Based on an effective interest rate of 6.30% per annum.*

(5) *Based on an effective interest rate of 6.14% per annum.*

(ii) Development of the Project

The Group intends to utilise the proceeds to be raised from the Proposed Private Placement mainly to fund the development of a mixed commercial development project comprising service apartment units, commercial offices, commercial centres and facilities together with carpark lots in Kuala Lumpur ("**Project**").

The Project is the Group's first maiden property development project since the Group diversified into property development in June 2017. Located off Jalan Tun Razak, Kuala Lumpur on a piece of leasehold land measuring approximately 5,142 square metres, the Project is a mixed development project with an estimated GDV of RM338.0 million. The Project is estimated to have a gross built-up area of approximately 644,000 square feet ("**sf**") with a net floor area of approximately 355,000 sf comprising the following:-

(a) 224 units of serviced apartment with built-up areas ranging from approximately 640 sf to 4,400 sf, spread out in 32 stories;

(b) 1 basement car park comprising 42 car park lots;

(c) 8-storey podium comprising 2 storey of commercial centres with a net floor area of approximately 12,000 sf and 6 stories of 607 car park lots;

(d) 9-storey of commercial offices with a net floor area of approximately 93,000 sf; and

(e) facilities including prayer room, multi-purpose hall, meeting room, childcare centre, kindergarten, laundry, reading room, indoor games room, gymnasium, computer room, hawker centre, workers' recreational space, medical treatment room, taxi-waiting area and other related amenities.

As at the LPD, the Project has yet to be launched and hence it has not recorded any sales.

The Project lies approximately 7 kilometres away from the Kuala Lumpur city centre. Properties in the immediate vicinity comprise predominantly commercial buildings, medical centres, blocks of condominium / apartments and shop offices. Other commercial areas and townships surrounding the vicinity include Pudu, Bangsar, Bukit Damansara, Mont Kiara and Titiwangsa. Shopping centers nearby include Suria KLCC, Pavilion, Starhill Gallery, Lot 10, Sungai Wang Plaza, Plaza Low Yat, Quill City Mall and Sunway Putra Mall.

In terms of connectivity, the Project can be conveniently accessed via Duta-Ulu Kelang Expressway (DUKE), Middle Ring Road 2 (MRR2), New Klang Valley Expressway (NKVE) and Ampang-Kuala Lumpur Elevated Highway (AKLEH).

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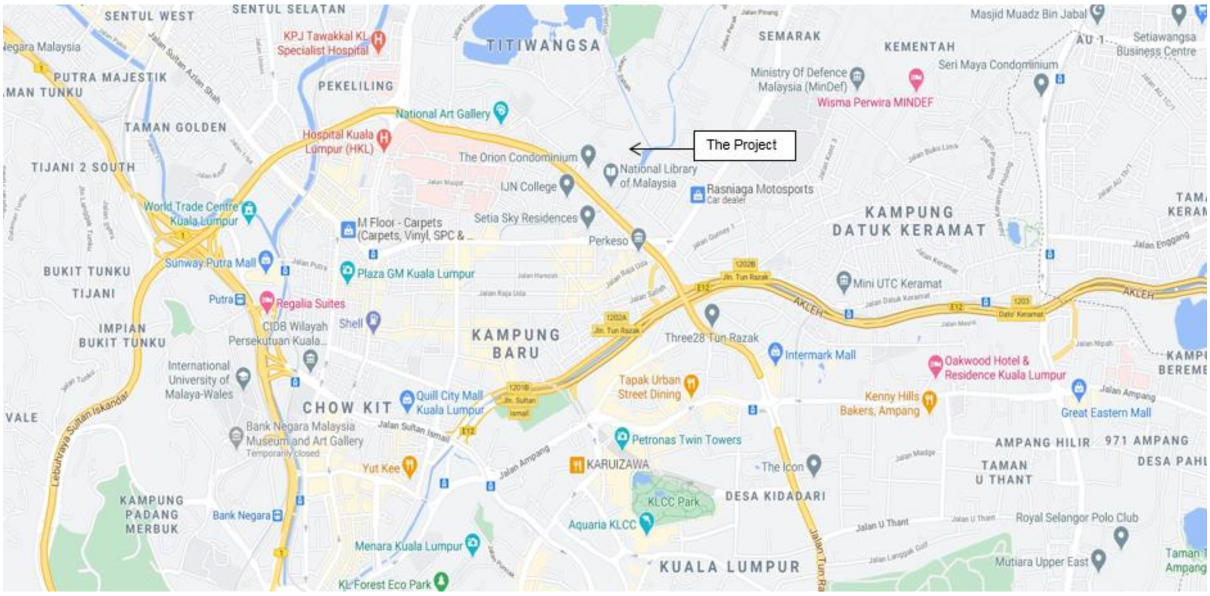
The location of the Project is illustrated below:



As at the LPD, the Group has obtained the approval for the development order for the Project but construction has yet to commence pending the actual issuance of development order from Dewan Bandaraya Kuala Lumpur. The construction of the Project is expected to commence by the 1st quarter of 2021 and be completed by the 4th quarter of 2023.

The Group's funding requirement for the Project is estimated to be RM257.0 million as illustrated below:-

Description	Estimated funding requirement RM'000
Piling works(1)	11,000
Building works(2)	150,000
Provisions(3)	58,000
Professional and project consultant fees(4)	38,000
Total	**257,000**

Notes:-

(1) This involves the construction of a foundation in the soil of the ground to form the base for the construction project.

(2) This includes, amongst others, preliminaries, structural works, external works, prime cost, provision sum and hydraulics.

(3) These include provision for fees to the relevant authorities and contingency sums set aside to cover unexpected or underestimation of costs.

(4) These include professional fees payable to, amongst others, the architect, project managers, engineers, quantity surveyors, interior designers and sales and marketing personnel.

As at the LPD, the Group has incurred a total of RM22.6 million (which were funded entirely via internally generated funds), thus leaving a balance funding requirement of RM234.4 million for the Project.

Any shortfall in the Group's funding requirement for the Project is expected to be met via progressive sales billings, internally generated funds, bank borrowings and/or future fund raising exercises to be undertaken (if required).

However, the exact funding breakdown cannot be determined at this juncture as it will depend on, amongst others, the actual amount of proceeds to be raised from the Proposed Private Placement as well as the availability and suitability of other funding options at the relevant time.

(iii) Estimated expenses for the Proposals

The breakdown of the estimated expenses for the Proposals is illustrated below:-

Estimated expenses	Amount RM'000
Professional fees[(1)]	700
Fees to relevant authorities	40
Printing, despatch and advertising expenses	20
Miscellaneous expenses and contingencies	20
Total	**780**

Note:-

(1) These include advisory fees, management fees and placement commission payable to the Principal Adviser and Placement Agent as well as other professional fees payable to the Company Secretarial Agent, Share Registrar and Solicitors in relation to the Proposals.

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Private Placement

As detailed in Section 4 of this announcement, the proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly for the development of the Project and the repayment of borrowings. The proceeds allocated for the development of the Project will help to facilitate its progress and in turn, the Project is expected to contribute positively to the future earnings of the Group via progressive sales billings to be received from the sale of the serviced apartment and commercial office units. Meanwhile, the repayment of borrowings is expected to result in interest savings and reduce the Group's gearing, thus strengthening its financial position.

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 as compared to 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.

For information, the fund-raising exercises undertaken by the Group in the past 12 months are as follows:-

(i) Private placement

On 18 September 2020, the Company completed a private placement exercise which involves the issuance of 81,441,000 new Shares (representing 10% of the existing total number of issued Shares prior to the private placement), raising a total of RM8.17 million.

The said proceeds have been utilised as follows:-

Utilisation of proceeds	Intended timeframe for utilisation from 18 September 2020	Proposed utilisation RM'000	Actual utilisation as at LPD RM'000	Balance unutilised RM'000
(i) Working capital	Within 12 months	8,042	1,547	6,495
(iii) Expenses for the private placement	Immediate	127	127	-
Total		**8,169**	**1,674**	**6,495**

5.2 Proposed ESOS

The Proposed ESOS is established primarily to achieve the following objectives:-

(i) to drive and motivate the Eligible Persons to work towards achieving the Group's goals and objectives;

(ii) to reward the Eligible Persons in recognition of their accumulated contribution to the operations and continued growth of the Group;

(iii) to retain the Eligible Persons by giving the Eligible Persons a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company and thereby provides an incentive for the Eligible Persons to participate in the future growth of the Group and motivate them towards better performance through greater productivity and loyalty;

(iv) to align the interests of the Eligible Persons, including management personnel of the Group, with the interests of the Shareholders via direct participation in the equity of the Company; and

(v) to attract and retain high-calibre Eligible Persons.

Further, any proceeds to be received by the Company pursuant to the exercise of the Options (which will depend on, amongst others, the number of Options granted and exercised at the relevant point in time and the Exercise Price) will be utilised for the Company's working capital purposes.

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6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.1 Malaysian economy

Economic activity in Malaysia contracted sharply in the first half of the year (-8.3%) as the measures introduced to contain the pandemic globally and domestically resulted in a concurrent supply and demand shock to the economy. However, growth is expected to have troughed in 2Q 2020. Economic activity has resumed significantly since the economy began to reopen in early May. Monthly indicators such as wholesale and retail trade, industrial production, electricity generation, and gross exports all grew faster in June than in the period between March and May.

The improvement in growth in 2H 2020 will also be supported by the recovery in global growth and continued policy support. In particular, consumption and investment activities are expected to benefit from the wide-range of measures in the fiscal stimulus packages, continued financial measures and low interest environment. While there is upside potential to growth, the pace and strength of the recovery remain susceptible to downside risks emanating from domestic and external factors. Growth could potentially be lifted by a larger-than-expected impact from stimulus measures. Nevertheless, the prospect of secondary coronavirus disease 2019 ("**COVID-19**") outbreaks leading to the re-imposition of containment measures, more persistent weakness in labour market conditions, and a weaker-than-expected recovery in global growth pose downside risks to growth.

*(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia ("**BNM**") published on 14 August 2020)*

Economic activity has resumed since the economy began to reopen in early May 2020. Consequently, growth is expected to have troughed in the second quarter of 2020, with a gradual recovery in the second half. This outlook is underpinned by the rebound of key indicators such as wholesale and retail trade, industrial production, gross exports, and electricity generation.

This improvement in growth will also be supported by the recovery in global growth and continued domestic policy support. In particular, consumption and investment activities are projected to benefit from the wide-range of measures in the fiscal stimulus packages, continued financial measures and low interest environment. With the reopening of economic activities, a concurrent improvement in labour market conditions is expected. Overall, the Malaysian economy is therefore forecasted to grow within the range of -3.5% to -5.5% in 2020, before staging a rebound within a growth range of 5.5% to 8.0% in 2021.

(Source: Press Statement on the Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, BNM published on 14 August 2020)

The Malaysian economy expanded by 4.3% in 2019. Growth of the Malaysian economy was supported by resilient private sector spending, which grew by 6.2% amid a challenging external environment. In particular, household spending remained firm and provided support to overall growth. In line with most emerging market economies, however, weaker external demand weighed on Malaysia's exports and investment activity. In the second half of the year, the economy was affected by supply disruptions in the commodities sector.

(Source: Economic & Monetary Review 2019, BNM published on 3 April 2020)

6.2 Overview and outlook of the property market in Malaysia

The Malaysian economy contracted by 17.1% in Q2 2020 (Q1 2020: 0.7%). The performance for Q2 2020 was the lowest recorded since Q4 1998 (-11.2%). On the production side, all sectors recorded negative growth in Q2 2020 with the exception of agriculture (1.0%) − services (-16.2%), manufacturing (-18.3%), mining & quarrying (-20%), construction (-44.5%). On the demand side, all final demand components declined except for Government expenditure which recorded a positive growth of 2.3%, according to the Department of Statistics Malaysia.

Under budget 2020, the Government introduced several measures aimed to improve property market activities:

1. the revision of the base year for real property gains tax ("**RPGT**") to 1 January 2013 (initially 1 January 2000) for property purchased before the date.

2. the reduction of price threshold for foreign purchase from RM1 million to RM600,000 for unsold completed high-rise properties in urban areas. Consequently, several states have revised the minimum price for foreign purchase.

The positive signs in the 2019 property market are seen to have diluted due the aftermath of COVID-19 pandemic. The pandemic has immensely taken its toll on the world economies and the Malaysian economy, in particular tourism-related sectors such as airlines, retail, food and beverage and hospitality as well as the manufacturing and selected services sector.

The nationwide lockdowns and international travel restrictions imposed by countries to curb the spread of the outbreak has led to the severe decline in tourist arrivals in Q1 2020. According to Tourism Malaysia, the country recorded 4.23 million international tourist arrivals in Q1 2020, a decrease of 36.8% compared to Q1 2019. The tourist expenditure for Q1 2020 recorded a total of RM12.5 billion, a decrease of 41.5% compared to RM21.4 billion registered in Q1 2019. In line with the movement control order ("**MCO**"), the Ministry of Tourism, Arts and Culture has cancelled the Visit Malaysia 2020 campaign with effect from 18 March 2020.

To stimulate Malaysia's economy and mitigate the impact of COVID-19 and the MCO, the Government introduced the Prihatin Rakyat Economic Stimulus Package or PRIHATIN. The financial initiatives introduced by the Government which have helped soften the impact on property market include:

1. An automatic six-month loan moratorium for individual borrowers and small to medium enterprises from 1 April 2020 ending on 30 September 2020.

2. The overnight policy rate cut with a cumulative 125 basis points would help lower the borrowing cost; thus, lower the monthly repayment amount.

On the demand-side, the amount of loan application and total loan approval for the purchase of residential property in H1 2020 decreased by 24.1% and 39.1% respectively. For the non-residential property, the amount of loan application and total loan approval saw similar pattern, decreased by 36.3% and 46.9% respectively. The ratio of loans approvals against loans applications for the purchase of residential property and non-residential property stood at 34.1% and 33.0% respectively in H1 2020 as against 42.4% and 39.6% in H1 2019.

The property market performance recorded a sharp decline in the first half of 2020 (H1 2020). The sharp decline was in consonant with the Malaysian economic performance, which contracted by 17.1% in Q2 2020 (Q1 2020: 0.7%). According to Bank Negara Malaysia report, Malaysian economy is expected to recover gradually in H2 2020 as the economy progressively re-opens and external demand improves. The Malaysia's GDP is projected to grow within the range of -3.5% to -5.5% in 2020 and 5.5% to 8.0% in 2021.

With the resuming of economic activities since early May 2020, property market activities recorded in the month of May and June 2020 saw a turnaround.

Further assistance from the Government, initiated under a new short-term Economic Recovery Plan or Penjana, proposed a recovery plan which is related to property which include:

1. Reintroducion of Home Ownership Campaign ("**HOC**") - Stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 to RM2.5 million subject to at least 10% discounts provided by the developer. The exemption on the instrument of transfer is limited to the first RM 1 million of the home price while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between 1st June 2020 to 31st May 2021.

2. RPGT exemption for disposal of residential homes from 1st June 2020 to 31st December 2021 (This exemption is limited to the disposal of three units of residential homes per individual).

3. The uplifting of the current 70 percent margin of financing limit applicable for the third housing loan onwards for property valued at RM600,000 and above, during the period of the HOC, subject to internal risk management practices of financial institutions. (Ministry of Finance).

Notwithstanding the upturn of market activity and the proposed measures under Penjana, the property market is more than likely to remain soft for the rest of the second half 2020. The pace of improvement, will be depend on both domestic and external factors such as political stability, global oil and commodity prices as well as the COVID-19 pandemic development.

(Source: Property Market Report First Half 2020, Valuation and Property Services Department, Ministry of Finance)

6.3 Overview and outlook of the property market in the Central Region (Kuala Lumpur, Putrajaya and Selangor)

The Central Region property market performance softened in H1 2020, indicated by the contraction in market activity and construction activity. The region registered 26,950 transactions worth RM20.85 billion, decreased by 31.0% and 30.4% in volume and value respectively as compared to H1 2019. Combined, these three states formed about 23.3% and 44.4% of the national volume and value of transactions.

In terms of transaction volume, all three states showed a downward trend. Putrajaya decreased by -57.1%, followed by Selangor (-31.6%), and Kuala Lumpur (-27.8%).

Similar downtrend situation was seen in terms of transaction value. Putrajaya decreased by 33.1%, followed by Kuala Lumpur (-31.3%) and Selangor (-30.0%).

By state, Selangor dominated the region's overall property transactions with 79.5% in volume (21,419 transactions) and 73.3% in value (RM15.28 billion) of the total transactions.

By sub-sector, residential continued to dominate the region's property transactions, contributing 79.3% (21,379 transactions) of the total. Likewise, residential sub-sector dominated the region's overall property transaction value with 55.7% share.

Residential Property

Residential sub-sector was the main sub-sector for all states. All states recorded lower volume and value of transactions. Transactions volume in Kuala Lumpur, Selangor and Putrajaya decreased by 22.5%, 28.6% and 62.2% respectively.

In terms of transaction value, all states showed a downward trend. Putrajaya declined by 55.2%, followed by Selangor (-27.8%) and Kuala Lumpur (-25.3%).

The residential overhang situation in Central Region took a downturn against the preceding half (H2 2019) as more units were recorded in H1 2020 (8,203 units) compared to H2 2019 (7,292 units).Selangor recorded 4,865 overhang units followed by Kuala Lumpur 3,224 units and Putrajaya 114 units in H1 2020.

Unsold under construction recorded an increase of 48.1% and 1.3% in Kuala Lumpur and Selangor.

Commercial Property

Market activity in this sub-sector was moderated as the transaction volume in Kuala Lumpur and Selangor decreased by 39.8% and 41.8% respectively. However, Putrajaya recorded increased by more than double to 17 transactions.

In terms of transaction value, Selangor and Kuala Lumpur declined by 47.5% and 29.3% respectively, whereas Putrajaya increased by 76.2%.

Shop sub-sector in the Central Region was dominated by shop, accounting for 30.3% in volume and 31.7% in value of the commercial property transaction (939 transactions worth RM1.44 billion).

By state, Selangor led the market with 76.7% share, followed by Kuala Lumpur (22.6%) and Putrajaya (0.8%). In term of transaction value, Selangor drove the market with 63.8% share, followed by Kuala Lumpur (34.8%) and Putrajaya (1.4%).

Compared to H1 2019, Selangor market performance softened, decreasing by 41.2% in volume and 44.4% in value. Similarly, Kuala Lumpur saw a decline by 21.5% in volume and 24.8% in value.

Serviced apartment / SOHO recorded 1,068 transactions worth RM791.00 million, forming 73.3% of the region commercial property transactions in volume and 80.1% of the total value.

Regional market performance recorded a decrease of 31.3% in volume (H1 2019: 1,554 transactions) and 30.8% in value (H1 2019: RM1.14 million). By state, Kuala Lumpur contributed higher market volume to the regional total with 58.9% (629 transactions) of market share.

For the purpose-built office segment, the review period recorded the transactions of Tower 7 Avenue 3 in Bangsar South, Intan Square in Petaling Jaya and Wisma Comcorp in Shah Alam in which the sale and purchase agreement was signed in 2018 and 2019 but concluded in H1 2020.

The performance of purpose-built office in the Central Region softened with lower overall occupancy rate at 77.8%, compared to 78.1% in H2 2019. Putrajaya remained firm as the occupancy rate slightly increased to 90.3% (H2 2019: 89.1%). However, Kuala Lumpur and Selangor recorded lower occupancy rates at 77.2% and 71.4% respectively compared to H2 2019 (78.3% and 71.6%).

(Source: Property Market Report – Central Region First Half 2020, Valuation and Property Services Department, Ministry of Finance)

6.4 Prospects and future plans of the Group

6.4.1 Steps taken by the Group to improve its financial condition

Historically, the Group is principally involved in the civil engineering and construction business, the mechanical & electrical ("**M&E**") engineering services business and the business of manufacturing low voltage switchboards.

In recent years, the Group has undertaken several initiatives to improve its financial condition. This entailed, amongst others, the diversification of the Group's business into the property development business, the energy utilities services and power generation business as well as the coal trading business as set out below:-

(i) In December 2016, the Company completed the acquisition of 70% equity interest in Pasukhas Construction Sdn Bhd ("**PCSB**") (formerly known as Pasukan Khas Construction Sdn Bhd at that time) for a purchase consideration of RM17,223,990.

PCSB is principally involved in the construction business as a general contractor. It is registered with Construction Industry Development Board Malaysia with Grade G7 in Building (B04) and Civil Engineering (CE21) which allows PCSB to participate in any project in Malaysia without any limitation on project/contract sum.

The acquisition of PCSB was undertaken with the aim of producing synergistic benefits in the form of greater economies of scale upon consolidating the existing operations of PCSB and the Group, premised on the existing track record of PCSB in the construction segment. At that time, PCSB had undertaken numerous construction projects including, amongst others, the following:-

(a) construction of a 4-storey shopping mall known as Aeon Mall in Seberang Perai Tengah, Pulau Pinang;

(b) design, construction and completion of subsea facility and associated works at Tanjung Pelepas, Johor;

(c) construction of the headquarters of Lembaga Hasil Dalam Negeri (LHDN) in Cyberjaya, Selangor; and

(d) construction of Aquaria KLCC in Kuala Lumpur.

With greater assets and infrastructure, optimisation of resources and larger distribution network following the acquisition of PCSB, the Group was able to widen its client base and revenue sources, thus contributing positively to its earnings.

(ii) In June 2017, Pasukhas Development Sdn Bhd (a wholly-owned subsidiary of the Company) entered into a joint venture agreement ("**JVA**") with Yayasan Veteran ATM for the development of the Project. The Project is a mixed commercial development project comprising service apartment units, commercial offices, commercial centres and facilities together with carpark lots on a piece of leasehold land measuring approximately 5,142 square metres off Jalan Tun Razak, Kuala Lumpur.

As the Project may contribute 25.0% or more of the net profits and/or the NA of the Group, the Company had sought its shareholders' approval for the diversification of the Group's business into property development, which was obtained via an extraordinary general meeting held in July 2018.

As at the LPD, the Group has obtained the approval for the development order for the Project but construction has yet to commence pending the actual issuance of development order from Dewan Bandaraya Kuala Lumpur. The construction of the Project is expected to commence by the 1st quarter of 2021 and be completed by the 4th quarter of 2023.

(iii) In September 2017, Pasukhas Energy Sdn Bhd (a wholly-owned subsidiary of the Company) completed the acquisition of 100% equity interest in I.S. Energy Sdn Bhd ("**ISE**") for a purchase consideration of RM14,300,000.

ISE is principally involved in developing, maintaining and operating mini hydro plants and distribution of electricity. In March 2012, ISE secured a 21-year concession from the Sustainable Energy Development Authority of Malaysia under its Feed-in Tariff programme to provide electricity from ISE's mini hydropower plant at Sungai Rek, Kuala Krai, Kelantan with a declared annual availability of 2.8 megawatts and installed capacity of 3.2 megawatts. Subsequently, in November 2012, ISE entered into a renewable energy power purchase agreement with Tenaga Nasional Berhad ("**TNB**") for the sale of electricity to TNB for the said 21-year concession period.

The acquisition of ISE provides the Group with an additional stream of income via the sale of electricity generated from ISE's mini hydropower plant. Further, the addition of ISE's energy utilities services and power generation business to the Group's existing business portfolio has helped to diversify the Group's income stream in order to mitigate the Group's dependence on its existing businesses.

In conjunction with the acquisition of ISE, the Company had sought its shareholders' approval for the diversification of the Group's business into the energy utilities services and power generation business, which was obtained via an extraordinary general meeting held in December 2016.

(iv) To fund the Group's diversification into the energy utilities services and power generation business, the Group had also embarked on the issuance of an Islamic medium term note ("**ASEAN Green SRI Sukuk**") programme of RM200 million in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar together with Murabahah (via Tawarruq arrangement) ("**ASEAN Green SRI Sukuk Programme**") through Pasukhas Green Assets Sdn Bhd (a wholly-owned subsidiary of the Company). The ASEAN Green SRI Sukuk programme has a tenure of 20 years commencing from the date of first issue of the ASEAN Green SRI Sukuk.

The first tranche of the ASEAN Green SRI Sukuk amounting to RM17 million was issued on 28 February 2019 and the proceeds were utilised mainly to repay borrowings that were previously drawndown from another financial institution to finance the capital expenditure for the Group's mini hydropower plant at Sungai Rek, Kuala Krai, Kelantan.

(v) In January 2018 and February 2018, Pasukhas Products Sdn Bhd ("**PPSB**") (a wholly-owned subsidiary of the Company) entered into sale and purchase contracts with 2 separate Taiwanese companies for the supply of steam coal out of anchorage point of South Kalimantan, Indonesia. These contracts marked the beginning of the Group's foray into the coal trading business.

Further to the above, as the Group was expected to secure additional sale and purchase contracts for steam coals in the future, the coal trading business was anticipated to contribute to 25.0% or more of the net profits of the Group. As such, the Company had sought its shareholders' approval for the diversification of the Group's business into coal trading, which was obtained via an extraordinary general meeting held in December 2016.

As at the LPD, the Group has completed the delivery of approximately RM60 million worth of orders of steam coals. Since the last order of steam coals received in 2018, the Group has not received any new orders of steam coals. Moving forward, the Group will continue to strive to secure more long term contracts for the supply of steam coals, leveraging on its existing customer base and sales network across different industries in Southeast Asia.

(vi) On 22 September 2020, PPSB entered into a River Sand Extraction Cum Main Operator Agreement ("**Agreement**") with BB Energy Sdn Berhad ("**BBESB**") for the exclusive rights to access, extract and dredge river sand at Sungai Miang, Mukim Pekan, Pahang Darul Makmur for subsequent sale, distribution and/or export. The contractual term of the Agreement is for 12 months with option to extend for a further 12 months.

The Group expects to supply a minimum of 2.5 million cubic meters of river sand per year to potential buyers from China and Hong Kong. The Agreement is anticipated to provide the Group with additional stream of revenue moving forward.

6.4.2 Impact of the Proposed Private Placement to the Group and its Shareholders

The Proposed Private Placement will enable the Group to raise funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs and preserving the Group's cash flow.

Notwithstanding the above, the consolidated earnings per Share ("**EPS**") of the Group shall be diluted as a result of the increase in the number of Shares arising from the Proposed Private Placement. Further details on the effects of the Proposed Private Placement on the net assets ("**NA**") and gearing as well as the earnings and EPS of the Group are set out in Section 7 of this announcement.

As set out in Section 4 of this announcement, the proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly for the development of the Project and repayment of borrowings. Premised on the strategic location of the Project near Kuala Lumpur city centre, the mixed development features of the Project as well as the prospects of the property market in Kuala Lumpur as set out in Section 6.3 of this announcement, the Project is expected to contribute positively to the future earnings of the Group. Meanwhile, the repayment of borrowings is expected to result in interest savings and reduce the Group's gearing, thus strengthening its financial position.

6.4.3 Value creation to the Company and its Shareholders

Despite the expected dilution in the consolidated EPS of the Group, the Proposed Private Placement is expected to generate the benefits as set out in Section 6.4.2 of this announcement. This will aid the Company in its effort to continuously improve its financial performance and to enhance value for the Shareholders moving forward.

6.4.4 Adequacy of the Proposed Private Placement in addressing the financial requirements of the Group

Premised on Sections 6.4.1, 6.4.2 and 6.4.3 above as well as the effects of the Proposed Private Placement as set out in Section 7 of this announcement, the Board is of the view that the Proposed Private Placement is adequate to address the Group's financial requirements at this juncture.

Moving forward, the Group intends to focus on developing the Project as part of its effort to continuously enhance its business performance, maximise shareholders' value and improve its financial position. Upon completion of the Project, the Group may further expand its property development business with the acquisition of landbank and/or joint venture with landowners to undertake further property development activities. The Group will also continuously monitor the latest developments in the property market in Malaysia and aims to time the launches of its future property development projects to capitalise on the upcycle of the property market as and when appropriate.

In addition, the Group intends to secure more projects for its civil engineering and construction as well as M&E engineering services segments. To this end, the Group will aim to work with various property developers and project owners in Malaysia to secure contracts for commercial high rise buildings, mixed development and other specialised projects.

Premised on the above as well as the overview and outlook of the property market in Malaysia, the Group is cautiously optimistic of its future prospects moving forward despite a challenging economic outlook ahead as the full impact of the COVID-19 pandemic gradually becomes observable.

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7. EFFECTS OF THE PROPOSALS

7.1 Share capital

7.1.1 Proposed Private Placement

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	895,857,732	98,090,716
No. of Placement Shares to be issued	268,757,000	(1)15,668,533
Enlarged issued share capital after the Proposed Private Placement	**1,164,614,732**	**113,759,249**

Note:-
(1) Based on the illustrative issue price of RM0.0583 per Placement Share.

7.1.2 Proposed ESOS

The Proposed ESOS is not expected to have an immediate effect on the Company's share capital until such time when the Options are granted and exercised. The Company's share capital will increase progressively depending on the number of new Shares which are issued pursuant to the exercise of the Options and the Exercise Price.

7.2 NA and gearing

7.2.1 Proposed Private Placement

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

	Audited as at 31 December 2019 RM'000	(I) After subsequent events(1) RM'000	(II) After (I) and the Proposed Private Placement(2) RM'000
Share capital	89,922	98,091	113,759
Merger deficit	(10,500)	(10,500)	(10,500)
Fair value reserve	17	17	17
Foreign exchange translation reserve	(1)	(1)	(1)
Accumulated losses	(15,951)	(15,951)	(3)(16,731)
Shareholders' equity / NA	**63,488**	**71,656**	**86,544**
Non-controlling interest	4,941	4,941	4,941
Total equity	**68,429**	**76,597**	**91,485**
No. of Shares in issue ('000)	814,417	895,858	1,164,615
NA per Share (RM)	0.08	0.08	0.07
Total borrowings (RM'000)	43,909	43,909	(4)41,979
Gearing (times)	0.64	0.57	0.46

Notes:-
(1) After accounting for the issuance of 81,441,000 new Shares pursuant to a private placement exercise which was completed on 18 September 2020.
(2) Assuming a total of 268,757,000 Placement Shares were placed out at an illustrative issue price of RM0.0583 each.

(3) After deducting estimated expenses to be incurred in relation to the Proposed Private Placement of RM0.78 million.

(4) After accounting for the repayment of borrowings pursuant to the utilisation of proceeds from the Proposed Private Placement as set out in Section 4(i) of this announcement.

7.2.2 Proposed ESOS

The Proposed ESOS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the Options granted under the Scheme are exercised. Any potential effects on the NA and gearing of the Group will depend on the number of new Shares to be issued upon the exercise of the Options granted under the Scheme and the Exercise Price.

For illustrative purposes, upon exercise of the Options under the Proposed ESOS, the NA per Share is expected to:-

(i) increase if the Exercise Price is higher than the NA per Share; or

(ii) decrease if the Exercise Price is lower than the NA per Share,

at such point of exercise of the Options.

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7.3 Substantial Shareholders' shareholdings

7.3.1 Proposed Private Placement

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 Shareholder	**No. of Shares**	**[1]%**	**No. of Shares**	**[1]%**	**No. of Shares**	**[2]%**	**No. of Shares**	**[2]%**
Ace Solution Investments Ltd	138,000,000	15.40	-	-	138,000,000	11.85	-	-

Notes:-

(1) Based on the issued share capital of 895,857,732 Shares as at the LPD.

(2) Based on the enlarged issued share capital of 1,164,614,732 Shares.

7.3.2 Proposed ESOS

The Proposed ESOS is not expected to have any immediate effect on the substantial Shareholders' shareholdings in the Company until and unless new Shares are issued pursuant to the exercise of the Options. Any potential effect on the substantial Shareholders' shareholdings in the Company would depend on the number of new Shares to be issued upon the exercise of the Options at the relevant point in time.

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7.4 Losses and losses per Share ("LPS")

7.4.1 Proposed Private Placement

The Board expects the Proposed Private Placement to contribute positively to the future earnings of the Group via the utilisation of proceeds as set out in Section 4 of this announcement.

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

The potential effects of the Proposed Private Placement on the consolidated earnings / losses of the Company moving forward will depend on, amongst others, the number 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 the Proposed Private Placement had been completed at the beginning of the FYE 31 December 2019, the pro forma effects of Proposed Private Placement on the consolidated losses and losses per Share of the Company would be as follows:-

		(I)	**(II)**
	Audited as at 31 December 2019	**After subsequent event**	**After (I) and the Proposed Private Placement**
(LAT) attributable to owners of the Company (RM'000)	(10,918)	(10,918)	(1)(11,818)
Weighted average no. of Shares ('000)	813,684	(2)895,125	1,163,882
(LPS) (sen)	(1.34)	(1.22)	(1.02)

Notes:-

(1) After accounting for estimated expenses incidental to the Proposed Private Placement of RM0.78 million and estimated interest savings of RM0.12 million per annum arising from the repayment of borrowings as set out in Section 4(i) of this announcement.

(2) After accounting for the issuance of 81,441,000 new Shares pursuant to a private placement exercise which was completed on 18 September 2020.

7.4.2 Proposed ESOS

The Proposed ESOS is not expected to have any immediate effect on the earnings and EPS of the Group until such time when the Options are granted and exercised.

Any potential effect on the EPS of the Group in the future will depend on the number of Options granted and exercised, the Exercise Price and the non-cash expenses arising from the granting of the Options under Malaysian Financial Reporting Standards 2 ("**MFRS 2**").

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting the Options based on, amongst others, the share price volatility, risk-free interest rate and pricing model. The fair value of the Options will be recognized as an expense in the profit or loss account of the Group over the vesting period of such Options. However, it should be noted that the estimated cost does not represent a cash outflow by the Group as it is merely an accounting treatment.

The Board takes note of the potential impact of MFRS 2 on the Group's future earnings and shall take into consideration such impact in the allocation and granting of Options to the Eligible Persons.

7.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

8. APPROVALS REQUIRED AND CONDITIONALITY

8.1 Approvals required

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

(i) Bursa Securities for the listing and quotation of the Placement Shares and the new Shares to be issued pursuant to the Proposed ESOS;

(ii) Shareholders at an extraordinary general meeting ("**EGM**") to be convened for the Proposals; and

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

8.2 Conditionality

The Proposed Private Placement and the Proposed ESOS are not conditional upon one another.

The Proposals are not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

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

9.1 Proposed Private Placement

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

9.2 Proposed ESOS

None of the Directors, major Shareholders, chief executive of the Company and/or persons connected with them are deemed interested, direct or indirect, in the Proposed ESOS as the Board currently does not have any plans to allocate any Options to the Directors, major Shareholders, chief executive of the Company and/or persons connected with them.

In the event that the Board intends to allocate any Options to the Directors, major Shareholders and/or chief executive of the Company, specific Shareholders' approval will be sought prior to any such allocation.

In such instance, the Directors, major Shareholders and chief executive of the Company will abstain (where applicable) from all Board deliberations and voting in respect of any specific allocation of Options to themselves respectively as well as the specific allocations to any persons connected with them (where applicable) at the relevant Board meetings of the Company.

Further, the Directors, major Shareholders and chief executive of the Company will undertake to ensure each of them and the persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolutions pertaining to their respective specific allocation of Options as well as the specific allocations to any persons connected with them (where applicable) under the Proposed ESOS at a general meeting to be convened in the future, if applicable.

10. DIRECTORS' STATEMENT

10.1 Proposed Private Placement

The Board, as a whole, 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.

10.2 Proposed ESOS

The Board, as a whole, having considered all aspects of the Proposed ESOS, including but not limited to the rationale and effects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interests of the Company.

11. APPLICATION TO THE AUTHORITIES

The corresponding application in relation to the Proposals will be submitted to Bursa Securities on even date.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposals are expected to be completed by the fourth quarter of 2020.

13. ADVISER

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

This announcement is dated 12 October 2020.

A summary of the historical financial information of the Group is as follows:-

	Audited			Unaudited	
	FYE 31 December 2017	FYE 31 December 2018	FYE31 December 2019	6-month FPE 30 June 2019	6-month FPE 30 June 2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	36,859	97,375	29,087	17,667	3,629
Cost of sales	(28,182)	(93,817)	(23,217)	(14,773)	(3,010)
Gross profit ("GP")	**8,677**	**3,558**	**5,870**	**2,894**	**619**
Other income	3,614	11,666	7,327	167	353
Administrative expenses	(10,094)	(13,262)	(9,893)	(5,005)	(3,635)
Other operating expenses	(1,389)	(4,921)	(7,231)	(363)	(835)
Finance costs	(1,170)	(2,800)	(3,287)	(1,263)	(1,193)
Net impairment losses on financial assets and contract assets	1,862	(1,843)	(4,087)	-	-
Share of results in associates, net of tax	(80)	-	-	-	-
Profit / (loss) before tax	**1,419**	**(7,602)**	**(11,301)**	**(3,570)**	**(4,691)**
Tax income / (expense)	(695)	(686)	152	-	27
Profit / (loss) after tax ("PAT") / ("LAT")	**725**	**(8,288)**	**(11,149)**	**(3,570)**	**(4,664)**
PAT / (LAT) attributable to:-					
- owners of the Company	607	(7,267)	(10,918)	(3,511)	(4,111)
- non-controlling interests	118	(1,021)	(231)	(59)	(553)
GP margin (%)	23.54	3.65	20.18	16.38	17.06
PAT / (LAT) margin (%)	1.97	(8.51)	(38.33)	(20.21)	(128.52)
Weighted average no. of Shares in issue ('000)	668,231	811,573	813,684	812,940	814,417
EPS / (LPS)					
- basic (sen)	0.09	(0.90)	(1.34)	(0.43)	(0.50)
- diluted (sen)(1)	0.09	(0.90)	(1.34)	(0.43)	(0.50)

Note:-

(1) *The Company has not issued any dilutive potential ordinary shares and hence, the diluted (loss)/earnings per share is equal to the basic earnings per share.*

(i) 6-month FPE 30 June 2020 vs 6-month FPE 30 June 2019

The Group's revenue for the 6-month FPE 30 June 2020 decreased by 79.5% to RM3.6 million as compared to the previous corresponding period. This was mainly due to lower contribution from the civil engineering and construction services segment as a result of the slowdown in construction activities following the outbreak of COVID-19. Besides that, the Group became more cautious in selecting its customers as it is mindful that many contractors and project owners may be suffering from financial difficulties as a result of COVID-19.

In line with the lower revenue, the Group recorded a lower GP of RM0.6 million (GP margin of 17.1%) as compared to a GP of RM2.9 million (GP margin of 16.4%) in the previous corresponding period, representing a decrease of 78.6%.

The Group recorded a higher LAT of RM4.7 million as compared to a LAT of RM3.6 million in the previous corresponding period, representing an increase of 30.6%. The higher LAT was mainly due to the lower GP as set out above.

(ii) FYE 31 December 2019 vs FYE 31 December 2018

The Group's revenue for the FYE 31 December 2019 decreased by 70.1% to RM29.1 million as compared to the previous financial year. This was mainly due to lower contribution from the coal trading segment as the Group did not secure any contracts for supply of steam coals during the FYE 31 December 2019 (FYE 31 December 2018: 3 contracts).

Despite the lower revenue, the Group achieved a higher GP of RM5.9 million (GP margin of 20.2%) as compared to a GP of RM3.6 million (GP margin of 3.7%) in the previous financial year, representing an increase of 65.0%. As the GP margin for the coal trading business is typically lower than other segments, the significant decrease in revenue contribution from the coal trading business did not have a similar impact on GP. Instead, the higher GP was mainly due to the higher contribution from the civil engineering and construction services segment as well as the M&E engineering services segment as a result of an uptick in contracts secured by the Group.

Despite the higher GP, the Group recorded a higher LAT of RM11.1 million in the FYE 31 December 2019 as compared to RM8.3 million in the previous financial year, representing an increase of 34.5%. The higher LAT was mainly due to the following:-

(a) higher impairment loss on trade receivables of RM4.1 million (FYE 31 December 2018: RM1.9 million) as the Group encountered difficulty in collection from project owners towards the completion of the projects; and

(b) unrealised and realised foreign exchange loss amounting to RM0.2 million as compared to unrealised and realised foreign exchange gain amounting to RM1.9 million in the previous financial year.

(iii) FYE 31 December 2018 vs FYE 31 December 2017

The Group's revenue for FYE 31 December 2018 increased by 164.2% to RM97.4 million as compared to the previous financial year. This was mainly due to contribution from the new coal trading segment as the Group secured 3 contracts for the supply of steam coals during the FYE 31 December 2018.

Despite the higher revenue, the Group recorded a lower GP of RM3.6 million (GP margin of 3.7%) as compared to a GP of RM8.7 million (GP margin of 23.5%) in the previous financial year, representing a decrease of 59.0%. As the GP margin for the coal trading business is typically lower than other segments, the significant increase in revenue contribution from the coal trading business did not have a similar impact on GP. Instead, the lower GP was mainly due to lower contribution from the civil engineering and construction services segment as well as the M&E engineering services segment as a result of higher material costs and intense competition.

The Group incurred a LAT of RM8.3 million as compared to a PAT of RM0.7 million in the previous financial year. Apart from the lower GP, the LAT was mainly contributed by the following:-

(a) absence of a one-off gain on bargain purchase of RM2.0 million recorded in the previous financial year arising from the acquisition of 100% equity interest in ISE, further details of which are set out in Section 6.4.1(iii) of this announcement;

(b) one-off impairment loss on goodwill attributable to a wholly-owned subsidiary, namely PCSB, of RM3.1 million as the carrying amount of the Group's investment in PCSB is deemed to be in excess of the value of the future economic benefits that may be derived from the asset;

(c) lower reversal of impairment loss on trade receivables of RM0.1 million (FYE 31 December 2017: RM3.7 million); and

(d) higher finance costs of RM2.8 million (FYE 31 December 2017: RM1.2 million).

The above was partly offset by the following:-

(a) one-off profit guarantee compensation of RM7.1 million received from the vendors in relation to the acquisition of 70% equity interest in PCSB, further details of which are as set out in Section 6.4.1(i) of this announcement; and

(b) realised and unrealised foreign exchange gain amounting to RM1.9 million as compared to realised and unrealised foreign exchange loss amounting to RM0.01 million in the previous financial year.

(iv) FYE 31 December 2017 vs FYE 31 December 2016

The Group's revenue for FYE 31 December 2017 decreased by 39.0% to RM36.9 million as compared to the previous financial year. This was mainly due to lower contribution from the civil engineering and construction services segment as well as the M&E engineering services segment as the Group did not secure enough contracts to replenish its order book while the Group's existing contracts were either recently completed or nearing completion.

Despite the lower revenue, the Group achieved a higher GP of RM8.7 million (GP margin of 23.5%) as compared to a GP of RM5.2 million (GP margin of 8.5%) in the previous financial year, representing an increase of 68.3%. This was mainly contributed by lower fixed and overhead costs incurred by the Group's business operations due to cost-cutting measures undertaken by the Group.

The Group incurred a PAT of RM0.7 million as compared to a LAT of RM5.9 million in the previous financial year. Apart from the higher GP, the PAT was also contributed by the following:-

(a) one-off writeback of impairment loss on trade receivables of RM3.7 million following the collection of certain trade receivables that were past due; and

(b) one-off gain on bargain purchase of RM2.0 million arising from the acquisition of 100% equity interest in ISE, further details of which are set out in Section 6.4.1(iii) of this announcement.