THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in BGMC International Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

BGMC International Limited
璋利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1693)

(I) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF KAS ENGINEERING; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisor

Euto 裕韜 Capital Partners

Independent Financial Advisor

紅日資本有限公司 RED SUN CAPITAL LIMITED

Capitalised terms used in the lower portion of this cover page shall have the same respective meanings as those defined in the section headed "DEFINITIONS" of this circular.

A notice convening the EGM to be held at Unit 2413A, 24/F, Lippo Centre Tower One, Queensway 89, Admiralty, Hong Kong on Wednesday, 30 December 2020 at 10 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use in connection with the EGM is enclosed with this circular. Such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgmc.asia). If you are not able or do not intend to attend the EGM in person and wish to exercise your right as a Shareholder, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong as soon as possible but in any event, not less than 48 hours before the time appointed for holding the EGM or its adjournment (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or its adjournment if you so wish. If you attend and vote in person at the EGM, the instrument appointing a proxy shall be deemed to have been revoked.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

(1) Compulsory temperature screening/checks

(2) Wearing of surgical face mask

(3) No provision of refreshments or drinks

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

11 December 2020

CONTENTS

In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:

"1H"	six months ended 31 March
"Availability Charges"	a term commonly used in concession projects for education facilities in Malaysia and as extracted from the UiTM Concession Agreement, which means the consideration payable to KAS Engineering for completing the construction works for the UiTM Campus and as described particularly in the section headed "Business – UiTM BLMT Project" in the Prospectus
"BGMC Corporation" or "Seller"	BGMC Corporation Sdn. Bhd., an indirect wholly-owned subsidiary of the Company
"Bank A" or "Bank B" or "Bank C" or "Bank D"	a licensed bank in Malaysia
"BGMC Holdings"	BGMC Holdings Berhad (formerly known as BGMC Holdings Sdn. Bhd. and BGMC Builder Sdn. Bhd.), an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking services to the public
"Company"	BGMC International Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange (stock code: 1693)
"Completion Date"	the date of Completion, or such other date as the Company and the Purchaser may agree in writing
"Completion"	the completion of the Disposal and transactions contemplated under the Share Purchase Agreement in accordance with the terms therein
"Concert Party Confirmation Deed"	the concert party confirmatory deed dated 15 December 2016 entered into between Tan Sri Barry Goh and Dato' Michael Teh to acknowledge and confirm that they are parties acting in concert

"Concession Period"	the concession period from November 2015 to November 2035 under the UiTM Concession Agreement
"Conditions"	the conditions precedent to the Completion as set out in the paragraph headed "Conditions Precedent" under the section headed "The Share Purchase Agreement" in this circular
"connected person"	has the meaning given to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"Customer A"	please refer to page 13 of this circular
"Dato' Arifin"	Dato' Mohd Arifin bin Mohd Arif, the Executive Director of the Company
"Dato' Michael Teh"	Dato' Teh Kok Lee, the Executive Director, Chief Executive Officer and Controlling Shareholder
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares pursuant to the terms and conditions of the Share Purchase Agreement
"Disposal Announcement"	announcement dated 16 November 2020
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Disposal and transactions contemplated under the Share Purchase Agreement
"FY"	financial year
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors established for the purpose of considering and advising the Independent Shareholders in respect of the Share Purchase Agreement and the Disposal

"Independent Financial Adviser"	Red Sun Capital Limited, a licensed corporation to carry out type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) as defined under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and transactions contemplated thereunder
"Independent Shareholders"	Shareholder(s) other than those required to abstain from voting on the resolution(s) relating to the Disposal at the EGM under the Listing Rules
"Independent Valuer"	Valplus Consulting Limited
"KAS Engineering"	KAS Engineering Sdn. Bhd., a company incorporated in Malaysia under the Companies Act 1965 with limited liability on 17 November 1993, which is a direct wholly-owned subsidiary of BGMC Corporation
"Latest Practicable Date"	8 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	the day falling three months from the date of the Share Purchase Agreement, or any other date as may be agreed between the Seller and Purchaser in writing
"Management Charges"	the maintenance charges of RM0.80 per square foot per month, which form a part of the asset management services charges of the UiTM BLMT Project and as described particularly in the section headed "Business – UiTM BLMT Project" in the Prospectus
"percentage ratio"	has the meaning given to it under Rule 14.07 of the Listing Rules
"Prospectus"	the prospectus of the Company dated 31 July 2017
"Purchaser"	AB CONCESSION VENTURE SDN. BHD., a company incorporated in Malaysia which is wholly owned by Tan Sri Barry Goh and Dato' Arifin

"Remaining Group"	the Group after Completion of the Disposal
"RM"	Malaysian ringgit, the lawful currency of Malaysia
"Sale Shares"	the entire issued share capital of KAS Engineering
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Purchase Agreement"	the share purchase agreement dated 16 November 2020 entered into between the Purchaser and the Seller in relation to the Disposal
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tan Sri Barry Goh"	Tan Sri Dato' Sri Goh Ming Choon, the Controlling Shareholder of the Company who has resigned as director of the Company on 7 October 2020
"Target Group Valuation"	the valuation of KAS Engineering as at 30 June 2020 by the Independent Valuer by adopting the discounted cash flow method under the income-based approach as the valuation methodology
"Term Loan"	A term loan borrowed by KAS Engineering from the Term Loan Bank of RM269,370,000 in November 2012 to finance its construction of the UiTM Campus
"Term Loan Bank"	A licensed bank in Malaysia which lent the Term Loan to KAS Engineering
"UiTM BLMT Project"	the PPP project for the construction of the UiTM Campus under the BLMT model
"UiTM Campus"	the Dengkil campus compound of UiTM
"UiTM Concession Agreement"	the concession agreement dated 14 March 2012 entered into among KAS Engineering, the Malaysian government and UiTM for the construction of the UiTM Campus

"UiTM"	Universiti Teknologi MARA, a university established under the Universiti Teknologi MARA Act 1976
"UKAS"	The Public Private Partnership Unit (Unit Kerjasama Awam Swasta) of the Prime Minister's Department
"USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent

For illustration purposes only, amounts denominated in RM in this circular have been translated into HK$ at the rate of RM1 = HK$1.8709, and amounts denominated in USD in this circular have been translated into HK$ at the rate of USD1 = HK$7.78. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates or at all.

BGMC International Limited
璋利國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1693)

Executive Directors:
Dato' Mohd Arifin bin Mohd Arif
Dato' Teh Kok Lee
Ching Hong Seng

Independent non-executive Directors:
Tan Sri Dato' Seri Kong Cho Ha
Kua Choh Leang
Datuk Kamalul Arifin Bin Othman

Registered Office:
Ocorian Trust (Cayman) Limited
Clifton House, 75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong:
Unit 2413A, 24/F
Lippo Centre Tower One
Queensway 89, Admiralty
Hong Kong

11 December 2020

To the Shareholders,

Dear Sir or Madam,

(I) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF KAS ENGINEERING; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Disposal Announcement. As disclosed in the Disposal Announcement, after trading hours on 16 November 2020, the Seller (the Company's indirect wholly-owned subsidiary) and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at a consideration of RM93,787,000.

The purpose of this circular is to provide you with information relating to the Share Purchase Agreement.

THE SHARE PURCHASE AGREEMENT

On 16 November 2020 (after trading hours), the Seller, being an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Purchaser, pursuant to which the Seller will sell the Sale Shares to the Purchaser at the consideration of RM93,787,000.

Details of the Share Purchase Agreement are summarised as follows:

Date	:	16 November 2020 (after trading hours)
Seller	:	BGMC Corporation Sdn. Bhd. (an indirect wholly-owned subsidiary of the Company)
Purchaser	:	AB CONCESSION VENTURE SDN. BHD., which was held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25% as at the date of the Share Purchase Agreement. While the Purchaser is expected to continue to be wholly owned by Tan Sri Barry Goh and Dato' Arifin, the share percentage ratio might be subject to further changes as agreed between Tan Sri Barry Goh and Dato' Arifin from time to time.

Sale Shares

The Sale Shares represents the entire issued share capital of KAS Engineering, which is an indirect wholly-owned subsidiary of the Company prior to the Disposal.

INFORMATION ON KAS ENGINEERING

In September 2015, BGMC Corporation, which held 25% issued shares in KAS Engineering, completed acquisition of KAS Engineering by acquiring 75% issued shares in KAS Engineering for a total consideration of RM3,600,000 from Dato' Arifin, Tan Sri Barry Goh and a company held by Dato' Arifin as to 50%.

KAS Engineering solely derived revenue from its entitlement under the UiTM Concession Agreement. KAS Engineering entered into the UiTM Concession Agreement with UiTM (a government-funded university in Malaysia) in May 2012, pursuant to which KAS Engineering was mandated to construct the UiTM Campus with its own financial resources. KAS Engineering was responsible for the construction of UiTM Campus during the initial 3 years since engagement in May 2012. Since the UiTM Campus was formally granted the certificate of acceptance in November 2015, KAS Engineering handed over the UiTM Campus to UiTM for use, while KAS Engineering also provided asset management services for the UiTM Campus, in return for which KAS Engineering was entitled to (1) Availability Charges of approximately RM48.1 million per year for the enjoyment of the availability of the UiTM Campus which was constructed by KAS Engineering over the initial 3 years of construction works, and (2)

Maintenance Charges of approximately RM10.1 million per year for KAS Engineering's provision of maintenance works, during the concession period from November 2015 to November 2035 ("**Concession Period**"). Upon expiry of the concession period in November 2035, KAS Engineering will no longer be entitled to any further Availability Charges and Maintenance Charges, and is required to handover the facilities and infrastructure at no cost to UiTM in a well-maintained and operational condition.

KAS Engineering obtained the Term Loan of RM269,370,000 in November 2012 to finance its construction of the UiTM Campus. As at 30 June 2020, KAS Engineering was still indebted to repay the outstanding principal amount of approximately RM186.8 million and the aggregate expected finance cost of approximately RM49.9 million (based on the prevailing interest rate) up to the Term Loan's maturity in 2028.

Based on the audited financial information of KAS Engineering, the audited total asset value and net asset value of KAS Engineering as at 30 September 2019 (being the financial year end) were approximately RM307.5 million and RM78.5 million respectively. The Consideration of RMB93,787,000 represented a premium of approximately RM15.3 million over such net asset value of KAS Engineering.

For the year ended 30 September 2019, the audited net profits before and after taxation and extraordinary items of KAS Engineering were approximately RM24.5 million and RM17.3 million respectively. For the year ended 30 September 2018, the audited net profit before and after taxation and extraordinary items were approximately RM30.4 million and RM23.1 million respectively.

CONSIDERATION

The Consideration, being an amount of RM93,787,000, is to be payable in full by the Purchaser to the Seller upon Completion. As at the Latest Practicable Date, the Purchaser has paid RM5 million to the Seller as deposit ("**Deposit**").

BASIS OF CONSIDERATION AND THE VALUATION OF KAS ENGINEERING

The Board (excluding (1) Dato' Arifin who was directly interested in the Disposal, and (2) Dato' Michael Teh who, together with Tan Sri Barry Goh, have entered into the Concert Party Confirmation Deed) is of the view that the Consideration and the terms of the Share Purchase Agreement are fair and reasonable, and are in the interest of the Independent Shareholders as a whole, on the following basis:

(1) The Consideration of RM93,787,000 equals to the valuation of 100% equity interest in KAS Engineering, being RM93,787,000, based on the valuation report of KAS Engineering as of 30 June 2020 prepared by the Independent Valuer in accordance with the income approach. In preparing the valuation report of KAS Engineering, the Independent Valuer has applied the discounted cash flow method under income-based approach and under certain assumptions.

Details of the principal assumptions of the valuation

Details of the principal assumptions of the valuation of KAS Engineering are:

(a) to the best effort of KAS Engineering, the key performance indicators in respect of the asset management and maintenance services as stipulated in the UiTM Concession Agreement will be achieved and the UiTM Concession Agreement will not be terminated before the expiry of the Concession Period;

(b) KAS Engineering is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to KAS Engineering;

(c) to continue as a going concern throughout the projection period, KAS Engineering will successfully carry out all necessary activities for the development of its business;

(d) the contractual parties of the relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

(e) the availability of financing will not be a constraint on the forecast growth of KAS Engineering's operations;

(f) the audited/unaudited financial information of KAS Engineering as supplied to the Independent Valuer have been prepared in a manner which truly and accurately reflect the financial position of KAS Engineering as at the respective balance sheet dates;

(g) market trends and conditions where KAS Engineering operates will not deviate significantly from the economic forecasts in general;

(h) key management, competent personnel and technical staff will all be retained to support ongoing operations of KAS Engineering;

(i) there will be no material changes in the business strategy of KAS Engineering and its expected operating structure;

(j) interest rates and exchange rates in the localities for the operations of KAS Engineering will not differ materially from those presently prevailing;

(k) all relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where KAS Engineering operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

(l) there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which KAS Engineering operates or intends to operate, which would adversely affect the revenues and profits attributable to KAS Engineering.

For details of the valuation methodology and major assumptions adopted by the Independent Valuer in the valuation, please refer to the valuation report as set out in Appendix IV to this circular.

ZHONGHUI ANDA CPA Limited ("**ZHCPA**"), the auditor of the Company which has been engaged by the Company in reviewing the calculations of the discounted future cash flows of KAS Engineering (the "**Target Group Discounted Future Cash Flows**") on which the Target Group Valuation prepared by the Independent Valuer were based, has reported as to whether, so far as the calculations are concerned, the Target Group Discounted Future Cash Flows have been properly compiled in all material aspects in accordance with the bases and assumptions as set out therein. The relevant assurance report from ZHCPA is included in Appendix I to the Disposal Announcement for the purpose of Rule 14.62 of the Listing Rules.

Euto Capital Partners Limited ("**Euto**"), the financial advisor of the Company with respect of the Disposal, has reviewed the Target Group Valuation and has discussed with the respective management of the Company and the Target Company the principal assumptions upon which the Target Group Valuation were based. Euto has also considered the above assurance report from ZHCPA addressed solely to and for the sole benefit of the Directors regarding the calculations of the Target Group Discounted Future Cash Flows. On the basis of the foregoing, Euto has confirmed that it is satisfied that the Target Group Valuation has been made by the Directors after due and careful enquiry.

The assurance report from ZHCPA and the letter from Euto are set out in Appendix IVA to this circular.

(2) In considering the reasonableness of the Consideration, the factors as set out in the section headed "Reasons for and Benefits of the Disposal" were also taken into consideration by the management of the Group.

CONDITIONS PRECEDENT

Completion shall be conditional upon the following Conditions:

(1) obtaining approval at the EGM as required under the Listing Rules to approve the transactions contemplated under the Share Purchase Agreement;

(2) obtaining written approval of the Malaysian Government through UKAS for the Purchaser to acquire the Sale Shares and for the changes to the shareholders and the shareholding structure of KAS Engineering;

(3) all representations, undertakings and warranties given by the Seller under the Share Purchase Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects up to the Completion Date.

As at the Latest Practicable Date, none of the Conditions set out above has been fulfilled.

If the Conditions set out are not fulfilled or waived in writing by the Purchaser on or before the Long Stop Date, either party shall be entitled to terminate the Share Purchase Agreement by giving the other party a written notice, and the Seller shall refund the Deposit paid by the Purchaser within 14 days of receipt of such notice of termination, and the Share Purchase Agreement shall become null and void and ceased to be of any legal effect save as to return of the Deposit.

COMPLETION

Completion shall take place within one month upon the fulfillment or waiver (as the case may be) of all the above Conditions (or such other date as the Parties may agree).

INFORMATION ON THE PARTIES

The Group is a full-fledged, integrated solutions provider in the construction service sector and concession and maintenance sector. Construction service sector principally engaged in the provision of a wide range of construction services in Malaysia, such as building and structural construction works, mechanical and electrical installation works, earthwork and infrastructure construction works as well as energy infrastructure works. As for the concession and maintenance sector, the Group undertakes long-term concession projects and provides related asset management services.

The Purchaser is an investment holding company incorporated in Malaysia with limited liability and held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25%. Tan Sri Barry Goh resigned as director of the Company on 7 October 2020. Tan Sri Barry Goh indirectly held 48% shares of the Company and was deemed to be interested in 19.1% shares of the Company held by Dato' Michael Teh (an executive Director who entered into the Concert Party Confirmation Deed with Tan Sri Barry Goh), and was accordingly interested in an aggregate of

67.1% shares of the Company under SFO. Dato' Arifin was an executive Director who indirectly held and was deemed to be interested in 7.88% shares of the Company under SFO.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board (excluding (1) Dato' Arifin who was directly interested in the Disposal, and (2) Dato' Michael Teh who, together with Tan Sri Barry Goh, have entered into the Concert Party Confirmation Deed) considers that the Share Purchase Agreement is in the interest of the Company on the following basis:

(1) The Group has been in financial difficulties as it recorded net loss of RM55.3 million during FY2019 and RM159.7 million during 1H2020. The unrestricted cash and cash equivalent of the Group was on a declining trend: RM136.6 million at the end of FY2017, RM88.7 million at the end of FY2018, RM16.8 million at the end of FY2019 and RM17.5 million at the end of 1H2020 (being 31 March 2020).

(2) in particular, the Group is exposed to satisfying the following liabilities:

(a) Repayment of the Remaining Group's overdue/rescheduled overdue bank facilities with principal amounts of RM51.9 million, of which (i) on 4 November 2020, Seller, being a wholly-owned subsidiary of the Company, received a demand letter from the solicitors acting for a licensed bank in Malaysia (the "**Bank A**"), in which the Bank A demanded for the repayment of approximately RM11.8 million with accrued interest on or before 15 November 2020, as to which the Company has provided settlement proposal with the sale proceeds from the Disposal, (ii) as of the Latest Practicable Date, the full settlement deadline of approximately RM9.9 million with accrued interest due to Bank B has been extended to between 2 November 2020 and 14 December 2020. The Group failed to repay approximately RM7.3 million since 2 November 2020 up to the date of Disposal Announcement. The Group is negotiating with Bank B to further extend the repayment deadline, and (iii) approximately RM30.2 million with accrued interest due to Bank C which were initially past due but subsequently rescheduled to be fully settled with instalment repayment by end of July 2021 on the condition that, among others, the sale proceeds from disposal of KAS Engineering shall be utilized to settle the above overdue amounts. As of 31 March 2020, the Group's unrestricted cash balance is approximately RM17.5 million which is not sufficient to settle these overdue bank facilities. As at the Latest Practicable Date, the Group is negotiating with the banks to withhold legal action in view of the Group's proposed sale of KAS Engineering to generate cash to settle the above overdue bank facilities. All the bank loan stated in items (i), (ii) and (iii) are recorded as overdue amount in the credit record with the Bank A, B and C. The Group may only obtain new facilities if (i), (ii) and (iii) are fully repaid. Upon obtaining new facilities, the Company will have funds to engage more sub-contractors to speed up the existing construction progress.

(b) The above facilities set out in paragraph (a) were granted by three licensed banks in Malaysia which also provided overdraft and revolving facilities amounting to RM7.5 million as at the Latest Practicable Date. Further, Bank D also provided revolving facilities of RM3 million. Those four banks (Bank A, B, C & D) might terminate all these overdraft facilities in the event of the continuing default of the overdue facilities and/or default of the rescheduled overdue facilities as set out in paragraph (a).

(c) To the Directors' knowledge and belief, it would be impracticable for the Group to obtain further loan financing or contract financing if the above overdue/rescheduled overdue bank facilities are not settled in full because the Group would usually be required to settle all the overdue/rescheduled overdue bank facilities for better credit rating. After settlement of the overdue repayables, however, it is expected that the Group will be in a better position to make best endeavor to obtain additional bank facilities to engage more sub-contractors to speed up the construction projects, and also bid for new construction contracts.

(d) In line with market practice, the Group as the subcontractor is usually required to provide a performance bond amounting to 5% of the contract value in favour of the customer, as security for the Group's satisfactory completion of the project on time. The performance bond is issued by commercial banks to whom the Group will usually be required to pay the necessary processing fee and to place instruments like a fixed deposit as security. However, as of the Latest Practicable Date, the Group was exposed to potential liabilities of: (i) imminent settlement of one customer's threatened forfeiture of performance bonds, and (ii) requests from the issuing banks to further provide fixed deposit(s) of a significant amount for certain performance bonds. In particular, one former customer ("**Customer A**") threatened to forfeit two separate performance bonds arising out of 2 separate contracts relating to the same Project in the aggregate amount of RM25.8 million. As disclosed in the announcement dated 30 June 2020, a subsidiary of the Company, in the ordinary course of business, had disputes with Customer A who served notices of termination of the said contracts, alleging that the Group had delayed in completing the works under the contracts. Customer A had sought to forfeit the Group's performance bonds in the amount of approximately RM25.8 million. The Group has filed for an application for an injunction in the Court and has obtained an ad-interim injunction order against the forfeiture of the two performance bonds by the Customer, pending the disposal of the said application by the Court. The Group has also initiated arbitrations to dispute the validity of the terminations by Customer A and claim for losses of profit against Customer A. The Group's cash balance as of 31 March 2020 was approximately RM17.5 million and accordingly, as a precaution, the Group would need to reserve cash resources as it would not have sufficient cash to compensate for the performance bonds. The Group was also exposed to a counterclaim in the amount of approximately RM126 million by Customer A.

(3) After careful evaluation of other alternatives, the Board was of the view that sale of asset of long-term revenue potential such as KAS Engineering was the sensible approach to generate cash for the Group's settlement of imminent payables. In particular, KAS Engineering is only allowed in limited circumstances to declare dividend to its holding company (i.e. BGMC Corporation, a member of the Remaining Group) pursuant to the restrictive covenant of the Term Loan. Accordingly, KAS Engineering has never declared any dividend to the Remaining Group.

(4) Pursuant to the UiTM Concession Agreement between KAS Engineering and UiTM (a public university in Malaysia), transfer of KAS Engineering's ownership is subject to obtaining written approval of the Malaysia government. Tan Sri Barry Goh and Dato' Arifin were the then majority shareholders of KAS Engineering which obtained the government approval for entering into the UiTM Concession Agreement with UiTM in 2012, and KAS Engineering was subsequently acquired by the Group in 2015. Accordingly, it is more likely that the Malaysia government will grant approval to the share transfer from the Group to Tan Sri Barry Goh and Dato' Arifin who were initially the direct shareholders of KAS Engineering and currently, through the shareholding in the Company, the indirect shareholders of KAS Engineering, while there is no certainty that the Malaysia government will grant approval to other party becoming new shareholder of KAS Engineering.

(5) The Group has evaluated the following three alternative options to raise funds, but considered that those alternatives are not practicable for repayment of imminent repayables:

(a) **Loan Financing** – To the Directors' knowledge and belief, it would be impracticable for the Group to obtain further financing if the overdue/rescheduled overdue bank facilities are not settled in full because the Group would usually be required to settle all the overdue/rescheduled overdue bank facilities for better credit rating.

(b) **Sale of KAS Engineering through tender process** – As advised by the Malaysian Legal Advisor, the disclosure of information in respect of the UiTM Concession Agreement is prohibited without the consent of the counter-party to the agreement. During the initial public offering, it took approximately one year for the Company to obtain the requisite consent from the Government of Malaysia and Universiti Teknologi Mara to publish and disclose certain terms and conditions of or information in relation to the UiTM Concession Agreement in the Prospectus of the Company issued in connection with the initial public offering exercise. The Prospectus only contained a summary of the UiTM Concession Agreement while the interested buyer would require a full text of the UiTM Concession Agreement. In light of the urgency of funding needs, it is impracticable for the Company to sell the shareholding interest in KAS

Engineering through public tender as disclosure of and access to the full text of UiTM Concession Agreement will be required in connection with any public tender exercise.

(c) The Company's share price dropped from IPO offer price of HK$0.7 to HK$0.031 on 13 November 2020, being the last trading date immediately preceding Disposal Announcement. The Group's gross loss of RM23.4 million (restated) in 1H2019 increased to RM130.9 million in 1H2020. In light of the recent poor share price performance and the poor financial performance, the Board is of the view that it would be impracticable to conduct equity financing to satisfy the Group's imminent financial need as set out above.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, KAS Engineering will cease to be a subsidiary of the Company and the financial results of KAS Engineering will no longer be consolidated to the Company and the Group's financial statements.

Based on, inter alia, the Consideration, the unaudited net assets as at 30 June 2020, and the related expenses for the Disposal, the Group currently expects to record a loss on the Disposal of approximately RM5.5 million upon Completion which is subject to review by the Group's auditors. Such loss is calculated by the Consideration of approximately RM93.8 million deducting the net tangible assets of approximately RM90.7 million, unamortised intangible assets of approximately RM7.3 million and professional fee incurred for the Disposal of approximately RM1.3 million. During the acquisition of KAS Engineering in year 2015, an intangible asset in relation to the right of KAS Engineering to receive management service income from a concession agreement to carry out the property management services on UiTM was recorded. The unamortised intangible assets amounted to RM7.3 million which arose upon de-consolidation and it does not result in cash outflows.

BUSINESS OF THE GROUP AFTER DISPOSAL

The Company is a provider of full-fledged, integrated solutions in two specialized business sectors, namely:

(i) Construction Services (comprising the Building and Structure segment, Energy Infrastructure segment, Mechanical and Electrical segment, and Earthworks and Infrastructure segment), which undertakes primarily construction service contracts of length not exceeding five years;

(ii) Concession and Maintenance, which undertakes Public Private Partnership contracts of duration more than 20 years.

The Company will continue to operate the above principal business segments.

Construction Services

As of 30 June 2020, the Company has orderbook of approximately RM700 million, of which the following four major construction projects will have a total orderbook of approximately RM600 million. Due to the liquidity difficulties that the Group has been encountering, the Group did not have sufficient cash to engage sub-contractors to speed up the construction works. With the sale proceeds of KAS, the Company will strive to engage more sub- contractors to expedite the remaining major construction works in FY2021 or 1H2022 so as to convert the remaining contract value into revenue.

Project Name and Description	**Remaining Contract Value** *(RM'000)*
The Sky Seputeh: Construction of two blocks of 37-storey towers comprising 290 units of apartments, car parks and other facilities at Taman Seputeh, Wilayah Persekutuan, Malaysia.	201,164
Bangsar 61: Construction and completion of earthworks, basement parking and associated works for a four-storey basement car park at Bangsar, Kuala Lumpur, Malaysia.	273,781 *(note 1)*
Setia Spice: Construction of a 26-storey building with a 19-storey hotel tower (453 rooms), a three-storey car park and four-storey hotel facilities, plus a two-storey basement car park at Setia Spice, Bayan Lepas, Penang, Malaysia.	85,256
TNB Worker's Quarters: Construction of one block of eight-storey executive quarters (24 units), three blocks of nine-storey non-executive quarters (160 units) and other facilities at Kuala Berang, Terengganu, Malaysia.	49,000
Total:	609,201

Note 1: As of June 2020, the customer has issued interim progress certificate which certifies that the Group will be entitled to a variation order (VO) in recognition of the additional works in the amount of RM59.7 million.

The Company expects to complete the above four major construction projects by end of March 2022.

Concession and Maintenance

Prior to the Disposal, the concession and maintenance segment includes the UiTM BLMT Project (i.e. the subject of the Disposal) and the concession to build a solar power plant, and generate power and sell the power generated by the plant to national utility companies for 21 years ("**Solar Power Plant Concession**"). After Completion, the Company will continue the operation of the concession and maintenance segment which, after the Disposal, will mainly comprise the Solar Power Plant Concession.

In FY2019, the Company expanded concession business and entered into the renewable energy industry and secured the right to develop, own and operate a 30 megawatt alternate current solar power plant, and also signed a 21-year power purchase agreement with a sole energy distributor in Peninsular Malaysia, Tenaga Nasional Berhad. Upon completion of the construction, the power plant will generate power and sell the power to Tenaga Nasional Berhad ("**TNB**") which is the Malaysian multinational electricity company and is the only electric utility company in Peninsular Malaysia.

Pursuant to the contractual terms of Solar Power Plant Concession, the Group is entitled to revenue from sale of electricity to TNB at an agreed price after completion of construction of solar power plant, but the Group is not entitled to any income for building the solar power plant. During 1H2020, the Group recorded revenue of RM63.1 million in recognition of the solar power plant construction progress in accordance with the accounting treatment under IFRIC12. The fair value of RM63.1 million is derived from the cost incurred in the construction of the solar power plant. Such revenue in the amount of RM63.1 million is expected to be recovered from the revenue from sales of electricity in next 21 years. Accordingly, the Group would not be contractually entitled to collect the construction fee from TNB for completion of the solar power plant.

The solar power plant was initially expected to commence operation on 30 September 2020, however, the construction experienced delay due to COVID-19. TNB has granted a consent to an extension of 84 days to 24 December 2020 ("Extended Timeline"). The Group is actively negotiating with TNB for further extension for completing the construction of the solar power plant, however, there is no guarantee that TNB would grant such approval. There is no assurance that the Group would complete the construction of the solar power plant on or before the Extended Timeline, or whether further time extension would be granted by TNB. As such, there is no assurance that the Group would be able to generate sustainable income from the Solar Power Plant Concession.

USE OF PROCEEDS

The net proceeds of approximately RM92 million (after deducting the related expenses in relation to the Disposal) will be:

(1) approximately RM52 million for repayment of overdue bank facilities/rescheduled overdue bank facilities;

(2) approximately RM40 million to cater for imminent settlement of former customer's threatened forfeiture of performance bond, as well as the bank's request to provide fixed deposits as security for certain performance bonds for bidding new construction projects, and working capital purpose.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Purchaser, was held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25%. Tan Sri Barry Goh (a former director who resigned on 7 October 2020) and Dato' Arifin (a current director), indirectly held 48% and 7.88% issued shares in the Company respectively. Tan Sri Barry Goh also entered into the Concert Party Confirmation Deed with Dato' Michael Teh, an executive Director, who indirectly held 19.1% issued shares of the Company. Accordingly, the Purchaser is a connected person of the Company and the transactions under the Share Purchase Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Dato' Arifin and Dato' Michael Teh have abstained from voting on the board's resolution to approve the Share Purchase Agreement.

As one or more of the applicable percentage ratios in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules and is subject to announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

BGMC Corporation is currently providing a corporate guarantee in favour of the Term Loan Bank over KAS Engineering's repayment obligation under the Term Loan. After completion of the Disposal, BGMC Corporation will no longer provide such corporate guarantee and no connected transaction is expected to occur between the Remaining Group and KAS Engineering.

INDEPENDENT FINANCIAL ADVISER

Red Sun Capital Limited has been appointed as the Independent Financial Adviser by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement and the Disposal. The letter from the Independent Financial Adviser is set out in this circular.

EGM

The EGM will be convened by the Company at Unit 2413A, 24/F, Lippo Centre Tower One, Queensway 89, Admiralty, Hong Kong on Wednesday, 30 December 2020 at 10 a.m. at which resolution will be proposed to consider and, if thought fit, approve the Share Purchase Agreement and the Disposal. Notice convening the EGM has been despatched to the Shareholders on the date of this circular, a copy of which is set out on pages EGM-1 to EGM-2 of this circular. In accordance with the Listing Rules, Prosper International Business Limited (wholly owned by Tan Sri Barry Goh), Kingdom Base Holdings Limited (wholly owned by Dato' Arifin) and Seeva International Limited (wholly owned by Dato' Michael Teh), which collectively hold 75% issued shares in the Company, will abstain from voting in the EGM.

The proxy form for use at the EGM is enclosed with the notice of the EGM despatched to the Shareholders on the date of this circular. Whether or not you are able to attend (if you are so entitled to) the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return them as soon as possible to the Company's Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM.

Prosper International Business Limited (wholly owned by Tan Sri Barry Goh), Kingdom Base Holdings Limited (wholly owned by Dato' Arifin) and Seeva International Limited (wholly owned by Dato' Michael Teh), which collectively hold 75% issued shares in the Company, will abstain from voting in the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and save for the aforesaid shareholders holding 75% issued shares, no other Shareholder has a material interest in the Share Purchase Agreement and the transactions contemplated thereunder, and accordingly no other Shareholder is required to abstain from voting on any of the resolution(s) to be proposed at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) considered that the terms of the Share Purchase Agreement and the Disposal were negotiated on an arm's length basis, in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Purchase Agreement and the Disposal.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
BGMC International Limited
Ching Hong Seng
Executive Director

BGMC International Limited
璋利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1693)

11 December 2020

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF KAS ENGINEERING

INTRODUCTION

We refer to the circular dated 11 December 2020 (the "**Circular**") of BGMC International Limited (the "**Company**") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Under the Listing Rules, the terms of the Share Purchase Agreement and the Disposal are required to be approved by the Independent Shareholders at the EGM. We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Share Purchase Agreement and the Disposal are fair and reasonable and to make recommendation as to whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to consider and, if thought fit, approve the Share Purchase Agreement and the Disposal.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Share Purchase Agreement and the Disposal.

We wish to draw your attention to the letter from the Board, the letter from the Independent Financial Adviser and the appendices to the Circular.

RECOMMENDATION

Having taken into account the advice and recommendations of the Independent Financial Adviser, we consider that the terms of the Share Purchase Agreement are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Share Purchase Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
BGMC International Limited
Tan Sri Dato' Seri Kong Cho Ha
Kua Choh Leang
Datuk Kamalul Arifin Bin Othman
Independent Non-Executive Directors

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, and prepared for the purpose of incorporation into this circular.

紅日資本有限公司
RED SUN CAPITAL LIMITED

11 December 2020

To the Independent Board Committee and
the Independent Shareholders of
BGMC International Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF KAS ENGINEERING

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and the Disposal, the particulars of which have been set out in a circular to the Shareholders dated 11 December 2020 (the "**Circular**") and in which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and to make recommendation as to whether the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM. Details of the reasons for and benefits of entering into the Disposal are set out in the "Letter from the Board" (the "**Board Letter**") in the Circular, section headed "Reasons for and benefits of the Disposal".

Reference is made to the Disposal Announcement. As disclosed in the Disposal Announcement, after trading hours on 16 November 2020, the Seller (the Company's indirect wholly-owned subsidiary) and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at a consideration of RM93,787,000.

As at the Latest Practicable Date, the Purchaser, was held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25%. Tan Sri Barry Goh (a former director who resigned on 7 October 2020) and Dato' Arifin (a current director), indirectly held 48% and 7.88% issued Shares respectively. Tan Sri Barry Goh also entered into the Concert Party Confirmation Deed with Dato' Michael Teh, an executive Director, who indirectly held 19.1% issued Shares. Accordingly, the Purchaser is a connected person of the Company and the transactions under the Share Purchase Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules and is subject to announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or the Target Companies that could reasonably be regarded as relevant to the independence of Red Sun Capital Limited. We are not associated or connected with the Company or the Investors, their respective substantial shareholders or any party acting in concert with any of them. In the last two years, we have not acted as the independent financial adviser to the Independent Shareholders of the Company.

Apart from the normal advisory fee payable to us in connection with this appointment as the Independent Financial Adviser and the previous engagement as stated above, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied solely on (i) the statements, information, opinions and representations contained or referred to in the Circular; (ii) the Company's interim report for the six months ended 31 March 2020 (the "**2020 Interim Report**") and the Company's annual report for the year ended 30 September 2019; (iii) other information provided by the Directors and the management of the Company (the "**Management**"); (iv) the opinions expressed by and the representations of the Management; and (v) the valuation report on KAS Engineering (the "**Valuation Report**") as set out in the section headed "Valuation report of KAS Engineering" in Appendix IV to the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those in relation to the Investors and the Target Companies) contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors, the Management, the Valuer and the Seller, nor have we conducted any independent investigation into the business, affairs of the Company or the Target Companies or any of their respective subsidiaries and associates. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

INFORMATION OF THE DISPOSAL

1. The Share Purchase Agreement

The Board announced that on 16 November 2020 (after trading hours), the Seller, being an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Purchaser, pursuant to which the Seller will sell the Sale Shares to the Purchaser at the Consideration of RM93,787,000.

Details of the Share Purchase Agreement are summarised as follows:

Date	:	16 November 2020 (after trading hours)
Seller	:	BGMC Corporation Sdn. Bhd. (an indirect wholly-owned subsidiary of the Company)
Purchaser	:	AB CONCESSION VENTURE SDN. BHD., which was held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25%

Sale Shares

The Sale Shares represent the entire issued share capital of KAS Engineering, which is an indirect wholly-owned subsidiary of the Company prior to the Disposal.

2. The Consideration

The Consideration, being an amount of RM93,787,000, is to be payable in full by the Purchaser to the Seller upon Completion. As at the Latest Practicable Date, the Purchaser has paid RM5 million to the Seller as deposit. For the detailed basis of the Consideration and the reasons for and benefits of the Disposal, please refer to the Board Letter.

3. Use of proceeds

The net proceeds of approximately RM92 million (after deducting the related expenses in relation to the Disposal) will be:

(1) approximately RM52 million for repayment of overdue bank facilities/rescheduled overdue bank facilities; and

(2) approximately RM40 million to cater for imminent settlement of former customer's threatened forfeiture of performance bond, as well as the bank's request to provide fixed deposits as security for certain performance bonds for bidding new construction projects, and working capital purpose.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

As stated in the Board Letter, the Group is a full-fledged, integrated solutions provider in the construction service sector and concession and maintenance sector. Construction service sector principally engaged in the provision of a wide range of construction services in Malaysia, such as building and structural construction works, mechanical and electrical installation works, earthwork and infrastructure construction works as well as energy infrastructure works. As for the concession and maintenance sector, the Group undertake long-term concession projects and provide related asset management services.

Set out below is a summary of the audited consolidated financial information of the Group for each of the years ended 31 March 2018 and 2019 and the periods for the six months ended 31 March 2019 and 2020 as extracted from the Company's 2020 Interim Report and Annual Report 2019.

Financial performance

	For the six months ended 31 March 2020	For the six months ended 31 March 2019	FY2019	FY2018
	RM	*RM*	*RM*	*RM*
	(unaudited)	(restated)[1]	(audited)	(restated)
Revenue	101,182,089	130,008,849	353,737,968	509,305,107
Loss attributable to owners of the Company	(154,521,172)	(46,717,081)	(53,062,778)	(4,145,291)

The Group recorded a revenue of approximately RM353.7 million for FY2019, representing a decrease of approximately RM155.6 million or approximately 30.5% from approximately RM509.3million for FY2018. The Company recorded a loss attributable to owners of the Company of approximately RM53.1 million for FY2019, representing a decrease of approximately RM48.9 million or approximately -1180.1% from approximately RM4.1 million for FY2018. With reference to the 2020 Interim Report, the Group recorded a decrease in revenue from RM130,008,849 (restated) during for the six months ended 31 March 2019 to RM101,182,089 in for the six months ended 31 March 2020, representing a reduction of RM28,826,760 or approximately 22.2%. The decrease in revenue is mainly attributable to the combined effect of fall in construction contract revenue from RM124,314,116 (restated) during for the six months ended 31 March 2019 to RM31,344,005 during for the six months ended 31 March 2020, representing a decrease of approximately 34.8%, due to impact of estimated liquidated ascertained damages ("**LAD**") for all the major ongoing projects which were completely stopped from operating upon the imposition of the Movement Control Order by the Malaysian government. However, loss attributable to owners of the Company recorded a remarkable increase of approximately 230.8% from RM46,717,081 (restated) in for the six months ended 31 March 2019 to RM154,521,172 in for the six months ended 31 March 2020. With reference to the 2020 Interim Report and discussion with the Management, such increase in loss was mainly attributable to, among other things, (i) rise in cost of sales of approximately 51.3% from RM153,433,870 (restated) in for the six months ended 31 March 2019 to RM232,073,207 in for the six months ended 31 March 2020 due to significant increase in construction work progress recorded for the six months ended 31 March 2020 compared with previous financial period; (ii) upsurge in finance costs from RM9,337,153 (restated) in for the six months ended 31 March 2019 to RM11,798,729 in for the six months ended 31 March 2020, representing an increase of approximately 26.4%, due to increase in interest accrued for redeemable preference shares amounting to RM1,400,000 and the usage of banking facilities for the implementation of projects; and (iii) increase in income tax expense from RM3,329,252 (restated) in for the six months ended 31 March 2019 to RM9,841,246 in for the six months ended 31 March 2020 due to reversal of deferred tax asset amounting to RM3,600,000 and under provision of income tax expenses amounting to RM2,000,000 in prior period (i.e. for the six months ended 31 March 2019).

Financial position

	As at 31 March 2020 *RM* (unaudited)	**As at 30 September 2019** *RM* (audited)	**As at 30 September 2018** *RM* (audited)
Total current assets	471,535,456	549,333,142	552,137,629
Total assets	880,761,976	893,711,083	893,988,758
Total current liabilities	559,412,487	611,020,245	336,217,275
Total liabilities	774,527,397	627,698,364	558,663,080
Net assets	106,234,579	266,012,719	335,325,678

Notes:

1. The restatement of for the six months ended 31 March 2019 was due to error in accounting treatments in respect of certain construction contracts adopted by the Group in its previously issued consolidated financial statements (including those for the six months ended 31 March 2019). Further details on prior years adjustments are set out in note 19 to the financial statements in the 2020 Interim Report.

2. The amounts presented in the consolidated financial statements in respect of the year ended 30 September 2018 have been restated to correct those errors identified. For details about the effects of the restatements to the amounts presented in the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income, please refer to the Group's Annual Report 2019.

As set out in the 2020 Interim Report and Annual Report 2019, the Group's total current assets amounted to RM471,535,456 as at 31 March 2020, representing a decrease of RM77,797,686 or approximately 14.2% as compared to RM549,333,142 as at 30 September 2019 and RM549,333,142 as at 30 September 2019, representing a decrease of RM2,804,487 or approximately 0.5% as compared to RM552,137,629 as at 30 September 2018. As at 31 March 2020, total current assets mainly comprised of, including but not limited to, (i) RM258,765,449 of contract assets; (ii) RM119,861,685 of trade and other receivables, deposits and prepaid expenses; (iii) RM30,417,327 of cash and bank balances; and (iv) RM36,899,698 of fixed deposits. Furthermore, the Group recorded a slight decrease in total current liabilities from RM611,020,245 as at 30 September 2019 to RM559,412,487 as at 31 March 2020, indicating a reduction of RM51,607,758 or approximately 8.4%.

Accordingly, the Group recorded net current liabilities of RM87,877,031 as at 31 March 2020, representing an increase of RM26,189,928 or approximately 42.5% as compared to that of RM61,687,103 as at 30 September 2019. With reference to the 2020 Interim Report, the increase in net current liabilities is mainly attributable to the upsurge of contract liabilities from RM7,120,062 as at 30 September 2019 to RM125,883,892 as at 31 March 2020, representing a significant increase of approximately 1,668.0% resulted mainly from the estimated LAD.

For further details, please refer to Annual Report 2019, Interim Report 2020 and Appendix IA in this Circular.

2. Information of the Purchaser

As disclosed in the Board Letter, the Purchaser is an investment holding company incorporated in Malaysia with limited liability and held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25%. Tan Sri Barry Goh resigned as director of the Company on 7 October 2020. Tan Sri Barry Goh indirectly held 48% shares of the Company and was deemed to be interested in 19.1% shares of the Company held by Dato' Michael Teh (an executive Director who entered into the Concert Party Confirmation Deed with Tan Sri Barry Goh), and was accordingly interested in an aggregate of 67.1% shares of the Company under SFO. Dato' Arifin was an executive Director who indirectly held and was deemed to be interested in 7.88% shares of the Company under SFO.

3. Information of KAS Engineering

3.1 Background information of KAS Engineering

In September 2015, BGMC Corporation, which held 25% issued shares in KAS Engineering, completed acquisition of KAS Engineering by acquiring 75% issued shares in KAS Engineering for a total consideration of RM3,600,000 from Dato' Arifin, Tan Sri Barry Goh and a company held by Dato' Arifin as to 50%.

KAS Engineering is solely a project company holding the concession right of the UiTM Campus with a limited economic life and will not carry on or undertake any business other the aforesaid concession as set out in the Concession Agreement and solely derived revenue from its entitlement under the UiTM Concession Agreement. KAS Engineering entered into the UiTM Concession Agreement with UiTM (a government-funded university in Malaysia) in May 2012, pursuant to which KAS Engineering was mandated to construct the UiTM Campus with its own financial resources. KAS Engineering was responsible for the construction of UiTM Campus during the initial 3 years since engagement in May 2012. Since the UiTM Campus was formally granted the certificate of acceptance in November 2015, KAS Engineering handed over the UiTM Campus to UiTM for use, while KAS Engineering also provided asset management services for the UiTM Campus, in return for which KAS Engineering was entitled to (1) Availability Charges of approximately RM48.1 million per year for the enjoyment of the availability of the UiTM Campus which was constructed by KAS Engineering over the initial 3 years of construction works, and (2) Maintenance Charges of approximately RM10.1 million per year for KAS Engineering's provision of maintenance works, during the concession period from November 2015 to November 2035. Upon expiry of the concession period in November 2035, KAS Engineering will no longer be entitled to any further Availability Charges and Maintenance Charges, and is required to handover the facilities and infrastructure at no cost to UiTM in a well-maintained and operational condition.

KAS Engineering obtained the Term Loan of RM269,370,000 in November 2012 to finance its construction of the UiTM Campus. As at 30 June 2020, KAS Engineering was still indebted to repay the outstanding principal amount of RM186.8 million and the aggregate expected finance cost of RM49.9 million (based on the prevailing interest rate) up to the Term Loan's maturity in 2028.

3.2 Unaudited financial information of KAS Engineering

Set out below is the selected financial information of KAS Engineering for each of the years ended 30 September 2018 and 2019 ("**FY2018**" and "**FY2019**", respectively), for the nine months ended 30 June 2019 and for the nine months ended 30 June 2020 as extracted from the annual report of FY 2019 and the section headed "Financial information of KAS Engineering" in Appendix II to the Circular.

	For the nine months ended 30 June			
	2020	**2019**	**FY2019**	**FY2018**
	RM'000	*RM'000*	*RM'000*	*RM'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	8,642	8,458	10,382	10,872
Cost of sales	6,605	5,144	6,404	5,222
Gross profit	2,037	3,314	3,978	5,650
Income from concession agreements	31,261	31,796	42,395	43,062
Other income	445	422	779	577
Administrative and other expenses	(5,343)	(3,111)	(7,765)	(2,451)
Finance costs	(9,737)	(12,512)	(14,896)	(16,408)
Profit before tax	18,663	19,909	24,491	30,430
Income tax expense	(6,416)	(5,244)	(7,188)	(7,351)
Net profit	12,247	14,665	17,303	23,079

KAS Engineering recorded revenue of approximately RM10.4 million in FY2019, representing a decrease of approximately RM0.5 million or approximately 4.6% from approximately RM10.9 million in FY2018. The gross profit of which decreased from approximately RM5.7 million in FY2018 to approximately RM4.0 million in FY2019, representing a fall of approximately RM1.7 million or approximately 29.8%.The net profit of which also decreased from approximately RM23.1 million in FY2018 to approximately RM17.3 million in FY2019, representing a decrease of approximately RM5.8 million or approximately 25.1%. As we reviewed the information obtained from the Management, the decrease in net profit was mainly attributable to (i) the increase in cost of sales from approximately RM5.2 million in FY2018 to approximately RM6.4 million in FY2019, representing an increase of approximately RM1.2 million or approximately 23.1%, which was, according to the Management, attributable to increased repairs and maintenance works; and (ii) the increase in administrative expense from approximately RM2,451 in FY2018 to approximately RM7,765 in FY2019, representing an increase of approximately RM5,314 or approximately 216.8%, which is caused by one-off good and services tax of approximately RM4.3 million incurred in the second half of year ended 30 September 2019. The adjusted administrative expenses would have been approximately RM3.5 million, representing an approximately 40% increase over that in the year ended 30 September 2018 which is attributable to the increase of workforce for the increased maintenance works.

Please refer to section headed "Financial information of KAS Engineering" set out in Appendix II to the Circular for further financial information of KAS Engineering.

3.3 Valuation on KAS Engineering

3.3.1 Independence, qualification and scope of work of the Independent Valuer

We have reviewed and enquired into the qualifications and experience of the Independent Valuer in relation to the preparation of the Valuation Report, and noted that the Independent Valuer is composed of a team of appraisal professionals with international exposure including, including but not limited to, Chartered Financial Analyst ("**CFA**"), Certified Financial Risk Manager ("**FRM**") and Registered Professional Surveyor in Hong Kong. The Valuer has accomplished numerous appraisal assignments for various types of tangible and intangible assets and financial instruments in order to meet a variety of business purposes including but not limited to mergers and acquisitions in previous years. With reference to information provided by the Valuer, the responsible person in charge of the Valuation Report, namely Mr. Damon S.T. Wan is a CFA Charterholder and Certified FRM and has been working in the professional valuation field since 2008. He is experienced and specialized in performing financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing. His teammate Mr.

Willy T.Y. Yu is an analyst who has been working in the banking and financial industry since 2014. He possesses experience in the aspects of corporate credit risk, cash trading and business valuation.

We have also reviewed the Independent Valuer's terms of engagement with the Company in relation to the Valuation Report and having particular regards to the scope of work, and noted that the scope of work is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Valuation Report.

Besides, we have enquired whether the Independent Valuer has any current or prior relationships with the Company, the Purchaser, and core connected persons of either the Company or the Purchaser. The Valuer confirmed that it is independent of and not connected with the Group, the Purchaser and their respective associates.

3.3.2 Valuation approach

We understand from the Independent Valuer that the Disposal Valuation Report has been prepared in accordance with the Independent Valuer's standard practice. We have discussed with the Independent Valuer their valuation methodologies and understand that the income (or discounted cash flow) approach was adopted in the valuation of 100% equity interests in Kas Engineering.

Reference is made to the Valuation Report compiled by the Independent Valuer as set out in Appendix IV to the Circular.

Methods commonly used to develop approximate indications of value for a business or assets are the income, market, and cost approaches. Market approach estimates value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets; income approach estimates the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition; cost approach estimates the value of a business or asset by the cost to reconstruct or replace it with another of like utility.

In estimating the market value of the equity interest in KAS Engineering, the Independent Valuer have adopted the income approach and rejected the use of the asset and market approaches in the valuation of KAS Engineering and believe it is a fair and reasonable valuation methodology in the valuation of KAS Engineering due to the followings:

(i) KAS Engineering is solely a project company holding the concession right of the UiTM Campus with a limited economic life and will not carry on or undertake any business other the aforesaid concession as set out in the Concession Agreement. So, unlike other industry comparable to continue as going concern, such business model and operational nature is not perpetual, making the market approach not applicable and appropriate;

(ii) KAS Engineering has been entitled to receive a stable income mainly from the Availability Charges and the Maintenance Charges throughout the Concession Period in accordance with the Concession Agreement, which is a solid, representative and reliable reference to prepare an income forecast with supportable, verifiable and explainable basis and assumptions;

(iii) There are insufficient relevant comparable transactions and companies to form a reliable basis for opinion of value as the aforesaid concession held by KAS Engineering is subject to the Concession Agreement which is considered to be unique and specific in nature;

(iv) The cost of reproducing and replacing its assets ignore the future economic benefits of the business as a whole, and thus the asset approach is not a good and relevant valuation method; and

(v) By holding the concession of the UiTM Campus, KAS Engineering is also engaged in provision of maintenance service which possibly had intangibles of economic value that were not measured and reported on its latest accounts. The use of current net book value ignores the potential economic benefit bought by any non-reported intangible assts and possibly underestimates the true value of KAS Engineering.

According to the Independent Valuer, they have relied solely on the income approach in determining our opinion of value as reasonable future projections could be estimated on the basis of the Concession Agreement and the historical financial results and income approach is well accepted by most analysts and practitioners. One common method under the income approach is by looking from the perspective of the firm's investors including shareholders and debtholders. The Directors, the Independent Valuer, Zhonghui Anda CPA Limited (the "**Independent Reporting Accountants**") and Euto Capital Partners Limited ("**Euto Capital**"), with reference to the aforementioned factors, are of the view that, so far as calculations are concerned, (i) the market approach not applicable and appropriate; (ii) the asset approach is not a good and relevant valuation method; (iii) the income approach is an appropriate valuation methodology for the Disposal; and (iv) the forecast has been properly compiled in accordance with the assumptions adopted by the directors as set out in the Valuation Report.

3.3.3 Review of the Valuation Report

We have reviewed and discussed with the Independent Valuer the key bases and assumptions adopted for the valuation. A list of key information reviewed, major assumptions and considerations made by the Independent Valuer are set out in the Valuation Report. Moreover, we have reviewed the letters from Independent Reporting Accountants and Euto Capital relating to the profit forecast as set out in Appendix IVA in the Circular and discussed with the Independent Reporting Accountants and Euto Capital regarding their views on the bases and assumptions as well as the parameters applied in the profit forecast and understood that the financial projections used represent the best estimate of economic conditions and KAS Engineering's operations by the Management.

As set out in Appendix IVA to the Circular, the Independent Reporting Accountants are of the view that so far as the arithmetical accuracy of the calculations of the cashflow forecast is concerned, the cash flow forecast has been properly compiled in all material respects in accordance with the assumptions adopted by the Directors. We have discussed with the Company's reporting accountants their scope of work and work undertaken in relation to the cash flow forecast and were advised that no irregularities have been noted during their review.

Independent Shareholders should note that the bases and assumptions adopted by the executive Directors in the cash flow forecast are primarily based on current view with respect to business, financial, economic, market and other conditions, and circumstances may develop or change in the future which may affect these projections underlying the valuation.

Projections

In preparing the valuation, the Independent Valuer relied on the future free cashflows generated from the expected operation of KAS Engineering. The revenue is based on the expected income attributable to the UiTM Concession Agreement with UiTM (a government-funded university in Malaysia) estimated by the Management over the forecast period. In this regard, we have obtained and reviewed the calculation spreadsheet of the projections prepared by the Independent Valuer and discussed with the Independent Valuer and the Management respectively on the key assumptions as adopted in the valuation and we are of the view that the assumptions are fair and reasonable.

Discount Rate

The income approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realising those benefits.

As discussed with the Independent Valuer, they adopted consistent methodologies in determining the discount rates as those adopted in the valuation of KAS Engineering, details of which are discussed in the Valuation Report in this Circular, and has taken into account the market risk factors and economic factors of KAS Engineering. We have also discussed with the Independent Valuer, obtained and reviewed underlying supporting documents, calculations and basis adopted by the Independent Valuer in deriving the discount rates. We also searched public information, where feasible, to verify the basis adopted by the Independent Valuer in its calculations (including (a) the risk-free rate of return of Malaysia market; (b) "beta" of the comparable companies adopted in the valuation; (c) adjusted equity market risk premium; (d) weighted average cost of capital etc.) and note that the basis adopted by the Independent Valuer is generally in line with the data obtained from public information. Based on the above, we concur with the Independent Valuer's view that it is appropriate to adopt the income approach for the valuation of KAS International and the discount rates adopted throughout the forecast period are reasonable for the purpose of the valuation.

Discount for lack of marketability ("**DLOM**")

Marketability is defined as the ability to convert an investment into cash quickly at a known price with minimal transaction costs. DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability and is the valuation adjustment with the largest monetary impact on the final determination of value. It is noted that the Independent Valuer adopted a DLOM of 15.8% to adjust the equity value of KAS Engineering based on their understanding of the liquidity of the stock with reference to the range indicated in related research regarding marketability discount across different industries. We consider the adoption of DLOM in the Valuation is fair and reasonable.

3.3.4 Conclusion on the Valuation Report

Taking into account our discussions with the Independent Valuer, the documents we have obtained from the Independent Valuer and our consideration of their work done, we confirmed that we had complied with the requirements under Rule 13.80(2)(b) Notes 1(d) of the Listing Rules.

Based on aforementioned works performed by us, we are of the view that (i) methodology applied and principal bases and assumptions adopted in the Valuation Report are fair and reasonable; (ii) the Independent Valuer have adequate qualifications, experience and expertise, and hence are competent to issue the Valuation Report; and (iii) the consideration of the Disposal was determined after negotiations between the parties on an arm's length basis and taking into account various factors, including, among other things, the fair market value of the 100% equity interest in KAS Engineering as at 30 June 2020 of RM93,787,000 as assessed by the Independent Valuer using the income approach. We are not aware of any factor that would causes us to doubt the fairness and reasonableness of the Valuation Report, and hence the concluded value of the 100% equity interest of KAS Engineering of RM93,787,000 is indicative to the Consideration. Therefore, we consider that the Valuation Report is a fair reference for determination of the Consideration and the Consideration is fair and reasonable.

4. Reasons for and benefits of the Disposal

As stated in the Board Letter, the Share Purchase Agreement is considered to be in the interest of the Company on the following basis:

(1) The Group has been in financial difficulties as it recorded net loss of RM55.3 million during FY2019 and RM159.7 million during 1H2020. The unrestricted cash and cash equivalent of the Group was on a declining trend: RM136.6 million at the end of FY2017, RM88.7 million at the end of FY2018, RM16.8 million at the end of FY2019 and RM17.5 million at the end of 1H2020 (being 31 March 2020).

(2) in particular, the Group is exposed to satisfying the following liabilities:

(a) Repayment of the Remaining Group's overdue/rescheduled overdue bank facilities with principal amounts of RM51.9 million, of which (i) on 4 November 2020, Seller, being a wholly-owned subsidiary of the Company, received a demand letter from the solicitors acting for a licensed bank in Malaysia (the "**Bank A**"), in which the Bank A demanded for the repayment of approximately RM11.8 million with accrued interest on or before 15 November 2020, as to which the Company has provided settlement proposal with the sale proceeds from the Disposal, (ii) as of the Latest Practicable Date, the full settlement deadline of approximately RM9.9 million with accrued interest due to Bank B has been extended to between 2 November 2020 and 14 December 2020. The Group failed to repay approximately RM7.3 million since 2 November 2020 up to the date of this announcement. The Group is negotiating with Bank B to further extend the repayment deadline, and (iii) approximately RM30.2 million with accrued interest due to Bank C which were initially past due but subsequently rescheduled to be fully settled with instalment repayment by end of July 2021 on the condition that, among others, the sale proceeds from disposal of KAS Engineering shall be utilized to settle the above overdue amounts. As of 31 March 2020, the Group's unrestricted cash balance is approximately RM17.5 million which is not sufficient to settle these overdue bank facilities. As at the Latest Practicable Date, the Group is negotiating with the banks to withhold legal action in view of the Group's proposed sale of KAS Engineering to generate cash to settle the above overdue bank facilities. All the bank loan stated in items (i), (ii) and (iii) are recorded as overdue amount in the credit record with the Bank A, B and C. The Group may only obtain new facilities if (i), (ii) and (iii) are fully repaid. Upon obtaining new facilities, the Company will have funds to engage more sub-contractors to speed up the existing construction progress.

(b) The above facilities set out in paragraph (a) were granted by three licensed banks in Malaysia which also provided overdraft and revolving facilities amounting to RM7.5 million as at the Latest Practicable Date. Further, Bank D also provided revolving facilities of RM3 million. Those four banks (Bank A, B, C & D) might terminate all these overdraft facilities in the event of the continuing default of the overdue facilities and/or default of the rescheduled overdue facilities as set out in paragraph (a).

(c) To the Directors' knowledge and belief, it would be impracticable for the Group to obtain further loan financing or contract financing if the above overdue/rescheduled overdue bank facilities are not settled in full because the Group would usually be required to settle all the overdue/rescheduled overdue bank facilities for better credit rating. After settlement of the overdue repayables, however, it is expected that the Group will be in a better position to make best endeavor to obtain additional bank facilities to engage more sub-contractors to speed up the construction projects, and also bid for new construction contracts.

(d) In line with market practice, the Group as the subcontractor is usually required to provide a performance bond amounting to 5% of the contract value in favour of the customer, as security for the Group's satisfactory completion of the project on time. The performance bond is issued by commercial banks to whom the Group will usually be required to pay the necessary processing fee and to place instruments like a fixed deposit as security. However, as of the Latest Practicable Date, the Group was exposed to potential liabilities of: (i) imminent settlement of one customer's threatened forfeiture of performance bonds, and (ii) requests from the issuing banks to further provide fixed deposit(s) of a significant amount for certain performance bonds. In particular, one former customer ("**Customer A**") threatened to forfeit two separate performance bonds arising out of 2 separate contracts relating to the same Project in the aggregate amount of RM25.8 million. As disclosed in the announcement dated 30 June 2020, a subsidiary of the Company, in the ordinary course of business, had disputes with Customer A who served notices of termination of the said contracts, alleging that the Group had delayed in completing the works under the contracts. Customer A had sought to forfeit the Group's performance bonds in the amount of approximately RM25.8 million. The Group has filed for an application for an injunction in the Court and has obtained an ad-interim injunction order against the forfeiture of the two performance bonds by the Customer, pending the disposal of the said application by the Court. The Group has also initiated arbitrations to dispute the validity of the terminations by Customer A and claim for losses of profit against Customer A. The Group's cash balance as of 31 March 2020 was approximately RM17.5 million and accordingly, as a precaution, the Group would need to reserve cash resources as it would not have sufficient cash to compensate for the performance bonds. The Group was also exposed to a counterclaim in the amount of approximately RM126 million by Customer A.

(3) After careful evaluation of other alternatives, the Board was of the view that sale of asset of long-term revenue potential such as KAS Engineering was the sensible approach to generate cash for the Group's settlement of imminent payables. In particular, KAS Engineering is only allowed in limited circumstances to declare dividend to its holding company (i.e. BGMC Corporation, a member of the Remaining Group) pursuant to the restrictive covenant of the Term Loan. Accordingly, KAS Engineering has never declared any dividend to the Remaining Group.

(4) Pursuant to the UiTM Concession Agreement between KAS Engineering and UiTM (a public university in Malaysia), transfer of KAS Engineering's ownership is subject to obtaining written approval of the Malaysia government. Tan Sri Barry Goh and Dato' Arifin were the then majority shareholders of KAS Engineering which obtained the government approval for entering into the UiTM Concession Agreement with UiTM in 2012, and KAS Engineering was subsequently acquired by the Group in 2015. Accordingly, it is more likely that the Malaysia government will grant approval to the share transfer from the Group to Tan Sri Barry Goh and Dato' Arifin who were initially the direct shareholders of KAS Engineering and currently, through the shareholding in the Company, the indirect shareholders of KAS Engineering, while there is no certainty that the Malaysia government will grant approval to other party becoming new shareholder of KAS Engineering.

(5) The Group has evaluated the following three alternative options to raise funds, but considered that those alternatives are not practicable for repayment of imminent repayables:

(a) **Loan Financing** – To the Directors' knowledge and belief, it would be impracticable for the Group to obtain further financing if the overdue/rescheduled overdue bank facilities are not settled in full because the Group would usually be required to settle all the overdue/rescheduled overdue bank facilities for better credit rating.

(b) Sale of KAS Engineering through tender process – As advised by the Malaysian Legal Advisor, the disclosure of information in respect of the UiTM Concession Agreement is prohibited without the consent of the counter-party to the agreement. During the initial public offering, it took approximately one year for the Company to obtain the requisite consent from the Government of Malaysia and Universiti Teknologi Mara to publish and disclose certain terms and conditions of or information in relation to the UiTM Concession Agreement in the Prospectus of the Company issued in connection with the initial public offering exercise. The Prospectus only contained a summary of the UiTM Concession Agreement while the interested buyer would require a full text of the UiTM Concession Agreement. In light of the urgency of funding needs, it is impracticable for the Company to sell the shareholding interest in KAS Engineering through public tender as disclosure of and access to the full text of UiTM Concession Agreement will be required in connection with any public tender exercise.

(c) The Company's share price dropped from IPO offer price of HK$0.7 to HK$0.031 on 13 November 2020, being the last trading date immediately preceding Disposal Announcement. The Group's gross loss of RM23.4 million (restated) in 1H2019 increased to RM130.9 million in 1H2020. In light of the recent poor share price performance and the poor financial performance, the Board is of the view that it would be impracticable to conduct equity financing to satisfy the Group's imminent financial need as set out above.

Furthermore, by reviewing the loan schedule of the Group provided by the Management, we are given the understanding that the Group has imminent funding needs for repayment of the Remaining Group's overdue/rescheduled overdue bank facilities with principal amounts of RM51.9 million, of which (i) on 4 November 2020, Seller, being a wholly-owned subsidiary of the Company, received a demand letter from the solicitors acting for a licensed bank in Malaysia (the "**Bank A**"), in which the Bank A demanded for the repayment of approximately RM11.8 million with accrued interest on or before 15 November 2020, as to which the Company has provided settlement proposal with the sale proceeds from the Disposal, (ii) as of the Latest Practicable Date, the full settlement deadline of approximately RM9.9 million with accrued interest due to Bank B has been extended to between 2 November 2020 and 14 December 2020. Although the Group is currently undergoing negotiations with the bank regarding the restructuring of loan which the Group will settle the overdue loan with the proceeds of the Disposal, the banks may still take enforcement actions against the Company or require immediate repayment. With reference to the financial position of the Group as discussed in this letter, we concur with the Management's view that the Group is incapable of settling the aforementioned overdue loans with internal resources currently available to it.

4.1 Conclusion on reasons for and benefits of the Disposal

Considering the aforementioned factors, we concur with the view of the Directors and the Management that the Group has imminent funding needs to repay the overdue loans in order to avoid any legal actions to be taken by the borrowers which would materially and adversely affect the operation of the Group as a listed company in Hong Kong and could therefore bring adverse impacts to the overall interests of the Shareholders.

5. Financial effects of the Disposal

Upon Completion, KAS Engineering will cease to be a subsidiary of the Company and the financial results of KAS Engineering will no longer be consolidated to the Company and the Group's financial statements.

Based on, inter alia, the Consideration, the unaudited net assets as at 30 June 2020, and the related expenses for the Disposal, the Group currently expects to record a loss on the Disposal of approximately RM5.5 million upon Completion which is subject to review by the Group's auditors. Such loss is calculated by the Consideration of approximately RM93.8 million deducting the net tangible assets of approximately RM90.7 million, unamortised intangible assets of approximately RM7.3 million and professional fee incurred for the Disposal of approximately RM1.3 million. During the acquisition of KAS Engineering in year 2015, an intangible asset in relation to the right of KAS Engineering to receive management service income from a concession agreement to carry out the property management services on UiTM was recorded. The unamortised intangible assets amounted to RM7.3 million which arose upon de-consolidation and it does not result in cash outflows.

Analyses below on the financial effects of the Disposal were made reference to the unaudited pro forma financial information of the Remaining Group (the "**Pro Forma Financial Information**") set out in Appendix III to the Circular The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Remaining Group for the year ended 30 September 2019 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the year ended 30 September 2019 as extracted from the annual report of the Company for the year ended 30 September 2019 as if the Disposal had been completed on 1 October 2018. It should be noted that the analyses below are for illustrative purpose only and do not purport to represent how the financial position of the Remaining Group will be upon Completion.

5.1 Effect on net assets and total assets

The Group had net assets attributable to owners of the Company of approximately RM106.2 million as at 31 March 2020. Assuming the Disposal had taken place as at 31 March 2020, the unaudited pro forma net assets would be approximately RM102.1 million.

The Group had total assets of approximately RM880.8 million as at 31 March 2020. Assuming the Disposal had taken place as at 31 March 2020, the unaudited total assets would be approximately RM670.0 million.

5.2 Effect on earnings

The Group recorded a net loss of approximately RM55.3 million for the year ended 30 September 2019.

Upon Completion, KAS Engineering will cease to be a subsidiary of the Company and the financial results of KAS Engineering will no longer be consolidated to the Company and the Group's financial statements. Assuming the Disposal had taken place as at 1 October 2018, the Group would record a net loss of approximately RM49.4 million for the year ended 30 September 2019.

5.3 Effect on liquidity

The Group had total current assets and total current liabilities of approximately RM471.5 million and RM559.4 million, respectively, as at 31 March 2020, representing a current ratio, which is derived by dividing current assets to current liabilities, of approximately 0.84 times. Assuming the Disposal had taken place as at 31 March 2020, the unaudited pro forma current assets and current liabilities would be approximately RM529.8 million and RM511.1 million representing a current ratio of approximately 1.04 times.

As a result of the aforementioned, the Disposal would have improved the liquidity of the Group.

5.4 Effect on gearing

Net gearing ratio of the Remaining Group (calculated by dividing the net debts by equity attributable to owners of the Remaining Group) stood at 0.46 times as at 31 March 2020 as compared to 0.18 time as at 30 September 2019. This increase was mainly due the issuance of RPS for the construction and establishment of LSSPV plant and a decrease in the total equity attributable to the owners of the Company to a total of RM154.5 million.

Total borrowings of RM84.2 million as at 31 March 2020 (30 September 2019: RM96.8 million), a decrease of RM12.6 million.

Cash balances (including fixed deposits) stood at RM44.0 million as at 31 March 2020 as compared with RM55.8 million as at 30 September 2019, a decrease of RM11.8 million.

DISCUSSION AND ANALYSIS

The Group is a full-fledged, integrated solutions provider in the construction service sector and concession and maintenance sector. Construction service sector principally engaged in the provision of a wide range of construction services in Malaysia.

After (i) reviewing the Share Purchase Agreement and the Valuation Report; (ii) discussing with the Management regarding the reasons and benefits of the Disposal; and (iii) discussing with the Independent Valuer regarding the bases and assumptions as well as the methodology adopted in the valuation, having considered:

(a) the reasons for and benefits of the Disposal as discussed in this letter;

(b) the unpredictable negative impacts to be brought by the deteriorating gross profit margin of KAS Engineering and the unpredictable expense incurred as discussed in this letter;

(c) the Valuation was fairly and reasonably determined by the Independent Valuer; and

(d) the Consideration of RM93,787,000 is concluded under arm's length negotiation between the Seller and the Purchaser and in line with the market value of 100% equity interest in KAS Engineering of RM93,787,000 as stated in the Valuation Report;

we are of the view that although the Disposal is not in the Group's ordinary course of business, the terms of the Disposal are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole so far as the Company and the Shareholders are concerned.

CONCLUSION

Having considered the above principal factors, we are of the opinion that (i) the reasons for and benefits of the Disposal as discussed in this letter; (ii) the terms of the Share Purchase Agreement (including the Consideration) are, although not in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (iii) the Consideration is supported by a fair and reasonable valuation methodology considering the business nature of KAS Engineering as aforementioned; and (iv) the Group has imminent funding needs to repay the overdue loans in order to avoid any legal actions to be taken by the borrowers where the Disposal can provide positive cash inflow to satisfy the funding needs of the Group and therefore is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders; and the Independent Shareholders, to vote in favour of the ordinary resolution(s) to approve the Share Purchase Agreement and the transactions contemplated thereunder and the Disposal at the EGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited

Robert Siu	**Joseph Lam**
Managing Director	*Associate Director*

Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 22 years of experience in corporate finance industry.

Mr. Joseph Lam is a licensed person registered with the Securities and Future Commission of Hong Kong, a licensed representative of Red Sun Capital Limited to carry out type 1 regulated activity (dealing in securities) and a responsible officer of Red Sun Capital Limited to carry out type 6 regulated activity (advising on corporate finance). Mr. Lam has over four years of experience in the corporate finance industry in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the years ended 30 September, 2017, 30 September 2018 and 30 September 2019 are disclosed in the annual reports of the Company for the years ended 30 September 2017, 2018 and 2019, respectively. The unaudited consolidated financial statements of the Group for the six months ended 31 March 2020 is disclosed in the interim report of the Company for the six months ended 31 March 2020. All of which are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgmc.asia):

(i) annual report of the Company for the year ended 30 September 2017:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0122/ltn20180122340.pdf

(ii) annual report of the Company for the year ended 30 September 2018:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0114/ltn20190114450.pdf

(iii) annual report of the Company for the year ended 30 September 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0228/2020022800942.pdf

(iv) interim report of the Company for the six months ended 31 March 2020:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0720/2020072000840.pdf

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has been in financial difficulties as it recorded net loss of RM55.3 million during FY2019 and RM159.7 million during 1H2020. The unrestricted cash and cash equivalent of the Group was on a declining trend: RM136.6 million at the end of FY2017, RM88.7 million at the end of FY2018, RM16.8 million at the end of FY2019 and RM17.5 million at the end of 1H2020 (being 31 March 2020). The Group is also under pressure to settle repayment obligations of approximately RM52 million plus accrued interest, as set out in the announcement dated 9 November 2020. The Company plans to utilize the sale proceeds of the Disposal of KAS Engineering to settle the overdue repayables and obtain new facilities to engage more sub-contractors so as to speed up its construction projects and record revenue to enhance the prospects of its financial performance.

After completion of Disposal, the Group will continue to operate the construction service segment and concession maintenance segment. As the uncertainty is expected to subsist due to COVID-19 and challenging business environment, the Group considers that the prospects of construction industry would be challenging if not as challenging as the early stage of the COVID-19 outbreak in early 2020 when the Malaysia Government enforced the lock-down policy of Movement Control Order which halted the Group's construction operation.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

As at the close of business on 31 October 2020, being the latest practicable date (the "**Latest Practicable Date**") for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following borrowings:

	As at 31 October 2020
	RM'000
Current	
Bank overdrafts *(a)*	5,422
Term loan *(b)*	178,835
Multiple facilities *(c)*	56,108
Sukuk bonds *(d)*	24,318
	264,683

The Group's banking facilities were secured by:

(a) As at Latest Practicable Date, Bank overdrafts were secured by facility agreements for a sum of approximately RM5,500,000, memorandum of deposit over certain fixed deposits of approximately RM13,900,000 and corporate guarantee by the Company.

(b) Term loan was entered into in 2016 to finance the construction of UiTM campus. It is secured by the following:

(i) master facility agreements;

(ii) debenture creating a first fixed and floating charge over all present and future assets of a subsidiary;

(iii) assignment of all rights, title, interest and benefits of a subsidiary under certain clauses of the concession agreement;

(iv) assignment of all rights, title, interest and benefits of a subsidiary under:

– the lease agreement entered into between a subsidiary as lessee and UiTM as lessor in respect of the land for constructing the UiTM campus (the "**Project Land**"); and

– the sub-lease agreement ("**Sub-lease agreement**") entered into between the said subsidiary as sub-lessor and UiTM as sub-lessee in respect of the Project Land;

(v) assignments of all the present and future rights, title, interest and benefits of subsidiary under the construction contract of the project;

(vi) assignment over the designated accounts as stipulated in the loan agreement. The pledged fixed deposits as at the Latest Practicable Date is approximately RM10,300,000;

(vii) assignment of all the present and future rights, title, interest and benefits of a subsidiary under all Islamic insurance policies taken out in respect of or rising from the project (excluding workmen's compensation and public liability insurances);

(viii) corporate guarantee by BGMC Holdings and BGMC Corporation Sdn. Bhd., both are wholly-owned subsidiaries of the Company;

(ix) irrecoverable letter of undertaking by the shareholders of the Company to complete the project in accordance with the terms of the concession agreement and to provide cash injection in the event of cost overrun during construction period and cash flow shortfall during concession period;

(x) irrevocable letter of undertaking from a subsidiary ensuring that at least thirty percent (30%) of the construction and maintenance works is to be sub-contracted out to bumiputra contractors and at least sixty percent (60%) of the subsidiary's workforce is bumiputra employees; and

(xi) any other security or documents as may be required by Bank Pembangunan Malaysia Berhad ("**BPMP**") and/or as advised by BPMP's solicitors for a facility of this nature.

(c) Multiple facilities, comprising general financing line and blanket contract financing line to finance construction projects, are secured by facility agreements for a sum of approximately RM198,159,000, corporate guarantee by the Company and memorandum of legal charge over deposit and letter of set-off over fixed deposit of a subsidiary, by creating a sinking fund account of approximately RM6,752,000, pledged fixed deposits and restricted bank balances of approximately RM29,314,000 and approximately RM4,111,000, respectively, and assignment of considerations received from the customers.

(d) The Group had an authorised or otherwise created sukuk bonds amounting to approximately RM106,000,000 which were secured and unguaranteed. As at the Latest Practicable Date, the sukuk bonds of approximately RM24,318,000 was granted to the Group.

Lease liabilities

The Group had outstanding lease liabilities of approximately RM2,565,000, which were secured by property, plant and equipment under finance leases, personal guarantee of a director of the Company and jointly and severally guaranteed by the Company and/or the subsidiaries.

Redeemable preferences shares

The Group had outstanding redeemable preferences shares of approximately RM31,730,000, which were unsecured and unguaranteed.

Share application monies

The Group had outstanding share application monies of approximately RM54,270,000, which were unsecured and unguaranteed.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at Latest Practicable Date, the Group did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

Contingent liabilities

Except for the outstanding claims and litigations as described in the section with heading "Litigations" in the Appendix V to this circular, in which the Directors are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained. The Group has no other significant contingent liabilities as at the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account (i) the Disposal; (ii) the present internal resources; (iii) presently available facilities from banks and financial institutions, the Group would have sufficient working capital for its present requirements for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

5. MATERIAL ADVERSE CHANGE

The financial and trading positions of the Group has deteriorated since 30 September 2020: (1) the Group has been in financial difficulties as it recorded net loss of RM55.3 million during FY2019 and RM159.7 million during 1H2020. The unrestricted cash and cash equivalent of the Group was on a declining trend and was only RM17.5 million at the end of 1H2020 (being 31 March 2020). (2) The Group is exposed to satisfying (a) repayment of overdue/rescheduled overdue bank facilities with principal amounts of RM51.9 million plus accrued interests, and (b) Customer A's termination of contract with the Group, and its legal action to forfeit performance bonds of RM25.8 million and counterclaim of approximately RM126 million. For details, please refer to the section headed "Reasons for and Benefits of the Disposal" in the Letter from the Board in this circular.

As at the Latest Practicable Date, save as disclosed above, the Directors confirm that there were no material adverse change in the financial or trading positions of the Group since 30 September 2019, being the date of which the latest published audited consolidated financial statements of the Group were made up.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis on the continuing operations of the Remaining Group for (i) the three years ended 30 September 2019; (ii) the six months ended 31 March 2020; and (iii) the three months ended 30 June 2020 prepared on the basis that the Target Company is not consolidated, and the Company has no ownership interest in the Target Company.

The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the reporting periods. For further financial information of the continuing operations of the Remaining Group, please refer to the section headed "Management Discussion and Analysis" of the Company's interim report for the six months ended 31 March 2020, and its annual report for the year ended 30 September 2017, 2018 and 2019, respectively.

For the three months ended 30 June 2020

Construction Services Sector

Construction Services sector has contributed RM88.0 million or 76.0% of the consolidated revenue of the Remaining Group in the three months ended 30 June 2020, as compared with RM74.1 million or 93.0% in the three months ended 30 June 2019 due to higher progress in construction works.

Building and Structure segment

As the leading segment of the Construction Services sector and of the Remaining Group as a whole with its sizeable contracts on hand, the Building and Structure segment had a contribution of RM84.2 million or 72.7% to the Remaining Group's consolidated revenue in the three months ended 30 June 2020, as compared with RM63.2 million or 79.3% of the consolidated revenue for the three months ended 30 June 2019. The increase was due to significant progress in building and structure segment construction works.

As at 30 June 2020, the Building and Structure segment had an outstanding order book of RM0.7 billion (30 June 2019: RM1.3 billion).

Energy Infrastructure segment

During the three months ended 30 June 2020, the Energy Infrastructure segment has contributed a revenue of RM1.8 million or equivalent to 1.6% of the Remaining Group's consolidated revenue, as compared with RM4.4 million or 5.5% of the consolidated revenue for the three months period ended 30 June 2019.The decrease was mainly due to completion of certain major substation projects.

As at 30 June 2020, Energy Infrastructure segment had an outstanding order book of RM31.5 million (30 June 2019: RM90.5 million).

Mechanical and Electrical segment

The Mechanical and Electrical segment has recorded a revenue of RM2 million or 1.7% contribution to the Remaining Group's consolidated revenue for the three months ended 30 June 2020, as compared with RM0.6 million or 0.8% contribution to consolidated revenue for the three months ended 30 June 2019.The increase was due to work progress of new projects.

As at 30 June 2020, the Mechanical and Electrical segment had an outstanding order book of RM89.2 million (30 June 2019: RM91.6 million).

Earthwork and Infrastructure segment

The Earthwork and Infrastructure segment has recorded a revenue of RM0 million for the three months ended 30 June 2020, or 0% of the Remaining Group's consolidated revenue, as compared with RM5.9 million or 7.5% contribution recorded for the three months period ended 30 June 2019. The decrease was due to completion of major earthwork and infrastructure projects and yet to secure any new project.

Concession and Maintenance Sector

The Remaining Group has an on-going Public Private Partnership ("**PPP**") contracts, namely the Solar Power Purchase Agreement signed with Tenaga Nasional Berhad ("**TNB**"), a sole power distributor for Peninsular Malaysia, which is operated under BOO model.

BOO Model – Large Scale Solar Photovoltaic ("LSSPV") Plant

This new concession contract that the Remaining Group has entered into is a contract to build a LSSPV plant, to generate and to sell the power generated from the plant to TNB. The plant has an output capacity of 30 megawatts alternate current ("**MWa.c.**") located at Kuala Muda, Kedah, Malaysia.

Pursuant to the contractual terms of Solar Power Plant Concession, the Group is entitled to revenue from sale of electricity, but the Group is not entitled to any income for building the solar power plant. The solar power plant was initially expected to commence operation on 30 September 2020, however, the construction experienced delay due to COVID-19. TNB has granted a consent to an extension of 84 days to 24 December 2020 ("**Extended Timeline**"). The Group is actively negotiating with TNB for further extension for completing the construction of the solar power plant, however, there is no guarantee that TNB would grant such approval. There is no assurance that the Group would complete the construction of the solar power plant on or before the Extended Timeline, or whether further time extension would be granted by TNB. As such, there is no assurance that the Group would be able to generate sustainable income from the Solar Power Plant Concession.

During the three months period ended 30 June 2020, the BOO business model has a revenue of RM24.9 million (three months period ended 30 June 2019: RM0.6 million), representing 21.5% of the consolidated revenue of the Remaining Group. As the LSSPV plant is still under construction stage, this revenue arose from the adoption of *IFRIC 12 "Service Concession Arrangements"*.

Financial Review

Gross Profit

The Group gross profit improved from RM13.7 million in the three month ended period 30 June 2019 to RM55.6 million in the three months ended 30 June 2020 due to cost overrun in one the major project in 2019.

Administrative and Other Expenses

Administrative and other expenses increased from RM15.8 million in the three months ended 30 June 2019 to RM45.0 million in the three months ended 30 June 2020, mainly due to provision for doubtful debts and provision for redemption of bank guarantee arising from the termination of MRCB projects.

Finance Costs

Finance costs decreased from RM1.3 million in the three months ended 30 June 2019 to RM0.4 million in the three months ended 30 June 2020, representing an decrease of RM0.9 million due to reduction in overnight policy rate (OPR).

Income Tax Expense

Income tax expense decreased from RM0.32 million in the three months ended 30 June 2019 to RM nil in the three months ended 30 June 2020.

Liquidity, Financial Resources and Capital Structure

Net gearing ratio of the Remaining Group (calculated by dividing the net debts by equity attributable to owners of the Remaining Group) stood at 2 times as at 30 June 2020 as compared to 0.15 time as at 30 June 2019 due to issuance of RCPS amounted to RM31.7 million.

Total borrowings of RM114.8 million as at 30 June 2020 (30 June 2019: RM69.4 million), an increase of RM45.4 million.

Cash balances (including fixed deposits) stood at RM46.7 million as at 30 June 2020 as compared with RM40.5 million as at 30 June 2019, an increase of RM6.2 million.

Net Current Liabilities

As at 30 June 2020, the Remaining Group incurred net current liabilities of RM93.3 million, as compared to the net current assets of RM135.6 million as at 30 June 2019. due to increase in short term borrowing to finance the working capital.

As at 30 June 2020, the Remaining Group had total current liabilities of RM496.8 million as compared to RM331.2 million as at 30 June 2019, mainly comprising of trade and other payables and share application monies. The total non-current liabilities of the Remaining Group amounted to RM56.6 million as at 30 June 2020 as compared to RM3.3 million as at 30 June 2019 which were mainly due to issuance of RCPS amounted to RM31.7 million.

Treasury Policies

The Remaining Group's financing and treasury activities are centrally managed and controlled at the corporate level. Bank borrowing of the Remaining Group are all denominated in RM and have been arranged on a floating-rate basis. It is the Remaining Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

Capital expenditure mainly consisted of procurement of construction machinery and equipment such as aluminum formwork system, which was funded by hire purchase, the net proceeds from its global offering completed in August 2017 and internally generated funds. During the three months period ended 30 June 2020, the Remaining Group acquired RMnil million worth of construction machinery and equipment compared with RM0.2 million for the three months period ended 31 March 2019.

Foreign Exchange

The functional currency of the Remaining Group's operation, assets and liabilities is RM. Therefore, the Remaining Group is not exposed to significant foreign exchange risk and has not employed any financial instrument for hedging, except for HK$ denominated bank balances.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Remaining Group has no material acquisition or disposals of subsidiaries and associated companies during the three months ended 30 June 2020.

Charge of Remaining Group's Assets

As at 30 June 2020, certain assets of the Remaining Group were pledged to bank to secure banking facilities of approximately RM53.1 million (30 June 2019: RM54.9 million).

Significant Investments Held

Save for the investment held in associates and subsidiaries as disclosed in the Company's interim report for the six months ended 31 March 2020, the Remaining Group did not hold other significant investment during three months period ended 30 June 2020.

Employees and Remuneration Policy

As at 30 June 2020, the Remaining Group's workforce stood at 268 employees compared with 380 employees as at 30 June 2019. Total staff costs incurred in three months period ended 30 June 2020 were RM3 million as compared with RM5.7 million recorded in the three months period ended 30 June 2019.

Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. Periodic in-house training is provided to enhance the knowledge of the workforce. Meanwhile, external training programmes conducted by qualified personnel are also attended by employees to enhance their skills set and working experience.

The Remaining Group has adopted a share option scheme which became effective on the Listing Date to enable the Board to grant share options to eligible participants, giving them an opportunity to have a personal stake in the Remaining Group. As at the date of this circular, there was no outstanding share option granted under the share option scheme.

Legal Proceedings

Please refer to ″Appendix V - General Information - 6. Litigations″ in this circular.

Prospect

Please refer to "Appendix I – Financial Information of the Group – 2. Financial and Trading Prospects of the Group" in this circular.

For the six months ended 31 March 2020

Construction Services Sector

Construction Services sector has contributed RM31.3 million or 32.8% of the consolidated revenue of the Remaining Group in the six months ended 31 March 2020, as compared with RM124.3 million or 99.8% in the six months ended 31 March 2019. The substantial decrease in revenue has due to impact of imposing estimated Liquidated Ascertained Damages ("**LAD**") for all the major ongoing projects. These projects are not only delayed by the activities at the construction site, but also completely stopped from operating upon the imposition of the Movement Control Order ("**MCO**") by the Government of Malaysia since 18 March 2020 and during the six months ended 31 March 2020. All the project sites remained closed and not operable during the MCO period. The net impact of accounting for the LAD is for an amount of RM149.3 million. These estimations are nevertheless, reversible and recoverable upon the Group obtaining the EOT for each individual project.

During the six months ended 31 March 2020, the Construction Services sector has secured five contracts worth RM18.2 million.

As at 31 March 2020, the Remaining Group's order book stood at RM2.8 billion (30 September 2019: RM2.8 billion) and had an outstanding order book of RM1.3 billion (30 September 2019: RM1.2 billion).

Subsequent to the six months ended 31 March 2020, the Remaining Group had received notice of termination for the Sentral Suites projects. The total contract sum for the terminated projects is RM515.9 million. The order book of the Remaining Group will therefore be reduced to RM2.3 billion.

Building and Structure segment

As the leading segment of the Construction Services sector and of the Remaining Group as a whole with its sizeable contracts on hand, the Building and Structure segment had a negative contribution of RM5.3 million or negative 5.4% to the Remaining Group's consolidated revenue in the six months period ended 31 March 2020, as compared with RM102.0 million or 70.0% of the consolidated revenue for the six months period ended 31 March 2019. This decrease was mainly due to: (i) the impact of imposing the estimated LAD in all the major on-going projects capturing the delays caused by both activities on the sites and the closure of all sites by the imposition of MCO; (ii) the major on-going projects secured in prior years such as Sentral Suites were still progressing at the structural stage; and, (iii) the higher value architectural, mechanical and electrical work trades for major projects such as Setia Spice, The Sky Seputeh and TNB Worker's Quarters progressed slower than expected.

During six months period ended 31 March 2020, this segment had yet to secure any new project as the Remaining Group switches its focus to increase the productivity and work done for the existing on-going projects. The immediate objective is to deploy more resources to implement the existing projects at a faster pace and therefore reduces any delay that is currently recorded. Besides aiming to complete the project soonest, these steps may also increase the contribution towards the revenue recognition in the immediate future. Meanwhile, the Remaining Group is also in the midst of obtaining the necessary EOT to cover the delays caused by both the activities at the sites and the MCO.

As at 31 March 2020, the Building and Structure segment had an outstanding order book of RM1.2 billion (30 September 2019: RM1.1 billion).

Subsequent to the six months period ended 31 March 2020, the Building and Structure segment had received notice of termination for the Sentral Suites projects. The total contract sum for the terminated projects is RM515.9 million.

Energy Infrastructure segment

During six months ended 31 March 2020, the Energy Infrastructure segment has contributed a revenue of RM30.6 million or equivalent to 31.0% of the Remaining Group's consolidated revenue, as compared with RM3.6 million or 2.9% of the consolidated revenue for the six months period ended 31 March 2019. This increase was due to (i) the changes of the revenue mix of the Remaining Group; (ii) completion of the installation of major equipment at the power substation project PMU 275/132 kilovolt ("**KV**") Damansara Heights has completed and; (iii) the work progress at two 132kV underground cabling works contracts, namely PMU Sri Hartamas to PMU Matrade and PMU Shah Alam 18 to PMU Sirim projects.

As at 31 March 2020, Energy Infrastructure segment had an outstanding order book of RM33.3 million (30 September 2019: RM59.8 million).

Mechanical and Electrical segment

The Mechanical and Electrical segment has recorded a revenue of RM5.1 million or 5.2% contribution to the Remaining Group's consolidated revenue for the six months ended 31 March 2020, as compared with RM12.4 million or 10.0% contribution to consolidated revenue for the six months ended 31 March 2019. A decrease was recorded as most of the on-going projects were still in the early stage of progress.

As at 31 March 2020, the Mechanical and Electrical segment had an outstanding order book of RM89.2 million (30 September 2019: RM79.1 million).

Earthwork and Infrastructure segment

The Earthwork and Infrastructure segment has recorded a revenue of RM1.0 million for the six months ended 31 March 2020, or 1.0% of the Remaining Group's consolidated revenue, as compared with RM6.2 million or 5.0% contribution recorded for the six months period ended 31 March 2019. The decrease of the segment revenue was mainly because all the projects had been completed and the Remaining Group was proceeding to prepare the final account for the projects. Activities in this segment will become minimal going forward while the resources will be redeployed to other segments.

Concession and Maintenance Sector

The Remaining Group has an on-going Public Private Partnership ("**PPP**") contracts, namely the Solar Power Purchase Agreement signed with Tenaga Nasional Berhad ("**TNB**"), a sole power distributor for Peninsular Malaysia, which is operated under BOO model.

*BOO Model – Large Scale Solar Photovoltaic ("**LSSPV**") Plant*

This new concession contract that the Remaining Group has entered into is a contract to build a LSSPV plant, to generate and to sell the power generated from the plant to TNB. The plant has an output capacity of 30 megawatts alternate current ("**MWa.c.**") located at Kuala Muda, Kedah, Malaysia.

Currently, the Remaining Group has achieved the financial closure for this contract and will be on track to achieve the commercial operation date of the plant targeted before 30 September 2020, after which the LSSPV plant is to operate and generate another source of recurring income for the Remaining Group for over 21 years.

During six months period ended 31 March 2020, the BOO business model has a revenue of RM63.1 million (six months period ended 31 March 2019: RM0.3 million), representing 63.9% of the consolidated revenue of the Remaining Group. As the LSSPV plant is still under construction stage, this revenue arose from the adoption of *IFRIC 12 "Service Concession Arrangements"*.

Financial Review

Gross Loss

The Group gross loss increased from RM25.6 million (restated in the six months ended 31 March 2019) to RM133.0 million in the six months ended 31 March 2020. The increase of gross loss was mainly due to the impact of imposing the estimated LAD in all the major on-going projects caused by the activities at construction site and the imposition of the MCO in Malaysia.

Administrative and Other Expenses

Administrative and other expenses increased from RM29.6 million in the six months ended 31 March 2019 to RM31.8 million in the six months ended 31 March 2020, mainly due to an increase in net impairments for trade and other receivables of RM9.8 million despite a reduction in staff cost from RM16.4 million in the six months ended 31 March 2019 to RM13.0 million in the six months ended 31 March 2020.

Finance Costs

Finance costs increased from RM1.7 million in the six months ended 31 March 2019 to RM5.1 million in the six months ended 31 March 2020, representing an increase of RM3.4 million. This upsurge was mainly resulted from (i) an increase in interest accrued for issued Redeemable Preference Share ("**RPS**") amounting to RM1.4 million; and (ii) the usage of banking facilities for the implementation of projects.

Income Tax Expense

Income tax expense increased from an income tax refund of RM0.2 million in the six months ended 31 March 2019 to RM5.6 million in the six months ended 31 March 2020 due to reversal of deferred tax asset amounting to RM3.6 million and under provision of income tax expenses amounting to RM2.0 million.

Liquidity, Financial Resources and Capital Structure

Net gearing ratio of the Remaining Group (calculated by dividing the net debts by equity attributable to owners of the Remaining Group) stood at 0.46 times as at 31 March 2020 as compared to 0.18 time as at 30 September 2019. This increase was mainly due the issuance of RPS for the construction and establishment of LSSPV plant and a decrease in the total equity attributable to the owners of the Company to a total of RM154.5 million.

Total borrowings of RM84.2 million as at 31 March 2020 (30 September 2019: RM96.8 million), a decrease of RM12.6 million.

Cash balances (including fixed deposits) stood at RM44.0 million as at 31 March 2020 as compared with RM55.8 million as at 30 September 2019, a decrease of RM11.8 million.

Net Current Liabilities

As at 31 March 2020, the Remaining Group incurred net current liabilities of RM73.8 million, as compared to the net current assets of RM112.4 million as at 30 September 2019. The increase in net current liabilities was due to an upsurge of contract liabilities resulted from the imposing of estimated LAD. As at 31 March 2020, the net assets of the Remaining Group amounted to RM17.0 million, representing a decrease of 90.9% as compared to RM187.5 million as at 30 September 2019.

As at 31 March 2020, the Remaining Group had total current liabilities of RM511.1 million as compared to RM405.2 million as at 30 September 2019, mainly comprising of trade and other payables and amount owing to customers for contract works. The total non-current liabilities of the Remaining Group amounted to RM56.7 million as at 31 March 2020 as compared to RM5.2 million as at 30 September 2019 which were mainly due to increase in lease liabilities.

Treasury Policies

The Remaining Group's financing and treasury activities are centrally managed and controlled at the corporate level. Bank borrowing of the Remaining Group are all denominated in RM and have been arranged on a floating-rate basis. It is the Remaining Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

Capital expenditure mainly consisted of procurement of construction machinery and equipment such as aluminium formwork system, which was funded by hire purchase, the net proceeds from its global offering completed in August 2017 and internally generated funds. During the six months period ended 31 March 2020, the Remaining Group acquired RM0.1 million worth of construction machinery and equipment compared with RM0.2 million for the six months period ended 31 March 2019.

Foreign Exchange

The functional currency of the Remaining Group's operation, assets and liabilities is RM. Therefore, the Remaining Group is not exposed to significant foreign exchange risk and has not employed any financial instrument for hedging, except for HK$ denominated bank balances.

Significant event during the year

Thinking ahead, with the LSSPV power plant requiring management services, including financing, construction, operation and maintenance services in due course, the Remaining Group announced on 29 August 2019 that one of the wholly-owned subsidiaries of the Remaining Group had signed a joint venture agreement with other parties (who are leaders in solar and/or transmission industries, in Malaysia and the world) to invest in a joint venture company ("**JV Company**") that provides management services in relation to renewable energy business. The JV Company has not only signed a management services agreement with the Remaining Group to provide management services in relation to renewable energy to the 30 MW a.c. solar power plant in Kuala Muda, Kedah, Malaysia but has also signed a management services agreement with another company holding a 30 MW a.c. LSSPV power plant at Machang, Kelantan in Malaysia.

Charge of Remaining Group's Assets

As at 31 March 2020, certain assets of the Remaining Group were pledged to bank to secure banking facilities of approximately RM52.9 million (30 September 2019: RM55.9 million).

Significant Investments Held

Save for the investment held in associates and subsidiaries as disclosed in the 2019 Annual Report for the year ended 30 September 2019, the Remaining Group did not hold other significant investment during six months period ended 31 March 2020.

Employees and Remuneration Policy

As at 31 March 2020, the Remaining Group's workforce stood at 327 employees compared with 391 employees as at 31 March 2019. Total staff costs incurred in six months period ended 31 March 2020 were RM13.0 million as compared with RM16.4 million recorded in the six months period ended 31 March 2019.

Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. Periodic in-house training is provided to enhance the knowledge of the workforce. Meanwhile, external training programmes conducted by qualified personnel are also attended by employees to enhance their skills set and working experience.

The Remaining Group has adopted a share option scheme which became effective on the Listing Date to enable the Board to grant share options to eligible participants, giving them an opportunity to have a personal stake in the Remaining Group. As at the date of this circular, there was no outstanding share option granted under the share option scheme.

Legal Proceedings

Since the outbreak of the COVID-19, the Government of Malaysia has implemented MCO on 18 March 2020 with certain relaxation on 4 May 2020 and 10 June 2020 respectively, which has adversely affected the Remaining Group's construction business as well as the construction field work progress due to the restrictions on mass gathering. Under the unprecedented challenging business environment, the Remaining Group is currently engaged in negotiation with certain contractors for extension of time in repayment of payables and/or for completing constructions works. Despite continuous efforts of the Remaining Group in attempting to enter into settlements, certain parties have issued demand letter and/or brought legal proceedings against the Remaining Group, a summary of which are set out in the announcement dated 30 June 2020.

Prospect

The six months period ended 31 March 2020 has so far been a very tough period for the Remaining Group. The spill-over impact from the sluggish property market and the global economic turbulence in year 2019 have continue to plague both the Remaining Group's top and bottom lines. The Remaining Group's projects were also affected by the disruption to the supply chain of building materials when China imposed a lock-down of its major cities to contain the spread of the COVID-19. This disruption has partially caused a slowdown in the progress of all our major projects particularly the construction of large-scale solar plant. As the lock down in China started at the end of January, the manufacturers are not able to deliver some of the key equipment as planned and have pushed back the delivery plan. The situation is made more complicated when the Government of Malaysia imposed the MCO, effectively ceasing all construction activities at our projects site except for those necessary maintenance task.

The Board and management of the Remaining Group recognise the challenges along the path ahead, especially with the all the challenges that are all beyond our control and have formulated feasible strategies to make the Remaining Group survive this tough situation. Our immediate focus is to manage our operating cost more efficiently while deploying the right resources to speed up the progresses at all major on-going projects. In the meantime, negotiations to procure the necessary extension of time for the projects will continue until satisfactory results are achieved.

While extra cares are given to manage the projects, the Remaining Group will also focus on meeting the Remaining Group's financial needs during this exceptional time. This is of utmost important as the Remaining Group's finances were facing challenges before the outbreak of the COVID-19 pandemic as losses were recorded in the previous financial year. More hiccups and setbacks are expected as zero income will be realised during the MCO period since our offices and all the project sites are stopped from operating. Strengthening the Remaining Group' liquidity and building up a war chest will be paramount to ensure the Remaining Group's ability to sail through this turbulence. To bolster the Remaining Group's position to repay borrowings and to meet the working capital need, the Remaining Group will strategize to monetise the Remaining Group's assets. Not only will this move assist in generating cash to the Remaining Group, it may also help the Remaining Group in realising its long-term investment immediately.

We reckon with Mr. Jack Ma's statement of "business staying alive in year 2020 is itself a profit", the Remaining Group will nevertheless strive to do better than staying alive. With more than 20 years of experiences and as an integrated solutions provider in the construction services industry, the Remaining Group will stay committed to ensure to ride through this challenging period. Under the financial pressure to settle all the payables, maintain sufficient cash to cater for potential liability in legal proceedings as well as maintain sufficient working capital, the Remaining Group is evaluating all the viable solutions to generate cash to survive through this difficult time.

For the year ended 30 September 2019

Construction Services Sector

The Construction Services sector contributed RM334.9 million, or 97.5%, to the consolidated revenue of the Remaining Group in the year ended 30 September 2019, against RM497.0 million, or 99.7%, in the year ended 30 September 2018 (restated). Although there was a moderate decrease in contribution from the sector, it remained as the major revenue contributor of the Remaining Group in the year ended 30 September 2019. The revenue mix of the Remaining Group changed mainly due to decreased revenue of the sector and a slight increase in revenue from the Concession and Maintenance sector.

During the year ended 30 September 2019, the Construction Services sector secured 10 contracts of total worth RM552.7 million (30 September 2018 (restated): RM537.6 million), including two of substantial value from Malaysian Resources Corporation Berhad ("**MRCB**") worth RM189.0 million and RM326.9 million respectively.

As at 30 September 2019, the Remaining Group had an outstanding order book of RM1.2 billion (30 September 2018: RM1.2 billion (restated)).

Building and Structure segment

As the leading segment of the Construction Services sector and the Remaining Group as a whole with sizeable contracts on hand, Building and Structure contributed RM291.6 million, or 84.8%, to the Remaining Group's consolidated revenue in the year ended 30 September 2019, compared to RM395.6 million, or 79.4%, in the year ended 30 September 2018 (restated). Such decrease was mainly due to the Remaining Group's signature project D'Pristine Medini being almost completed in the year ended 30 September 2019, while Setia Spice, The Sky Seputeh and TNB Worker's Quarters have just started the advance stage of the progress in the second half of the year ended 30 September 2019. These projects are moving with structural, architectural, mechanical and electrical works concurrently now. Bangsar 61, on the other hand, has recorded a lesser construction activity and revenue recognition due to the need of engineering design review by the client. The review has however achieved some major breakthrough and the Remaining Group have increased the construction activities thereafter. The Sentral Suite which was secured in the year ended 30 September 2019 meanwhile is still in the early stage of construction and therefore did not post significant contribution for the time being.

During the year ended 30 September 2019, this segment won three projects of total worth RM516.1 million, including two large contracts from MRCB priced RM189.0 million and RM326.9 million and secured on 26 November 2018 and 4 March 2019, respectively. The two contracts are in relation to the construction and completion of structural and architectural works for part of a proposed 46-storey commercial development at KL Sentral, Malaysia.

As at 30 September 2019, the Building and Structure segment had an outstanding order book of RM1.1 billion (30 September 2018 (restated): RM914.4 million).

Energy Infrastructure segment

During the year ended 30 September 2019, the Energy Infrastructure segment contributed revenue of RM21.1 million, or 6.1%, to the Remaining Group's consolidated revenue, compared to RM40.1 million, or 8.0%, for the year ended 30 September 2018 (restated). Such decrease in segmental revenue contribution was mainly attributable to the delay of the installation of equipment at Damansara Heights power substation project. Meanwhile, lower recognition also come from the underground cabling system projects due to the challenges faced in implementing the projects. Changes of direction from client and also the bureaucratic work permit approval process by the governmental authority have slowed down the progress of the projects.

As at 30 September 2019, the Energy Infrastructure segment had an outstanding order book of RM59.8 million (30 September 2018 (restated): RM96.8 million).

Mechanical and Electrical segment

The Mechanical and Electrical segment recorded revenue of RM14.9 million, or a 4.3% contribution to the consolidated revenue of the Remaining Group for the year ended 30 September 2019, compared to RM43.4 million, or 8.7%, in the year ended 30 September 2018 (restated). Such decrease in the segmental revenue contribution was mainly due to the completion of major projects. For the projects secured in the year ended 30 September 2019, revenue contribution will still be insignificant since they are still very much in the initial stage.

As at 30 September 2019, the segment had secured five new projects worth RM35.3 million, and an outstanding order book of RM79.1 million (30 September 2018 (restated): RM116.1 million).

Earthworks and Infrastructure segment

The Earthworks and Infrastructure segment recorded revenue of RM7.3 million for the year ended 30 September 2019, or 2.1% of the consolidated revenue of the Remaining Group, compared to RM17.7 million, or 3.6%, in the year ended 30 September 2018 (restated). The decrease in the segmental revenue was mainly due to the completion of major earthwork projects and no new sizeable earthwork projects having been secured. As the projects of earthworks and infrastructure works are very competitively priced, the Remaining Group is taking a very pragmatic approach in tendering for new jobs.

As at 30 September 2019, the Earthworks and Infrastructure segment had secured two new projects worth a total of RM1.3 million.

Concession and Maintenance Sector

The Remaining Group has a Public Private Partnership ("**PPP**") contracts currently, which is the BOO solar power purchase agreement signed with TNB, the sole power distributor for Peninsular Malaysia.

*BOO Model – Large Scale Solar Photovoltaic ("**LSSPV**") Power Plant*

This new concession contract involves building a LSSPV power plant which will generate and sell the power generated by the plant to TNB. The plant at Kuala Muda, Kedah, Malaysia has a planned output capacity of 30-megawatt alternate current ("**MW a.c.**"). During the year, the Remaining Group secured the financial closure for this contract, and is currently on track to achieve the commercial operation date of the plant by 30 September 2020, after which the plant will present another source of recurring income to the Remaining Group for 21 years.

During the year ended 30 September 2019, the BOO business model contributed a revenue of RM4.7 million, or 1.4%, to the segmental consolidated revenue of the Remaining Group, compared to RM1.4 million, or 0.3%, in the year ended 30 September 2018 (restated). Such revenue was derived from the adoption of *IFRIC 12 "Service Concession Arrangements"*.

Financial Review

Gross (Loss)/Profit

The Remaining Group recorded gross loss of RM17.7 million in the year ended 30 September 2019 versus gross profit of RM36.0 million in the year ended 30 September 2018 (restated). Such adverse change was mainly attributable to (i) an increase in material costs due to the implementation of the Sales and Services Tax Act 2018 in Malaysia; (ii) compressed gross margin as a result of the more competitive tender process in the subdued property market in Malaysia; (iii) competition intensified in the construction industry in Malaysia with the Malaysian government carrying out a review of major infrastructure projects; and (iv) provision for loss making projects.

Administrative and Other Expenses

Administrative and other expenses reduced from RM67.0 million in the year ended 30 September 2018 (restated) to RM53.4 million in the year ended 30 September 2019, down by RM13.6 million. Such decrease was due to a decrease in amortisation of intangible assets from RM7.2 million in the year ended 30 September 2018 (restated) to RM1.7 million in the year ended 30 September 2019, as the rights on construction contracts for unbilled portion had been substantially amortised in previous years. Furthermore, staff costs decreased from RM36.3 million in the year ended 30 September 2018 to RM30.4

million in the year ended 30 September 2019 with the number of employees down from 398 to 374.

Finance Costs

Finance costs for the year ended 30 September 2019 were RM4.1 million, slightly higher by RM1.9 million, as compared to RM2.2 million in the year ended 30 September 2018. Such marginal increase was mainly due to an increase in short term borrowings for financing working capital of the Company.

Income Tax

Income tax expenses decreased from RM7.1 million in the year ended 30 September 2018 (restated) to RM2.3 million in the year ended 30 September 2019, mainly due to recognition of deferred tax assets of RM3.6 million and reduced tax provision.

Liquidity, Financial Resources and Capital Structure

The net gearing ratio (calculated by dividing total net debts by shareholders' equity) of the Remaining Group was at 0.18 times as compared to net cash position as at 30 September 2018 (restated). Such increase was mainly due to increase in borrowing for financing working capital of the Remaining Group, and also the decrease in equity attributable to owners of the Remaining Group with a loss attributable to owners of the Remaining Group of RM53.1 million recorded in the year ended 30 September 2019.

The total borrowings of RM96.8 million as at 30 September 2019 (as at 30 September 2018 (restated): RM39.1 million).

Cash balances (including fixed deposits) stood at RM45.5 million as at 30 September 2019 as compared to RM90.2 million as at 30 September 2018 (restated), a decrease of RM44.7 million. Such decrease was mainly due to utilisation of cash to finance the operation of various projects, payment of finance costs and repayment of other payables outstanding balances.

Net Current Assets

As at 30 September 2019, the Remaining Group has net current assets of RM112.4 million, as compared to the net current assets of RM195.8 million as at 30 September 2018. The decrease in net current assets was mainly due to decrease in cash and cash equivalents. As at 30 September 2019, the net assets of the Remaining Group amounted to RM187.5 million, representing a decrease of 27.7% as compared to RM259.4 million as at 30 September 2018.

As at 30 September 2019, the Remaining Group had total current liabilities of RM405.2 million as compared to RM310.2 million as at 30 September 2018, mainly comprising of trade and other payables and borrowings. The total non-current liabilities of the Remaining Group amounted to RM5.2 million as at 30 September 2019 as compared to RM9.0 million as at 30 September 2018 which were mainly due to decrease in obligations under finance leases.

Treasury Policies

The Remaining Group's financing and treasury activities are centrally managed and controlled at the corporate level. Bank borrowings of the Remaining Group are all denominated in RM and on a floating rate basis. It is the Remaining Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

The Remaining Group capital expenditure mainly consisted of expenses on procurement of construction machineries and equipment such as aluminium formwork system, which were funded by hire purchase, the proceeds from the global offering of the Company, which was completed in August 2017, and internally generated funds. During the year ended 30 September 2019, the Remaining Group acquired RM5.6 million worth of fixed asset compared to RM6.9 million in the year ended 30 September 2018 (restated).

Charge of Remaining Group's Assets

As at 30 September 2019, certain assets of the Remaining Group were pledged to bank to secure banking facilities of approximately RM55.9 million (30 September 2018: RM48.6 million)

Significant Investment Held

Save as disclosed in Notes 14 and 15 to the Annual Report for the year ended 30 September 2019, the Remaining Group did not hold any other significant investment during the year ended 30 September 2019.

Foreign Exchange

The functional currency of the Remaining Group's operation, assets and liabilities is RM. Therefore, the Remaining Group is not exposed to significant foreign exchange risk and has not employed any financial instrument for hedging, except for HK$ denominated bank balances.

Employees and Remuneration Policy

As at 30 September 2019, the Remaining Group had 374 employees as compared to 398 as at 30 September 2018. Total staff costs incurred for the year ended 30 September

2019 were RM30.4 million compared to RM36.3 million recorded for the year ended 30 September 2018 (restated).

Staff remunerations are determined by the Remaining Group by reference to prevalent market terms and in accordance with the performance, qualifications and experience of an individual employee. Periodic in-house training is provided to enhance knowledge of the workforce. Employees can also attend training programmes conducted by qualified personnel to enhance their skills and working experience.

The Remaining Group has a share option scheme ("**Scheme**") in place, which became effective on 9 August 2017, the day the Company's issued shares were initially listed on the Stock Exchange. The Scheme enables the Board to grant share options to eligible participants with an opportunity to have a personal stake in the Remaining Group. As at the date of this circular, there was no outstanding share option granted under the share option scheme.

Significant event during the year

Thinking ahead, with the LSSPV power plant requiring management services, including financing, construction, operation and maintenance services in due course, the Remaining Group announced on 29 August 2019 that one of the whollyowned subsidiaries of the Remaining Group had signed a joint venture agreement with other parties (who are leaders in solar and/or transmission industries, in Malaysia and the world) to invest in a joint venture company ("**JV Company**") that provides management services in relation to renewable energy business. The JV Company has not only signed a management services agreement with the Remaining Group to provide management services in relation to renewable energy to the 30 MW a.c. solar power plant in Kuala Muda, Kedah, Malaysia but has also signed a management services agreement with another company holding a 30 MW a.c. LSSPV power plant at Machang, Kelantan in Malaysia.

For the year ended 30 September 2018

Construction Services Sector

Although the business recorded lower revenue and profit in the year ended 30 September 2018, it continued to offer comprehensive services, serving the Remaining Group as the main revenue contributor. In the year ended 30 September 2018, it brought in revenue of RM497.0 million, accounting for 99.7% of the Remaining Group's total revenue, compared to RM684.4 million, 100.0%, in the year ended 30 September 2017. The drop was mainly due to the lower recognition in Building and Structure Works, Energy Infrastructure Works and Earthwork and Infrastructure Works, though Mechanical and Electrical Works recorded impressive growth.

During the year ended 30 September 2018, the Remaining Group secured 26 new project contracts of total worth RM537.6 million. The more notable projects included construction of Bangsar 61 Basement Works in Kuala Lumpur for Pelaburan Hartanah Berhad and Building Works for a Combined Cycle Gas Turbine ("**CCGT**") Power Plant at Melaka for Hyundai Engineering Malaysia.

As at 30 September 2018, the Remaining Group's construction services order book carried a total value of RM2.6 billion, and the outstanding order book was RM1.2 billion.

Building and Structures segment

The Building and Structure Works segment reduced by 25.4% from RM530.0 million in the year ended 30 September 2017 to RM395.6 million in the year ended 30 September 2018 as the major ongoing projects procured in the year ended 30 September 2017 such as Spice Hotel, Sky Seputeh, V-Residency 5 and major ongoing projects procured in the year ended 30 September 2018 such as TNB Worker's Quarters, Melaka Power Plant and Bangsar 61 were all in the early stage of implementation.

In the year ended 30 September 2018, all the major projects undertaken by the segment were still in progress. Certificate of Completion was obtained for the MSM Warehouse and The Serini, whereas D'Pristine Medini was near completion. Projects progressing well included the Sky Seputeh, Setia Spice, and V-Residency 5, and new projects kicked off during the year included Building Works for the Melaka 2,422mw CCGT Power Plant, the Tenaga Nasional Berhad ("**TNB**") Worker's Quarters and the Bangsar 61. The ongoing and new projects are expected to bring increasing contributions as they progress.

During the year, the segment secured seven new contracts of total worth RM439.0 million. The single largest contract procured in the year ended 30 September 2018 was the Bangsar 61 amounting to RM273.6 million, while Building Works for the Melaka 2,422mw CCGT Power Plant and the TNB Worker's Quarters were tagged RM50.0 million and RM76.5 million respectively. The total value of the segment's current outstanding order book is RM914.4 million.

Energy Infrastructure segment

The Energy Infrastructure Works segment experienced a decrease of 28.6% from RM56.2 million in the year ended 30 September 2017 to RM40.1 million in the year ended 30 September 2018. Lower income was recorded as a major substation project awarded in the year ended 30 September 2017, PMU 275/132kV Damansara Heights, was yet to progress to the advance stage of implementation. Meanwhile, two 132kV underground cabling works awarded in the year ended 30 September 2018, namely PMU Sri Hartamas to PMU Matrade and PMU Shah Alam 18 to PMU Sirim were still at the design stage as of 30 September 2018.

The segment managed to procure three contracts of total value RM31.1 million during the year, as such maintained its outstanding order book of RM96.8 million worth as at 30 September 2018.

Mechanical and Electrical segment

The Mechanical and Electrical Works segment increased of 2.6% increase from RM42.3 million in the year ended 30 September 2017 to RM43.4 million in the year ended 30 September 2018. While D'Pristine Medini was nearing its completion, the progress was slower than expected. Progress at The Henge has moved to a more advance progress stage, thus making a larger contribution to the year ended 30 September 2018 while most of other projects were still in the early stage of progress.

The segment also secured 15 new contracts of total worth RM31.6 million during the year ended 30 September 2018, giving it a healthy outstanding order book with contracts of value RM116.1 million in all.

Earthwork and Infrastructure segment

The Earthwork and Infrastructure Works segment saw a decrease of 71.0% from RM61.1 million in the year ended 30 September 2017 to RM17.7 million in the year ended 30 September 2018. The sharp decrease was due to the low number of projects and lower amount of outstanding contract sum. Kuala Langat was the project actively contributing to this segment.

Nevertheless, the segment was able to secure one new contract in the amount of RM36.0 million in the year ended 30 September 2018. The contract covers Earthworks, Soil Improvements Works, Instrumentation Works and Associated Works at Kuala Langat. The outstanding order book of the segment stood at RM29.4 million as at 30 September 2018.

Concession and Maintenance Sector

The Concession and Maintenance segment experienced a minor increase from RM Nil in the year ended 30 September 2017 to RM1.4 million in the year ended 30 September 2018 due to the contribution of our LSS project arising from the compliance with IFRIC 12 "Service Concession Arrangements". According to the nature of concession income, these minor changes are all within the Remaining Group expectation.

On 12 December 2017, the Remaining Group made a voluntary announcement on it securing a concession to construct and develop a Large Scale Solar Photovoltaic Plant ("**LSSPV Plant**") of 30 megawatt alternate current ("**MWa.c.**") at Kuala Muda, Negeri Kedah, Malaysia. Subsequently, on 27 March 2018 and 24 April 2018 respectively, the Remaining Group has signed a 21-year Power Purchasing Agreement with TNB, the sole electricity distributor in Peninsular Malaysia, and received the Letter of Award from the Energy Commission of Malaysia.

The Remaining Group is now working towards the financial closure for the concession and on track to achieving the Commercial Operation Date ("**COD**") of the LSSPV Plant on 30 September 2020, after which it will be able to generate recurring income from the project for a period of 21 years.

Financial review

Gross Profit

Gross profit reduced to RM36.0 million in the year ended 30 September 2018 from RM122.0 million in the year ended 30 September 2017 while the gross margin dropped to 7.2%for the year ended 30 September 2018 from 17.8% in the year ended 30 September 2017. The decreases in gross profit were mainly due to the facts that (i) most of the projects in hand were still in the early stage of progress; and (ii) completed projects were still awaiting the final account and claim settlement. Meanwhile, the reduction in gross margin was owing to (i) the intensified competition in the tender and award process as lesser projects were being tendered and awarded out; (ii) the increase in the material cost of steel product for the ongoing projects; and (iii) the infancy stage of the some of the newly awarded contracts.

Administrative and Other Expenses

Administrative and Other expenses decreased from RM72.8 million for the year ended 30 September 2017 to RM67.0 million for the year ended 30 September 2018 due to one off IPO expense incurred in the year ended 30 September 2017. The administrative expenses for the year ended 30 September 2018 were incurred mainly for staff cost and depreciation. Headcount increased from 372 to 398 as more human resources were required to cope with the new projects spanning a very diversified locations. A similar situation went to acquiring more machineries and equipment to cater to those new projects that span across different states in Malaysia. Higher depreciation charges of RM9.4 million in the year ended 30 September 2018 were therefore recorded as compared with RM8.0 million recognised in the year ended 30 September 2017.

Finance Costs

Finance costs incurred reduced by 4.5% from RM2.3 million for the year ended 30 September 2017 to RM2.2 million in the year ended 30 September 2018. The moderation was due to the renegotiation and revision of bank borrowing interest rates after a successful listing of the Company's issued shares ("**Shares**").

Income Tax

Effective income tax rate for the year ended 30 September 2018 was -0.9% compared with 43.6% in the year ended 30 September 2017. The higher effective income tax rate was mainly due to non-recognisation of unutilised tax loss as deferred tax asset from the loss making subsidiaries and underprovision of tax expense in prior year.

Liquidity, Financial Resources and Capital Structure

The gearing ratio (calculated by dividing total net debts by shareholders' equity) was not calculated as at 30 September 2018, as the Remaining Group is at a net cash position.

The cash and cash equivalent as at 30 September 2018 was recorded at RM90.2 million as compared to RM135.4 million recorded as at 30 September 2017. The decrease in cash and cash equivalent was due to investment in plant and equipment, financing of new projects and the payment of dividend. The Remaining Group consider that the level of cash balances to be reasonable and would enable the Remaining Group to take on suitable business opportunities in a very competitive and efficient manner.

Treasury policies

The Remaining Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Remaining Group's bank borrowings are all denominated in RM and have been arranged on a floating-rate basis. It is the Remaining Group's policy not to enter into derivative transactions for speculative purposes.

Net current assets

As at 30 September 2018, the Remaining Group incurred net current assets of RM195.8 million, as compared to the net current assets of RM246.6 million as at 30 September 2017. The decrease in net current assets was mainly due to decrease in cash and cash equivalents and amount owing by customers for contract works. As at 30 September 2018, the net assets of the Remaining Group amounted to RM259.4 million, representing a decrease of 15.3% as compared to RM306.3 million as at 30 September 2017.

As at 30 September 2018, the Remaining Group had total current liabilities of RM310.2 million as compared to RM314.4 million as at 30 September 2017, mainly comprising of trade and other payables and borrowings. The total non-current liabilities of the Remaining Group amounted to RM9.0 million as at 30 September 2018 as compared to RM24.6 million as at 30 September 2017 which were mainly due to decrease in obligations under finance leases.

Capital expenditure

The Remaining Group capital expenditure mainly consisted of procurement of construction machineries and equipment such as aluminium formwork system, which were funded by hire purchase, the proceeds from its global offering completed in August 2017 and internally generated funds. In the year ended 30 September 2018, the Remaining Group acquired RM6.9 million worth of construction machineries and equipment compared to RM32.0 million in the year ended 30 September 2017.

Charges on Remaining Group's Assets

As at 30 September 2018, certain assets of the Remaining Group were pledged to bank to secure banking facilities of approximately RM39.1 million (30 September 2017: RM8.3 million).

Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Remaining Group has no material acquisitions or disposals of subsidiaries and associated companies during the year ended 30 September 2018.

Significant Investments Held

The Remaining Group did not hold any significant investments during the year ended 30 September 2018.

Foreign Exchange

The functional currencies of the Remaining Group operation, asset and liabilities are denominated in RM. Therefore, the Remaining Group are not exposed to significant foreign exchange risk and had not employed any financial instrument for hedging except for the Hong Kong Dollar ("**HKD**") denominated fixed deposit and bank balances.

The fluctuation of RM against the HKD has resulted in an unrealised foreign exchange loss of RM0.38 million in the year ended 30 September 2018 compared to RM0.99 million in the year ended 30 September 2017.

Employees and Remuneration Policy

As at 30 September 2018, the Remaining Group's workforce stood at 398 employees compared with 372 employees as at 30 September 2017. Total staff costs incurred in the year ended 30 September 2018 was RM36.3 million as compared to RM28.4 million recorded in the year ended 30 September 2017. The increase in the number of workforce was needed to manage the new projects that are now spanning a wider geographical area.

Remuneration is determined by reference to prevalence market terms and in accordance with the performance, qualification and experience of each individual employee. Periodic inhouse training is provided to enhance the knowledge of the workforce. Meanwhile, training programs conducted by qualified personnel are also attended by our employees to enhance their skills set and working experience.

The Remaining Group has adopted a share option scheme ("**Share Option Scheme**") which became effective on the Listing Date to enable the Board to grant share options to eligible participants with an opportunity to have a personal stake in the Company. As at the date of this circular, there was no outstanding share option granted under the Share Option Scheme in the Remaining Group.

For the year ended 30 September 2017

Construction Services Sector

In adhering to its business model, the Remaining Group intensified its efforts in winning the right kind of projects which has helped sharpen its competitive advantage. Driven by the growth experienced by the Malaysian construction industry, construction services continue to be the Remaining Group's main revenue contributor, contributing 100.0% or RM684.1 million during the year ended 30 September 2017 as compared to 100.0% or RM508.1 million in the year ended 30 September 2016, primarily driven by the organic growth of its business segments, namely Building and Structures, Energy and Infrastructure as well as Mechanical and Electrical.

The Remaining Group's ability to deliver value engineering services and innovative end-to-end integrated solutions, coupled with strong execution and effective cost control capabilities has given it the competitive advantage to successfully complete several key projects, namely refurbishment works of the Bukit Jalil National Sports Complex into Kuala Lumpur Sports City, the Mahogony, Kingsley International School and V-Residency.

For the year ended 30 September 2017, the Remaining Group secured 23 new projects with a total contract value of RM792.6 million, including the construction of Spice Hotel in Penang and Setia Sky Seputeh in Kuala Lumpur. As at 30 September 2017, the Remaining Group's order book for Construction Services stood at RM2.2 billion while its outstanding order book stood at RM1.2 billion.

Building and Structures segment

The Building and Structures segment increased by 42.7% from RM371.3 million in the year ended 30 September 2016 to RM530.0 million in the year ended 30 September 2017 following the increase in construction progress for the Remaining Group's ongoing projects such as D'Pristine @ Medini, V-Residency 2 and Serini. The refurbishment works of the Bukit Jalil National Sports Complex into the Kuala Lumpur Sports City also contributed RM48.0 million in revenue during the year ended 30 September 2017.

During the year ended 30 September 2017, some of the key projects completed include the 20-storey apartment (The Mahogony) at Saujana Impian, construction of two blocks of 22-storey apartment known as V-Residency 2 as well as Kingsley International School. Another project that is reaching completion is the MSM Warehouse and this project cemented the Remaining Group's ability to correctly identify new growth drivers, namely construction of industrial assets, under the Building and Structures segment.

For the year ended 30 September 2017, the Remaining Group secured seven new contracts worth RM648.1 million for this segment such as the MSM Warehouse, Setia Sky Seputeh in Kuala Lumpur and Spice Hotel in Penang. The Remaining Group had an outstanding order book of RM918.1 million in the Building and Structures segment as at 30 September 2017.

Energy Infrastructure segment

The Energy Infrastructure segment increased by 142.2% from RM23.2 million in the year ended 30 September 2016 to RM56.2 million in the year ended 30 September 2017 following its success in securing new projects such as power substation works at PMU 132KV Damansara Heights and underground cabling works from PMU Tanjung Kupang to SSU Forest City, from PMU Damansara City to PMU Brickfield.

The Energy Infrastructure segment has been identified as one of the key growth drivers for the Remaining Group Construction Services component moving forward. Given the increasing demand for sustainable and reliable electricity transmission and distribution in tandem with the country's rapid economic growth, it is expected that the government-driven initiatives to expand the transmission and distribution grid will improve the current transmission and distribution capacity.

During the year ended 30 September 2017, the Remaining Group undertook Energy Infrastructure works that involved the installation of 33kV underground systems and construction of a 275k power substation. During the year ended 30 September 2017, the Remaining Group completed eight projects, with a total contract value of RM29.7 million, such as the installation, testing and commissioning of 33kV single core underground cable with fibre optic cables from PMU Pasak to SSU Sedeli Besar in Johor, Malaysia, from PMU Tanjung Kupang to PMU Forest City and from PMU BKMC to PMU MRT Cuepacs.

This segment's outstanding order book stood at RM107.3 million as at 30 September 2017. For the year ended 30 September 2017, the Energy Transmission and Distribution segment secured 11 new projects with a total contract value of RM100.9 million, such as power substation works at PMU 132KV Damansara Heights and underground cabling works from PMU Tanjung Kupang to SSU Forest City, and from PMU Damansara City to PMU Brickfield.

Mechanical and Electrical segment

The Mechanical and Electrical segment revenue increased twofold from RM18.5 million in the year ended 30 September 2016 to RM42.3 million in the year ended 30 September 2017 due to a significant increase in construction progress in Melawati and

Sendayan projects. The Remaining Group's newly secured project, "The Henge" in Kepong also contributed to higher revenue recognised in the year ended 30 September 2017.

The Remaining Group Mechanical and Electrical segment provides smooth end-to-end integration which allows the Remaining Group to plan, design, source, build and manage the overall construction supply chain right down to the smallest details. Across all the projects, the Remaining Group have incorporated value engineering into the Mechanical and Electrical system planning and design as this allows the Remaining Group to optimise functionality, safety, efficiency and lower maintenance costs.

During the year ended 30 September 2017, the Remaining Group completed four mechanical and electrical works for commercial and office buildings for contracts amounting to RM40.9 million, which included being the subcontractor for the extra-low voltage, low voltage and medium voltage electrical services works for the construction of a 13-storey commercial complex at Melawati Town Centre in Selangor.

During the year ended 30 September 2017, this segment secured one new contract worth RM35.1 million for The Henge Metropolitan and it had outstanding contracts worth RM195.2 million as at 30 September 2017.

Earthworks and Infrastructure segment

The Earthworks and Infrastructure Construction works segment worked as a subcontractor through its subsidiary Headway Construction. During the year ended 30 September 2017, this segment won three new contracts worth RM7.9 million for earthworks in Kota Seriemas PT20, Bukit Rahman Putra Sungai Buloh and Pengerang.

As at 30 September 2017, the Earthworks and Infrastructure segment's outstanding order book amounted to RM12.2 million and the Remaining Group are working on securing a pipeline of new projects during the year ended 30 September 2017.

Financial review

Gross Profit

Gross margin increased to 17.8% in the year ended 30 September 2017 from 11.7% in the year ended 30 September 2016 owing to the decrease in the Building and Structures segment's gross margin from 20.7% to 17.3%. This was a result of the increase in the construction cost of D'Pristine @ Medini project which was affected by changes in design and acceleration of construction activities to speed up the works progress to ensure prompt delivery of the project to the client.

Another factor which contributed to the decrease in the gross margin of construction projects was the sharp increase in steel bar prices. Additional provision for defect works for certain completed projects also contributed to the decline in the Company's gross margin.

Administrative and Other Expenses

Administrative expenses increased from RM36.5 million in the year ended 30 September 2016 to RM72.8 million in the year ended 30 September 2017, mainly due to increases in staff costs, depreciation and listing expenses. The increase in headcount from 319 to 372 contributed to a substantial increase in staff costs as more headcount was required to cope with higher business volume arising from significant progress in construction activities. The staff costs increased from RM19.1 million in the year ended 30 September 2016 to RM28.4 million in the year ended 30 September 2017. Higher depreciation charges of RM7.8 million were recorded in the year ended 30 September 2017 as compared to RM4.6 million recognised in the year ended 30 September 2016 due to acquisition of more construction machineries and equipment during the year under review. The one-off listing expenses of RM15.7 million also contributed to higher administrative expenses recorded in the year ended 30 September 2017.

Finance costs

Finance costs decreased by 20.7% from RM2.9 million in the year ended 30 September 2016 to RM2.3 million in the year ended 30 September 2017 due to a one-off reduction in the bank borrowing interest rates for project from 7.75% to 6.85%.

Income tax

Effective income tax in the year ended 30 September 2017 was 43.6% compared with 25.0% in the year ended 30 September 2016. Higher effective income tax was due to the non-deductible listing expenses incurred in the year ended 30 September 2017 and the underprovision of income tax in prior year.

Liquidity, Financial Resources and Capital Structure

The gearing ratio (calculated by dividing total net debts by shareholders' equity) was not calculated as at 30 September 2017, as the Remaining Group is at a net cash position. The net cash position is mainly due to an increase in equity attributable to the higher accumulated retained earnings and new shares issued from the Global Offering.

The Remaining Group cash and cash equivalents as at 30 September 2017 amounted to RM145.7 million compared to RM55.6 million recorded as at 30 September 2016. The increase was due to funds raised from the Global Offering.

Treasury Policies

The Remaining Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Remaining Group's bank borrowings are all denominated in RM and have been arranged on a floating-rate basis. It is the Company's policy not to enter into derivative transactions for speculative purposes.

Net current assets

As at 30 September 2017, the Remaining Group net current assets amounted to RM246.6 million compared to net current assets of RM4.4 million recorded as at 30 September 2016.

The Board regularly reviewed the maturity analysis of the Remaining Group's contractual liabilities and concluded that we have no liquidity issue that may cast significant doubt on the Company's ability to continue as a going concern.

Capital Expenditure

The Remaining Group capital expenditures mainly consist of procurement of construction machineries such as tower cranes, concrete pumps and aluminium formworks which were financed by hire purchase, the IPO proceeds and internally generated funds. For the year ended 30 September 2017, the Remaining Group acquisition of property, plant and equipment amounted to RM32.0 million which mainly comprised construction machineries and equipment.

Charges on Remaining Group's Assets

As at 30 September 2017, certain assets of the Remaining Group were pledged to bank to secure banking facilities of approximately RM44.5 million (30 September 2016: RM31.7 million).

Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Remaining Group has no material acquisitions or disposals of subsidiaries and associated companies during the period from the Listing Date to 30 September 2017.

Significant Investments Held

The Remaining Group did not hold any significant investments during the year ended 30 September 2017.

Foreign Exchange

The functional currencies of the Remaining Group operations, assets and liabilities are mostly denominated in RM. Therefore, the Remaining Group are not exposed to any significant foreign exchange risk and have not employed any financial instrument for hedging.

Employees and Remuneration Policy

As at 30 September 2017, the Remaining Group had a work force of 372 employees compared with 319 employees as at 30 September 2016. Total staff costs incurred for the year ended 30 September 2017 were RM28.4 million as compared to RM19.1 million recorded in the year ended 30 September 2016.

UNAUDITED FINANCIAL INFORMATION OF KAS ENGINEERING

Set out below are the unaudited statements of financial position of KAS Engineering Sdn. Bhd. (the "**Disposal Company**") as at 30 September 2017, 2018, 2019 and 30 June 2020 and the unaudited statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Disposal Company for each of the three years ended 30 September 2019 and the nine months ended 30 June 2019 and 2020 (the "**Relevant Periods**") and explanatory notes, which have been reviewed by the reporting accountants, ZHONGHUI ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

A. UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 30 September			Nine months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	10,518	10,872	10,382	8,458	8,642
Cost of sales	(4,419)	(5,222)	(6,404)	(5,144)	(6,605)
Gross profit	6,099	5,650	3,978	3,314	2,037
Income from concession agreements	43,678	43,062	42,395	31,796	31,261
Other income	439	577	779	422	445
Administrative and other expenses	(2,250)	(2,451)	(7,765)	(3,111)	(5,343)
Finance costs	(16,593)	(16,408)	(14,896)	(12,512)	(9,737)
Profit before tax	31,373	30,430	24,491	19,909	18,663
Income tax expense	(1,577)	(7,351)	(7,188)	(5,244)	(6,416)
Profit and total comprehensive income for the year/period	29,796	23,079	17,303	14,665	12,247

B. UNAUDITED STATEMENTS OF FINANCIAL POSITION

	30 September			30 June
	2017	2018	2019	2020
	RM'000	*RM'000*	*RM'000*	*RM'000*
ASSETS				
Non-Current Assets				
Property, plant and equipment	656	473	406	249
Trade receivables	273,310	268,709	263,631	259,413
Right-of-use assets	–	–	–	34
Total Non-Current Assets	273,966	269,182	264,037	259,696
Current Assets				
Trade and other receivables, deposits and prepaid expenses	10,394	9,625	13,507	12,452
Loans to immediate holding company	–	–	11,500	1,631
Tax recoverable	229	–	–	–
Restricted fixed deposit	10,300	–	10,300	16,300
Restricted bank balances	21	10,357	98	–
Cash and bank balances	10,906	18,350	8,017	8,537
Total Current Assets	31,850	38,332	43,422	38,920
Total Assets	305,816	307,514	307,459	298,616
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	5,000	5,000	5,000	5,000
Reserves	33,114	56,193	73,496	85,743
Total Equity	38,114	61,193	78,496	90,743
Non-Current Liabilities				
Obligations under finance leases	406	248	163	–
Borrowings	223,178	204,667	180,822	162,939
Deferred tax liabilities	2,680	8,509	11,318	14,232
Lease liabilities	–	–	–	69
Total Non-Current Liabilities	226,264	213,424	192,303	177,240

	30 September			30 June
	2017	**2018**	**2019**	**2020**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Current Liabilities				
Trade and other payables	967	89	557	5,599
Obligations under finance leases	149	158	185	–
Borrowings	23,288	23,845	23,845	23,845
Lease liabilities	–	–	–	170
Tax liabilities	–	1,522	1,005	1,019
Due to immediate holding company	17,034	7,283	11,068	–
Total Current Liabilities	41,438	32,897	36,660	30,633
Total Liabilities	267,702	246,321	228,963	207,873
Total Equity and Liabilities	305,816	307,514	307,459	298,616

C. UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Accumulated profits	Total
	RM'000	*RM'000*	*RM'000*
At 1 October 2016	5,000	3,318	8,318
Profit and total comprehensive income for the year	–	29,796	29,796
At 30 September 2017	5,000	33,114	38,114
Profit and total comprehensive income for the year	–	23,079	23,079
At 30 September 2018	5,000	56,193	61,193
Profit and total comprehensive income for the year	–	17,303	17,303
At 30 September 2019	5,000	73,496	78,496
At 1 October 2019	5,000	73,496	78,496
Profit and total comprehensive income for the period	–	12,247	12,247
At 30 June 2020	5,000	85,743	90,743

D. UNAUDITED STATEMENTS OF CASH FLOWS

	Year ended 30 September			Nine months ended 30 June	
	2017	2018	2019	2019	2020
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	31,373	30,430	24,491	19,909	18,663
Adjustments for:					
Finance costs	16,593	16,408	14,896	12,512	9,737
Bad debts written off	–	–	79	79	2,533
Depreciation of property, plant and equipment	195	197	197	146	157
Depreciation of right-of-use assets	–	–	–	–	21
Interest income from loans to immediate holding company	–	–	(297)	(182)	–
Interest income	(432)	(576)	(477)	(239)	(391)
Imputed interest income from concession agreements	(43,678)	(43,062)	(42,395)	(31,796)	(31,261)
Operating profit/(loss) before working capital changes	4,051	3,397	(3,506)	429	(541)
Change in trade and other receivables, deposits and prepaid expenses	47,562	48,432	43,512	35,084	34,001
Change in trade and other payables	883	(878)	468	2,078	5,251
Change in amount due to immediate holding company	(11,229)	(9,751)	4,082	(1,613)	(1,199)
Cash generated from operations	41,267	41,200	44,556	35,978	37,512
Income taxes (paid)/refunded	(117)	229	(4,896)	(3,147)	(3,488)
Lease interests paid	–	–	–	–	(13)
Net cash generated from operating activities	41,150	41,429	39,660	32,831	34,011

	Year ended 30 September			Nine months ended 30 June	
	2017	2018	2019	2019	2020
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Withdrawal of restricted bank balances	11,507	402	10,259	10,357	98
Placement of restricted bank balances	(10,410)	(10,738)	–	–	–
Loans provided to immediate holding company	–	–	(11,500)	(11,500)	–
(Increase)/Decrease in restricted fixed deposits	(9,298)	10,300	(10,300)	(10,300)	(6,000)
Interest received	432	576	477	239	391
Purchases of property, plant and equipment	(6)	(14)	(30)	(2)	–
Net cash (used in)/generated from investing activities	(7,775)	526	(11,094)	(11,206)	(5,511)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings	(25,463)	(17,954)	(23,845)	(19,871)	(17,883)
Repayment of obligation under finance lease	(175)	(149)	(158)	(126)	–
Repayment of lease liabilities	–	–	–	–	(373)
Interest paid	(16,557)	(16,408)	(14,896)	(12,512)	(9,724)
Net cash used in financing activities	(42,195)	(34,511)	(38,899)	(32,509)	(27,980)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,820)	7,444	(10,333)	(10,884)	520
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	19,726	10,906	18,350	18,350	8,017

	Year ended 30 September			Nine months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	10,906	18,350	8,017	7,466	8,537
ANALYSIS OF CASH AND CASE EQUIVALENTS					
Cash and bank balances	10,906	18,350	8,017	7,466	8,537

NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF KAS ENGINEERING

1. GENERAL

BGMC International Limited (the "**Company**") and its subsidiaries (together the "**Group**") were engaged in the provision of a wide range of construction services.

On 16 November 2020, the Company entered into an equity transfer agreement for the disposal of the entire equity interest in KAS Engineering Sdn. Bhd. (the "**Disposal Company**") to AB CONCESSION VENTURE SDN. BHD. at a consideration of RM93.8 million (the "**Disposal**"). Upon completion of the Disposal, the Disposal Company will cease to be a subsidiary of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The unaudited financial information of the Disposal Company has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the Disposal.

The amounts included in the unaudited financial information for each of the three years ended 30 September 2019 have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of the Company's annual consolidated financial statements, which conform with International Financial Reporting Standards issued by the International Accounting Standards Board.

The amounts included in the unaudited financial information for each of the nine months ended 30 June 2019 and 2020 have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of the Company's unaudited condensed consolidated financial statements, which conform with International Accounting Standard 34 issued by the International Accounting Standards Board.

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and should be read in conjunction with the Company's annual and interim consolidated financial statements.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the proposed disposal of the 100 % equity interest in KAS Engineering Sdn. Bhd. (the "**Disposal**") might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Remaining Group for the year ended 30 September 2019 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the year ended 30 September 2019 as extracted from the annual report of the Company for the year ended 30 September 2019 as if the Disposal had been completed on 1 October 2018.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 March 2020 is prepared based on the unaudited consolidated statement of financial position of the Group as at 31 March 2020 as extracted from the interim report of the Company for the six months ended 31 March 2020 as if the Disposal had been completed on 31 March 2020.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group As at 31 March 2020	Pro forma adjustments			The Remaining Group As at 31 March 2020
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	
ASSETS					
Non-Current Assets					
Property, plant and equipment	31,860	(304)			31,556
Right-of-use assets	19,230	(40)			19,190
Investment property under construction	507				507
Investment in associates	–				–
Investment in redeemable convertible preference shares	4,274				4,274
Intangible assets	12,574		(7,367)		5,207
Share application monies	2,886				2,886
Trade receivables	337,896	(261,330)			76,566
Total Non-Current Assets	409,227				140,186
Current Assets					
Inventories	11,580				11,580
Investment in redeemable convertible preference shares	9,971				9,971
Trade and other receivables, deposits and prepaid expenses	119,862	(10,924)			108,938
Contract assets	258,765				258,765
Tax recoverable	4,040				4,040
Fixed deposits	36,900	(3,500)			22,547
		(10,853)			
Cash and bank balances	30,417	(8,972)		93,787	113,932
				(1,300)	
Total Current Assets	471,535				529,773
Total Assets	880,762				669,959

	The Group As at 31 March 2020	Pro forma adjustments			The Remaining Group As at 31 March 2020
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	9,862				9,862
Reserves	102,099			(4,099)	98,000
Equity attributable to owners of the Company	111,961				107,862
Non-controlling interests	(5,727)				(5,727)
Total Equity	106,234				102,135
Non-Current Liabilities					
Redeemable preference shares	31,730				31,730
Borrowings	145,055	(145,055)			–
Share application monies	5,500				5,500
Lease liabilities	19,146	(92)			19,054
Deferred tax liabilities	13,684	(13,255)			429
Total Non-Current Liabilities	215,115				56,713

	The Group As at 31 March 2020	Pro forma adjustments			The Remaining Group As at 31 March 2020
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	
Current Liabilities					
Contract liabilities	125,884				125,884
Trade and other payables	292,685	(187)			292,498
Amount due to Disposal Company	–	350			471
		121			
Borrowings	131,881	(47,689)			84,192
Amount due to associate	2,938				2,938
Lease liabilities	5,328	(200)			5,128
Tax liabilities	697	(697)			–
Total Current Liabilities	559,413				511,111
Total Liabilities	774,528				567,824
Total Equity and Liabilities	880,762				669,959

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group For the year ended 30 September 2019	Pro forma adjustments			The Remaining Group For the year ended 30 September 2019
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
Revenue	353,738	(10,382)			343,356
Cost of sales	(367,463)	6,404			(361,059)
Gross loss	(13,725)				(17,703)
Income from concession agreements	42,761	(42,395)			366
Other income	3,902	(779)		23,213	26,336
Administrative and other expenses	(61,121)	7,765	475		(52,881)
Impairment losses of financial assets and contract assets, net	(1,763)				(1,763)
Other losses, net	(4,081)				(4,081)
Finance costs	(18,985)	14,896			(4,089)
Loss before tax	(53,012)				(53,815)
Income tax (expense)/credit	(2,264)	7,188			4,924
Loss and total comprehensive loss for the year	(55,276)				(48,891)
Loss and total comprehensive loss for the year attributable to:					
Owners of the Company	(53,063)	(17,303)		23,213	(47,153)
Non-controlling interests	(2,213)				(2,213)
	(55,276)				(49,366)

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group For the year ended 30 September 2019	Pro forma adjustments			The Remaining Group For the year ended 30 September 2019
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
OPERATING ACTIVITIES					
Loss before tax	(53,012)	(24,491) 297		23,213	(53,993)
Adjustments for:					
Finance costs	18,985	(14,896)			4,089
Depreciation of property, plant and equipment	8,818	(197)			8,621
Impairment of goodwill	4,757				4,757
Impairment of property, plant and equipment	2,601				2,601
Amortisation of intangible assets	1,742		(475)		1,267
Impairment of other receivables	1,500				1,500
Bad debts written off	985	(79)			906
Net loss on derivatives	335				335
Impairment of trade receivables	294				294
Gain on disposal of a subsidiary	–			(23,213)	(23,213)
Property, plant and equipment written off	9				9
Imputed interest income from trade receivables	(42,761)	42,395			(366)
Interest income from bank deposits	(2,284)	477			(1,807)
Unrealised (gain)/loss on foreign exchange	(735)				(735)
Gain on disposal of property, plant and equipment	(247)				(247)
Reversal of impairment on contract assets	(30)				(30)

	The Group For the year ended 30 September 2019	Pro forma adjustments			The Remaining Group For the year ended 30 September 2019
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
Operating Cash Flows Before Movements In Working Capital	(59,043)				(56,012)
Change in inventories	3,860				3,860
Change in trade and other receivables, deposits and prepaid expenses	93,553	(43,512)			50,041
Change in contract assets	(102,819)				(102,819)
Change in trade and other payables	18,782	(468)			18,314
Change in contract liabilities	(4,604)				(4,604)
Change in amount due to Disposal Company	–	7,418			7,418
Net Cash Used In Operations	(50,271)				(83,802)
Income tax paid	(9,968)	4,896			(5,072)
Income tax refunded	260				260
Net Cash Used In Operating Activities	(59,979)				(88,614)
INVESTING ACTIVITIES					
Interest received	2,284	(477)			1,807
Purchase of intangible assets	(3,309)				(3,309)
Purchase of property, plant and equipment	(2,155)	30			(2,125)
Purchase of investment property under construction	(376)				(376)
Proceed from disposal of property, plant and equipment	711				711
Disposal of a subsidiary	–			(18,350)	74,137
				(1,300)	
				93,787	

	The Group For the year ended 30 September 2019	Pro forma adjustments			The Remaining Group For the year ended 30 September 2019
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
Investment in redeemable convertible preference shares	(22,045)				(22,045)
Advances to related parties	(2,799)				(2,799)
Payment of share application monies	(2,886)				(2,886)
Placement of restricted bank balances	(3,787)				(3,787)
Withdrawal of restricted bank balances	10,258	(10,259)			(1)
Placement of pledged and restricted fixed deposits	(23,410)	10,300			(13,110)
Net Cash (Used In)/Generated From Investing Activities	(47,514)				26,217
FINANCING ACTIVITIES					
Interest paid	(18,985)	14,896			(4,089)
Dividend paid	–				–
New borrowings raised	212,017				212,017
Repayment of borrowings	(185,429)	23,845			(161,584)
Repayment of obligations under finance leases	(10,246)	158			(10,088)
Increase/(Decrease) in bank overdrafts	8,409				8,409
Receipt of share application monies	37,230				37,230
Repayment to related parties	(10,000)				(10,000)
Contributions by non-controlling interests	2,945				2,945
Net Cash Generated From Financing Activities	35,941				74,840
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(71,552)				12,443
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	88,738				88,738
Effect of foreign exchange rates	(399)				(399)
CASH AND CASH EQUIVALENTS AT END OF YEAR	16,787				100,782

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The unaudited consolidated statement of financial position of BGMC International Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") as at 31 March 2020 is extracted from the published interim report of the Company for the six months ended 31 March 2020. Its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 30 September 2019 are extracted from the published annual report of the Company for the year ended 30 September 2019.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposal had taken place on 31 March 2020.

   (a) The adjustments represent the de-recognition of assets and liabilities of KAS Engineering Sdn. Bhd. (the "**Disposal Company**") as at 31 March 2020, assuming the Disposal had taken place on 31 March 2020.

   This adjustment is not expected to have a continuing effect on the Remaining Group.

   (b) The adjustment represents the de-recognition of intangible asset (the "**KAS Intangible Asset**") of the Disposal Company with carrying amount of approximately RM7.4 million, which was arisen from an acquisition in year 2015, as if the Disposal had taken place on 31 March 2020.

   This adjustment is not expected to have a continuing effect on the Remaining Group.

   (c) The adjustment represents (i) the estimated gross proceeds from the Disposal of approximately RM93.8 million; (ii) the estimated transaction costs directly attributable to the Disposal of approximately RM1.3 million; and (iii) the estimated loss on the Disposal of approximately RM4.1 million as if the Disposal had taken place on 31 March 2020. It is assumed that the transaction costs will be settled by cash.

   This adjustment is not expected to have a continuing effect on the Remaining Group.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Disposal had taken place on 1 October 2018:

   (a) The adjustment represents the exclusion of the financial performance and cash flows of the Disposal Company for the year ended 30 September 2019, assuming the Disposal had taken place on 1 October 2018.

   This adjustment is not expected to have a continuing effect on the Remaining Group.

   (b) The adjustment represents the amortisation of approximately RM0.5 million which is arisen from KAS Intangible Asset for the year ended 30 September 2019.

   This adjustment is not expected to have a continuing effect on the Remaining Group.

   (c) The adjustment represents (i) the estimated gross proceeds from the Disposal of approximately RM93.8 million; (ii) the estimated transaction costs directly attributable to the Disposal of approximately RM1.3 million; and (iii) the estimated gain on the Disposal of approximately RM23.2 million as if the Disposal had taken place on 1 October 2018. It is assumed that the transaction costs will be settled by cash.

   This adjustment is not expected to have a continuing effect on the Remaining Group.

F. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

11 December 2020

The Board of Directors
BGMC International Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of BGMC International Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 March 2020, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 30 September 2019, the unaudited pro forma statement of cash flow for the year ended 30 September 2019 and related notes as set out on Appendix III of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on Appendix III.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the 100% equity interest in KAS Engineering Sdn. Bhd. on the Group's financial position as at 31 March 2020 as if the transaction had been taken place at 31 March 2020, and on the Group's financial performance and cash flows for the year ended 30 September 2019 as if the transaction had been taken place at 1 October 2018. As part of this process, information about the Group's financial performance and cash flows has been extracted by the directors from the Group's consolidated financial statements as included in the annual report for the year ended 30 September 2019, on which an audit report has been published. Information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements as included in the interim report for the six months ended 31 March 2020, on which an interim report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 October 2018 and 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Wan Ho Yuen
Engagement Director
Practising Certificate Number P04309

Hong Kong

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Valplus Consulting Limited, an independent valuer, in connection with this valuation as at 30 June 2020 of the fair value of the entire issued share capital in KAS Engineering.

Valplus Consulting Limited
Room 1801, 18/F, Rightful Centre
12 Tak Hing Street
Jordan
Hong Kong

11 December 2020

The Board of Directors
BGMC International Limited
Unit 2413A, 24/F
Lippo Centre, Tower One
89 Queensway
Admiralty, Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% equity interests in KAS Engineering SDN. BHD.

In accordance with the instructions from BGMC International Limited ("**Company**" and together with its subsidiaries, "**Group**"), we have conducted a valuation of fair value of 100% equity interests in KAS Engineering SDN. BHD. ("**KAS Engineering**"), a Malaysia incorporated project company which entered into a concession agreement ("**Concession Agreement**") dated 14 March 2012 with the Malaysian government and Universiti Teknologi MARA ("**UiTM**") for the construction and maintenance of the Dengkil campus compound of UiTM ("**UiTM Campus**") for a period of 23 years comprising 3 years of construction works and 20 years of maintenance works ("**Concession Period**"). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair value of KAS Engineering as at 30 June 2020 ("**Valuation Date**").

This report states the purpose of valuation and premise of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is being solely prepared for the directors and management of the Company for reference and incorporation into a public circular of the Company in connection with a proposed disposal ("**Proposed Disposal**") by the Company over the issued share capital of KAS Engineering.

The Proposed Disposal, if approved and materialized, would be a commercial decision made by the transacting parties and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Disposal, in which Valplus Consulting Limited ("**Valplus**") is not involved in the negotiation and has no comment on the agreed consideration.

Furthermore, this valuation report does not constitute an opinion on the commercial merits and structure of the Proposal Disposal. We are not responsible for unauthorized use of this report. Valplus assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. BASIS AND PREMISE OF VALUE

Our valuation has been prepared in accordance with the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

Our valuation is based on the going concern premise and conducted on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3. SOURCES OF INFORMATION

We relied on the following major documents and information in our valuation analysis. Some of the information and materials are furnished by the management of the Group or its representatives (together, "**Management**"). Other information is extracted from public sources such as government sources, HKEX news, Bloomberg and Duff & Phelps, LLC, etc.

The major documents and information include the following:

- Business license(s) or certificate(s) of incorporation of KAS Engineering;
- Concession Agreement;
- Certificate of acceptance ("**Certificate of Acceptance**") dated 25 November 2015 and issued by UiTM in relation to the confirmation of acceptance of the availability of buildings, structures, facilities and infrastructure of the UiTM Campus;
- Master facility agreement dated 14 November 2012 and entered into between KAS Engineering and a bank in relation to the loan financing for the construction of the UiTM Campus;
- Announcement(s), circular(s) and/or prospectus made by the Company;

- Audited annual reports and unaudited interim reports of the Group;
- Historical financial information of the Group and KAS Engineering including income statements and balance sheets provided by the Management; and
- Projections of KAS Engineering prepared and provided by the Management ("**Projections**").

In the course of our valuation, we had discussion with the Management on the industry and the development of KAS Engineering. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of value.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

In arriving at our opinion of value, it was assumed that the Projections provided to us were based on the assumptions reflecting the best available estimates, judgment and knowledge of the Management in relation to the proposed operations and are reasonable, reflecting market conditions and economic fundamentals. However, we do not express any opinion regarding the accuracy of the Projections provided by the Management.

We do not express an opinion as to whether the actual results of the operations of KAS Engineering will approximate the Projections because assumptions regarding future events by their nature are not capable of independent substantiation. We are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

4. COMPANY PROFILE

KAS Engineering was incorporated in Malaysia with limited liability on 17 November 1993 and is an indirect wholly-owned subsidiary of the Company. The principal activity of KAS Engineering is a project company which is principally engaged in construction and provision of building maintenance service of university building in Malaysia. By entering into the Concession Agreement, KAS Engineering obtained the concession for construction, lease, maintenance and transfer of the UiTM Campus under a public-private-partnership arrangement, which has become the sole business operations of KAS Engineering since March 2012.

5. BUSINESS OVERVIEW

Pursuant to the Concession Agreement, KAS Engineering was granted the concession for the construction and maintenance of the UiTM Campus throughout the Concession Period. KAS Engineering agreed to undertake the financing, planning, design, development, construction, landscaping, equipping, installation, completion, testing and commissioning of the facilities and infrastructure of the UiTM Campus in accordance with the agreed specifications within three years. Thereafter, KAS Engineering would lease the UiTM Campus to UiTM upon completion of the UiTM Campus as well as carry out the asset management and maintenance services of the UiTM Campus. The asset management and maintenance services included the replacement of the assets and the provision of maintenance of the facilities and infrastructure of the UiTM Campus in order to maintain the functionality, objective and intent of the UiTM Campus within the expected life span in the most cost effective manner. The total construction cost for the UiTM Campus as specified in the Concession Agreement is approximately RM292 million. KAS Engineering entered into a term loan facility of a floating interest rate for a maximum of 15 years.

In consideration for the construction of the UiTM Campus, KAS Engineering is entitled to receive a monthly payment of availability charges ("**Availability Charges**"). After the completion of the construction, UiTM also agreed to pay KAS Engineering a monthly payment of service charges for the provision of asset management and maintenance ("**Maintenance Charges**") of the UiTM Campus until the end of the Concession Period. The Maintenance Charges may be renewed every 5 years after the completion of the construction of the UiTM Campus, but such renewal is subject to negotiation in good faith and mutual agreement by all parties contracted to the Concession Agreement. If new rates are not agreed, then the Maintenance Charges as originally stipulated in the Concession Agreement would continue to be applied. Upon expiry of the Concession Period, KAS Engineering is obliged to hand over the buildings, facilities and infrastructure free from encumbrances at no cost to UiTM in a well-maintained and operational condition.

UiTM is a public university established under the University Teknologi MARA Act 1976 (Act 173). As of the date of this report, UiTM had 35 campuses with more than 17,000 staffs and offered over 500 programmes for approximately 175,000 students. The UiTM Campus is one of the campuses that is located at 43,800 Dengkil, Selangor, Malaysia covering a land area of approximately 19.02 hectares.

6. FINANCIAL REVIEW

The following tables set forth the historical selected financial result of KAS Engineering for the year ended 30 September 2017, 2018, 2019 and for 9 months ended 30 June 2020 (collectively, "**Track Record Period**"). We have only reviewed the financial accounts of KAS Engineering provided the Management without independent verification and audit.

	Year ended 30 September			Nine months ended 30 June
	2017[1]	**2018[1]**	**2019[1]**	**2020[1]**
RM'000				
Revenue				
– Maintenance Charges	10,518	10,872	10,382	8,642
– Availability Charges	43,678	43,062	42,395	31,261
Gross profit	49,777	48,712	46,373	33,298
EBIT	47,534	46,268	38,613	28,306
EBT	31,373	30,430	24,491	18,663
Net profit	29,796	23,079	17,303	12,247
Total assets	305,816	307,514	307,459	298,616
Net assets	38,114	61,193	78,496	90,743

* *Figures above are subject to rounding*

Table 1: Key financial performance of KAS Engineering
Source: The Management

Notes:

(1) The results were unaudited results.

	Year ended 30 September			Nine month ended 30 June
	2017	2018	2019	2020
Revenue growth	n/a	-0.5%	-2.1%	n/a
Gross profit margin	91.8%	90.3%	87.9%	83.4%
EBIT margin	87.7%	85.8%	73.2%	70.9%
EBT margin	57.9%	56.4%	46.4%	46.8%
Net profit margin	55.0%	42.8%	32.8%	30.7%
Return on equity	78.2%	37.7%	22.0%	13.5%
Return on total assets	9.7%	7.5%	5.6%	4.1%

* *Figures above are subject to rounding*

Table 2: Key financial ratio of KAS Engineering
Source: The Management

After discussion with the Management, the following is the highlight of the major financial performance of KAS Engineering over the Track Record Period.

- The revenue was only receivable from the Availability Charges and the Maintenance Charges which were apparently stable throughout the Track Record Period and the associated cash inflow is expected to be more or less the same in the following years;

- Hence, there was a sluggish growth in revenue as both the Availability Charges and the Maintenance Charges were pre-determined at the outset under the Concession Agreement. The future revenue growth is limited as KAS Engineering is a project company solely focusing its effort and resources on construction, management and maintenance of the UiTM Campus and the renewal of new rates is only subject to further approval from the government at an interval of every 5 years which is highly uncertain. Therefore, in view of the Management, the likelihood to increase the Maintenance Charges over the remaining Concession Period is considered to be very remote;

- The gross profit margin, operating margin and net profit margin have been on a declining trend over the Track Record Period and averaged at around 88.4%, 79.4% and 40.3% respectively;

- The decrease in gross profit, operating profit and net profit was mainly attributable to the increase in cost of sales, which mainly comprise unpredictable costs in the provision of the maintenance services under the Concession Agreement. With the UiTM Campus having been in operations since November 2015, the repair and replacement has been increasing as the UiTM Campus continues to age with more and more wear and tear accumulated to the facilities and infrastructure from daily operations or use by students and teaching staffs, resulting in a rising cost of sales.

Also, in concern of the COVID-19 outbreak, KAS Engineering has been required to provide a more hygienic and safe environment at the UiTM Campus by further improvement of sanitization equipment including but not limited to installation of campus-wide dispensers for sanitizing hand gel and body temperature monitoring devices, which has incurred additional cost; and

- In light of the surging costs and the limited revenue growth, the profitability of KAS Engineering has been deteriorating over the Track Record Period and is unlikely to improve over the Concession Period.

7. ECONOMIC OVERVIEW

This section of economic overview is based on the data provided by Bloomberg.

The economy of Malaysia is expected to contract at the fastest pace in over two decades this year, before rebounding strongly in 2021 on the back of strengthening household consumption and foreign demand, in line with the global economic recovery. Nonetheless, the unpredictable course of the pandemic and elevated political tensions are key downside risks to the outlook. Malaysia's real gross domestic product ("**Real GDP**") dropped significant from +3.6% in the fourth quarter of 2019 to -17.1% in the second quarter of 2020 on a year-over-year ("**YOY**") basis. The private consumption expenditure growth decreased from 8.1% in the fourth quarter of 2019 to -18.5% in the second quarter of 2020. The YOY government expenditure growth rate remained at 2.3%, which was around 1% up from 2019 Q4 and 2.8% down from 2020 Q1. The YOY consumer price index change showed a continuous decreasing trend from 1% in 2019 Q4 to -1.9% in 2020 Q2. The manufacturing production index had a rebound of 4.7% YOY growth rate compared to the -4.1% in the first quarter of 2020.

	YOY change		
	2019Q4	**2020Q1**	**2020Q2**
Real GDP	3.6%	0.7%	-17.1%
Private consumption expenditure	8.1%	6.7%	-18.5%
Government expenditure	1.3%	5.0%	2.3%
Consumer price index	1.0%	-0.2%	-1.9%
Manufacturing production	3.4%	-4.1%	4.7%
Exports	-3.4%	-7.1%	-21.7%
Imports	-2.4%	-2.5%	-19.7%

* *Figures above are subject to rounding*

Table 3: Major economic indicator of Malaysia
Source: Bloomberg

8. INDUSTRY OVERVIEW

This section of the industry overview is based on the data provided by and research conducted by (i) Cogent Business & Management ("**Cogent**") dated November 2018, namely "Malaysian Public Private Partnerships: Risk Management in Build, Lease, Maintain and Transfer Projects"; (ii) SHINEWING BAS ("**SHINEWING**") as disclosed in the prospectus to public; (iii) Frost & Sullivan ("**F&S**") dated April 2019, namely, "Competitive Analysis of the Malaysian FM Market, Forecast to 2023"; (iv) statista ("**statista**"); (v) Construction Industry Development Board, Malaysia ("**CIDB**"); and (vi) Department of Statistics, Malaysia ("**DS**").

Market Overview of the Construction Industry in Malaysia

The construction industry in Malaysia can be divided into four market segments based on building types, namely residential buildings, non-residential buildings, civil engineering works and special trades. Residential buildings refer to buildings intended for dwelling purpose; non-residential buildings refer to properties for manufacturing and business activities, which can be further categorised into industrial buildings, commercial buildings, and public facilities, for example factories, shopping malls, hotels and hospitals. Civil engineering works refer to the construction of infrastructure such as bridges, roads, railways, utility plants, harbor and refineries. Special trade activities refer to various auxiliary construction works including but not limited to demolition, site preparation, land reclamation, electrical and mechanical works, building service works. The diagram below illustrates the breakdown of building types in terms of value of construction works done in 2018, the civil engineering construction work occupied the largest annual shares, reaching approximately 41.6%, and followed by the non-residential building projects of 28.3%, comprising commercial buildings, industrial buildings and public facilities.

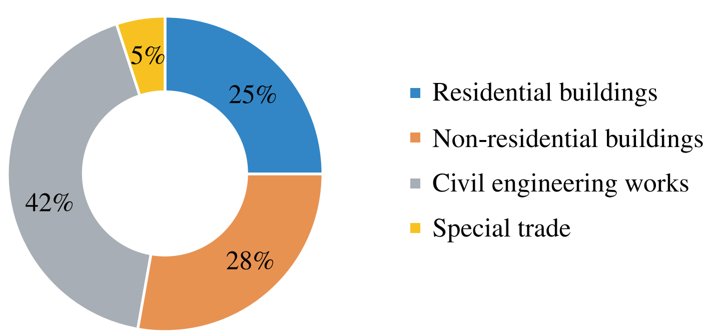

Figure 1: Construction project segment percentage in Malaysia (2018)
Source: SHINEWING; DS

Value of Construction Work Done and Civil Engineering Projects in Malaysia

The construction industry in Malaysia witnessed the value of construction work done increased from RM102.5 billion in 2014 to RM145.5 billion in 2018, at a compound annual growth rate ("**CAGR**") of 9.1%. The construction industry in Malaysia is expected to be stable from 2019 to 2023, with the forecasted value of construction work done increasing from RM150.7 billion in 2019 to RM185.8 billion in 2023, at a CAGR of 5.4%.

The civil engineering segment, which accounted for more than 40% of the total output, was a major growth driver from 2014 to 2018. As the Malaysian government has pledged to develop infrastructure to improve transportation and promote economic viability by connecting the rural areas, several mega infrastructure projects, including Klang Valley Mass Rapid Transit Line 2 (MRT2) and Light Rail Transit Line 3 (LRT3) commenced construction in 2016. Given the large size of those infrastructure projects, the civil engineering segment rose 18.4%, 17.9% and 18.6%, respectively, in 2016, 2017 and 2018. However, amidst concerns over the fiscal health of the government, the new administration has committed to reducing government debt by scrutinising some of the previously approved mega projects. In April 2019, the Malaysian government agreed to resume the construction of the East Coast Rail Link (ECRL) after negotiation with the Chinese counterpart. Several infrastructure projects are also retendered to reduce the construction cost. Those projects will provide growth momentum to the construction industry in the forecast period, contributing to the forecasted CAGR of approximately 6.3% for the period from 2019 to 2023.

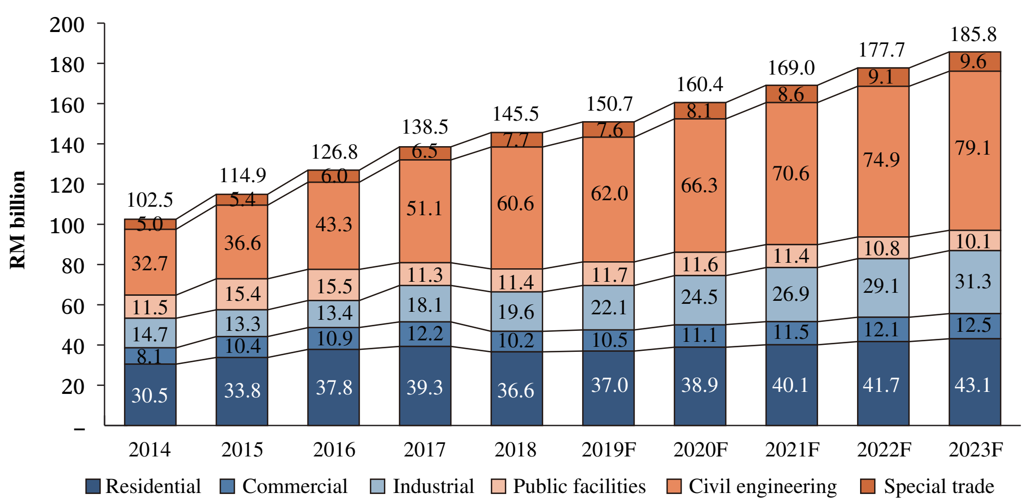

Figure 2: Value of construction projects in Malaysia (2014 – 2023E)
Source: SHINEWING; CIDB; DS

Impact of the COVID-19 on Malaysia's Construction Sector

The Malaysia government announced the nationwide movement control order ("**MCO**") on 16 March 2020 and 25 March 2020. The MCO, with effect from 18 March to 14 April 2020, includes a ban on mass gathering, including religious, sports, social and cultural events. All houses of worship and businesses are to close, except supermarkets, markets, mini markets and convenience stores. Given the nationwide MCO implemented by the Malaysian government, the construction activities in Malaysia are expected to slow down during the said period. Yet, such control is expected to be temporary and the construction activities will resume and catch up on their original schedule in the later period, as long as the pandemic of the coronavirus in Malaysia will be gradually under control. Besides, provided that there were the experiences of the past few global economic recession, it is commonly observed that governments of different countries may enact fiscal policies to jump-start the economy by increasing government spending. One of the effective measures will be to launch infrastructure projects as well as other public sector construction projects, which help to alleviate unemployment and improve sales of construction-related sectors. As a result, it is anticipated that the Malaysian government will commit government spending on public sector construction projects, in an effort to help mitigate the economic impacts despite other expected relief measures in the future.

Market Overview of Facilities Management in Malaysia

The facilities management ("**FM**") landscape in Malaysia is developing, yet highly competitive. High outsourcing rates and maturing end-user sectors continue to position Malaysia as an attractive market for service providers. The domestic market is led by several established service providers, with minimal change in market share from 2016 to 2017. Despite the Malaysian FM market being more mature compared to those of the neighbouring countries, it is perceived to be highly competitive and fragmented amongst local and foreign service providers due to its high price sensitivity. Many service providers are thus relying on recurring revenue streams and looking at the same to secure their market positioning in the long run. The market is expected to be driven by a strong outsourcing culture in certain end-user sectors such as healthcare and education, securing of longer-term engagements for recurring revenue streams, and value-adding engagements focusing on cost efficiency and asset value optimisation. The market grapples with key restraints – such as intense competition due to pricing and market fragmentation, stagnant outsourcing rate, and lack of awareness on an integrated approach - that challenge its development. Key growth opportunities in the Malaysian FM market focus on cost efficiency, partnerships, asset value optimisation, real-time analysis, and a long-term, integrated approach. The establishment of key service providers in end-user sectors that predominantly rely on concessions for long-term revenue streams will continue to position these sectors and concession contracts as lucrative areas to tap into.

Based on the data of statista, the total FM sector market size approximated to USD5,300 million in 2017, with the services provided to the institutional segments occupying the largest market shares (USD2,675 million), and followed by the public facilities and infrastructure segments (USD1,181 million).

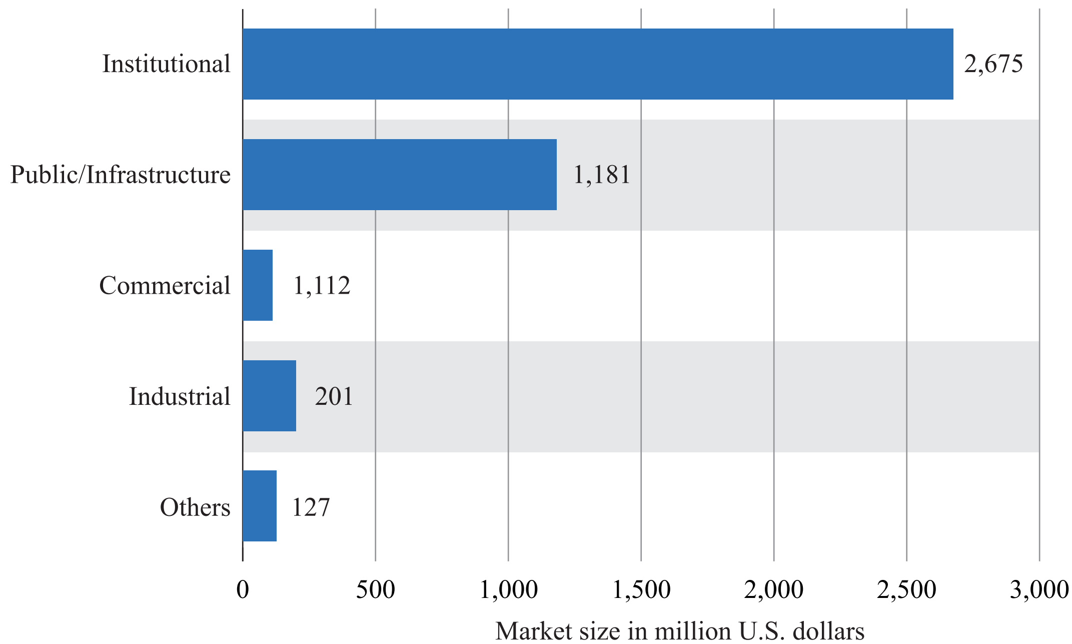

Figure 3: Market size of the FM industry in Malaysia (2017)
Source: statista

9. INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to historical performance, operations and industry, and other relevant information of KAS Engineering. In addition, we have made relevant enquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the Projections, financial information, and other pertinent data concerning KAS Engineering provided to us by the Management.

The valuation of KAS Engineering requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of KAS Engineering;

- Historical information of KAS Engineering;

- Financial condition of KAS Engineering;

- Proposed business development of KAS Engineering;
- Nature, terms and conditions of relevant agreements, contracts, licenses, permits and rights;
- Expected economic income from relevant agreements, contracts, licenses, permits and rights;
- Regulations and rules of relevant industries;
- Economic and industry data affecting markets and other dependent industries;
- Market-derived investment return(s) of similar business; and
- General global economic outlook.

10. GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to value a business subject:

- Market approach;
- Asset approach; and
- Income approach.

Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive. A more detailed discussion of each approach is presented in the *ADDENDUM I – VALUATION APPROACHES* of this report.

11. VALUATION ANALYSIS

11.1. Methodology

In the process of valuing a business subject, we have taken into consideration of business nature, assets type, specialty of its operations, assets owned, and liabilities assumed and industry it is participating. Having considered the three general valuation methodologies, we have adopted the income approach and rejected the use of the asset and market approaches based on the following reasons:

- KAS Engineering is solely a project company holding the concession right of the UiTM Campus with a limited economic life and will not carry on or undertake any business other than the aforesaid concession as set out in the Concession Agreement. So, unlike other industry comparable to continue as going concern, such business model and operational nature is not perpetual, making the market approach not applicable and appropriate;

- KAS Engineering has been entitled to receive a stable income mainly from the Availability Charges and the Maintenance Charges throughout the Concession Period in accordance with the Concession Agreement, which is a solid, representative and reliable reference to prepare an income forecast with supportable, verifiable and explainable basis and assumptions;

- There are insufficient relevant comparable transactions and companies to form a reliable basis for opinion of value as the aforesaid concession held by KAS Engineering is subject to the Concession Agreement which is considered to be unique and specific in nature;

- The cost of reproducing and replacing its assets ignore the future economic benefits of the business as a whole, and thus the asset approach is not a good and relevant valuation method; and

- By holding the concession of the UiTM Campus, KAS Engineering is also engaged in provision of maintenance service which possibly had intangibles of economic value that were not measured and reported on its latest accounts. The use of current net book value ignores the potential economic benefit bought by any non-reported intangible assts and possibly underestimates the true value of KAS Engineering.

Based on the above concerns, we have therefore relied solely on the income approach in determining our opinion of value as reasonable future projections could be estimated on the basis of the Concession Agreement and the historical financial results.

It is simple adopting the income approach to state the value of a business in present value terms. This method is well accepted by most analysts and practitioners. One common method under the income approach is by looking from the perspective of the firm's investors including shareholders and debtholders. That is the free cash flow available to the business as a whole ("**FCFF**").

11.2. Projections

Projections were provided and prepared by the Management throughout the remaining tenor of the Concession Period. Details of the projections is presented in the *ADDENDUM II – CASHFLOWS PROJECTIONS* of this report. We have reviewed the calculation and had discussion with the Management regarding the assumptions and basis of the Projections as below:

Revenue

Revenue only includes the (i) the Availability Charges and (ii) the Maintenance Charges. The Availability Charges is based on the Concession Agreement and have been cross-checked by making reference to the historical payment records. The Maintenance Charges is based on the historical revenues over the Track Record Period and have been adjusted upward at an interval of every 5 years in accordance with the Concession Agreement on the assumption that KAS Engineering could reach an agreement with other contract parties of the Concession Agreement and obtain the approval from the government for the new rates. The adjustment is based on the historical inflation rate in Malaysia.

Cost of Sales

Cost of sales mainly comprise sub-contracting costs, raw materials, labour costs and insurance expenses for provision of maintenance service at the UiTM Campus, which are based on the historical costs over the Track Record Period, and are projected to grow at the historical inflation rate in Malaysia.

Other Operating Income

Other operating income is maintenance fee charged for additional maintenance works done which are beyond the scope as specified in the Concession Agreement. Such income is based on historical income to sales ratios.

Administrative and Other Operating Expenses

These expenses are mainly related to deprecations, professional fee, management fee, allowances, wages, utility and other general administrative costs, which are based on actual costs incurred over the Track Record Period, and are projected to grow at the historical inflation rate in Malaysia.

Tax and Other Surcharges

KAS Engineering is only subject to a statutory income tax rate of 24.0%.

11.3. Discount Rate

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interests in an asset given the level of risk inherent in that ownership interests. In this valuation, the discount rate applied to the cash flow streams attributable to KAS Engineering is the weighted average cost of capital ("**WACC**").

The following criteria have been adopted for the selection of comparable sample:

- Public listing location in Hong Kong and Malaysia with financial information available as at the Valuation Date;
- Publicly listed in more than two years prior to the Valuation Date;
- Principal place of business based in Malaysia; and
- Major revenue generated from infrastructure and public facilities construction and property management service.

Based on the above searching criteria, on best effort basis, the exhaustive list of selected comparable companies which are engaged in the similar business include:

Comparable company	**Bloomberg stock code**
MTD ACPI Engineering Berhad	ACP MK
Ahmad Zaki Resources Berhad	AZR MK
DKLS Industries Berhad	DKLS MK
Fajarbaru Builder Group Berhad	FBC MK
Top Builders Capital Bhd	IJGB MK
IJM Corp Bhd	IJM MK
IREKA Corporation Berhad	IREKA MK
Mudajaya Group Berhad	MDJ MK
Melati Ehsan Holdings Berhad	MEHB MK
Mitrajaya Holdings Berhad	MHB MK
Muhibbah Engineering (M) Berhad	MUHI MK
Puncak Niaga Holdings Bhd	PNH MK
Perak Corporation Berhad	PRK MK
Seal Incorporated Berhad	SEAL MK
Stella Holdings Berhad	STHB MK
WCE Holdings Berhad	WCE MK
Widad Group Berhad	WGB MK
Zelan Berhad	ZELN MK

Source: Bloomberg

We have made a further comparison between KAS Engineering and the above shortlisted comparable companies in terms of geographical and business segments. Set forth below are the revenue distribution among KAS Engineering and the shortlisted comparable companies by making reference to their latest available annual financial results.

Bloomberg stock code	**Revenue from the Malaysia**	**Revenue from the infrastructure and public facilities construction and property management service**
KAS Engineering	100%	100%
ACP MK	100%	76.2%
AZR MK	90.2%	90.6%
DKLS MK	100%	40.4%
FBC MK	100%	50.4%
IJGB MK	100%	100%
IJM MK	74.3%	43.1%
IREKA MK	99.9%	96.0%
MDJ MK	100%	66.5%
MEHB MK	100%	94.0%
MHB MK	98.0%	80.3%
MUHI MK	59.2%	53.2%
PNH MK	100%	94.9%
PRK MK	100%	72.6%
SEAL MK	100%	86.5%
STHB MK	100%	87.1%
WCE MK	100%	100%
WGB MK	100%	100%
ZELN MK	100%	96.6%

* *Figures above are subject to rounding*

Source: Bloomberg & the Management

Based on the above findings, all the shortlisted comparable companies are considered to be relevant and appropriate as they produced income primarily from the infrastructure and public facilities construction and property management service in Malaysia. The basic profile of the selected comparable companies are set out in *ADDENDUM III – COMPARABLE COMPANIES PROFILE* of this report.

Our analysis suggested that a discount rate of 10.4% is appropriate for valuing KAS Engineering as at the Valuation Date. A more detailed discussion is presented in *ADDENDUM IV – DISCOUNT RATE DERIVATION*.

11.4. Non-cash Working Capital

The non-cash working capital to sales of 18.1% is estimated by making reference to historical track record of the valuation subject.

11.5. Capital Investment

Based on the existing business model and operation, the Management confirmed that there will be no additional capital investment throughout the Concession Period. The maintenance capital expenditure throughout the projections is approximated to the annual deprecation, which is based on the historical track record of the valuation subject.

11.6. Terminal Growth

The terminal growth rate is not applicable to this valuation as KAS Engineering is only a project company holding a concession with limited economic life.

11.7. Marketability Discount

We have adopted a lack of marketability discount ("**DLOM**") of approximately 15.8% for KAS Engineering as ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. The discount is benchmarked to the 2020 edition of the Stout Restricted Stock Study Companion Guide, a research study to assist the valuation profession in determining the DLOM.

11.8. Non-operating Assets and Liabilities

In computing the value of KAS Engineering, we have adjusted the assessed enterprise value for the non-operating assets and liabilities as at the Valuation Date. Based on the unaudited financial results provided by the Management, the non-operating assets and liabilities are as follows:

	RM'000
Excess cash	24,837
Debts	185,153
Other non-operating assets[1]	1,479
Other non-operating liabilities[2]	15,490

* *Figures above are subject to rounding*

Notes:

(1) These comprise mainly net accrued revenue etc.

(2) These comprise mainly lease liabilities, deferred tax liabilities and tax liabilities etc.

11.9. Calculation

Based on the above parameters and inputs, the calculation of this valuation is presented as follows:

		Formula	**Input value** *RM'000*
(1)	Sum of discounted FCFF		315,617
(2)	Net non-operating liabilities[1]		14,011
(3)	Firm value before the DLOM	(1) – (2)	301,606
(4)	DLOM	(3) x 15.8%	47,503
(5)	Firm value	(3) – (4)	254,103
(6)	Surplus debt[2]		160,316
(7)	100% equity value of the Target Group	(5) – (6)	93,787

* *Figures above are subject to rounding*

Notes:

(1) These are the sum of the non-operating assets and the non-operating liabilities.

(2) These are the sum of excess cash and debts.

12. VALUATION ASSUMPTIONS

- To the best effort of KAS Engineering, the key performance indicators in respect of the asset management and maintenance services as stipulated in the Concession Agreement will be achieved and the Concession Agreement will not be terminated before the expiry of the Concession Period;

- KAS Engineering is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to KAS Engineering;

- To continue as a going concern throughout the projection period, KAS Engineering will successfully carry out all necessary activities for the development of its business;

- The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

- The audited/unaudited financial information of KAS Engineering as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of KAS Engineering as at the respective balance sheet dates;

- The availability of financing will not be a constraint on the forecast growth of KAS Engineering's operations;

- Market trends and conditions where KAS Engineering operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support ongoing operations of KAS Engineering;

- There will be no material changes in the business strategy of KAS Engineering and its expected operating structure;

- Interest rates and exchange rates in the localities for the operations of KAS Engineering will not differ materially from those presently prevailing;

- All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where KAS Engineering operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which KAS Engineering operates or intends to operate, which would adversely affect the revenues and profits attributable to KAS Engineering.

13. LIMITING CONDITIONS

Our conclusion of the value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracy. The value might be adjusted should more specific and update information of the valuation subject is made available to us.

We have made reference to the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and that any material facts have been omitted from the information provided. No responsibility for the operational and financial information that have not been provided to us is accepted.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this report. We assumed that financial and other information provided to us are accurate and complete.

We have not investigated the title to or any legal liabilities of KAS Engineering. We have assumed no responsibility for the title to KAS Engineering.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as company background, business nature, market share, and future prospects of KAS Engineering provided to us by the Management.

14. REMARKS

The Management has reviewed and agreed on the report and confirmed the factual content of the report.

We hereby confirm that we have neither present nor prospective interests in KAS Engineering, the Group or the value reported herein.

15. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation methods employed, we are of the opinion that the fair value of the 100% equity interests in KAS Engineering as at the Valuation Date was in the sum of **RM93,787,000** (**MALAYSIAN RINGGIT NINETY-THREE MILLION SEVEN HUNDRED AND EIGHTY-SEVEN THOUSAND ONLY**). A sensitivity check is presented in *ADDENDUM V – SENSITIVITY ANALYSIS.*

Respectfully submitted,
For and on behalf of
VALPLUS CONSULTING LIMITED
Damon S.T. Wan, *CFA, FRM*
Director

Analyzed and reported by: **Willy T.Y. Yu**
Senior Manager

ADDENDUM I – VALUATION APPROACHES

Market Approach

The market approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interests in companies that were sold recently.

The right transactions employed in analysing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

Asset Approach

The asset approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operations, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interests of the business entity.

Income Approach

The income approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

ADDENDUM II – CASHFLOWS PROJECTIONS

RM'000	**2020**[1]	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Revenue								
– Maintenance service income	2,881	10,824	10,824	10,824	10,824	10,824	11,905	11,905
– Availability charges[3]	10,420	40,893	40,021	39,052	37,973	36,768	35,418	33,902
	13,301	51,717	50,845	49,876	48,797	47,591	47,323	45,807
Cost of sales	(2,202)	(6,362)	(6,514)	(6,670)	(6,830)	(6,994)	(7,162)	(7,333)
Gross profit	11,099	45,355	44,330	43,205	41,966	40,597	40,161	38,474
Net operating expenses								
– Other operating income	31	115	115	115	115	115	127	127
– Administrative and other operating expenses	(916)	(3,809)	(4,038)	(4,130)	(4,225)	(4,322)	(4,421)	(4,522)
EBIT	10,213	41,661	40,407	39,190	37,856	36,391	35,867	34,078
Income tax	(2,451)	(9,999)	(9,698)	(9,406)	(9,086)	(8,734)	(8,608)	(8,179)
After-tax EBIT	7,762	31,662	30,709	29,784	28,771	27,657	27,259	25,899
Concession cashflow adjustments[3]								
– Availability charges	(10,420)	(40,893)	(40,021)	(39,052)	(37,973)	(36,768)	(35,418)	(33,902)
– Availability cashflows	12,036	48,146	48,146	48,146	48,146	48,146	48,146	48,146
Other operating cashflow adjustments								
– Depreciation expenses	39	216	189	189	189	189	189	189
– Change in non-cash working capital	(2,193)	126	0	0	0	0	(195)	0
– Replacement capital expenditure	(47)	(189)	(189)	(189)	(189)	(189)	(189)	(189)
– Disposal of fixed assets[4]	0	0	0	0	0	0	0	0
Free cashflows to firm	7,177	39,068	38,834	38,878	38,944	39,035	39,792	40,143

RM'000	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036[2]**
Revenue									
– Maintenance service income	11,905	11,905	11,905	13,094	13,094	13,094	13,094	13,094	1,964
– Availability charges[3]	32,196	30,272	28,098	25,635	22,840	19,665	16,050	11,399	6,082
	44,101	42,177	40,003	38,729	35,935	32,759	29,145	24,493	8,046
Cost of sales	(7,509)	(7,689)	(7,874)	(8,062)	(8,256)	(8,453)	(8,656)	(8,864)	(1,361)
Gross profit	36,592	34,488	32,129	30,667	27,679	24,306	20,488	15,629	6,685
Net operating expenses									
– Other operating income	127	127	127	139	139	139	139	139	21
– Administrative and other operating expenses	(4,626)	(4,732)	(4,841)	(4,953)	(5,067)	(5,184)	(5,304)	(5,426)	(833)
EBIT	32,093	29,882	27,414	25,853	22,751	19,261	15,324	10,342	5,873
Income tax	(7,702)	(7,172)	(6,579)	(6,205)	(5,460)	(4,623)	(3,678)	(2,482)	(1,410)
After-tax EBIT	24,390	22,711	20,835	19,648	17,291	14,638	11,646	7,860	4,464
Concession cashflow adjustments[3]									
– Availability charges	(32,196)	(30,272)	(28,098)	(25,635)	(22,840)	(19,665)	(16,050)	(11,399)	(6,082)
– Availability cashflows	48,146	48,146	48,146	48,146	48,146	48,146	48,146	48,146	7,222
Other operating cashflow adjustments									
– Depreciation expenses	189	189	189	189	189	189	189	189	28
– Change in non-cash working capital	0	0	0	(215)	0	0	0	0	2,364
– Replacement capital expenditure	(189)	(189)	(189)	(189)	(189)	(189)	(189)	(189)	(28)
– Disposal of fixed assets[4]	0	0	0	0	0	0	0	0	406
Free cashflows to firm	40,340	40,584	40,883	41,945	42,596	43,119	43,742	44,607	8,373

* *Figures above are subject to rounding*

Notes:

(1) As the year cut-off date of KAS Engineering is 30 September, the forecast in the first year as of the Valuation Date of 30 June 2020 represents the three-month projected result ended 30 September 2020.

(2) The forecast in the last year represents the two-month projected result ended 24 November 2035, the date of expiry of the Concession Agreement.

(3) To value KAS Engineering based on free cashflows, the imputed interest income derived from the concession receivables as presented on the income statement have been adjusted to actual cash inflows receivable from the Availability Charges as stipulated in the Concession Agreement, amounting to approximately of RM48,146,000 per annum.

(4) Pursuant to the Management, the fixed assets of KAS Engineering will be disposed at the end of the Concession Period.

ADDENDUM III – COMPARABLE COMPANIES PROFILE

MTD ACPI Engineering Berhad – ACP MK

MTD ACPI Engineering Berhad, through subsidiaries, manufactures precast concrete products, fabricates steel, and provide construction management and contracting services to the environmental engineering industry.

Ahmad Zaki Resources Berhad – AZR MK

Ahmad Zaki Resources Berhad is an investment holding company. The company, through its subsidiaries, provides contractor services for civil and structural construction works, operates in property development.

DKLS Industries Berhad– DKLS MK

DKLS Industries Berhad is an investment holding company which provides management services. Through its subsidiaries, the company manufactures pre-cast concrete piles, provides building and general construction services, quarrying, sells building materials, and develops property.

Fajarbaru Builders Group Berhad – FBC MK

Fajarbaru Builders Group Berhad is an investment holding company which provides management services. Through its subsidiaries, the company has operation in construction, project management, and trades construction materials.

Top Builders Capital Berhad – IJGB MK

Top Builders Capital Berhad specializes in engineering and construction services. The company designs, engineers, and constructs piling and foundation, bridges, and buildings.

IJM Corporation Berhad – IJM MK

IJM Corporation Berhad is an investment holding company that provides construction services. The company, through its subsidiaries, operates in property development, provides quarrying services, manufactures and sells premix products.

Ireka Corporation Berhad – IREKA MK

Ireka Corporation Berhad is an investment holding company which provides civil, structural, and building construction. The company, through its subsidiaries, also provides earthworks and leases construction plant and machinery.

Mudajaya Group Berhad – MDJ MK

Mudajaya Group Berhad is an investment holding company. The company, through its subsidiaries, provides civil engineering and building construction, leases plant and machinery, and operates property management and development. Mudajaya also manufactures concrete products, precast concrete, and building materials.

Melati Ehsan Holdings Bhd – MEHB MK

Melati Ehsan Holdings Bhd. is an investment holding company. The company though its subsidiaries, provides construction contracting services such as construction of roads and bridges, building residential homes and apartments.

Mitrajaya Holdings Berhad – MHB MK

Mitrajaya Holdings Berhad is an investment holding company. Through its subsidiaries, the company constructs buildings and roads, provides civil engineering services, supplies construction materials, and manufactures and sells ready-mix concrete.

Muhibbah Engineering (M) Bhd – MUHI MK

Muhibbah Engineering (M) Bhd is an investment holding company which provides civil, marine, and structural engineering contract works. Through its subsidiaries, the company also manufactures engineering products and distributes and markets construction materials.

Puncak Niaga Holdings Berhad – PNH MK

Puncak Niaga Holdings Berhad is an investment holding. The company, through its subsidiaries, operates, maintains, manages, constructs, and undertakes the rehabilitation and refurbishment of water treatment facilities. Puncak Niaga also operates, manages, maintains, and monitors the operation of dams.

Perak Corporation Berhad – PRK MK

Perak Corporation Berhad is an investment holding company. The company, through its subsidiaries, develops integrated privatized project, operates multipurpose port facilities, sells and leases port related land.

Seal Incorporated Berhad – SEAL MK

Seal Incorporated Berhad invests in properties and operates as contractors of buildings. The company, through its subsidiaries, develops and manages properties, extracts timber and is involved in trading of logs and sawmilling.

Stella Holdings Berhad – STHB MK

Stella Holdings Berhad operates as a holding company. The company, through its subsidiaries, operates as a contractor for building, structural solutions, and civil engineering works.

WCE Holdings Berhad – WCE MK

WCE Holdings Berhad operates as a holding company. The company, through its subsidiaries, designs, constructs, and develops west-coast expressway projects.

Widad Group Berhad – WGB MK

Widad Group Berhad operates as an investment holding company. The company focuses on construction activities and integrated facilities management services.

Zelan Berhad – ZELN MK

Zelan Berhad is an investment holding company. The company, through its subsidiaries, operates civil engineering and building turnkey contracting services.

ADDENDUM IV – DISCOUNT RATE DERIVATION

WACC comprises of two components: cost of debt and cost of equity. It is calculated taking into account the relative weights of each component of the capital structure. It is computed using the formula below:

WACC = We x Re + Wd x Rd x (1 – T)

in which

Re	=	cost of equity
Rd	=	cost of debt
We	=	portion of equity value to enterprise value
Wd	=	portion of debt value to enterprise value
T	=	corporate tax rate

The cost of equity is developed through the application of the Capital Asset Pricing Model ("**CAPM**") with reference to the required rates of return demanded by investors for similar projects. The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. A major requirement in generating the cost of equity is to identify companies that are comparable to the business related to the subject in terms of business nature and associated risks.

The cost of equity for the business related to the subject is the sum of the risk-free rate return, the equity risk premium required by investors to compensate for the systematic risk assumed with adjustments for increment for risk differentials of the business related to the subject versus those of the comparable companies, if applicable, including risk adjustments for size ("**Small Capitalization Risk Premium**"), lack of marketability of privately held companies ("**Liquidity Risk Premium**") and other risk factors in relation to the comparable companies ("**Company Specific Risk Premium**").

Discount rate calculation

		Formula	Input
(1)	Risk free rate		2.9%
(2)	Equity beta		1.0
(3)	Market risk premium		9.5%
(4)	Size premium		3.2%
(5)	Company specific risk premium		1.0%
(6)	Cost of equity	(1) + (2) x (3) + (4) + (5)	16.5%
(7)	Weight of equity		44.8%
(8)	Cost of debt		7.1%
(9)	After-tax cost of debt		5.4%
(10)	Weight of debt		55.2%
(11)	Discount rate	(6) x (7) + (9) x (10)	10.4%

* *Figures above are subject to rounding*

Notes:

(1) This is the 10-year yield of Malaysia Government Bond, which is sourced from Bloomberg.

(2) This is the average of adjusted beta of comparable companies, which is sourced from Bloomberg.

(3) This is the adjusted equity market risk premium, which is sourced from Bloomberg and Damodaran Online, a common and widely used information source of valuation, corporate finance and investment management.

(4) This is to account for the higher return of smaller company stocks, which is based on the research published by Duff & Phelps, LLC.

(5) This is the increased required return for risk specific to the company in relation to (i) the surging unpredictable costs incurred by KAS Engineering due to the COVID-19 outbreak and (ii) the early termination of the Concession Agreement due to the potential cross-default of the term loan due from KAS Engineering.

(6) Cost of equity = risk free rate + equity beta x market risk premium + size premium + company specific risk premium.

(7) This is based on weight of equity of comparable companies, which is sourced from Bloomberg.

(8) This is based on the historical lending rate incurred by KAS Engineering.

(9) After-tax cost of debt = cost of debt x (1 - corporate income tax rate).

(10) This is based on weight of debt of comparable companies, which is sourced from Bloomberg.

(11) This is based on weighted average cost of capital.

ADDENDUM V – SENSITIVITY ANALYSIS

Sensitivity analysis was performed to test the sensitivity of the value to change of certain underlying variables which are considered to be risk exposures of the valuation subject, while holding other parameters unchanged:

	RM'000
Discount rate	
1% increase	79,855
1% decrease	109,046
Revenue growth rate	
1% increase	95,926
1% decrease	91,788

* *Figures above are subject to rounding*

Note:

(1) Growth rate applicable on the Maintenance Charges.

ADDENDUM VI – STAFF BIOGRAPHY

Damon S.T. Wan, *CFA, FRM*
Director

Mr. Damon S.T. Wan is a CFA Charterholder and Certified FRM and has been working in the professional valuation field since 2008. He is experienced and specialized in performing financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing.

Willy T.Y. Yu
Senior Manager

Mr. Willy T.Y. Yu is an analyst who has been working in the banking and financial industry since 2014. He possesses experience in the aspects of corporate credit risk, cash trading and business valuation.

中汇 ZHONGHUI

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF KAS ENGINEERING SDN. BHD.

The Board of Directors
BGMC International Limited

Dear Sirs,

We have examined the calculations of the discounted cash flow forecast (the "**Forecast**") underlying the valuation (the "**Valuation**") of KAS Engineering Sdn. Bhd. (the "**Disposal Company**") performed by Valplus Consulting Limited (the "**Valuer**") in respect of the appraisal of the fair value of the Disposal Company as at the reference date of 30 June 2020. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Directors' Responsibilities

The directors of the Company are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the "**Assumptions**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Forecast based on our procedures and to report our opinion solely to you, as a body, solely for the purpose in connection with the Valuation and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standards requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Forecast in accordance with the Assumptions adopted by the directors as set out in the Valuation. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Opinion

In our opinion, so far as calculations are concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the directors as set out in Valuation.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong
16 November 2020

Euto 裕韜 Capital Partners

The Board of Directors
BGMC International Limited
Unit 2413A, 24/F,
Lippo Centre, Tower One,
89 Queensway, Admiralty
Hong Kong

16 November 2020

Dear Sirs,

We refer to the valuation report prepared by Valplus Consulting Limited ("**Independent Professional Valuer**") in relation to the fair market value of 100% equity interests in KAS Engineering Sdn. Bhd. ("**Target Company**") as at 30 June 2020 ("**Valuation**"). The principal assumptions upon which the Valuation is based are included in the announcement of BGMC International Limited ("**Company**") dated 16 November 2020 ("**Announcement**"), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

We note that the Valuation has been developed based on discounted cash flow analysis which is regarded as profit forecast ("**Profit Forecast**") under Rule 14.61 of the Listing Rules. We have discussed with the management of the Company and the Independent Valuer regarding the bases and assumptions of the Profit Forecast to arrive at the Valuation and have reviewed the letter dated 16 November 2020 issued by ZHONGHUI ANDA CPA Limited, the reporting accountants of the Company, as set out in Appendix I to the Announcement in regard to their work performed on the Profit Forecast. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the Target Company may or may not achieve as expected and the variation may be material.

On the basis of the foregoing, we are of the opinion that the Profit Forecast underlying the Valuation, for which the Directors are solely responsible, has been made after due and careful enquiry. Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours faithfully,
For and on behalf of
Euto Capital Partners Limited
Manfred Shiu
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered on the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Shares

Name of Directors	Capacity/Nature of Interests	Interests in Shares	Percentage of shareholding *(Note 3)*
Dato' Teh Kok Lee *(Note 1)*	Interest of a controlled corporation and interests held jointly with another person	1,208,250,000 (L)	67.1%
Dato' Mohd Arifin bin Mohd Arif ("**Dato' Arifin**") *(Note 2)*	Interest of a controlled corporation	141,750,000 (L)	7.9%

"L" denotes long position

Notes:

1. On 15 December 2016, Tan Sri Barry Goh and Dato' Teh Kok Lee entered into a concert party confirmatory deed ("**Concert Party Confirmatory Deed**") to acknowledge and confirm, among other things, that they had been parties acting in concert with each other with respect to their interests in or the business of the relevant members of the Group since they became shareholders of the Company and would continue to act in concert after the signing of the Concert Party Confirmatory Deed. For further details, please refer to the paragraph headed "History, Development and Reorganisation – Concert Party Confirmatory Deed" in the Prospectus.

   As at the Latest Practicable Date, the 1,208,250,000 Shares interested by them in aggregate consisted of (i) 864,000,000 Shares beneficially owned by Prosper International Business Limited ("**Prosper International**") which in turn is beneficially and wholly-owned by Tan Sri Barry Goh; and (ii) 344,250,000 Shares beneficially owned by Seeva International Limited ("**Seeva International**") which in turn is beneficially and wholly-owned by Dato' Teh Kok Lee. Each of Tan Sri Barry Goh and Dato' Teh Kok Lee is deemed to be interested in all the Shares held or deemed to be held by them in aggregate by virtue of the SFO

2. The entire issued Share capital of Kingdom Base Holdings Limited ("**Kingdom Base**") is owned by Dato' Arifin, and therefore, Dato' Arifin is deemed to be interested in all the 141,750,000 Shares held by Kingdom Base under the provision of SFO.

3. These percentages are calculated on the basis of 1,800,000,000 Shares in issue as at the Latest Practicable Date.

Interest in the Shares Associated Corporations

Name of Directors	Name of associated corporations	Capacity/Nature of Interests	Interests in Shares	Percentage of shareholding
Dato' Teh Kok Lee	Seeva International	Beneficial owner	1	100%

Save as disclosed above and to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code set out in Appendix 10 to the Listing Rules.

(b) Substantial Shareholder's Interest and Short Positions in the Shares and Underlying Shares of the Company

As at the Latest Practicable Date, the following persons/entities (other than directors of the Company) had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity/Nature of interests	Number of shares held	Percentage of shareholding
Tan Sri Barry Goh	Beneficial owner and interests held jointly with another person	1,208,250,000 (L)	67.1%
Prosper International *(Note 1)*	Beneficial owner and interests held jointly with another person	1,208,250,000 (L)	67.1%
Seeva International *(Note 1)*	Beneficial owner and interests held jointly with another person	1,208,250,000 (L)	67.1%
Kingdom Base	Beneficial Owner	141,750,000 (L)	7.9%

"L" denotes long position

Notes:

1. On 15 December 2016, Tan Sri Barry Goh and Dato' Teh Kok Lee entered into a Concert Party Confirmatory Deed to acknowledge and confirm, among other things, that they had been parties acting in concert with each other with respect to their interests in or the business of the relevant members of the Group since they became shareholders of the Company and would continue to act in concert after the signing of the Concert Party Confirmatory Deed. For further details, please refer to the paragraph headed "History, Development and Reorganisation – Concert Party Confirmatory Deed" in the Prospectus.

   As at the Latest Practicable Date, the 1,208,250,000 Shares interested by them in aggregate consisted of (i) 864,000,000 Shares beneficially owned by Prosper International which in turn is beneficially and wholly-owned by Tan Sri Barry Goh; and (ii) 344,250,000 Shares beneficially owned by Seeva International which in turn is beneficially and wholly-owned by Dato' Teh Kok Lee. Each of Tan Sri Barry Goh and Dato' Teh Kok Lee is deemed to be interested in all the Shares held or deemed to be held by them in aggregate by virtue of the SFO.

2. These percentages are calculated on the basis of 1,800,000,000 Shares in issue as at the Latest Practicable Date.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group after the date two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the Land Companies RCPS Subscription Agreements, pursuant to which BGMC Holdings (an indirect wholly-owned subsidiary of the Company) subscribed for 50% of the RCPS of each of the Land Companies at a total consideration of USD5,363,196.0 (equivalent to approximately HK$41.7million);

(b) the Agreements:

(i) the Shareholders' Agreement, with DPI Solar 1, Hasilwan Solar, AD Solar, BV Energy, IDIQA Energy and the JV Company for purpose of regulating their rights and obligations, including their further investments and/or contributions, in the JV Company, pursuant to which a capital commitment in the sum of approximately RM88.5 million (equivalent to approximately HK$165.5 million) is to be contributed by the JV Shareholders to the JV Company;

(ii) the Option Agreements, with BV Energy and IDIQA Energy, respectively. Pursuant to the Option Agreements, BGMC Energy (an indirect wholly-owned subsidiary of the Company) is granted an option to acquire the JV Shares held by BV Energy and IDIQA Energy (as the case may be) at a nominal value of HK$10.00 (with the exercise price to be determined); and

(iii) the DPI Solar 1 Call and Put Option Agreement, with DPI Solar 1 and the JV Company, pursuant to which (aa) the DPI Solar 1 Call Option was granted by DPI Solar 1 to BGMC Energy at a nominal value of USD10.00 (with the exercise price to be determined); and (bb) the DPI Solar 1 Put Option was granted by the Company to DPI Solar 1 at a nominal value of USD10.00 (with the exercise price to be determined);

and

(c) the RCPS Subscription Agreement, with BGMC BRAS Power, pursuant to which BGMC Corporation (an indirect wholly-owned subsidiary of the Company) will subscribe for the RCPS issued by BGMC BRAS Power at a total consideration of RM86.0 million (equivalent to approximately HK$160.9 million); and

(d) the Sparks Energy 1 Subscription Agreement, with Sparks Energy 1, pursuant to which Sparks Energy 1 will subscribe for the 86,000,000 RPS to be allotted and issued by BGMC Corporation (an indirect wholly-owned subsidiary of the Company) at a total consideration of RM86.0 million (equivalent to approximately HK$160.9 million).

5. NO MATERIAL ADVERSE CHANGE

The financial and trading positions of the Group has deteriorated since 30 September 2020: (1) the Group has been in financial difficulties as it recorded net loss of RM55.3 million during FY2019 and RM159.7 million during 1H2020. The unrestricted cash and cash equivalent of the Group was on a declining trend and was only RM17.5 million at the end of 1H2020 (being 31 March 2020). (2) The Group is exposed to satisfying (a) repayment of overdue/rescheduled overdue bank facilities with principal amounts of RM51.9 million plus accrued interests, and (b) Customer A’s termination of contract with the Group, and its legal action to forfeit performance bonds of RM25.8 million and counterclaim of approximately RM126 million. For details, please refer to the section headed “Reasons for and Benefits of the Disposal” in the Letter from the Board in this circular.

As at the Latest Practicable Date, save as disclosed above, the Directors confirm that there were no material adverse change in the financial or trading positions of the Group since 30 September 2019, being the date of which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATIONS

(a) On 28 March 2019, the Company received a writ of summons together with an indorsement of claim dated 19 March 2019 issued in the High Court of Shah Alam, Malaysia by 47 plaintiffs against Kingsley Hills Sdn. Bhd. as the first defendant and BGMC Corporation Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, as the second defendant. Please refer to the Company’s announcement of 28 March 2019 for further details of the litigation.

BGMC Corporation Sdn. Bhd. had filed an interlocutory application to strike out the plaintiffs’ case as well as a counterclaim against the plaintiffs (claiming for alleged additional liquidated ascertained damages (“**LAD**”) absorbed in good faith and spirit of the full and final settlement agreement). The striking out application was first heard on 9 January 2020 and went on for a continued hearing on 5 February 2020. Thereafter, the learned high court judge has set another date for further submission and hearing on 12 May 2020. The High Court has allowed BGMC Corporation Sdn. Bhd.'s application and struck out the Plaintiffs' writ and statement of claim. 13 plaintiffs have appealed against the High Court decision to the Court of Appeal. The Court of Appeal has not fixed a date to hear the appeal.

The Directors are of the opinion that it is probable that BGMC Corporation Sdn. Bhd. has a meritable and arguable case to defeat the 13 Plaintiffs' appeal.

(b) In the ordinary course of business, Built-Master Engineering Sdn. Bhd. ("**BME**"), an indirect subsidiary of the Company, had awarded a sub-contract for electrical work to a third party. The said sub-contract was subsequently terminated by BME due to breach of certain terms and conditions of the sub-contract on the part of the third party. The third party initiated a legal action against BME claiming, amongst others, the balance payment of RM733,292.45 and interest at 5% per annum from the date of the Writ, i.e. 21 March 2018 till the date of the full and final settlement on the basis that the termination was wrongful. BME has entered their defence denying the claim and thereafter filed a counterclaim against the said third party. On 22 July 2020, the High Court of Malaysia granted judgment against BME and dismissed BME's counterclaim. On 6 August 2020, BME has lodged appeal against the said judgment and the appeal is scheduled for hearing on 17 September 2021. BME had decided against a conditional stay order dated 12 October 2020 (which expired on 12 November 2020) wherein the Court proposed that the Judgment sum be placed in an interest bearing account pending the disposal of the Appeal.

The Directors are of the opinion that it is probable that BME has a chance to overturn the High Court judgment at the Court of Appeal and be successful in the counterclaim with the quantum to be fixed by the court.

(c) As disclosed in the Company's announcement dated 30 June 2020, a subsidiary of the Company, in the ordinary course of business, had disputes with Customer A.

On 22 May 2020, Customer A served notices of termination of the construction engagement, alleging that the Group had delayed in completing the works under two contracts arising out of the same project. Customer A had sought to forfeit the Group's two performance bonds in the amount of approximately RM25.8 million.

On 27 May 2020, the Group has filed for an application for an injunction in the Court and has obtained an ad-interim injunction order dated 29 May 2020 against the forfeiture of the two performance bonds by the Customer A, pending the disposal of the said application by the Court which is now fixed for hearing on 25 January 2021.

The Group has also initiated arbitrations on 30 June 2020 to dispute the validity of the terminations by Customer A and claim against Customer A for (i) losses of profit of approximately RM35 million (ii) return of retention sum of approximately RM4.4 million and (iii) return of the sums under the two performance bonds amounting to approximately RM25.8 million.

On 17 August 2020, Customer A issued a counterclaim of approximately RM126 million in the arbitration proceeding against the Group.

As at the Latest Practicable Date, no hearing has been fixed and the final arbitration judgment on the dispute between the Group and Customer A is expected to be granted not earlier than 2022.

The Directors are of the opinion that the Group has a good arguable case to persuade the arbitrator to rule the facts in favour of the Group.

(d) On 20 November 2020, BGMC Corporation Sdn. Bhd. ("**BGMC Corporation**"), being a wholly-owned subsidiary of the Company and a member of the Group, received a demand letter from a licensed bank in Malaysia (the "**Bank**"), in which the Bank alleged that it had received a demand against a bank guarantee from a beneficiary (the "**Beneficiary**") being a customer of BGMC Corporation, in the sum of approximately RM5.5 million, and unless the Beneficiary withdraws its demand or the Bank is restrained from performing its obligations, the Bank would effect payment of the sum demanded to the Beneficiary on 24 November 2020.

Based on the demand letter from the Beneficiary to the Bank, the said demand was related to a performance bond provided by BGMC Corporation to the Beneficiary for a development project, for which the Beneficiary alleged that BGMC Corporation has not duly performed its contractual obligation.

On 23 November 2020, through its solicitors, BGMC Corporation filed an application (the "**Application**") to the Kuala Lumpur High Court against the Beneficiary, which restrains it from receiving the sum demanded by the Beneficiary. On 24 November 2020, the Kuala Lumpur High Court granted an interim injunction in favour of BGMC Corporation, which restrained the Beneficiary, their respective agents, employees and/or officers from effecting the claims of the performance bond or receiving the payment or part payment under the performance bond from the Bank until the disposal of the originating summons filed by BGMC Corporation against the Beneficiary, and it was further ordered that an inter-parte hearing for the Application would be held on 2 December 2020 which was subsequently adjourned to 29 January 2021.

For details, please refer to the Company's announcement dated 24 November 2020.

As at the Latest Practicable Date, save as disclosed above, the Group was not engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective close associates had any business or interests in a business, apart from the business of the Group, which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the business of the Group.

8. EXPERTS

The qualifications of the experts who have given opinions or advice in this circular are as follows:

Name	Qualification
Valplus Consulting Limited	Independent professional valuer
ZHONGHUI ANDA CPA Limited	Certified Public Accountant
Euto Capital Partners Limited	a licensed corporation that is licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Mah-Kamariyah & Philip Koh	Malaysian Legal Advisor

As at the date of the Latest Practicable Date, (a) the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (b) did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 September 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the Independent Valuer, Malaysian Legal Advisor, ZHCPA and Euto has given and has not withdrawn their respective written consents to the publication of this circular with the inclusion of their respective report and/or opinion and all references to their respective names in the form and context in which they are included.

9. OTHER INTEREST OF THE DIRECTORS

As at the Latest Practicable Date, save as disclosed in this circular and in the Disposal Announcement:

(a) none of the Directors have had any interest, either direct or indirect, in any assets which have, since 30 September 2019 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 2413A, 24/F, Lippo Centre Tower One, Queensway 89, Admiralty, Hong Kong for a period of 14 days from the date of this circular:

(a) the Share Purchase Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out in this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(d) the report on the unaudited financial information of KAS Engineering, set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information of the Remaining Group, as set out in Appendix III to this circular;

(f) the valuation report of KAS Engineering, as set out in Appendix IV to this circular;

(g) the reports on the discounted future cash flows in connection with the Valuation of KAS Engineering, as set out in Appendix IVA to this circular;

(h) the written consent of the experts referred to in the paragraph headed “Experts” in this appendix;

(i) the amended and restated Memorandum and Articles of Association of the Company;

(j) the annual reports of the Company for the last two financial years ended 30 September 2018 and 30 September 2019;

(k) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(l) the circular of the Company dated 27 April 2020 regarding the major transaction of the Group; and

(m) this circular.

11. GENERAL

(a) The company secretary of the Company is Chen Kun. He is a qualified solicitor of HKSAR.

(b) The registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(c) The principal place of business of the Company in Malaysia is A-3A-02, Block A, Level 3A, Sky Park One City, Jalan USJ 25/1, 47650 Subang Jaya, Selangor Darul Ehsan, Malaysia.

(d) The principal place of business of the Company in Hong Kong is Unit 2413A, 24/F, Lippo Centre Tower One, Queensway 89, Admiralty, Hong Kong.

(e) The Hong Kong branch share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

BGMC International Limited
璋利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1693)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the "**EGM**") of BGMC International Limited (the "**Company**") will be held on Wednesday, 30 December 2020 at 10 a.m. at Unit 2413A, 24/F, Lippo Centre Tower One, Queensway 89, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments or supplements:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the share purchase agreement dated 16 November 2020 entered into between the Company and Purchaser (the "**Share Purchase Agreement**") in relation to the disposal of the entire equity interest in KAS Engineering Sdn. Bhd. (the "**Disposal**") be and is hereby approved, confirmed and ratified;

   (b) the Disposal be and is hereby approved, ratified and confirmed; and

   (c) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his/her opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the Share Purchase Agreement and the Disposal."

By order of the Board
BGMC International Limited
Ching Hong Seng
Executive Director

Selangor, Malaysia, 11 December 2020

Notes:

(a) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

(b) To be valid, the instrument appointment a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, by not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting.

(c) Completion and return of the form of proxy will not preclude any member from attending and voting in person at the EGM if so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

(d) To ascertain a member's entitlement to attend and vote at the EGM, the Register of Members of the Company will be closed for registration of transfer of shares of the Company (the "**Shares**") from Thursday, 24 December 2020 to Wednesday, 30 December 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for attending and voting at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 23 December 2020.

(e) References to time and dates in this notice are to Hong Kong time and dates.

(f) As at the date of this notice, the board of directors of the Company comprises Dato' Mohd Arifin bin Mohd Arif (Vice-chairman), Dato' Teh Kok Lee (Chief Executive Officer) and Ching Hong Seng as executive Directors; and Tan Sri Dato' Seri Kong Cho Ha, Kua Choh Leang and Datuk Kamalul Arifin Bin Othman (Chairman).