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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:
DISPOSAL OF INTEREST IN 95% ORDINARY SHARES OF
BGMC BRAS POWER
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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, 89 Queensway, Admiralty, Hong Kong on Friday, 7 October 2022 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 If you attend and vote in person at the EGM, the instrument appointing a proxy shall be deemed to have been revoked.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 of the Company 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.

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DEFINITIONS

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

“Agreements”	collectively, the Deed of Arrangement, reNIKOLA Advance Agreement, Supplemental reNIKOLA Advance Agreement, BGMC Corporation Advance Agreement, Supplemental BGMC Corporation Advance Agreement, the Subscription Agreement, the Shareholders’ Agreement, the Options Agreement
“Annual Report”	annual report issued by the Company from time to time
“BGMC” or “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)
“BGMC Bras Power”	BGMC Bras Power Sdn Bhd, a company incorporated in Malaysia under the Companies Act 2016 with limited liability which is a directly owned subsidiary of BGMC Corporation
“BGMC Corporation”	BGMC Corporation Sdn Bhd, an indirect wholly-owned subsidiary of the Company
“BGMC Corporation Advance Agreement”	the advance agreement dated 24 March 2022 (supplemented by Supplemental BGMC Corporation Advance Agreement) entered into between BGMC Corporation and BGMC Bras Power, details of which are set out in the section headed “BGMC Corporation Advance Agreement” in the “Letter from the Board” of this circular
“BGMC Corporation’s Repayment to Sparks Energy 1”	BGMC Corporation’s intended repayment of RM89,300,000 to Sparks Energy 1
“BGMC Energy”	BGMC Energy Sdn Bhd, an indirect wholly-owned subsidiary of BGMC
“BGMC Group”	BGMC and its subsidiaries
“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

DEFINITIONS

“Bras Power Sukuk Bond”	The sukuk bond programme (i.e. the Islamic medium term notes based on the Shariah principle of Murabahah (via Tawarruq arrangement)) through which Sparks Energy 1 utilized the OCBC Bridging Loan to finance BGMC Bras Power’s construction cost of Kuala Muda Project
“Bras Ventures”	Bras Ventures Bhd, a company incorporated in Malaysia with limited liability
“Call Option”	has the meaning ascribed to it under Options Agreement
“Call Option Notice”	the notice of exercise to be given by reNIKOLA or its nominee to BGMC Corporation to exercise the Call Option
“CIDB”	the Construction Industry Development Board of the Malaysia
“CMCO”	the conditional movement control order imposed by the Malaysian government
“Commercial Operation Date”	22 March 2022
“Completion”	completion of the transactions contemplated under the Deed of Arrangement
“Completion Date”	the date that Completion occurs in accordance with Deed of Arrangement, which shall be fourteen (14) days from the date the last of the conditions precedent has been fulfilled (or waived) in accordance with the Deed of Arrangement, or such other date and time as agreed by the parties in writing
“COVID-19”	coronavirus disease 2019
“Deed of Arrangement”	the deed of arrangement entered into between BGMC Corporation and reNIKOLA, details of which are set out in the section headed “Deed of Arrangement” in the “Letter from the Board” of this circular
“Director(s)”	the director(s) of the Company
“DPI Loan Agreement”	the loan agreement dated 17 July 2019 and entered into between DPI Solar 1 as lender and BGMC as borrower for a loan amount of USD14,463,196.00 (equivalent to approximately RM63.4 million)

DEFINITIONS

“DPI Solar 1”	DPI Solar 1 Pte. Ltd., a company incorporated in Singapore with limited liability
“Draft Valuation Report”	the preliminary draft Valuation Report as referenced in the Company’s announcement dated 27 June 2022
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreements and transactions contemplated under the Agreements
“EOT”	extension of time
“EPCC Contractor”	the construction contractor engaged by BGMC Bras Power for the Kuala Muda Project
“Existing Payable”	amount payable by BGMC Bras Power to Sparks Energy 1
“Existing RCPS”	the 89,300,000 RCPS issued to BGMC Corporation by BGMC Bras Power, each of which being fully paid up
“Extended Longstop Date”	currently 31 December 2022, which may be further extended according to the terms of Deed of Arrangement
“Final Valuation Report”	Valuation Report in its final form as set out in Appendix IV to this circular
“FMCO”	the full movement control order imposed by the Malaysian government
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“Independent Valuer”	Valplus Consulting Limited
“JV Company” or “Sparks Energy”	Sparks Energy International Limited, a joint venture company established in the Cayman Islands with limited liability on 16 October 2018

DEFINITIONS

“JV Company Options Agreement”	the call and put option agreement dated 29 August 2019 entered into between BGMC Energy, BGMC, DPI Solar 1 and the JV Company pursuant to which, among others, DPI Solar 1 is entitled to exercise a put option and require BGMC to purchase from 45.1% to up to 50.1% of the 21.43 million preference shares of USD1.00 (equivalent to approximately RM4.4) per share of the JV Company being held by DPI Solar 1
“JV Partners”	shareholders of the JV Company other than BGMC Group, being DPI Solar 1, Hasilwan Solar Sdn Bhd, AD Solar Pte. Ltd., BV Energy Sdn Bhd and IDIQA Energy Sdn Bhd
“KAS Engineering”	KAS Engineering Sdn. Bhd., a former subsidiary of the Company incorporated in Malaysia
“KLIBOR”	Kuala Lumpur Interbank Offered Rate
“KME DOA”	the deed of arrangement entered into between the ordinary shareholder of Kuala Muda Estate Sdn Bhd and reNIKOLA in relation to the acquisition of 100% equity interest in Kuala Muda Estate Sdn Bhd
“Kuala Muda Land”	a piece of land held under Geran 33590, Lot 3222, located at Mukim of Sungai Petani, Tempai Chengai Lama, District of Kuala Muda, State of Kedah, Malaysia with an area of 86.5 hectares
“Kuala Muda Land Company” or “KME”	Kuala Muda Estate Sdn Bhd
“Kuala Muda Project”	the design, construction, operation and maintenance of the Solar Farm to generate and deliver solar photovoltaic electricity to TNB
“KWH”	kilowatt hour
“LAD”	liquidated ascertained damages
“Land Companies”	collectively, Kuala Muda Estate Sdn Bhd, Machang Estate Sdn Bhd and Machang Estate (II) Sdn Bhd, all being companies incorporated in Malaysia with limited liability
“Land Companies Deed of Arrangement”	the deed of arrangement entered into between the Land Companies and reNIKOLA respectively

DEFINITIONS

“Land Companies RCPS”	the redeemable convertible preference shares issued by each of Kuala Muda Estate Sdn Bhd, Machang Estate Sdn Bhd and Machang Estate (II) Sdn Bhd to BGMC Holdings, DPI Solar 1 and AD Solar Pte Ltd, respectively
“Latest Practicable Date”	15 September 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
“Letter of Award”	the letter of award dated 23 April 2018 issued by the Energy Commission of Malaysia to BGMC Bras Power regarding the development of Kuala Muda Project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	three months from the date of the Deed of Arrangement or such other date as agreed in writing by the parties to the Deed of Arrangement
“Machang DOA”	the deed of arrangement entered into between the ordinary shareholder of Machang Estate Sdn Bhd and Machang Estate (II) Sdn Bhd and reNIKOLA in relation to the acquisition of 100% equity interest in Machang Estate Sdn Bhd and Machang Estate (II) Sdn Bhd
“Machang Land (I)”	a piece of land held under Geran 25516, Lot 4 located in Mukim of Kuala Kerak, District of Jajahan Machang, State of Kelantan, Malaysia with an area of 110.3 hectares
“Machang Land (II)”	a piece of land held under Geran 25515, Lot 3, located in Mukim of Kuala Kerak, District of Jajahan Machang, State of Kelantan, Malaysia with an area of 66.6 hectares
“Machang Project”	the development of a 30MW _{a.c.} solar photovoltaic energy producing power plant, with a peak installed capacity of the photovoltaic modules of not less than 45.00 megawatt peak and the maximum annual allowable quantity be capped at 89,929.10 megawatt per hour, on a piece of land held under Geran 25516, Lot 4, Mukim Kuala Kerak, Daerah Jajahan Machang in the state of Kelantan, Malaysia
“Machang Project Land Company”	Machang Estate Sdn Bhd and Machang Estate (II) Sdn Bhd, both being companies incorporated in Malaysia with limited liability

DEFINITIONS

“Material Adverse Change”	means any change, circumstance, effect, event or occurrence that individually or in the aggregate, is or would reasonably be expected to: (a) have a material adverse effect on the assets, liabilities, business, financial condition, properties or results of operations of BGMC Bras Power which results in a reduction in the actual or expected net assets or revenue of BGMC Bras Power of a value equivalent to ten percent (10%) or more of the consideration (i.e. RM89,476,555.49); (b) prevent or materially impede the ability of BGMC Corporation or reNIKOLA to perform its obligations under Deed of Arrangement, or to consummate the Transaction; or (c) result in an arrest or prosecution against BGMC Corporation due to breach of criminal laws, but shall not include any matter or consequence arising from the Relevant Legal Proceedings (as defined in the Deed of Arrangement) or any change in economic conditions or financial market conditions (whether relating to equity, debt or currencies or otherwise) or the occurrence of any natural disasters, pandemics and acts of terrorism which affect the supply chain or consumption market, except in the event of any substantial damage or destruction to or loss of the physical properties of BGMC Bras Power or Kuala Muda Project or a substantial delay to the Commercial Operation Date of the Kuala Muda Project of which extension of time free from liquidated damages is not granted by TNB under the Power Purchase Agreement
“MCO”	the movement control order imposed by the Malaysian government
“MRCB”	Malaysian Resources Corporation Berhad
“MWh”	Mega Watt hour
“MWP”	Mega Watt peak
“New RPS”	the 89,300,000 redeemable preference shares to be issued by BGMC Bras Power and subscribed by reNIKOLA
“NRP”	national recovery plan implemented by the Malaysian government
“OCBC Bank”	OCBC Bank (Malaysia) Berhad

DEFINITIONS

“OCBC Bridging Loan”	the loan advanced by OCBC Bank to Sparks Energy 1 which was utilized to finance the Bras Power Sukuk Bond to provide funding to the Kuala Muda Project and Machang Project
“OMMA”	the operation, maintenance and management services agreement between Sparks Energy Sdn. Bhd. and BGMC Bras Power
“Option Period”	the period in which BGMC Corporation or reNIKOLA may exercise the option under the Options Agreement, details of which are set out in the section headed “Options Agreement” in the “Letter from the Board” of this circular
“Option Premium”	the option premium to be paid by BGMC Corporation to reNIKOLA and by reNIKOLA to BGMC Corporation on the date of the Options Agreement, details of which are set out in the section headed “Options Agreement” in the “Letter from the Board” of this circular
“Option Price”	the option price to be paid by reNIKOLA to BGMC Corporation upon exercise of the Call Option granted by BGMC Corporation to reNIKOLA or the Put Option granted by reNIKOLA to BGMC Corporation under the Options Agreement, details of which are set out in the section headed “Options Agreement” in the “Letter from the Board” of this circular
“Option Shares”	95% of the entire issued ordinary share capital of BGMC Bras Power
“Options”	collectively the Call Option and the Put Option
“Options Agreement”	the options agreement to be entered into between BGMC Corporation and reNIKOLA, details of which are set out in the section headed “Options Agreement” in the “Letter from the Board” of this circular
“percentage ratio”	has the meaning given to it under Rule 14.07 of the Listing Rules
“Power Purchase Agreement”	the power purchase agreement dated 27 March 2018 entered into between BGMC Bras Power and TNB
“Put Option”	has the meaning ascribed to it under Options Agreement

DEFINITIONS

“Put Option Notice”	the notice of exercise to be given by BGMC Corporation to reNIKOLA or its nominee to exercise the Put Option
“RCPS”	redeemable convertible preference shares
“Redemption Sum”	the redemption sum of RM89,300,000 to be paid by BGMC Bras Power to BGMC Corporation for redemption of the Existing RCPS
“Remaining Group”	the Group after Completion of the disposal of interest in 95% ordinary shares of BGMC Bras Power
“reNIKOLA”	reNIKOLA Sdn Bhd, a company incorporated in Malaysia with limited liability, which is an independent third party, together with reNIKOLA’s nominated party for signing the Agreements
“reNIKOLA Advance Agreement”	the advance agreement dated 24 March 2022 (supplemented by Supplemental reNIKOLA Advance Agreement) entered into between reNIKOLA and BGMC Corporation, details of which are set out in the section headed “reNIKOLA Advance Agreement” in the “Letter from the Board” of this circular
“reNIKOLA Group”	reNIKOLA and its subsidiaries
“RM” or “Ringgit”	Malaysian ringgit, the lawful currency of Malaysia
“RMCO”	the recovery movement control order imposed by the Malaysian government
“RPS”	redeemable preference shares issued by BGMC Corporation to Sparks Energy 1 in the amount of RM89.3 million
“SaaS”	software as a service
“Settlement Agreement”	the settlement agreement dated 11 August 2022, details of which are set out in the announcements of the Company dated 16 August 2022 and 23 August 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 BGMC

DEFINITIONS

“Shareholders’ Agreement”	the amended and restated shareholders’ agreement to be entered into among BGMC Bras Power, BGMC Corporation, reNIKOLA and Bras Ventures, details of which are set out in the section headed “Shareholders’ Agreement” in the “Letter from the Board” of this circular
“Solar Farm”	the ground-mounted solar project located on part of the piece of land held under Geran 33590, Lot 3222 located in Mukim of Sungai Petani, District of Kuala Muda, State of Kedah, Malaysia
“SOP”	standard operating procedure
“Sparks Energy 1”	Sparks Energy 1 Sdn Bhd, a company incorporated in Malaysia with limited liability and an indirect wholly-owned subsidiary of the JV Company
“Sparks Energy 1 Subscription Agreement”	the subscription agreement dated 29 August 2019 and entered into between BGMC Corporation and Sparks Energy 1 in relation to the subscription by Sparks Energy 1 of the redeemable preference shares to be issued by BGMC Corporation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	Subscription to the New RPS
“Subscription Agreement”	the subscription agreement set out in the section headed “Subscription Agreement” in the “Letter from the Board” of this circular
“Subscription Price”	the subscription price of RM89,300,000 to be paid by reNIKOLA to subscribe for New RPS in BGMC Bras Power as per the Deed of Arrangement
“Sukuk Murabahah Programme”	the Islamic medium term notes based on the Shariah principle of Murabahah (via Tawarruq arrangement) wherein BGMC Bras Power may issue Islamic medium term notes of up to Ringgit Malaysia One Hundred and Six Million (RM106,000,000.00) in nominal value under an Islamic medium term notes programme
“Supplemental BGMC Corporation Advance Agreement”	supplemental advance agreement dated 13 May 2022 to supplement the BGMC Corporation Advance Agreement
“Supplemental reNIKOLA Advance Agreement”	supplemental advance agreement dated 13 May 2022 to supplement the reNIKOLA Advance Agreement

DEFINITIONS

“TNB”	Tenaga Nasional Berhad, being the Malaysian multinational electricity company and is the only electric utility company in Peninsular Malaysia
“Transaction”	as defined in “Deed of Arrangement — Subscription and Redemption of Existing RCPS” in the “Letter from the Board” of this circular
“Total Consideration”	as stated in “Deed of Arrangement — Consideration” in the “Letter from the Board” of this circular
“USD”	United States dollars, the lawful currency of the United States of America
“Valuation Report”	the valuation report of BGMC Bras Power as of 31 December 2021 prepared by the Independent Valuer in accordance with the income approach, full text of which is set out in appendix IV to this circular
“%”	per cent
“2020 Circular”	the circular of the Company dated 27 April 2020

For illustration purposes only, amounts denominated in USD in this circular have been translated into RM at the rate of USD1 = RM4.3846. 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.

LETTER FROM THE BOARD



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 Director:

Dato' Teh Kok Lee

Independent Non-executive Directors:

Datuk Kamalul Arifin Bin Othman

Kua Choh Leang

Datuk Kang Hua Keong

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Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Principal Place of Business

in Hong Kong:

Unit 2413A, 24/F

Lippo Centre Tower One

89 Queensway, Admiralty

Hong Kong

21 September 2022

To the Shareholders

Dear Sir or Madam,

**(I) VERY SUBSTANTIAL DISPOSAL:
DISPOSAL OF INTEREST IN 95% ORDINARY SHARES OF
BGMC BRAS POWER
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements dated 24 March 2022 and 27 June 2022 which relate to the BGMC Group agreeing to the Agreements for the proposed disposal of interest in 95% ordinary shares of BGMC Bras Power.

The purpose of this circular is to provide you with information relating to the Agreements and transactions contemplated thereunder.

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Background

References are made to (1) the announcement of BGMC dated 25 July 2019 which is supplemented by the announcement dated 14 August 2019 with respect to the BGMC Group's subscription for Land Companies RCPS of Kuala Muda Project and Machang Project, and (2) the announcement of BGMC dated 29 August 2019 and the 2020 Circular with respect to BGMC Group and other JV Partners' cooperation through setting up JV Company and engagement of JV Company's indirect wholly-owned subsidiary as management services company for the Kuala Muda Project and the Machang Project.

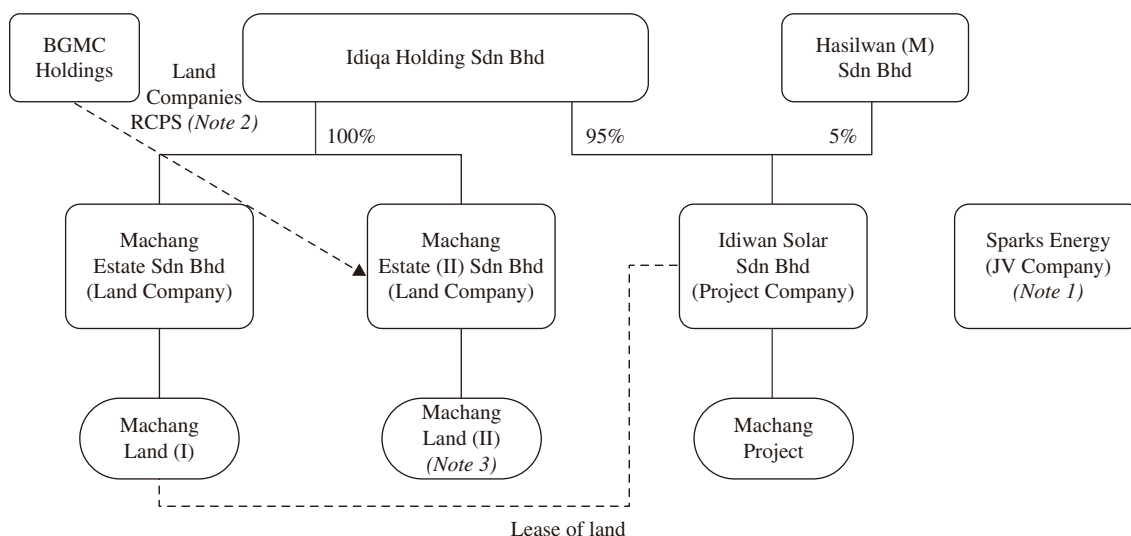
BGMC Group is not the project owner of Machang Project, but held Land Companies RCPS in Machang Project Land Company, which will be fully redeemed upon completion of Machang DOA.

BGMC Bras Power is the project owner of Kuala Muda Project. Due to reasons such as financial difficulties and dispute among JV Partners, BGMC Group wished to dispose of its interest in BGMC Bras Power and Kuala Muda Project. reNIKOLA is interested to acquire and participate in both Machang Project and Kuala Muda Project. Accordingly, the BGMC Group and reNIKOLA entered into the Agreements and/or agreed to enter into such Agreements in agreed form upon Completion for BGMC Group's disposal of interest in 95% ordinary shares in BGMC Bras Power to reNIKOLA.

Structure

The current structure chart of Machang Project and Kuala Muda Project are set out below for illustration purpose.

Machang Project



Note 1: As at the Latest Practicable Date, BGMC Group holds 451 ordinary shares out of the total issued ordinary shares of 17,628,379,817 (i.e. shareholding of approximately 0.0000026%) in Sparks Energy. As at the Latest Practicable Date, Idiwan Solar Sdn Bhd has served notice to terminate the operation, maintenance & management services agreement between Idiwan Solar Sdn Bhd and Sparks Energy Sdn Bhd (the indirect

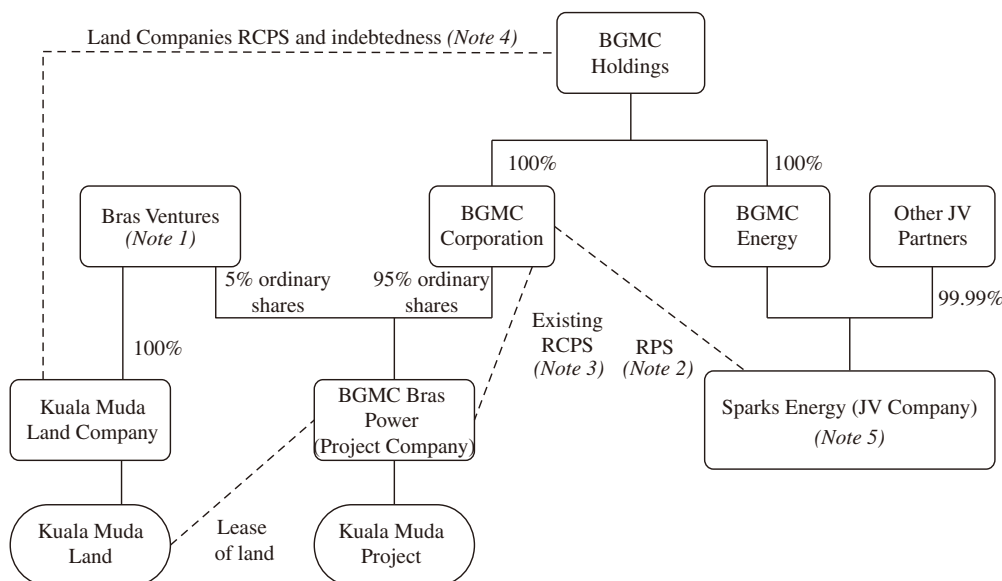
LETTER FROM THE BOARD

wholly-owned subsidiary of Sparks Energy), in respect of which Sparks Energy Sdn Bhd has disputed. The dispute is expected to be resolved according to the Settlement Agreement as set out in the announcements of the Company dated 16 August 2022 and 23 August 2022.

Note 2: The outstanding amount of Land Companies RCPS issued by Machang Estate (II) Sdn Bhd to BGMC Holdings is RM3,145,170.28. The outstanding indebtedness owed by Machang Estate Sdn Bhd to BGMC Corporation is RM937,613.77. The outstanding indebtedness owed by Machang Estate (II) Sdn Bhd to BGMC Corporation is RM533,723.90.

Note 3: Machang Land (II) was reserved for the development of the next phase of large-scale solar photovoltaic energy producing power plant for Machang Project, which has not been utilized up to date.

Kuala Muda Project



Note 1: Bras Ventures is not related to BGMC Group.

Note 2: The outstanding amount of RPS issued by BGMC Corporation to Sparks Energy 1 (the indirect wholly-owned subsidiary of Sparks Energy) is RM89.3 million.

Note 3: The outstanding amount of Existing RCPS issued by BGMC Bras Power to BGMC Corporation is RM89.3 million.

Note 4: The outstanding amount of the Land Companies RCPS issued by Kuala Muda Land Company to BGMC Holdings is RM2,549,627.60, and the outstanding indebtedness owed by Kuala Muda Land Company to BGMC Corporation is RM1,009,383.08.

Note 5: As at the Latest Practicable Date, BGMC Bras Power has served notice to terminate the OMMA between BGMC Bras Power and Sparks Energy Sdn Bhd (the indirect wholly-owned subsidiary of Sparks Energy). As at the Latest Practicable Date, Sparks Energy Sdn Bhd has filed an injunction in aid of arbitration for the termination of OMMA, and obtained an ad-interim order from court. The dispute is expected to be resolved according to the Settlement Agreement as set out in the announcements of the Company dated 16 August 2022 and 23 August 2022.

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THE AGREEMENTS

Overview

The Agreements are:

- (1) Deed of Arrangement between BGMC Corporation and reNIKOLA in relation to, among others, BGMC Bras Power's issue of New RPS to reNIKOLA, BGMC Bras Power's redemption of Existing RCPS held by BGMC Corporation and BGMC Bras Power's repayment of Existing Payable to Sparks Energy 1;
- (2) reNIKOLA Advance Agreement between reNIKOLA and BGMC Corporation (supplemented by Supplemental reNIKOLA Advance Agreement);
- (3) BGMC Corporation Advance Agreement between BGMC Corporation and BGMC Bras Power (supplemented by Supplemental BGMC Corporation Advance Agreement);
- (4) Subscription Agreement between BGMC Bras Power and reNIKOLA in relation to BGMC Bras Power's issue of the New RPS to reNIKOLA at a subscription price of RM89,300,000;
- (5) the Shareholders' Agreement which intends to regulate the rights of ordinary shareholders (being Bras Ventures (5%) and BGMC Corporation (95%)) and reNIKOLA (as holder of New RPS), according to which reNIKOLA will participate in the management of BGMC Bras Power upon Completion;
- (6) Options Agreement between BGMC Corporation and reNIKOLA, in relation to, among others, Call Option and Put Option.

Agreement (1) was signed on 24 March 2022.

Agreement (2)-(3) were signed on 24 March 2022 and supplemented by respective supplemental advance agreements on 13 May 2022. The background for supplemental advance agreements are, reNIKOLA and BGMC Group decided to enter into supplemental advance agreements to increase the advance amount so that BGMC Group can utilize the advance to settle the due payments under Bras Power Sukuk Bond.

Agreement (4)-(6) are in agreed form as schedule to the Deed of Arrangement to be executed upon Completion. According to the Deed of Arrangement, each of reNIKOLA and BGMC Corporation shall enter into the Subscription Agreement, Shareholders' Agreement and Options Agreement (each of which is in agreed form as schedule to Deed of Arrangement) upon Completion when all the conditions precedent to the Deed of Arrangement are fulfilled, including but not limited to the condition of BGMC Bras Power having obtained approval or a letter of no objection from the Energy Commission of Malaysia and TNB for the change of preference shareholders in BGMC Bras Power from BGMC Corporation to reNIKOLA. reNIKOLA's

LETTER FROM THE BOARD

becoming preference shareholders in BGMC Bras Power via subscription for New RPS in BGMC Bras Power would require the consent from the Energy Commission of Malaysia and TNB.

SUMMARY OF PRINCIPAL TERMS OF THE AGREEMENTS

Deed of Arrangement

Set out below are a summary of the principal terms of the Deed of Arrangement:

Date: 24 March 2022 (after trading hours)

Promoter: BGMC Corporation (which holds 95% ordinary shares in BGMC Bras Power)

Investor: reNIKOLA

Subscription and Redemption of Preference Shares

- (1) BGMC Corporation shall procure BGMC Bras Power to:
 - (a) issue the New RPS to reNIKOLA at the Subscription Price;
 - (b) redeem the Existing RCPS at the Redemption Sum; and
 - (c) repay the Existing Payable; and
- (2) reNIKOLA shall subscribe for the New RPS in BGMC Bras Power at the Subscription Price.

(collectively as “**Transaction**”)

Bras Power Sukuk Bond

Notwithstanding that the conditions precedent as set out in the sub-section headed “Conditions Precedent to Completion” below have not been fulfilled, within 14 days following the date of the Deed of Arrangement, reNIKOLA shall progressively subscribe for or shall cause a third party to progressively subscribe to the Sukuk Murabahah Programme up to the total amount of RM106,000,000.00 subject to the terms and conditions of the Sukuk Murabahah Programme. Such subscription sum shall be utilized by BGMC Bras Power to (i) redeem the existing Sukuk Murabahah Programme subscribed by Sparks Energy 1; and (ii) to fund the completion of the construction of the Kuala Muda Project.

For the period from December 2019 up to February 2022, BGMC Bras Power has issued Bras Power Sukuk Bond to Sparks Energy 1 under the Sukuk Murabahah Programme in the amount of RM72.4 million. As such, BGMC Bras Power was indebted to redeem the outstanding Bras Power Sukuk Bond in the amount of RM72.4 million plus profit payment calculated by profit rates. According to the terms of the Sukuk Murabahah Programme under which the Bras Power Sukuk Bond are issued, consent from OCBC Al-Amin Bank Berhad (as lead manager of the Sukuk Murabahah Programme) would be required for BGMC Bras Power to issue Bras Power Sukuk

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Bond to reNIKOLA (being a new subscriber) which has been obtained in August 2022. However, reNIKOLA has not started progressively subscribing for or refinancing the Bras Power Sukuk Bond because the necessary documentation and filing still requires time for amending the terms of the Sukuk Murabahah Programme. Hence, reNIKOLA and BGMC Group entered into Supplemental reNIKOLA Advance Agreement to increase the advance amount from RM19.0 million to RM49.9 million so that BGMC Group can utilize the advance to settle the due payments under Bras Power Sukuk Bond. As at the Latest Practicable Date, BGMC Group had utilized the advances from reNIKOLA to settle the repayment tranches 2 to 5 of the Bras Power Sukuk Bond which were due on 11 May 2022, 10 June 2022, 10 August 2022 and 30 August 2022 and the plan is for reNIKOLA to subscribe for new Bras Power Sukuk Bond to settle the repayments of tranche 6 of existing Bras Power Sukuk Bond. As at the Latest Practicable Date, the plan is for reNIKOLA to make further advances or progressively subscribe for new Bras Power Sukuk Bond to enable BGMC Bras Power to meet the repayment obligations of the existing Bras Power Sukuk Bond according to the maturity dates as follows:

Tranche	Issuance Amount (RM)	Issue Date	Maturity Date ^(Note 1)
1	2,000.00	24 December 2019	24 December 2024
2	24,316,000.00	11 November 2020	11 May 2022 ^{Note 2}
3	4,051,930.11	11 December 2020	10 June 2022 ^{Note 2}
4	10,868,616.23	27 January 2021	10 August 2022 ^{Note 2}
5	4,384,782.40	10 February 2021	30 August 2022 ^{Note 2}
6	3,035,771.28	19 March 2021	16 September 2022 ^{Note 2}
7	4,389,748.35	21 April 2021	21 October 2022 ^{Note 2}
8	3,111,854.94	25 May 2021	25 November 2022 ^{Note 2}
9	3,172,477.25	29 June 2021	27 December 2022 ^{Note 2}
10	2,783,922.33	30 July 2021	27 January 2023 ^{Note 2}
11	1,160,477.17	14 September 2021	14 March 2023 ^{Note 2}
12	1,543,313.22	8 November 2021	8 November 2022
13	6,341,463.95	16 November 2021	16 November 2022
14	1,734,037.95	24 December 2021	24 December 2022
15	<u>1,544,594.50</u>	10 February 2022	10 February 2023
Total	<u>72,440,989.68</u>		

Note 1: A grace period of 5 business days is allowed after maturity date.

Note 2: Certain maturity dates have been extended by OCBC Bank.

Sukuk Murabahah Programme means the Islamic medium term notes based on the Shariah principle of Murabahah (via Tawarruq arrangement) wherein BGMC Bras Power may issue Islamic medium term notes of up to RM106,000,000.00 in nominal value under an Islamic medium term notes programme. Sukuk Murabahah Programme is a means of Islamic financing in Malaysia. Upon OCBC Bank's advice as to the transaction structure, the Sukuk Murabahah Programme was set up for BGMC Bras Power to issue Bras Power Sukuk Bond in compliance with Shariah principle in Islamic financing.

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Issue of Bras Power Sukuk Bond under the Shariah principle of Murabahah (via Tawarruq arrangement) refers to a mode of cost-plus margin sale under Islamic financing which was conducted on Bursa Suq Al-Sila' ("Islamic Financing Trading Platform", being the authorized commodities trading platform for Islamic financial product). Sparks Energy 1 (via OCBC Bank which provided OCBC Bridging Loan to finance the subscription for Bras Power Sukuk Bond) paid the subscription funds through cost-plus margin sale conducted on the Islamic Financing Trading Platform. The Tawarruq arrangement involves two essential transactions: (1) qualified commodities trading participant ("CTP") of the Islamic Financing Trading Platform sold commodities to BGMC Bras Power for a certain purchase price (which is equivalent to Sparks Energy 1's subscription funds for Bras Power Sukuk Bond) plus profit margin which is repayable in installments on deferred basis, and (2) BGMC Bras Power sold commodities to the management company of the Islamic Financing Trading Platform for a purchase price (without profit margin) which is immediately payable to BGMC Bras Power. Upon simultaneous completion of the two transactions, BGMC Bras Power would effectively obtain cash equivalent to purchase price from the sale of commodities in transaction (2) above, while BGMC Bras Power would need to repay the purchase price on maturity date plus profit margin in periodic installments in transaction (1) above.

BGMC Bras Power shall fully settle the purchase price being principal amount of the respective Bras Power Sukuk Bond upon its maturity, while BGMC Bras Power shall make periodic profit payment for the respective tranche of Bras Power Sukuk Bond. The payment referenced above are conducted through the Islamic Financing Trading Platform and to the ultimate benefits of the holder of Bras Power Sukuk Bond.

The issue of Bras Power Sukuk Bond through Murabahah (via Tawarruq arrangement) is different form issue of bond with interest because the transactions conducted on Islamic Financing Trading Platform are sale of commodities which are backed up by real commodities arranged by Islamic Financing Trading Platform in compliance with Islamic financing principles while such commodities do not carry practical significance because BGMC Bras Power through the two transactions as referenced above would purchase and sell the commodities on back-to-back basis. On the other hand, an ordinary bond issuance with fixed coupon rate is not backed up by any commodities and is essentially a loan which is prohibited under Islamic financing.

Profit Rate of Bras Power Sukuk Bond

During negotiation, OCBC Bank (which provided loan facility to Sparks Energy 1 for its subscription for Bras Power Sukuk Bond) proposed the profit rate of Bras Power Sukuk Bond shall be allowed to be adjusted once every three months according to specified formula rather than a fixed rate, but subject to a maximum rate. BGMC Bras Power considered that periodic profit rate adjustment with reference to benchmark figures commonly used by commercial bank in Malaysia is in line with market practice and considered that imposition of maximum rate is in the interest of BGMC Bras Power. As such, the profit rate adjustment formula was agreed after commercial negotiation.

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The profit rate of Bras Power Sukuk Bond is calculated according to the following formula:

Profit rate = the lower of (i) spread for floating rate + relevant floating rate benchmark, and
(ii) maximum rate

1. Spread for floating rate: the spread agreed between OCBC Al-Amin Bank Berhad (“**Lead Manager**” being the lead manager of the Sukuk Murabahah Programme) and BGMC Bras Power (as “**Issuer**”).
2. Relevant floating rate benchmark: the benchmark rate for six-month (or such other relevant period) Ringgit deposits, as agreed between Issuer and Lead Manager.
3. Maximum rate: 3-month KLIBOR on the issue date plus 10% per annum.
4. The profit rate of each tranche of Bras Power Sukuk Bond was adjusted via mutual agreement between Lead Manager and Issuer according to the calculation formula once every three months.

By applying the above formula, profit rates of the issued Bras Power Sukuk Bond are in the range of between 3.80% to 4.90% per annum as at the Latest Practicable Date.

Historical profit rates per annum of Bras Power Sukuk Bond are as follows.

Tranche	Profit rate per annum for the period							
	11 November	12 February	12 May	12 August	12 November	11 February	12 May	11 August
	2020 to	2021 to	2021 to	2021 to	2021 to	2022 to	2022 to	2022 to
	11 February	11 May	11 August	11 November	10 February	11 May	10 August	11 November
	2021	2021	2021	2021	2022	2022	2022	2022
1 (Note 1)	-	-	-	-	-	-	-	-
2	4.10%	4.00%	4.15%	4.15%	4.15%	4.25%	-	-
3	3.80%	4.00%	4.15%	4.15%	4.15%	4.25%	-	-
4	-	3.80%	4.15%	4.15%	4.15%	4.25%	-	-
5	-	4.00%	4.15%	4.15%	4.15%	4.25%	4.25%	-
6	-	4.00%	4.15%	4.15%	4.15%	4.25%	4.25%	4.55%
7	-	-	4.00%	4.15%	4.15%	4.25%	4.25%	4.65%
8	-	-	4.15%	4.15%	4.15%	4.25%	4.25%	4.85%
9	-	-	4.15%	4.15%	4.15%	4.25%	4.25%	4.80%
10	-	-	-	4.15%	4.15%	4.25%	4.25%	4.80%
11	-	-	-	4.05%	4.15%	4.25%	4.25%	4.80%
12	-	-	-	-	4.05%	4.25%	4.25%	4.80%
13	-	-	-	-	4.15%	4.25%	4.25%	4.85%
14	-	-	-	-	4.15%	4.25%	4.25%	4.90%
15	-	-	-	-	-	4.25%	4.25%	4.80%

Note 1: the issuance of tranche 1 in the amount of RM2,000 is a test run of the entire Sukuk Murabahah Programme. The total profit was fixed at RM1,000 and no profit rate had been determined.

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OCBC Bridging Loan

The Bras Power Sukuk Bond was financed by Sparks Energy 1's borrowing of OCBC Bridging Loan. In September 2019, Sparks Energy 1 was granted a loan facility with a principal amount up to RM220.0 million ("**OCBC Bridging Loan**") from OCBC Bank, which provided funding for the following: (1) Sparks Energy 1 subscribed for unrated sukuk bond issued by Idiwan Solar Sdn Bhd up to an amount of RM115.0 million ("**Machang Sukuk Bond**"), and (2) Sparks Energy 1 subscribed for Bras Power Sukuk Bond issued by BGMC Bras Power up to an amount of RM106.0 million. The profit rate is in the range of 4.55% to 4.90% per annum for different tranches of Bras Power Sukuk Bond and Machang Sukuk Bond for the period ranging from 11 August 2022 to 11 November 2022.

Up to the Latest Practicable Date, the total Bras Power Sukuk Bond in the amount of RM72.4 million constitutes approximately 32.9% of the total amount of OCBC Bridging Loan while approximately RM72.0 million (i.e. 32.7%) of the OCBC Bridging Loan has been utilized for Machang Project, and the remaining 34.4% of the OCBC Bridging Loan has not been drawn. The BGMC Bras Power's redemption of Bras Power Sukuk Bond has been pledged as security for Sparks Energy 1's repayment of OCBC Bridging Loan. Accordingly, BGMC Bras Power will make repayment to OCBC Bank.

The total sum drawn by Sparks Energy 1 under the OCBC Bridging Loan is RM144,406,069.93:

Drawdown Date	Amount drawn down (RM)
11 November 2020	25,626,000.00
11 December 2020	11,502,263.79
27 January 2021	24,940,584.85
10 February 2021	16,042,891.07
19 March 2021	5,827,547.07
21 April 2021	6,630,089.61
25 May 2021	5,678,764.51
29 June 2021	7,456,018.67
30 July 2021	9,273,566.36
14 September 2021	4,958,602.48
8 November 2021	3,081,668.59
16 November 2021	13,503,580.34
26 November 2021	2,379,769.04
24 December 2021	4,244,140.33
10 February 2022	3,260,583.22
Total	<u>144,406,069.93</u>

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The whole OCBC Bridging Loan was initially repayable on 11 November 2021, which is one year after the first drawdown. The repayment date was subsequently extended to 11 May 2022. As of current, Sparks Energy 1 was in default of the repayment of OCBC Bridging Loan. OCBC Bank did not bring legal proceedings against Sparks Energy 1. By virtue of deed of assignment which is a security document of the OCBC Bridging Loan, OCBC Bank was entitled to exercise the rights of Sparks Energy 1 as holder of Bras Power Sukuk Bond, and as such has requested direct payment from BGMC Bras Power in settlement of the Bras Power Sukuk Bond held by Sparks Energy 1. With the advances from reNIKOLA, BGMC Bras Power has settled tranches 2 to 5 of the Bras Power Sukuk Bond in favour of OCBC Bank. The plan is for reNIKOLA to make further advances or progressively subscribe for new Bras Power Sukuk Bond to enable BGMC Bras Power to meet the repayment obligations of the existing Bras Power Sukuk Bond issued by BGMC Bras Power to Sparks Energy 1, which in turn would be utilized to settle the repayment of OCBC Bridging Loan owed by Sparks Energy 1 to OCBC Bank.

As at the Latest Practicable Date, the outstanding principal amount of the OCBC Bridging Loan was RM66,294,330.22.

Consideration

The total consideration for the Transaction shall be RM89,476,555.49 (the “**Total Consideration**”), being the aggregate of the following:

- (1) RM89,300,000.00, representing the entire Redemption Sum for the Existing RCPS; and
- (2) RM176,555.49, representing the outstanding amount of the Existing Payable by BGMC Bras Power to Sparks Energy 1, which will be paid by reNIKOLA by making subscription of the New RPS at the Subscription Price and the payment of a loan in the same amount as the Existing Payable.

Payment Terms

On Completion Date, reNIKOLA shall pay to BGMC Bras Power an amount equivalent to the Total Consideration. The Total Consideration paid by reNIKOLA to BGMC Bras Power shall be utilized by BGMC Bras Power to redeem the Existing RCPS at the Redemption Sum and repay the Existing Payable. The payment of Redemption Sum to BGMC Corporation for redemption of the Existing RCPS shall be set off against the amount owing by BGMC Corporation to BGMC Bras Power.

As at the Latest Practicable Date, there is an amount of RM0.2 million owing by BGMC Corporation to BGMC Bras Power, which will be set off against the payment of Redemption Sum by BGMC Bras Power to BGMC Corporation.

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Investor's right to terminate

Without prejudice to the provisions in the Deed of Arrangement, reNIKOLA shall be entitled to issue a notice of termination to BGMC Corporation if, at any time prior to completion of the Deed of Arrangement:

- (a) BGMC Corporation commit any material breach of any of their obligations under the Deed of Arrangement which
 - (i) is incapable of remedy; or
 - (ii) if capable of remedy, is not remedied within 30 business days of it being given notice to do so;
- (b) a petition is presented (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of BGMC Bras Power and/or winding up of BGMC Corporation;
- (c) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of BGMC Bras Power;
- (d) BGMC Bras Power becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors;
- (e) BGMC Bras Power ceases or threatens to cease or carry on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the Deed of Arrangement); or
- (f) any of BGMC Corporation's warranties given by BGMC Corporation in the Deed of Arrangement is found at any time to be materially untrue or incorrect.

The Promoter's right to terminate

Without prejudice to the provisions in the Deed of Arrangement, BGMC Corporation shall be entitled to issue a notice of termination to reNIKOLA if, at any time prior to Completion:

- (a) reNIKOLA commit any material breach of any of their obligations under the Deed of Arrangement which:
 - (i) is incapable of remedy; or
 - (ii) if capable of remedy, is not remedied within 30 business days of it being given notice to do so;

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- (b) a petition is presented (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of reNIKOLA;
- (c) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of reNIKOLA;
- (d) reNIKOLA becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors;
- (e) reNIKOLA ceases or threatens to cease or carry on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the Deed of Arrangement); or
- (f) any of the investor warranties given by reNIKOLA is found at any time to be materially untrue or incorrect.

Conditions Precedent to Completion

Completion is conditional upon the satisfaction of the following conditions precedent:

- (a) BGMC Bras Power having obtained the fulfilment of conditions precedent as set out in the Power Purchase Agreement for the commercial operations of the Kuala Muda Project by BGMC Bras Power;
- (b) BGMC having obtained the approval of its shareholders at an extraordinary general meeting to be convened in respect of the transaction under the Deed of Arrangement (to the extent required);
- (c) BGMC Bras Power having obtained approval or a letter of no objection from the Energy Commission of Malaysia and TNB for the change of preference shareholders in BGMC Bras Power from BGMC Corporation to reNIKOLA;
- (d) reNIKOLA having entered into the KME DOA;

The completion of the transaction under the Deed of Arrangement shall be subject to simultaneous completion of the transaction contemplated in the KME DOA. For details, please refer to the section headed “Simultaneous Completion with KME DOA” below;

- (e) the results and findings of the operational, technical, legal, financial and tax due diligence review undertaken on BGMC Bras Power, provided that in the event reNIKOLA is of the view that there are any material adverse findings arising from the

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said due diligence, reNIKOLA shall notify BGMC Corporation in writing of the same and the parties to the Deed of Arrangement shall discuss in good faith to resolve the same within fourteen (14) business days of receipt by BGMC Corporation of the written notification. All material adverse findings notified in writing by reNIKOLA to BGMC Corporation shall be resolved on or before the Longstop Date and reNIKOLA shall provide a confirmation on whether the due diligence is satisfactory or not on or prior to the Longstop Date; and

- (f) the disclosure letter to be made by BGMC Bras Power to reNIKOLA for certain factual information related to BGMC Bras Power which are made aware to reNIKOLA being acceptable to reNIKOLA in its sole and absolute discretion.

Condition (a) has been fulfilled, as TNB certified that the Commercial Operation Date is 22 March 2022.

Condition (d) has been fulfilled in respect of the entering into of KME DOA, which has been signed on 24 March 2022.

Apart from above, other conditions have not been fulfilled as at the Latest Practicable Date.

Condition precedent can be waived by consent of all parties to the Deed of Arrangement.

Other conditions of Completion

Completion shall take place on Completion Date provided that:

- (1) there has been no Material Adverse Change in respect of the operation of BGMC Bras Power since the date of the Deed of Arrangement;
- (2) the promoter warranties set out in Deed of Arrangement remains accurate at the Completion Date as if given on that date by reference to the facts and circumstances then existing;
- (3) BGMC Corporation have not breached any material undertakings, representations, warranties and covenants under the Deed of Arrangement; and
- (4) no government agency shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the Transaction illegal or restraining or prohibiting consummation of such Transaction.

In the event any of the condition(s) prevents the Completion of the Transaction, then reNIKOLA shall have the right (but not the obligation) to terminate the Deed of Arrangement on written notice to BGMC Corporation and if the Deed of Arrangement is so terminated, all obligations of the parties under the Deed of Arrangement (except obligations arising under the surviving clauses) shall cease and no party (including any third party which may have rights under the Deed of Arrangement) shall have any claim against any other party under the Deed of

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Arrangement save for any claim arising from any antecedent breach of any obligation under the Deed of Arrangement and any claim under the surviving clauses.

Simultaneous Completion with KME DOA

The parties hereby acknowledge and agree that either party shall not be obliged to complete the Transaction unless the transaction contemplated in the KME DOA is completed simultaneously with the Completion of the Deed of Arrangement.

The completion of the transaction under the Deed of Arrangement shall be subject to simultaneous completion of the transaction contemplated in the KME DOA. For the avoidance of doubt, the completion of the transaction under the Deed of Arrangement and the transaction contemplated in the KME DOA are inter-conditional and neither transaction may be completed without the other transaction being completed simultaneously. In the event the transaction contemplated in the KME DOA is aborted for any reason whatsoever, the transaction under this Deed of Arrangement shall be deemed terminated immediately and all obligations of the parties under this Deed of Arrangement (except obligations arising under certain surviving clauses in the Deed of Arrangement) shall cease and no party to the Deed of Arrangement (including any third party which may have rights under the Deed of Arrangement) shall have any claim against any other parties under this Deed of Arrangement save for any claim arising from any antecedent breach of any obligation under this Deed of Arrangement and any claim under the surviving clauses.

Completion Date

Completion Date means the date that Completion occurs in accordance with the Deed of Arrangement, which shall be fourteen (14) days from the date the last of the condition precedent has been fulfilled (or waived) in accordance with the Deed of Arrangement, or such other date and time as agreed by the parties in writing. As at the Latest Practicable Date, none of the conditions precedent of the Deed of Arrangement has been waived and Completion of Deed of Arrangement is expected to take place in October 2022.

It is expected that all of the conditions precedent of KME DOA will be fulfilled and completion of KME DOA is expected to take place in October 2022.

Longstop Date

Three (3) months from the date of the Deed of Arrangement or such other date as agreed in writing by the parties to the Deed of Arrangement.

As at the Latest Practicable Date, the current Longstop Date (24 June 2022) has been extended to 31 December 2022 according to the terms under the section “Effect of Non-Fulfilment” below.

Effect of Non-Fulfilment

If any of the conditions precedent to the Deed of Arrangement is not fulfilled (or waived) on or before the Longstop Date, provided always that the period to fulfil the conditions precedent

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shall automatically be extended for a further period of two (2) months from the end of the Longstop Date or by written notice (“**Extended Longstop Date**”). In the event the only condition(s) precedent that is not fulfilled by the Longstop Date is item (b) and/or (d) in the sub-section headed “Conditions Precedent to Completion” above, then upon the expiry of the Longstop Date and, if applicable, Extended Longstop Date or such other date to be mutually agreed in writing by the parties to the Deed of Arrangement, either BGMC Corporation or reNIKOLA may terminate the Deed of Arrangement (other than the surviving clauses) by notice in writing to the other parties and:

- (a) the Deed of Arrangement shall lapse and be null and void and of no effect whatsoever and no party (including any third party which may have rights under this Deed of Arrangement) shall have any claim against any other party under the Deed of Arrangement, save for any claim arising from antecedent breaches of any obligation under the Deed of Arrangement and under any surviving clauses; and
- (b) reNIKOLA will return to BGMC Corporation or destroy as directed by BGMC Corporation any records and all confidential information which it has under its control or possession.

reNIKOLA acknowledges that:

- (a) the following are the existing legal proceedings in which BGMC Corporation is currently involved in relation to the Kuala Muda Project:
 - (i) On 15 March 2021, DPI Solar 1 initiated legal proceedings against BGMC and BGMC Corporation pursuant to the DPI Loan Agreement dated 17 July 2019 that was entered into between DPI Solar 1 as lender and BGMC as borrower for recovery of an outstanding loan amount of USD1.9 million (equivalent to approximately RM8.3 million). A corporate guarantee was provided by BGMC Corporation as security for this DPI Loan Agreement. DPI Solar 1 was awarded a judgment and BGMC Group settled the judgment debts in full on 26 January 2022; and
 - (ii) On 9 May 2022, DPI Solar 1 commenced arbitration proceedings against BGMC, the ultimate holding company of BGMC Corporation pursuant to the call and put option agreement dated 29 August 2019 entered into between BGMC Energy, BGMC, DPI Solar 1 and the JV Company (the “**JV Company Options Agreement**”). According to the JV Company Options Agreement, among others, DPI Solar 1 is entitled to exercise a put option and require BGMC to purchase from 45.1% to up to 50.1% of the 21.43 million preference shares of USD1.00 (equivalent to approximately RM4.4) per share of the JV Company being held by DPI Solar 1. On 19 February 2021, DPI Solar 1 purportedly exercised the said put option and required BGMC to purchase 50.1% of the said preference shares, i.e. 10,736,430 preference shares. BGMC was unable to satisfy the said request due to lack of funds. As a result, DPI Solar 1 commenced arbitration proceedings against BGMC. This arbitration proceedings are still ongoing.

(collectively, “**Existing Legal Proceedings**”); and

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- (b) Sparks Energy and its subsidiaries (collectively, “**Sparks Energy Group of Companies**”) and Sparks Energy Group of Companies’ related companies, DPI Solar 1, AD Solar Pte Ltd and/or Hasilwan Solar Sdn Bhd may file legal proceedings in respect of the Transaction or any subject matter which is related to the Transaction or the Existing Legal Proceedings (“**Anticipated Legal Proceedings**”). The Anticipated Legal Proceedings was only pre-emption of possible legal proceedings brought by Sparks Energy Group of Companies or its related company against BGMC Bras Power. Such clause is in place to protect BGMC’s interest because BGMC wants to avoid the situation where reNIKOLA may use any possible legal proceedings brought by Sparks Energy Group of Companies against BGMC Bras Power to terminate the transactions contemplated under the Agreements.

(The Existing Legal Proceedings and the Anticipated Legal Proceedings shall collectively be referred to as the “**Relevant Legal Proceedings**”). Accordingly, the parties agree and covenant to cooperate in respect of the Relevant Legal Proceedings and the parties shall not use or refer to the Relevant Legal Proceedings as a basis for either party to terminate the Transaction and the Deed of Arrangement.

On 27 June 2022, Kazuomi Kaneto (sole director of DPI Solar 1) and DPI Solar 1 (which indirectly holds shares in Sparks Energy Sdn Bhd) (the “**Plaintiffs**”) commenced the lawsuit (“**Suit**”) at the High Court of Malaya at Kuala Lumpur (Commercial Division) (the “**Court**”) against 25 defendants, among others, Dato’ Teh Kok Lee (“**Dato’ Michael Teh**”, an executive director of the Company), BGMC Corporation, BGMC Holdings, the Company, BGMC Energy, BGMC Bras Power, Ee Kian Yiau (a director of certain subsidiaries of the Company), the Land Companies and others (in total 9 individuals and 16 companies as defendants, collectively the “**Defendants**”). The Plaintiffs’ allegations in the Suit are, among others, regarding the legality of (i) BGMC Group’s disposal of interest in BGMC Bras Power; (ii) BGMC Bras Power’s termination of the OMMA between BGMC Bras Power and Sparks Energy Sdn Bhd; and (iii) the Land Companies’ redemption of preference shares held by DPI Solar 1. For details, please refer to BGMC’s announcement dated 5 July 2022.

On 26 April 2022, Sparks Energy Sdn Bhd commenced legal proceedings against BGMC Bras Power’s proposed termination of OMMA between BGMC Bras Power and Sparks Energy Sdn Bhd.

The Company and reNIKOLA agreed that each of the Suit as well as the legal proceeding in relation to proposed termination of OMMA falls within the definition of Relevant Legal Proceedings which would not be a basis for either BGMC Group or reNIKOLA to terminate the Transaction and the Deed of Arrangement.

Settlement Agreement in relation to legal proceedings

As disclosed in the announcements of the Company dated 16 August 2022 and 23 August 2022, BGMC Group and other parties entered into the settlement agreement (“**Settlement Agreement**”) for, among others, full and final settlement of the Suit and other legal proceedings:

1. The Suit which was commenced on 27 June 2022.

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2. Injunction application and arbitration by Sparks Energy Sdn. Bhd. against BGMC Bras Power in relation to the termination of the OMMA (as disclosed in note 45(iii) on page 227 of 2022 Annual Report) which was commenced on 26 April 2022.
3. Arbitration by DPI Solar 1 against BGMC in relation to the JV Company Options Agreement (as disclosed on paragraph (a)(ii) on page 12 of the announcement dated 27 June 2022) which was commenced on 9 May 2022.
4. Arbitration by Sparks Energy Sdn. Bhd. against Idiwan Solar Sdn. Bhd. in relation to the Machang Project, which is not related to the BGMC Group.
5. The suit by BGMC Corporation against DPI Solar 1 for abuse of process in relation to the legal proceedings as disclosed on paragraph (a)(i) on page 12 of the announcement dated 27 June 2022 which was commenced on 17 January 2022.
6. The suit by BGMC Bras Power and Idiwan Solar Sdn Bhd. against Kazuomi Kaneto, DPI Solar 1 and Sparks Energy 1 for abuse of process in relation to the Suit (as disclosed in the announcement dated 5 July 2022) which was commenced on 28 July 2022.

RENIKOLA ADVANCE AGREEMENT

Set out below are summary of the principal terms of the reNIKOLA Advance Agreement (supplemented by Supplemental reNIKOLA Advance Agreement):

- Date:** 24 March 2022
- Borrower:** BGMC Corporation
- Lender:** reNIKOLA
- The Advance:** (a) At the request of BGMC Corporation, reNIKOLA agrees to advance a sum of RM49.9 million (the “**reNIKOLA Advance Sum**”) to BGMC Corporation for the sole purpose of BGMC Corporation on lending such amount to BGMC Bras Power for the purpose of (i) fulfilling the terms and conditions under the Power Purchase Agreement; (ii) paying the contractors of BGMC Bras Power and (iii) paying the sums due and payable by BGMC Bras Power under Bras Power Sukuk Bond, subject to the terms and conditions hereinafter contained.

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The reNIKOLA Advance Sum was initially RM19.0 million under the reNIKOLA Advance Agreement dated 24 March 2022 and subsequently was increased to RM49.9 million under the Supplemental reNIKOLA Advance Agreement dated 13 May 2022.

According to the terms and conditions of Power Purchase Agreement, TNB has requested additional bank guarantee in the amount of RM7.56 million as performance bond for possible delay compensation for the period from 21 June 2021 to 28 February 2022. Part of the reNIKOLA Advance Sum have been utilized to arrange for the said bank guarantee.

- (b) reNIKOLA shall, within ten (10) business days from the receipt of certain documents (such as the request letter from BGMC Bras Power together with the relevant invoices and billing notifications from OCBC Bank which will be submitted to reNIKOLA before they can proceed to release the reNIKOLA Advance Sum for repayment to OCBC Bank) or such other period agreed in writing by the parties, pay the reNIKOLA Advance Sum directly to the designated bank account of BGMC Bras Power as informed by Borrower or BGMC Bras Power in writing. As at the Latest Practicable Date, BGMC Group has drawn down advance of RM47.8 million. BGMC Group will draw down the remaining advance of RM2.1 million from reNIKOLA when need arises for working capital and payment for project contractors.

LETTER FROM THE BOARD

(c) BGMC Corporation shall pay to reNIKOLA any fee charged by reNIKOLA's financier and an interest at the rate of two percent (2%) per annum above reNIKOLA's financier's three (3) months Islamic cost of funds on the outstanding reNIKOLA Advance Sum owing by BGMC Corporation to reNIKOLA, calculated on daily basis from the date of disbursement until repayment of the full amount of reNIKOLA Advance Sum owing under the reNIKOLA Advance Agreement. reNIKOLA's financier is MIDF Amanah Investment Bank Berhad ("MIDF"), which is principally engaged in investment banking and related financial services. Shareholding of MIDF is as follows: (a) MIDF is 100% owned by Malaysian Industrial Development Finance Bhd. (b) Malaysian Industrial Development Finance Bhd is 100% owned by Permodalan Nasional Berhad. (c) Permodalan Nasional Berhad is 0.000001% owned by Menteri Kewangan Malaysia (i.e. the Finance Ministry of Malaysia) and 99.999999% by Yayasan Pelaburan Bumiputera. (d) Yayasan Pelaburan Bumiputera is a company limited by guarantee. Yayasan Pelaburan Bumiputera is one of the departments and agencies under the Prime Minister's Department, the government of Malaysia. It was established in 1978 to promote the ownership of share capital by the ethnic native Malays community in the Malaysian corporate sector. Since the Islamic cost of funds is determined by reference to the Islamic interbank rates which are determined by the central bank of Malaysia from time to time, BGMC Corporation will only be notified of the actual interest rate payable upon receipt of the respective interest bills. When reNIKOLA issued quarterly interest bills to BGMC, all MIDF bank charges will be attached as supporting documents.

**Repayment of
Advance Sum:**

(a) The reNIKOLA Advance Sum together with any fee and interest accrued thereon shall be repayable in full by BGMC Corporation to reNIKOLA on the Completion Date (as defined in the Deed of Arrangement). The parties to the reNIKOLA Advance Agreement acknowledge that the repayment of the reNIKOLA Advance Sum shall be by way of assignment whereby BGMC Corporation shall, on the Completion Date, assign in favour of reNIKOLA the Advance Sum and any fee and interest accrued thereon owing by BGMC Bras Power to BGMC Corporation pursuant to the BGMC Corporation Advance Agreement, resulting in BGMC Bras Power owing the reNIKOLA Advance Sum and any fee and interest accrued thereon directly to reNIKOLA on the Completion Date and BGMC Corporation's liability hereunder shall be discharged upon the perfection of the said assignment.

LETTER FROM THE BOARD

- (b) If the Deed of Arrangement is terminated or rescinded for any reason whatsoever, or if an event of default shall have occurred and be continuing, the outstanding reNIKOLA Advance Sum owing under the reNIKOLA Advance Agreement together with any fee and interest accrued thereon shall be repayable in full by BGMC Corporation to reNIKOLA within seven (7) business days from demand in writing by reNIKOLA.
- (c) Upon full repayment of the reNIKOLA Advance Sum together with the fee and interest accrued thereon by BGMC Corporation to reNIKOLA, the reNIKOLA Advance Agreement shall cease to be of any further effect.

Security:

As a guarantee for the repayment of the reNIKOLA Advance Sum and the fee and interest accrued thereon, BGMC Corporation, as legal and beneficial owner of the Existing RCPS, shall deposit, and shall procure BGMC Bras Power to deposit, in favour of reNIKOLA all the necessary documents with the stakeholder who shall be authorised to hold and release the documents in the manner as provided in the reNIKOLA Advance Agreement and a memorandum of deposit to be executed by BGMC Corporation (in the form agreed in the reNIKOLA Advance Agreement) (the “**Memorandum of Deposit**”) for the purpose of charging the Existing RCPS in favour of reNIKOLA on the date of the reNIKOLA Advance Agreement.

Upon the occurrence of an event of default under the reNIKOLA Advance Agreement as notified by reNIKOLA, reNIKOLA can enforce the security, subject to the approval of the Energy Commission of Malaysia in accordance with the requirements under Power Purchase Agreement.

Simultaneous with the execution of the reNIKOLA Advance Agreement, BGMC Corporation shall execute in favour of reNIKOLA’s financier a deed of assignment whereby BGMC Corporation assigns unto reNIKOLA’s financier absolutely all the rights, title and interest of BGMC Corporation in and to the BGMC Corporation Advance Agreement, effective from the date of the BGMC Corporation Advance Agreement.

The Board is of the view that the reNIKOLA Advance Agreement (including interest rate) are fair and reasonable because the BGMC Group is in need of the funds to settle the payment obligations of the existing BGMC Bras Power Bond and financing the Kuala Muda Project, and reNIKOLA charged same interest rate on BGMC Group at the same rate as the interest rate charged by reNIKOLA’s financier on reNIKOLA, i.e. 2% per annum above 3 months Islamic cost of funds of MIDF (i.e. reNIKOLA’s financier).

LETTER FROM THE BOARD

SUPPLEMENTAL RENIKOLA ADVANCE AGREEMENT

On 13 May 2022, BGMC Corporation and reNIKOLA entered into the Supplemental reNIKOLA Advance Agreement to (i) increase the advance amount from RM19.0 million to RM49.9 million, and (ii) allow the use of the advance amount by BGMC Bras Power to pay the sums due and payable under the Bras Power Sukuk Bond.

BGMC CORPORATION ADVANCE AGREEMENT

Set out below are summary of the principal terms of the BGMC Corporation Advance Agreement (supplemented by Supplemental BGMC Corporation Advance Agreement):

- Date:** 24 March 2022
- Borrower:** BGMC Bras Power
- Lender:** BGMC Corporation
- The Advance:** (a) BGMC Corporation agrees to advance a sum of RM49.9 million (the “**BGMC Corporation Advance Sum**”) to BGMC Bras Power for the sole purpose of (i) fulfilling the terms and conditions under the Power Purchase Agreement dated 27 March 2018 entered into between TNB and Borrower; (ii) paying the contractors of BGMC Bras Power and (iii) paying the sums due and payable by BGMC Bras Power under Bras Power Sukuk Bond, subject to the terms and conditions hereinafter contained.

The BGMC Corporation Advance Sum was initially RM19.0 million under the BGMC Corporation Advance Agreement dated 24 March 2022 and was subsequently increased to RM49.9 million under the Supplemental BGMC Corporation Advance Agreement dated 13 May 2022.

- (b) the parties agree that reNIKOLA shall pay the BGMC Corporation Advance Sum directly to the designated bank account of BGMC Bras Power as informed by BGMC Corporation or BGMC Bras Power in accordance with reNIKOLA Advance Agreement.

LETTER FROM THE BOARD

- Repayment of Advance Sum:**
- (c) BGMC Bras Power shall pay to BGMC Corporation any fee that may be incurred by BGMC Corporation in providing the BGMC Corporation Advance Sum and an interest at the rate of two per centum (2%) per annum above the three (3) months Islamic cost of funds of Malaysian bank (to be mutually agreed) on the outstanding BGMC Corporation Advance Sum owing by BGMC Bras Power to BGMC Corporation, calculated on daily basis from the date of disbursement until repayment of the full amount of BGMC Corporation Advance Sum owing under the BGMC Corporation Advance Agreement.
 - (a) The BGMC Corporation Advance Sum together with any fee and interest accrued thereon shall be repayable in full by BGMC Bras Power to BGMC Corporation on the date as notified by reNIKOLA.
 - (b) If the Deed of Arrangement is terminated or rescinded for any reason whatsoever, or if an event of default shall have occurred and be continuing, the outstanding BGMC Corporation Advance Sum owing under BGMC Corporation Advance Agreement together with any fee and interest accrued thereon shall be repayable in full by BGMC Bras Power to BGMC Corporation within seven (7) business days from demand in writing by BGMC Corporation, or if BGMC Corporation so elects, upon serving of a subscription notice to BGMC Bras Power (the “**Subscription Notice**”), subscribe or nominate a party to subscribe for such number of redeemable convertible preference shares in BGMC Bras Power, which shall be free from encumbrances and shall rank pari passu in all respects with the existing redeemable convertible preference shares of BGMC Bras Power the subscription sum of which shall be equivalent to the then outstanding BGMC Corporation Advance Sum together with any fee and interest accrued and all other amounts which are then due and payable by BGMC Corporation under the BGMC Corporation Advance Agreement and shall be payable by way of set off against the amount owing by BGMC Bras Power to BGMC Corporation pursuant to the BGMC Corporation Advance Agreement.
 - (c) Upon full repayment of the BGMC Corporation Advance Sum together with the fee and interest accrued thereon by BGMC Bras Power to BGMC Corporation, the BGMC Corporation Advance Agreement shall cease to be of any further effect.

LETTER FROM THE BOARD

SUPPLEMENTAL BGMC CORPORATION ADVANCE AGREEMENT DATED 13 MAY 2022

On 13 May 2022, BGMC Corporation and BGMC Bras Power entered into the Supplemental BGMC Corporation Advance Agreement to (i) increase the advance amount from RM19.0 million to RM49.9 million, and (ii) allow the use of the advance amount by BGMC Bras Power to pay the sums due and payable under the Bras Power Sukuk Bond.

SUBSCRIPTION AGREEMENT

Set out below are summary of the principal terms of the Subscription Agreement which is in agreed form to be executed upon Completion. The content of the Subscription Agreement is in agreed form as schedule to the Deed of Arrangement signed on 24 March 2022. reNIKOLA's subscription for New RPS will take place upon Completion (as defined in Deed of Arrangement).

Issuer:	BGMC Bras Power
Subscriber:	reNIKOLA
Subscription price:	RM89,300,000, which is payable upon completion of the subscription.
Subscription date:	the date when the subscription price is deposited into BGMC Bras Power's bank account in clear funds in exchange for the issue of the New RPS to reNIKOLA
Terms of the New RPS:	New RPS are non-voting and carry certain special rights, the details of which are set out in the section "Shareholders' Agreement — Terms of New RPS" below.
Completion date:	Expected to be in October 2022

SHAREHOLDERS' AGREEMENT

Set out below are the summary of principal terms of the Shareholders' Agreement which is in agreed form and expected to be executed upon Completion:

Parties:	BGMC Bras Power, BGMC Corporation (95% ordinary shares holder), reNIKOLA (New RPS holder) and Bras Ventures (5% ordinary shares holder). The ultimate controlling shareholder of Bras Ventures is Dato' Hj Ramle bin Nayan, who is a native of Malaysia.
Effective date:	The date of completion of the subscription of New RPS by reNIKOLA.
Capital structure of BGMC Bras Power:	The share capital consists of (1) 100,000 ordinary shares, 95% of which is held by BGMC Corporation and 5% is held by Bras Ventures, and (2) 89,300,000 New RPS which will be wholly owned by reNIKOLA.

LETTER FROM THE BOARD

Directors and board meetings:

Unless otherwise unanimously agreed by the holders of ordinary shares and New RPS, the board of BGMC Bras Power shall comprise of a minimum of 3 and a maximum of 5 directors all to be nominated by reNIKOLA.

Terms of New RPS

The New RPS shall confer on the holders of the New RPS, among others, the following rights and privileges:

Income

The holders of the New RPS shall be paid a cumulative preferential cash dividend, of up to 1,000% of the aggregate of the paid up preference share capital of the New RPS.

All unpaid dividend shall carry an interest at two percent (2%) per annum over KLIBOR which shall be compounded at twelve (12) monthly intervals.

Redemption of the New RPS

BGMC Bras Power may redeem the New RPS at any time after the New RPS are issued, upon giving to the holders of the New RPS notice in writing.

BGMC Bras Power shall pay on each New RPS redeemed a sum equal to:

1. any arrears or accruals of the preferential dividend payable in respect of the New RPS calculated to the date of redemption, plus
2. 1,000% of the aggregate of the amounts paid up in respect of the preference share capital of the New RPS.

Voting rights of the New RPS

Subject to the provisions of the Companies Act 2016 (Laws of Malaysia), the holders of the New RPS shall be entitled to receive notice of and attend but shall not be entitled to vote at any general meeting of BGMC Bras Power, except (i) when preferential dividend was in arrears and unpaid; (ii) on resolution which varied the rights attached to preference shares; and (iii) on resolution for winding up of BGMC Bras Power.

OPTIONS AGREEMENT

Set out below are summary of the principal terms of the Options Agreement which is in agreed form and will be executed upon Completion:

Party A: BGMC Corporation

Party B: reNIKOLA

LETTER FROM THE BOARD

- Option shares:** An aggregate total of 95,000 ordinary shares of BGMC Bras Power, representing 95% of the entire issued ordinary share capital of BGMC Bras Power owned by BGMC Corporation
- Call option (the “Call Option”) and option price:**
- (a) The right for reNIKOLA to purchase from BGMC Corporation, and to require BGMC Corporation to sell, upon the terms and subject to the conditions of the Options Agreement, all and not part of the Option Shares free from encumbrances at the Option Price, at any time during the Option Period.
 - (b) Upon reNIKOLA exercising the Call Option, reNIKOLA shall purchase from BGMC Corporation the Option Shares free from encumbrances at the Option Price which shall be payable to BGMC Corporation, and the sale and purchase of the Option Shares shall be in accordance with the terms of the Options Agreement.
- Put option (the “Put Option”) and option price:**
- (a) If the Call Option has not already been exercised by reNIKOLA, BGMC Corporation shall have the right to require reNIKOLA to purchase from BGMC Corporation, upon the terms and subject to the conditions of the Options Agreement, all and not part of the Option Shares free from encumbrances at the Option Price, at any time during the Option Period.
 - (b) Upon BGMC Corporation exercising the Put Option, reNIKOLA shall purchase from BGMC Corporation the Option Shares free from encumbrances at the Option Price which shall be payable to BGMC Corporation, and the sale and purchase of the Option Shares shall be in accordance with the terms of the Options Agreement.
- Option Premium:** RM1.00 payable by reNIKOLA to BGMC Corporation for the grant of Call Option.
- RM1.00 payable by BGMC Corporation to reNIKOLA for the grant of Put Option.
- Option Premium is payable upon signing of the Options Agreement.
- To the Directors’ knowledge, the Option Premium is nominal in nature to ensure the legal enforceability of the Options Agreement.

LETTER FROM THE BOARD

Option Price: RM10.45 million (i.e. RM110.00 for each of 95,000 Option Share which represents 95% ordinary shares in BGMC Bras Power) which shall be payable by reNIKOLA to BGMC Corporation upon reNIKOLA's exercise of Call Option or BGMC Corporation's exercise of Put Option.

The consideration for the economic interest in 95% equity interest of BGMC Bras Power, as represented by the Option Price of RM10.45 million, has been agreed on arm's length basis. The consideration is calculated based on the amount of BGMC Corporation's financial input into BGMC Bras Power (through the subscription of RCPS) plus the 7.5% return (same as the agreed dividend return for BGMC Corporation's financial input as disclosed on page 32 of the 2020 Circular). To fund the construction for Kuala Muda Project, BGMC Corporation raised and paid a total of RM89.3 million in two tranches on 29 August 2019 and 15 January 2021 respectively through subscription for RCPS into BGMC Bras Power at an agreed dividend return rate of 7.5% per annum. Despite the RCPS will yield a fixed cumulative dividend of 7.5% per annum, the dividend can only be distributed subject to availability of distributable profits. By applying a cumulative dividend of 7.5% and assuming the repayment date is 31 March 2022 (i.e. the immediate month end after signing the Deed of Arrangement on 24 March 2022), the total dividend amount payable is approximately RM11.0 million, the calculation of which is as follows:

	Date of Financial Contribution	Financial contribution by BGMC Corporation (RM)	Dividend calculation period (Note)	Dividend Rate	Dividend Amount (RM)
Tranche 1	29 August 2019	31,730,000.00	945	7.50%	6,161,270.55
Tranche 2	15 January 2021	<u>57,570,000.00</u>	440	7.50%	<u>5,204,958.90</u>
Total		<u>89,300,000.00</u>			<u>11,366,229.45</u>

Note: Dividend calculation period refers to the calendar dates elapsed between the date of financial contribution and 31 March 2022 (i.e. the immediate month end after signing the Deed of Arrangement on 24 March 2022).

LETTER FROM THE BOARD

All parties had then negotiated and agreed to a total Option Price of RM11.0 million. Since BGMC Bras Power is held by BGMC Corporation as to 95%, the amount collectable shall equal the product of RM11.0 million multiplied by 95% which is RM10.45 million. This dividend rate of 7.5% is adopted for reference purposes only and should not be treated as any real dividend payments because no dividend has been declared in respect of the RCPS held by BGMC Corporation due to the fact that the Kuala Muda Project still has not started to yield any profits.

The Board is of the view that the Option Price is fair and reasonable because the Group has historically borrowed funds from Sparks Energy 1 (via issue of preference shares to Sparks Energy 1 in the amount of RM89.3 million), which will be settled with the funds payable by reNIKOLA upon Completion. If BGMC Group has internal funds (i.e. without the consideration payable by reNIKOLA under the Deed of Arrangement) to settle the debts to Sparks Energy 1, BGMC Group's profit return assessment would be based on the dividend return provided BGMC Bras Power can record profits. As of current, the BGMC Group does not have funds to proceed with the Kuala Muda Project, and BGMC Bras Power does not record profits (and hence is unable to pay dividend). In light of such circumstances, the Directors consider it fair and beneficial to BGMC Group to be able to fully repay the borrowed funds of RM89.3 million to Sparks Energy 1 and receive Option Price based on the dividend return rate of its investment into BGMC Bras Power.

According to Final Valuation Report, considering the debt etc, the valuation of equity interest in BGMC Bras Power is zero, which also justifies the fairness of Option Price.

From BGMC Group's perspectives, it is no longer economically viable for BGMC Group to continue with the Kuala Muda Project and hence practically the economic value of Kuala Muda Project is zero and would only require further financial input from BGMC Group. Despite the Kuala Muda Project has achieved Commercial Operation Date in March 2022, there are still remaining works to be completed and payments to be made before a meaningful valuation of the entire project can be obtained.

LETTER FROM THE BOARD

Considering (1) reNIKOLA will procure for BGMC Bras Power redemption of RCPS to BGMC Corporation in the amount of RM89.3 million, (2) reNIKOLA will arrange for BGMC Bras Power's payment of advance owed to Sparks Energy 1 in the amount of RM176,555.49, (3) reNIKOLA will arrange for refinancing or repayment of the Bras Power Sukuk Bond of RM72.4 million, (4) reNIKOLA will finance the further enhance of Kuala Muda Project for which it is estimated to be RM42.5 million, accordingly, the Board of BGMC considered the Option Price of RM10.45 million representing BGMC's previous financial input in the principal of RM89.3 million (which is already recouped under (1) above, plus 7.5% dividend return) is a fair price for the Option Price over the 95% economic interest to BGMC Group.

**Dividends/
Distribution:**

Any dividend/distribution paid by BGMC Bras Power to and received by BGMC Corporation in cash on the Option Shares (on which an Option is so exercised) subsequent to the date of the Options Agreement shall be a deduction in arriving at the Option Price for such Option Shares. Such deduction shall be calculated based on the amount of dividend paid to and received by BGMC Corporation for the exercised Option Shares.

Option Period:

The Option may be exercisable by either BGMC Corporation or reNIKOLA in writing at any time prior to the expiry of the Power Purchase Agreement but not earlier than the 5th anniversary from the Commercial Operation Date on 22 March 2022.

BGMC Corporation undertakes and covenants with reNIKOLA that from the signing date of Options Agreement and during the Option Period, BGMC Corporation shall not in any way deal, charge, transfer or encumber the Option Shares in any manner whatsoever or issue any ordinary shares or any other shares in BGMC Bras Power without the prior consent of reNIKOLA.

**Condition to the
transfer of the
Option Shares, and
date of completion:**

Upon issuance of the Call Option Notice or Put Option Notice (as the case may be), BGMC Corporation or reNIKOLA shall procure BGMC Bras Power to obtain the consent from Suruhanjaya Tenaga (i.e. Energy Commission of Malaysia) and TNB as required under the Power Purchase Agreement for the transfer of the Option Shares. The completion shall take place within seven days from the date of receipt of the consent of Energy Commission of Malaysia and TNB being obtained as required under the Power Purchase Agreement.

After shareholders' approval is obtained for the Agreements and the transactions contemplated thereunder, the Company will not seek for another shareholders' approval for the exercise of the Call Option or Put Option.

LETTER FROM THE BOARD

KME DOA

KME DOA is entered between Bras Ventures (shareholder of the Kuala Muda Land Company) and reNIKOLA on 24 March 2022. BGMC Group is not a party to KME DOA. To the Directors' knowledge, according to KME DOA, reNIKOLA shall provide financial assistance for Kuala Muda Land Company's repayment of indebtedness being RM1,009,383.08 and redemption of RCPS being RM2,549,627.60 to BGMC Group.

For acquisition details of the Kuala Muda Project, please refer to the section headed "Kuala Muda Project" below.

Machang DOA

Machang DOA is entered between Idiqa Holding Sdn Bhd (shareholder of the Machang Project Land Company) and reNIKOLA on 19 January 2022. BGMC Group is not a party to Machang DOA. To the Directors' knowledge, according to Machang DOA, reNIKOLA shall provide financial assistance for Machang Project Land Company's repayment of indebtedness being RM1,471,337.67 and redemption of RCPS being RM3,145,170.28 to BGMC Group. The Completion of Deed of Arrangement is not conditional upon the completion of Machang DOA, and the expected completion date of Machang DOA is at the end of December 2022.

As disclosed on page 3 and 5 of the announcement dated 25 July 2019, the Land Companies are entitled to redeem the RCPS held by BGMC Group. The Land Companies' redemption of RCPS and repayment of indebtedness to BGMC Group were equal to the initial financial input by BGMC Group. Although RCPS terms provided for dividend subject to availability of distributable profits in the form of cash, the Land Companies have not been able to pay any such dividend in accordance with the terms of RCPS to the Group because the Land Companies did not have distributable profit. According to the RCPS terms, the Land Companies are entitled to redeem the RCPS held by BGMC Group at a price which equals BGMC Group's financial input for such RCPS.

Land Companies, via redemption of outstanding RCPS and repayment of indebtedness, will pay the total amount of RM8,175,518.63 to the BGMC Group. This amount represents all outstanding financial contribution previously made by the BGMC Group towards the Land Companies.

BACKGROUND OF KUALA MUDA PROJECT AND MACHANG PROJECT

References are made to (1) the announcement of the Company dated 25 July 2019 which is supplemented by the announcement of the Company dated 14 August 2019 with respect to the BGMC Group's subscription for RCPS in Land Companies of Kuala Muda Project and Machang Project; and (2) the announcement of the Company dated 29 August 2019 and the 2020 Circular with respect to BGMC Group and other JV Partners' cooperation through setting up JV Company and engagement of the JV Company's indirect wholly-owned subsidiary as management services company for the Kuala Muda Project and the Machang Project.

LETTER FROM THE BOARD

MACHANG PROJECT

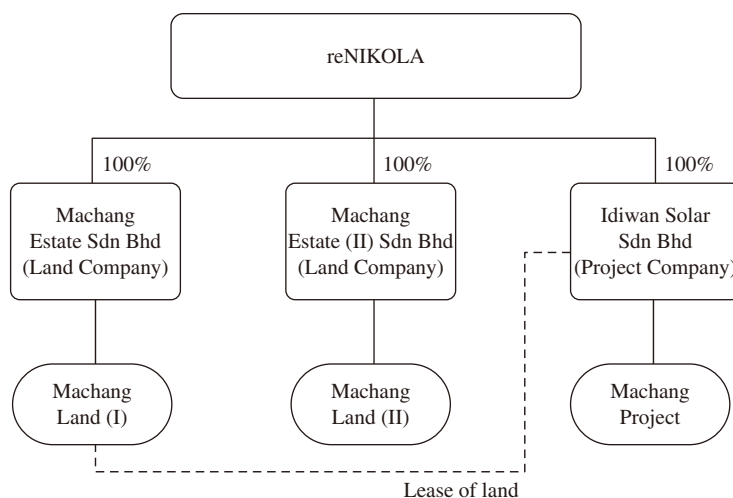
Machang Project is a project for development of a 30MW_{a.c.} solar photovoltaic energy producing power plant, with a peak installed capacity of the photovoltaic modules of not less than 45.00 megawatt peak and the maximum annual allowable quantity be capped at 89,929.10 megawatt per hour in Mukim Kuala Kerak, Daerah Jajahan Machang in the state of Kelantan, Malaysia.

BGMC Group is not the project owner of Machang Project, but held RCPS in Machang Project Land Company. In July 2019, BGMC Group injected funds (via subscription for RCPS) into Machang Project Land Company for purchasing land. Machang Project Land Company will redeem the RCPS held by BGMC Group upon completion pursuant to the Machang DOA.

As of current, BGMC Group holds 451 ordinary shares out of the total issued ordinary shares of 17,628,379,817 (i.e. a shareholding of approximately 0.0000026%) in Sparks Energy (i.e. JV Company) and such shareholding will not change after Completion and/or exercise of Options. BGMC Group does not intend to further involve in Machang Project after Completion.

As at the Latest Practicable Date, the operation, maintenance & management services agreement between Idiwan Solar Sdn Bhd and Sparks Energy Sdn Bhd has been terminated.

After Completion of Machang DOA

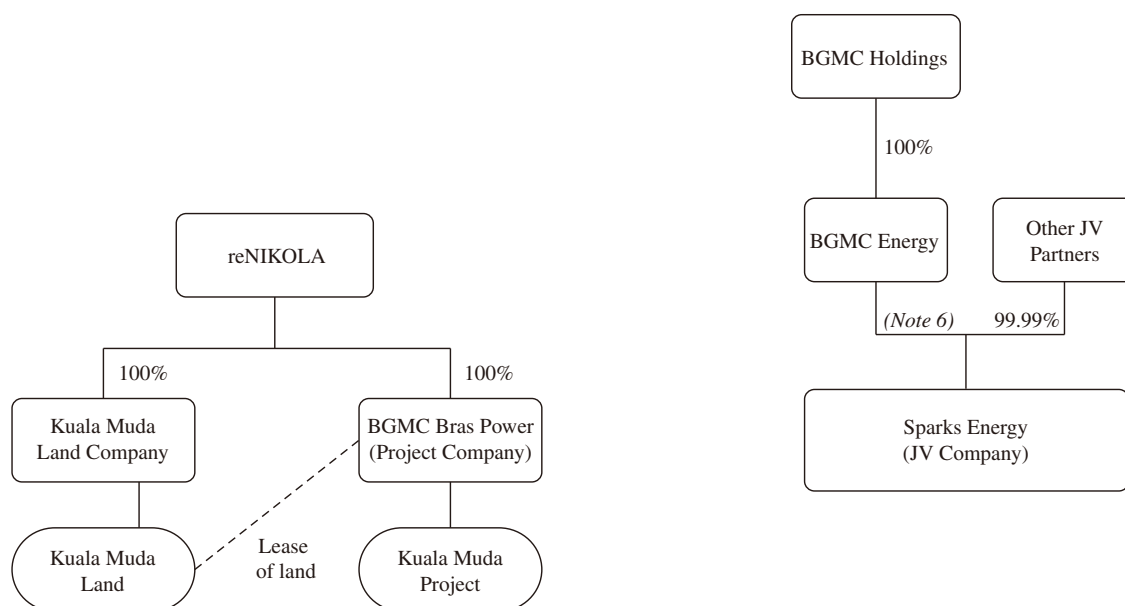


KUALA MUDA PROJECT

Kuala Muda Project is a project for development of a 30MW_{a.c.} solar photovoltaic energy producing power plant in Tempat Chengai Lama, Mukim Sungai Petani, Daerah Kuala Muda in the state of Kedah, Malaysia.

LETTER FROM THE BOARD

After Completion and assuming exercise of Options



Note 6: As at the Latest Practicable Date, BGMC Group holds 451 ordinary shares out of the total issued ordinary shares of 17,628,379,817 (i.e. shareholding of approximately 0.0000026%) in Sparks Energy.

Letter of award and Power Purchase Agreement with TNB

BGMC Bras Power (in which BGMC holds 95% ordinary shares) is the project owner of Kuala Muda Project. The Kuala Muda Project was awarded by the Energy Commission of Malaysia to BGMC Bras Power via the Letter of Award, which was accepted by BGMC Bras Power. According to the Letter of Award, BGMC Bras Power secured the right to develop, own and operate a 30 megawatt alternate current solar power plant for Kuala Muda Project.

In March 2018, BGMC Bras Power entered into a 21-year Power Purchase Agreement with TNB, which is a sole energy distributor in Peninsular Malaysia. Upon completion of the construction, the solar power plant will generate and sell the power to TNB.

Subscription for RCPS in Land Companies

In July 2019, BGMC Group injected funds (via subscription for RCPS) into Kuala Muda Land Company for purchasing the land upon which the Solar Farm will be built for the Kuala Muda Project. Upon Completion, BGMC Group will fully recoup the prior investment into Kuala Muda Land Company.

LETTER FROM THE BOARD

Engagement of contractors and development costs for construction of Solar Farm (i.e. the solar power plant for the Kuala Muda Project)

BGMC Bras Power has engaged EPCC Contractor and other contractors to construct the Solar Farm. Upon signing the Deed of Arrangement on 24 March 2022, it is estimated that additional funds of approximately RM42.5 million would be required to pay the following for completing construction of Solar Farm of Kuala Muda Project which will be financed by reNIKOLA: (i) BGMC Bras Power was indebted to EPCC Contractor (as construction contractor engaged by BGMC Bras Power for the Kuala Muda Project) in the amount of RM1.6 million and the remaining progressive payment to EPCC Contractor which is expected to be approximately RM21.7 million; and (ii) RM11.7 million payable to contractors other than the EPCC Contractor, plus (iii) other expenses of RM7.5 million. BGMC Bras Power may be able to claim delay compensation from its EPCC Contractor, in respect of which EPCC Contractor is proposing exemption on the ground of force majeure. Accordingly, exact amount of delay compensation (if any) payable by EPCC Contractor to BGMC Bras Power is uncertain and subject to EPCC Contractor's counter argument.

Status of Kuala Muda Project

As of the Latest Practicable Date, the Solar Farm has achieved the initial operation date on 13 January 2022 and Commercial Operation Date on 22 March 2022. While the Commercial Operation Date has been achieved, the Solar Farm will still require further construction which is expected to be completed in October 2022. During the testing period (i.e. the period between initial operation date and the Commercial Operation Date), BGMC Bras Power is entitled to charge the electricity supply at a rate of RM0.08/kwh.

In respect of Kuala Muda Project, BGMC Bras Power has entered into the following key project contracts:

- (1) Power Purchase Agreement
- (2) Lease agreement dated 29 March 2019 between BGMC Bras Power and Kuala Muda Estate Sdn Bhd with respect to lease of the land upon which Kuala Muda Project was undertaken
- (3) Engineering, procurement, construction and commissioning contract dated 31 May 2019 between BGMC Bras Power, and the consortium of contractors in respect of engagement of EPCC Contractor for construction of Solar Farm
- (4) Operation, maintenance & management services agreement dated 31 May 2019 between BGMC Bras Power and Sparks Energy Sdn Bhd, in respect of engagement of Sparks Energy Sdn Bhd as operation, maintenance and management services company of Kuala Muda Project. This agreement has been terminated prior to the Latest Practicable Date
- (5) Subscription agreement for Bras Power Sukuk Bond with Sparks Energy 1 (as subscriber).

LETTER FROM THE BOARD

All the above agreements are entered into by BGMC Bras Power without any other member of BGMC Group involved as contracting party. As such, after Completion, BGMC Group no longer bear any responsibility under the aforesaid project contracts.

REASONS FOR AND BENEFITS OF THE AGREEMENTS

The Directors are of the view that the Agreements are in the interest of BGMC and the shareholders of the Company as a whole. In particular, for the reasons set out in paragraphs (a) to (e) below, the Board was of the view that the BGMC Group is facing imminent default risk of Bras Power Sukuk Bond and the Power Purchase Agreement, and BGMC Group does not have financial capability to further proceed with the Kuala Muda Project.

Further, for the reasons set out in paragraphs (f) to (j) below, BGMC Group will be entitled to recoup its investment in the Machang Project and the Kuala Muda Project and intends to repay the amount due to Sparks Energy 1, which will improve the cashflow and gearing ratio of BGMC Group. Meanwhile, the terms of Agreements are also beneficial to the Company based on the Final Valuation Report as included in Appendix IV to this circular.

(a) Repayment of Bras Power Sukuk Bond

As disclosed in the 2020 Circular, BGMC Group and JV Partners set up the JV Company and engaged the JV Company's indirect wholly-owned subsidiary as the management services company of Kuala Muda Project. Sparks Energy 1 is an indirect wholly-owned subsidiary of Sparks Energy (i.e. the JV Company) through which the JV Company provided funding to BGMC Bras Power.

Since the Kuala Muda Project commenced, the principal source of financing came from:

- (1) Sparks Energy 1's payment of RM89.3 million (via subscription for RPS) to BGMC Corporation, which in turn utilized the said amount to make injection of RM89.3 million (via subscription for the Existing RCPS) into BGMC Bras Power. According to the DPI Loan Agreement dated 17 July 2019 between BGMC (as borrower) and DPI Solar 1 (as lender), DPI Solar 1 shall make a loan of USD14.46 million (equivalent to approximately RM63.42 million) which consists of (1) USD5.36 million (equivalent to approximately RM23.5 million) for funding BGMC Group's subscription for Land Companies RCPS, and (2) USD9.1 million (approximately RM39.9 million) for BGMC Group's financial contribution to the agreed portion of capital commitment in the JV Company. However, only portion (1) was advanced by DPI Solar 1, while portion (2) was not advanced by DPI Solar 1. As such, BGMC utilized portion (1) of the aforesaid loan from DPI Solar 1 to subscribe for Land Companies RCPS. However, since portion (2) of the aforesaid loan from DPI Solar I was not advanced, hence BGMC Group did not make financial contribution to the agreed portion of the capital commitment in the JV Company. Due to inability to satisfy capital call since incorporation of JV Company and up to current, BGMC Group only holds 451 ordinary shares out of the total issued ordinary shares of 17,628,379,817 (i.e. a shareholding of approximately 0.0000026%) as at the Latest Practicable Date. Funding in this regard were initially sourced from other JV Partners.

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- (2) Sparks Energy 1's advances of RM176,555.49 (i.e. the Existing Payable) to BGMC Bras Power. Upon Completion, reNIKOLA will procure repayment of the said advances to Sparks Energy 1.
- (3) Sparks Energy 1 has borrowed OCBC Bridging Loan in 2019 and utilized part of the loan proceeds for injection of RM72.4 million (via subscription for Bras Power Sukuk Bond) to BGMC Bras Power. BGMC Bras Power does not intend to further increase the amount of Bras Power Sukuk Bond, and intends to utilize the reNIKOLA Advance Sum to finance the operation before Completion. After Completion, reNIKOLA will be responsible for financing the Kuala Muda Project. Initially, the JV Partners planned to refinance the OCBC Bridging Loan with initial maturity term of 12 months with other financing of longer repayment tenure. However, due to disagreement among JV Partners and unforeseen difficulty in obtaining financing after COVID-19 breakout, the OCBC Bridging Loan has not been refinanced and upon latest extension, RM24.3 million, RM4.1 million and RM15.3 million of the Bras Power Sukuk Bond are due in May, June and August 2022. As at the Latest Practicable Date, BGMC Corporation utilized the advance payment received from reNIKOLA as an shareholder advances to BGMC Bras Power. BGMC Bras Power had then utilised these shareholder advances to settle tranches 2 to 5 of the Bras Power Sukuk Bond which were due on 11 May 2022, 10 June 2022, 10 August 2022 and 30 August 2022.

BGMC Group has utilized the advances from reNIKOLA to settle the tranche payment up to the Latest Practicable Date. The plan is for reNIKOLA to make further advances or progressively subscribe for new Bras Power Sukuk Bond to enable BGMC Bras Power to meet the repayment obligations of the existing Bras Power Sukuk Bond. For details, please refer to the section headed "Bras Power Sukuk Bond" on page 15 in this circular.

While the Commercial Operation Date on 22 March 2022 signifies a milestone upon which BGMC Bras Power would be able to collect electricity supply fee, the periodic payment would not be sufficient to repay RM24.3 million, RM4.1 million and RM15.3 million which are due in May, June and August 2022. As at the Latest Practicable Date, BGMC Bras Power received electricity fee in the amount of approximately RM4.67 million. Further, withdrawal of electricity sales revenue is not allowed without permission of OCBC Bank before settlement of OCBC Bridging Loan. The maturity dates of all the different tranches of Bras Power Sukuk Bonds are set out in the section headed "Summary of Principal Terms of the Agreements — Deed of Arrangement — Bras Power Sukuk Bond".

Approvals from OCBC Bank, Energy Commission of Malaysia and TNB

Approval from OCBC Bank (as security agent of Sukuk Murabahah programme) is related to the revision to the terms of the current Sukuk Murabahah Programme. With the revision of terms and conditions to the current Sukuk Murabahah Programme, BGMC Bras Power will be able to issue new tranches of Bras Power Sukuk Bond to reNIKOLA and to redeem all the existing Bras Power Sukuk Bond currently held by Sparks Energy 1.

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Approval from Energy Commission of Malaysia and TNB is (i) on the proposed change of preference shareholder of BGMC Bras Power; and (ii) the refinancing of the Kuala Muda project.

(b) Additional bank guarantee of RM7.56 million requested by TNB

The Solar Farm was initially expected to achieve the Commercial Operation Date on 30 September 2020. However, the construction experienced delay and cost-overrun due to outbreak of COVID-19. Since BGMC Bras Power has experienced delay in the completion of the Solar Farm construction and hence was required to pay additional bank guarantee in the amount of RM7.56 million as performance bond for possible delay compensation for the period from 21 June 2021 to 28 February 2022 which was required by TNB under the Power Purchase Agreement, the non-settlement of which will entitle TNB to terminate the Power Purchase Agreement of Kuala Muda Project, while further bank guarantee for delay compensation may be payable starting from 1 March 2022 at a rate of RM30,000 per day. As at the Latest Practicable Date, BGMC Group has utilized the advances from reNIKOLA to provide the additional bank guarantee required by TNB.

(c) Inability to finance completion and ongoing operation of Solar Farm

While Commercial Operation Date has been achieved on 22 March 2022 and signifies a milestone upon which the Solar Farm can start to generate electricity, nevertheless, additional construction work for Solar Farm would still be required after the Commercial Operation Date. Upon signing the Deed of Arrangement on 24 March 2022, it is estimated that additional funds of approximately RM42.5 million would be required for completing construction of Solar Farm of Kuala Muda Project.

In addition to the development costs of Solar Farm, BGMC Bras Power as the project company would need to pay management services fee to the management services company (i.e. Sparks Energy Sdn Bhd) for a total of approximately RM65.5 million as well as other operating costs during the 21-year period. For the services carried out during the period from 15 July 2019 to 31 January 2022, BGMC Bras Power has paid a total of RM2.2 million management fee to Sparks Energy Sdn Bhd. As at the Latest Practicable Date, BGMC Bras Power's position is that the dispute over termination of OMMA will be resolved according to the terms of Settlement Agreement under which BGMC Bras Power will not be obliged to pay further management fee.

Even though BGMC Bras Power is able to charge electricity supply starting from Commercial Operation Date on 22 March 2022, the payment schedule under the Power Purchase Agreement would need to be utilized to first repay the Bras Power Sukuk Bond of RM72.4 million. This Bras Power Sukuk Bond was issued by BGMC Bras Power to Sparks Energy 1, the funds of which came from the OCBC Bridging Loan lent by OCBC Bank to Sparks Energy 1. As part of the security arrangement for the OCBC Bridging Loan, BGMC Bras Power had opened and maintained a proceeds account according to which BGMC Bras Power should deposit all the electricity sales revenue. The proceeds in this account act as a security for the OCBC Bridging Loan and therefore no withdrawals are allowed without the permission of OCBC Bank. As such, the electricity sales revenue would not be available for BGMC Bras Power before settlement of OCBC Bridging Loan.

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(d) Settlement of dispute with JV Partners and JV Company

As referenced above, the failure to refinance the OCBC Bridging Loan which has been extended to 11 May 2022 pending OCBC Bank's approval for further extension, is partially due to disagreement among JV Partners. In particular, according to the JV Company Options Agreement, DPI Solar 1 (one of the JV Partners) requested BGMC to purchase the 10,736,430 put option shares held by DPI Solar 1 at a price of USD12,174,300 (equivalent to approximately RM53.4 million). BGMC Group was unable to satisfy the said put option due to lack of funds. Such put option exercise claim will be settled upon Completion according to the settlement agreement as disclosed in the announcements of the Company dated 16 August 2022 and 23 August 2022. It is expected that the dispute will be resolved as part of arrangement of the intended BGMC Corporation's Repayment to Sparks Energy 1. The legal proceeding in relation to proposed disposal contemplated under Deed of Arrangement, the put option and proposed termination of OMMA between BGMC Bras Power and Sparks Energy Sdn Bhd are ongoing as at the Latest Practicable Date.

According to the DPI Loan Agreement dated 17 July 2019 between BGMC (as borrower) and DPI Solar 1 (as lender), DPI Solar 1 shall make a loan of USD14.46 million (equivalent to approximately RM63.42 million) which consists of (1) USD5.36 million (equivalent to approximately RM23.5 million) for funding BGMC Group's subscription for Land Companies RCPS, and (2) USD9.1 million (approximately RM39.9 million) for BGMC Group's financial contribution to the agreed portion of capital commitment in the JV Company. However, only portion (1) was advanced by DPI Solar 1, while portion (2) was not advanced by DPI Solar 1. As such, BGMC Group did not make financial contribution to the agreed portion of the capital commitment in the JV Company. Due to BGMC Group's inability to satisfy capital call, BGMC Group only holds 451 paid-up ordinary shares out of the total issued ordinary shares of 17,628,379,817 in the JV Company (i.e. approximately 0.0000026%) as at the Latest Practicable Date. Going forward, BGMC Group does not intend to be further involved in the JV Company's future business or operation.

It is expected that BGMC Group will propose a settlement offer to conclude the potential claim against BGMC Group for failure to contribute to the JV Company, and the on-going legal proceeding of put option claim by DPI Solar 1 against BGMC Group as part of arrangement of the intended BGMC Corporation's Repayment to Sparks Energy 1. As part of arrangement of the intended BGMC Corporation's Repayment to Sparks Energy 1, BGMC Corporation will redeem the RPS issued to Sparks Energy 1 in the amount of RM89.3 million upon Completion. Sparks Energy 1 (as indirect wholly-owned subsidiary of JV Company) will make onward capital distribution through intermediary entities to JV Company which will in turn make capital distribution to DPI Solar 1 (as shareholder of JV Company).

As disclosed in the announcements of the Company dated 16 August 2022 and 23 August 2022, BGMC Group and other parties have entered into the Settlement Agreement in full settlement of dispute in relation to the Kuala Muda Project. Pursuant to the terms of the settlement, BGMC Group would need to undertake the BGMC Corporation's Repayment to Sparks Energy 1 in the amount of RM89,300,000 and repayment of Existing Payable (being RM176,555.49) owed by BGMC Bras Power to Sparks Energy 1, both of which would be possible only upon Completion. As such, the transactions contemplated under the Agreements have a benefit of resolving the disputes.

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(e) Financial difficulties to further proceed

BGMC has been in financial difficulties as it recorded net loss of RM56.5 million during the period from 1 October 2020 to 31 March 2022, and net loss of RM193.5 million and RM53.1 million during the twelve months ended 2020 and 2019 respectively. BGMC does not have sufficient cash resources to make fund injection into BGMC Bras Power. According to the latest annual report, BGMC had cash and bank balances of only RM37.4 million as at 31 March 2022.

(f) Land Companies' redemption of Land Companies RCPS held by the Group

Upon Completion, the Land Companies will pay BGMC Group in an aggregate amount of RM8,175,518.63 (comprising the outstanding Land Company RCPS in the amount of RM5,694,797.88 and other indebtedness in the amount of RM2,480,720.75). Such amount will replenish the BGMC Group's cashflow.

(g) BGMC Corporation will be able to repay RM89,300,000 to Sparks Energy 1

Initially, BGMC Corporation's financial contribution (by way of subscription for RCPS) into BGMC Bras Power was wholly funded by the financial assistance (by way of subscription for RPS) from Sparks Energy 1. BGMC Corporation intends to repay the indebtedness of RM89,300,000 to Sparks Energy 1.

Upon Completion and with reNIKOLA's financial contribution under the Deed of Arrangement, BGMC Corporation will be able to fully settle the amount owed to Sparks Energy 1, and improve the overall gearing of BGMC Group.

(h) BGMC Group will be relieved from further financial input obligations

Upon Completion but prior to exercise of Options, BGMC Corporation will remain as a registered owner of the 95% ordinary shares of BGMC Bras Power, subject to the terms and conditions of exercise of the Options Agreement. Nevertheless, upon Completion, reNIKOLA as owner of New RPS of BGMC Bras Power (whose 95% ordinary shares are held by BGMC Group) would assume BGMC Bras Power's liability incurred prior to Completion. After Completion, BGMC Group will no longer be obliged to make any further financial contribution towards BGMC Bras Power's settlement of bank guarantee and/or delay compensation payable to TNB and/or indebtedness to Sparks Energy 1, and/or payment to EPCC Contractor and/or any further capital investment for the further implementation of Kuala Muda Project, which will improve the BGMC Group's overall financial position.

(i) Reasons for and benefit of Options Agreement

According to the Deed of Arrangement and Shareholders' Agreement, BGMC will lose management control and economic interest in BGMC Bras Power upon Completion whereby reNIKOLA will provide financial assistance for completing the Solar Farm. However, BGMC Group will remain as registered owner of 95% ordinary shares in BGMC Bras Power pending the exercise of Options. BGMC Group will only receive RM10.45 million upon exercise of Options

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during the Option Period (i.e. at any time prior to the expiry of the Power Purchase Agreement but not earlier than the 5th anniversary from the Commercial Operation Date on 22 March 2022).

Such arrangement is because the exercise of Options and effecting share transfer of ordinary shares in BGMC Bras Power is subject to the approval by Energy Commission of Malaysia. The exercise of either Put Option or Call Option is expected to be at least five years after the Commercial Operation Date on 22 March 2022 because, according to the provisions set out in the Guidelines on Large Scale Solar Photovoltaic Plant for Connection to Electricity Networks (Version 2) issued by the Energy Commission of Malaysia on 17 February 2017 and the requirements stipulated in the Request For Proposal for large-scale solar photovoltaic plants issued by the Energy Commission of Malaysia on 20 February 2017, which provide that once a concession award has been granted, there can be no change in the shareholding structure of the project owners to whom the concession projects are awarded within a period of five years from the Commercial Operation Date of the solar projects.

(j) Fair disposal terms from reNIKOLA

For the reasons and benefits set out under this section headed “Reasons for and Benefits of the Agreements” from page 43 to 48 of this circular, further elaboration on fairness of Option Price on page 36 to 37 of this circular, and the valuation of equity interest in BGMC Bras Power being zero as out in the section headed “Basis of Consideration and the Preliminary and Final Valuation of BGMC Bras Power” below, the Directors are of the view that the terms of the Agreements are fair and reasonable and in the interest of the Company and its shareholders.

Please refer to the section headed “Basis of Consideration and the Preliminary and Final Valuation of BGMC Bras Power” below.

BASIS OF CONSIDERATION AND THE PRELIMINARY AND FINAL VALUATION OF BGMC BRAS POWER

1. The preliminary and final valuation of 95% equity interest in BGMC Bras Power (after deducting liability pertaining to BGMC Bras Power) is zero, based on the Draft Valuation Report and the Final Valuation Report of BGMC Bras Power as of 31 December 2021 prepared by the Independent Valuer in accordance with the income approach. In preparing the Draft Valuation Report and the Final Valuation Report of BGMC Bras Power, the Independent Valuer has applied the discounted cash flow method under income-based approach applying certain assumptions. Based on the maximum electricity supply of 68,605.32 MWH and the energy payment rate of RM0.38/KWH, BGMC Bras Power’s energy payment is up to approximately RM26.1 million per year. However, such maximum electricity supply revenue is expected to decrease year by year due to degradation of the Solar Farm. In reaching the valuation, the Independent Valuer also took into account the deduction of cost of sales which mainly included the management services fee payable to the management services company in the amount of approximately RM65.5 million in total up to the expiry of the 21-year term, the on-balance sheet debt of approximately RM160.4 million which mainly includes the Existing RCPS repayable in the amount of RM89.3 million and Bras Power Sukuk Bond repayable and other liabilities in the amount of approximately RM71.1 million. The estimated outstanding capital expenditure payable in

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the amount of approximately RM42.5 million. After further adjustments for marketability discount and non-operating liabilities, the total discounted free cash flow recovered from the Solar Farm is less than the surplus debt as owed by BGMC Bras Power such that the calculation has yielded a negative amount of equity value, indicating the opinion of value on 95% equity interest in BGMC Bras Power is zero.

2. The Board has reviewed the Final Valuation Report as set out in Appendix IV to this circular, and concurs with the methodology and conclusion contained therein. In particular, the Board agrees with the analysis which takes into account the existing on-balance sheet debt, the future income being capped by the maximum electricity supply and a fixed energy payment rate throughout the 21-year concession term, the management fee, the degradation of the Solar Farm which will lead to gradual decrease in electricity supply capacity. On top of the factors above, the current global inflation trend also means that the cost of maintaining operation is subject to unpredictable inflation. As such, even without taking into account the existing on-balance sheet debt, the Company would be exposed to the risk of rising maintenance costs due to inflation.
3. The Board also notes that, the Total Consideration (as disclosed on page 20 of this circular) consists of (1) RM89.3 million which will be utilized by BGMC Corporation to satisfy the intended BGMC Corporation's Repayment to Sparks Energy 1, and (2) RM176,555.49 which will be utilized to repay the outstanding amount of the Existing Payable by BGMC Bras Power to Sparks Energy 1. The Board has considered the Draft Valuation Report and the Final Valuation Report in evaluating the fairness of Option Price of RM10.45 million. Please refer to the further elaboration on fairness of Option Price on page 36 to 37 of this circular.
4. The Final Valuation Report involves profit forecast under rule 14.61 of the Listing Rules, BGMC has complied with rule 14.62 of the Listing Rules in this circular by including the letters from Moore Stephens CPA Limited and the Board as included in Appendix IVA and Appendix IVB to this circular. The Directors confirm that they have made the forecast after due and careful enquiry. The Final Valuation Report is included in Appendix IV to this circular.

FINANCIAL EFFECT OF THE AGREEMENTS

As at the Latest Practicable Date, BGMC Bras Power is a non-wholly owned subsidiary of BGMC, which has an unaudited net asset value of approximately RM89.4 million as at 30 September 2021. The Total Consideration is RM89,476,555.49 and is the same as the net asset value.

Upon Completion, BGMC Bras Power will cease to be a subsidiary of BGMC and the financial results of BGMC Bras Power will no longer be consolidated as permitted by IFRS 10. This is due to:

- (i) reNIKOLA is entitled to receive a cumulative preferential cash dividend (up to 1,000% of the aggregate paid up New RPS) out of profits available for distribution of BGMC Bras Power in respect of each financial year;

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- (ii) the board of the BGMC Bras Power shall comprise of a minimum of three (3) and a maximum of five (5) Directors all to be nominated by reNIKOLA; and
- (iii) the board of the BGMC Bras Power nominated by reNIKOLA shall be responsible for supervising the activities including determining the overall policies and objectives.

The BGMC Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. As BGMC Corporation does not have the ability to direct the operating and financing activities of BGMC Bras Power which will significantly affect its return, furthermore all the return will belong to reNIKOLA in view of the preferential cash dividend, of up to 1,000% of the aggregate paid up New RPS. Thus, despite BGMC Corporation remains as holder of ordinary shares, BGMC Corporation is not having the substantive control rights, and all returns throughout the concession period will flow to reNIKOLA as New RPS holders.

BGMC currently expects to record a gain of RM7.6 million on the disposal. Such gain is calculated by reference to (i) the Option Price to be received by BGMC Group of approximately RM8.49 million (RM10.45 million to be received in 5 years and discounted at a discount rate of 4.25%); (ii) the estimated transaction costs and professional expenses incurred for the Transaction of approximately RM1.0 million; (iii) the unaudited net asset values of BGMC Bras Power of approximately RM89.4 million as at 30 September 2021 attributable to the 95% equity interest in BGMC Bras Power; (iv) the repayment of RM89.3 million from BGMC Bras Power to BGMC Corporation by redemption of the Existing RCPS held by BGMC Corporation and (v) the repayment of Existing Payable owed by BGMC Bras Power to Sparks Energy 1 in the amount of RM176,555.49.

The actual gain or loss arising from the disposal may be different from the above and shall be subject to the review by the Company's auditors and determined based on the amount of the net assets/liabilities (as the case may be) of BGMC Bras Power as at the Completion Date and the amount of expenses incidental to the proposed disposal of interest in 95% ordinary shares in BGMC Bras Power to reNIKOLA.

Shareholders should note that the financial effects set out above is for illustrative purpose only, which will have to be ascertained at the time of preparation of the Company's consolidated financial statements upon Completion with reference to, among other things, the actual costs and expenses associated with the Transaction, and is subject to audit.

USE OF PROCEEDS

- (a) reNIKOLA will pay RM89,300,000 to BGMC Bras Power which will in turn pay the same amount to BGMC Corporation. BGMC Corporation intends to settle the RPS amounting to RM89,300,000 issued to Sparks Energy 1. reNIKOLA will also procure for BGMC Bras Power's repayment of Existing Payable of RM176,555.49 to Sparks Energy 1.

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- (b) reNIKOLA will pay advance payment of approximately RM49.9 million to BGMC Corporation which shall then make advance of RM49.9 million to BGMC Bras Power for the purpose of (i) fulfilling the terms and conditions under the Power Purchase Agreement; (ii) paying the contractors of BGMC Bras Power and (iii) paying the sums due and payable by BGMC Bras Power under Bras Power Sukuk Bond. These two advances were initially RM19.0 million and subsequently increased to RM49.9 million under the Supplemental reNIKOLA Advance Agreement and the Supplemental BGMC Corporation Advance Agreement both dated 13 May 2022.
- (c) The Option Price of RM10.45 million to be received by the BGMC Group under the Options Agreement is expected to be used for general working capital.

INFORMATION ON BGMC BRAS POWER

BGMC Bras Power was set up as single project company for Kuala Muda Project. The following table sets out the summary of the financial information of BGMC Bras Power for each of the years ended 30 September 2019 and 30 September 2020 and for the 18 months ended 31 March 2022:

	For the year ended 30 September 2019 <i>(RM million)</i> (Audited)	For the year ended 30 September 2020 <i>(RM million)</i> (Audited)	For the 18 months ended 31 March 2022 <i>(RM million)</i> (Unaudited)
Net profit/(loss) before tax	0.31	3.21	(3.55)
Net profit/(loss) after tax	0.32	3.18	(3.57)
	As at 30 September 2019 <i>(RM million)</i> (Audited)	As at 30 September 2020 <i>(RM million)</i> (Audited)	As at 31 March 2022 <i>(RM million)</i> (Unaudited)
Total assets	38.4	138.3	177.1
Net assets	0.6	35.4	89.4

During the years ended 30 September 2020 and 30 September 2021, BGMC Bras Power has not commenced operation and therefore did not generate cash inflow. While BGMC Bras Power recognized RM111.1 million and RM36.0 million as revenue during the years ended 30 September 2020 and 2021 respectively, such revenue was accounted as recognition for the construction of solar power plant in progress. Pursuant to the Power Purchase Agreement, BGMC Bras Power would only be entitled to energy payments from TNB but not recovery of the construction costs incurred for building the solar power plant for Kuala Muda Project.

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INFORMATION ON BGMC GROUP AND RENIKOLA

The BGMC Group is a full-fledged, integrated solutions provider in the construction service 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.

reNIKOLA is a private limited company incorporated in Malaysia on 24 April 2020 and is one of the leading renewable energy producers in Malaysia. reNIKOLA group of companies currently has solar assets with total capacity of 88.0 MWp and 375 MWp under development. reNIKOLA's current shareholders are Tengku Zaiton Ibni Sultan Abu Bakar (30%) and Boumhidi Abdelali (70%) holding all of the issued ordinary shares in reNIKOLA. reNIKOLA's directors are Tengku Zaiton Ibni Sultan Abu Bakar, Boumhidi Abdelali, Lim Beng Guan and Khong Ho Ming.

Based on the best of the Directors' information, knowledge and belief, reNIKOLA, and its ultimate beneficial owner are third parties independent of BGMC and connected persons of BGMC.

BUSINESS OF BGMC GROUP AFTER COMPLETION

BGMC 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; and
- (ii) Concession and maintenance, which undertakes public private partnership contracts of duration more than 20 years. This sector comprises Kuala Muda Project prior to the Completion.

After Completion, BGMC will continue to operate the construction service segment, while the concession and maintenance segment will have no further contributions to BGMC. BGMC will nevertheless be open to explore and procure new concession and maintenance contract if opportunity arises.

As of 31 March 2022, BGMC has a total remaining order book of approximately RM319.7 million, of which the following three major construction projects are targeted to be completed by the second half of 2023 considering the disruption caused by the COVID-19 pandemic. With the cashflow arising from the transactions contemplated under the Agreements, BGMC will strive to be more active in procuring construction related contracts.

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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.	72,790
Bangsar 61: Construction and completion of earthworks, basement parking and associated works for a four-storey basement car park at Bangsar, Kuala Lumpur, Malaysia.	192,738
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.	21,061
Total:	<u>286,589</u>

IMPLICATIONS UNDER THE LISTING RULES

Given that the Agreements were all entered into or will be entered into upon Completion by the BGMC Group for the purpose of disposing of its interest in BGMC Bras Power to reNIKOLA, the Agreements and the transactions contemplated thereunder are to be aggregated in accordance with Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Agreements and transactions contemplated thereunder is more than 75%, the Agreements and transactions contemplated thereunder constitute a very substantial disposal for BGMC under the Listing Rules and is subject to announcement, reporting and shareholders' approval requirements under the Listing Rules.

The Agreements are part and parcel for reNIKOLA's proposed acquisition of interest in 95% equity interest in BGMC Bras Power from BGMC Group and shall be considered as a whole subject to shareholders' approval. To facilitate BGMC Bras Power's repayment of the Bras Power Sukuk Bond and financing of Kuala Muda Project before Completion, reNIKOLA will make the full advance up to RM49.9 million to BGMC Group prior to Completion under the reNIKOLA Advance Agreement (supplemented by the Supplemental reNIKOLA Advance Agreement). Such advance is provided based on the reNIKOLA Advance Agreement, which when entered into by BGMC Group on standalone basis, is not subject to shareholder's approval.

As at the Latest Practicable Date, reNIKOLA has made advances in a total amount of RM47.78 million to BGMC Group. In case the Completion fails to materialize for reason such as failure to fulfil conditions precedent set out in Deed of Arrangement, BGMC Group would be required to repay the outstanding advance amount to reNIKOLA, failing which reNIKOLA is entitled to enforce the security arrangement to become the new holder of Existing RCPS which is currently held by BGMC Corporation.

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EGM

The EGM will be convened by the Company at Unit 2413A, 24/F, Lippo Centre Tower One, 89 Queensway, Admiralty, Hong Kong on Friday, 7 October 2022 at 10 a.m. at which resolution will be proposed to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder. Notice convening the EGM has been despatched to the shareholders of the Company on the date of this circular, a copy of which is set out on pages EGM-1 to EGM-2 of this circular. No shareholder will be required to 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 of the Company 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Agreements 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 considered that the terms of the Agreements 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 shareholders as a whole. Accordingly, the Directors recommend the shareholders of the Company to vote in favour of the resolution to be proposed at the EGM to approve the Agreements.

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.

LETTER FROM THE BOARD

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
Datuk Kamalul Arifin Bin Othman
Chairman and Independent Non-Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the years ended 30 September 2019, 30 September 2020 and for the 18 months ended 31 March 2022 are disclosed in the annual reports of the Company for the years ended 2019 and 2020 and for the 18 months ended 31 March 2022, respectively. 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 2019:

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

- (ii) annual report of the Company for the year ended 30 September 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0128/2021012800636.pdf>

- (iii) annual report of the Company for the 18 months ended 31 March 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072800765.pdf>

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Prior to entering into the Agreements to dispose of interest in BGMC Bras Power, the Group has been in financial difficulties as it recorded net loss of RM56.5 million during the period from 1 October 2020 to 31 March 2022, and net loss of RM193.5 million and RM53.1 million during the twelve months ended 2020 and 2019 respectively. The unrestricted cash and cash equivalent of the Group was on a declining trend: RM16.8 million as at 30 September 2019, RM12.7 million as at 30 September 2020 and RM10.7 million as at 31 March 2022. The Group is facing imminent default risk of Bras Power Sukuk Bond and the Power Purchase Agreement, and the BGMC Group does not have financial capability to further proceed with the Kuala Muda Project.

Disposal of interest in BGMC Bras Power according to the Agreements will improve the cashflow and gearing ratio of the Group and relieve the Group from financial pressure to further proceed with Kuala Muda Project.

After Completion, the Group will continue to operate the construction service segment. While the concession and maintenance segment will have no further contributions to the Group. The Group will nevertheless be open to explore and procure new concession and maintenance contract if opportunity arises.

While the COVID-19 restrictions are expected to subsist, the Group is confident in complying to standard operating procedure (“SOP”) as required by regulatory authorities, working in the new normalcy and living together with COVID-19. The Group will also continue to implement a debt restructuring and the rationalisation of our resources have enabled BGMC to stand stronger on a firmer footing. Going forward, we will focus on using the resources that we have to implement the existing projects at a faster pace and therefore reduces the delays caused by the disruption. The Group also aims to complete the project soonest possible so as to contain the ballooning cost of projects. As the government of Malaysia starts to ease the COVID-19 restrictions on various sectors, the economy of Malaysia is expected to rebound during the Group’s current financial year ending 31 March 2023. The Board is cautiously optimistic of improvement in financial performance for the year ending 31 March 2023.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

Borrowings

As at 31 July 2022, the Group had lease liabilities of RM17.03 million of which RM16.75 million was classified as liabilities directly associated with assets classified as held for sale, secured and guaranteed bank overdrafts of RM2.78 million, secured and unguaranteed redeemable secured loan stocks (“**RSLs**”) of RM46.43 million, secured and unguaranteed other payables of RM8.80 million, unsecured and guaranteed advance from reNIKOLA of RM47.78 million and secured and unguaranteed Bras Power Sukuk Bonds of RM44.07 million which was classified as liabilities directly associated with assets classified as held for sale.

Securities and charges

As at 31 July 2022, the Group had the following securities and charges for the following borrowing arrangements:

- (a) The Group had outstanding lease liabilities of approximately RM0.15 million, which were secured by certain right-of-use assets and jointly and severally guaranteed by the Company and/or its subsidiaries, had outstanding lease liabilities of approximately RM0.13 million, which were secured by certain rental deposits and had outstanding lease liabilities of approximately RM16.75 million, which were unsecured and unguaranteed and classified as liabilities directly associated with assets classified as held for sale.
- (b) Bank overdrafts of RM2.78 million were secured by fixed deposits of the Group of RM1.47 million and corporate guarantee by a subsidiary.
- (c) Multiple facilities, comprising general financing line, contract financing line and blanket contract financing line to finance construction projects, were RM112.35 million. The facilities were secured by corporate guarantee by the Company and/or its subsidiaries 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 RM13.74 million, pledged fixed deposits and restricted bank balances of approximately RM1.82 million and RM9.37 million, respectively, properties owned by the family member of a director and assignment of considerations received from the customers. Also, BGMC Bras Power had banking facilities of RM8.10 million. The facilities were secured by fixed deposit of BGMC Corporation of approximately RM1.72 million and corporate guarantee by BGMC Corporation of RM8.10 million.

- (d) The Group had RSLs of approximately RM46.43 million which were secured by the investment properties of RM25.00 million and properties owned by the Group of approximately RM24.41 million.
- (e) The Group had other payables of approximately RM8.80 million which were secured by the investment in redeemable convertible preference shares held by the Group of approximately RM5.69 million. The redeemable convertible preference shares were issued by Kuala Muda Estate Sdn Bhd and Machang Estate (II) Sdn Bhd (both being Land Companies) to the Group.
- (f) The Group had an advance from reNIKOLA of approximately RM47.78 million which was guaranteed by BGMC Corporation which shall deposit and procure BGMC Bras Power to deposit, in favor of reNIKOLA all the necessary documents with the stakeholder who shall be authorized to hold and release the documents in the manner as provided in the reNIKOLA Advance Agreement.
- (g) The Group had outstanding Bras Power Sukuk Bonds of approximately RM44.07 million, which were secured by debenture creating a fixed and floating charge over assets and properties of BGMC Bras Power; assignment of all rights, title, benefits and interest of BGMC Bras Power under certain clauses of the Purchase Power Agreement dated 27 March 2018 made between Tenaga Nasional Berhad; assignment of all proceeds and all rights of BGMC Bras Power under all insurances/takaful; assignment over all performance bonds in favour of BGMC Bras Power; first ranking charge over lease of a piece of land owned by Bras Ventures Bhd.; and assignment of all dividends, distributions, cash entitlements, capital repayments and divestment proceeds payable to the shareholders of BGMC Bras Power. The BGMC Bras Power's redemption of Bras Power Sukuk Bond has been pledged as security for Sparks Energy 1 Sdn. Bhd.'s repayment of OCBC Bridging Loan.

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.

Save as disclosed here in and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at 31 July 2022, the Group does not have any other material debt securities, issued or outstanding, or authorised or otherwise created but unissued, term loan, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, lease liabilities, mortgages, charges, covenants, other contingent liabilities or guarantees.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account (i) the transactions contemplated under the Agreements; (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

As at the Latest Practicable Date, the Directors confirm that there were no material adverse change in the financial or trading positions of the Group since 31 March 2022, 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 the 18 months ended 31 March 2022 and for the two years ended 30 September 2020 and 30 September 2019 respectively prepared on the basis that BGMC Bras Power is not consolidated, and the Company has no ownership interest in BGMC Bras Power. 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 annual report for the year ended 30 September 2019, for the year ended 30 September 2020 and the 18 months ended 31 March 2022, respectively.

For the 18 months ended 31 March 2022***Construction Services Sector***

The construction services sector contributed RM275.9 million, or 96.5%, to the consolidated revenue of the Remaining Group in the period ended 31 March 2022, as compared with RM180.2 million, or 94.6%, in the year ended 30 September 2020.

The significant difference is mainly due to length from 1 October 2020 to 31 March 2022 contained in the period ended 31 March 2022 as compared to the 12 months period recorded in the year ended 30 September 2020. Notwithstanding the differences recorded herein, the construction services sector encountered a lot of challenges during the period ended 31 March 2022. The operation and business of this sector are seriously impacted by the imposition of the MCO, the CMCO, the RMCO and the FMCO by the government of Malaysia throughout different time in the period ended 31 March 2022 to contain the spread of COVID-19 pandemic. These impositions have not only reduced the effective production days of the Remaining Group’s operation, they have also cut down the productivity and momentum at all of the Remaining Group’s construction sites. The situation is made more complicated with the need to comply to the SOP both in the office and all the Remaining Group’s construction sites as the new normal in addition to the unexpected disruption caused by the logistic delivery system, the building material price increments and the shortage of labour supply. Ultimately, time and cost required for the completion of the Remaining Group’s projects significantly increased.

In view of the above, all Remaining Group projects are in need of a revised completion date. Together with the delays that have not been granted with EOT, the Remaining Group has estimated the LAD for all the major ongoing projects. These estimations are however recoverable upon the Remaining Group obtaining the EOT for each individual project.

Emerging out from COVID-19 pandemic, the introduction of NRP by the government of Malaysia has helped to improve the operating environment. The relief provided by the Temporary Measures For Reducing The Impact of Coronavirus Disease 2019 (COVID-19) Act 2020, the effective vaccination program and the gradual relaxation of SOP have

contributed positively to the increase of productivity and momentum at all the Remaining Group's construction site. These have not only contributed to the increases in the work done, it has also brought few of the Remaining Group's ongoing projects like Setia Spice closer to completion.

As at 31 March 2022, the Remaining Group had an outstanding order book of RM319.7 million (30 September 2020: RM597.4 million).

Building and Structure segment

As the leading segment of the construction services sector of the Remaining Group, the building and structures segment contributed RM247.9 million, or 86.7%, to the Remaining Group's consolidated revenue in the 18 months ended 31 March 2022, compared to RM132.7 million, or 69.7%, in the year ended 30 September 2020. Notwithstanding that the increase is mainly due to an extended reporting period, it was also contributed by (i) higher recognition of work done as the Remaining Group has been better equipped in complying to those SOP imposed; and (ii) the reduced impact of the estimated LAD in most of the ongoing projects upon obtaining EOT for the projects.

During the 18 months ended 31 March 2022, the building and structure segment focuses on ongoing project and the following measures have been undertaken: (i) comply to the SOP imposed by the government of Malaysia in resuming work progress at all the Remaining Group's ongoing project sites; (ii) increase the productivity and work done for the ongoing projects as the industry was facing shortage of labour supply due to border closure; and (iii) efficiently utilize the financial resources that the Remaining Group has. The objective is to deploy more resources to implement the existing projects at a faster pace and therefore reduces the delays caused by the disruption. The Remaining Group also aims to complete the projects soonest possible so as to contain the ballooning cost of projects. All these new focuses and objectives ensured not only a successful completion of projects for the Remaining Group's clients, it may also leave behind a good name and track record for other future opportunities.

As at 31 March 2022, the building and structures segment had an outstanding order book of RM301.3 million (30 September 2020: RM520.8 million).

Energy Infrastructure segment

During the 18 months ended 31 March 2022, the energy infrastructure segment has contributed a revenue of RM12.7 million or about 4.4% of the Remaining Group's consolidated revenue, as compared with RM36.5 million or 19.2% of the consolidated revenue in the year ended 30 September 2020. This reduction is mainly due to (i) the changes of the revenue mix focus of the Remaining Group; (ii) the suspension of work during the FMCO period; and (iii) the prolonged period of time required for the procurement of working permit from the local council.

As at 31 March 2022, energy infrastructure segment had an outstanding order book of RM8.7 million (30 September 2020: RM29.3 million).

Mechanical and Electrical segment

The mechanical and electrical segment has contributed RM24.7 million or 8.6% to the consolidated revenue in the 18 months ended 31 March 2022, as compared with RM10.6 million or 5.6% contribution to the consolidated revenue for the year ended 30 September 2020. The increase is mainly attributable to (i) increase in work done of the project; and (ii) delivery and complete installation of major equipment required by the project.

As at 31 March 2022, the mechanical and electrical segment recorded an outstanding order book of RM9.7 million (30 September 2020: RM47.2 million).

Earthworks and Infrastructure segment

Though the Remaining Group possesses the track record of procuring and implementing the earthworks and infrastructure related projects, procurement activities nevertheless are minimal for this segment due to the challenging market conditions. Resources from this segment has already been redeployed to other segment of the construction services sector to better equip the Remaining Group in completing the other ongoing projects.

The earthworks and infrastructure segment has recorded a negative revenue of RM9.5 million for the 18 months ended 31 March 2022 due to change in the job scope in the finalisation of project account with the client during the 18 months ended 31 March 2022. This change has caused the revenue which was recognised in a previous financial year to be reversed during the 18 months ended 31 March 2022. The Remaining Group will not be deploying resources for this segment going forward after going through some in-depth consideration and deliberation.

Financial Review

Gross Loss

The Remaining Group recorded gross loss of RM50.1 million in the 18 months ended 31 March 2022 as compared to RM82.0 million in the year ended 30 September 2020. The Remaining Group's gross loss margin improved to 17.5% for the 18 months ended 31 March 2022 from 43.0% in the year ended 30 September 2020. The improvement was achieved as the cost attributed to the two contracts terminated by a customer was fully taken up in the year ended 30 September 2020 while there is no such recognition in the 18 months ended 31 March 2022.

Administrative and Other Expenses

Administrative and other expenses have slightly increased from RM34.6 million in the year ended 30 September 2020 to RM35.5 million in the 18 months ended 31 March 2022, of which RM18.4 million was required for the staff cost.

Finance Costs

The Remaining Group incurred RM3.9 million finance cost in the 18 months ended 31 March 2022 as compared to RM5.4 million recorded in the year ended 30 September 2020. The reduction in finance cost is due to repayment of bank borrowings in the 18 months ended 31 March 2022.

Income Tax

The income tax expenses of RM5.6 million was recorded in the year ended 30 September 2020, while tax credit of RM2.4 million was recorded for the 18 months ended 31 March 2022 mainly due to over-provision of income tax expenses amounting to RM2.0 million in the year ended 30 September 2020.

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 0.01 time as compared to 8.9 times as at 30 September 2020. The Remaining Group repaid the bank borrowing amounting to RM59.3 million with the proceeds obtained from the sale of KAS Engineering.

The total borrowings is RM2.8 million as at 31 March 2022 (as at 30 September 2020: RM69.3 million).

Cash balances (including fixed deposits) stood at RM37.4 million as at 31 March 2022 as compared to RM44.6 million as at 30 September 2020, representing a decrease of RM7.2 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 31 March 2022, the Remaining Group has net current assets of RM120.5 million, as compared to the net current liabilities of RM70.6 million as at 30 September 2020. The increase in net current assets was mainly due to decrease in contract assets and trade and other payables. As at 31 March 2022, the net assets of the Remaining Group amounted to RM99.3 million, representing an increase of 20.1 times as compared to net liabilities of RM5.2 million as at 30 September 2020.

As at 31 March 2022, the Remaining Group had total current liabilities of RM203.0 million as compared to RM496.3 million as at 30 September 2020, mainly comprising of trade and other payables and borrowings. The total non-current liabilities of the Remaining Group amounted to RM48.1 million as at 31 March 2022 as compared to RM1.1 million as at 30 September 2020 which were mainly due to a successful implementation of the scheme of arrangement or debt restructuring with the creditors.

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's 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 18 months ended 31 March 2022, the Remaining Group has not acquired any fixed asset compared to RM0.12 million in the year ended 30 September 2020.

Charge of Remaining Group's Assets

As at 31 March 2022, the Remaining Group has pledged investment properties of RM25.0 million, restricted bank balances of RM18.9 million, restricted fixed deposits of RM2.8 million and fixed deposits of RM5.1 million to the respective licensed banks for banking facilities. Moreover, the Remaining Group has also pledged investment in redeemable convertible preference shares of RM5.7 million for the other payables owing to reNIKOLA.

Significant Investment Held

The Remaining Group did not hold any other significant investment during the 18 months ended 31 March 2022.

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 31 March 2022, the Remaining Group had 130 employees as compared to 229 as at 30 September 2020. Total staff costs incurred for the 18 months ended 31 March 2022 were RM18.4 million compared to RM22.1 million recorded for the year ended 30 September 2020.

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 in place, which became effective on 9 August 2017, the day the Company's issued shares were initially listed on the Stock Exchange. The share option 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 Latest Practicable Date, there was no outstanding share option granted under the share option scheme.

Material Legal Proceedings

Please refer to the disclosure in section headed "Litigations" contained in Appendix V to this circular.

Future Prospect

The outbreak of COVID-19 pandemic has caused serious damages to Remaining Group since its outbreak, the Group has nevertheless come out on top of all the challenges so far. Complying to SOP as required by regulatory authorities, working in the new normalcy, living together with COVID-19, implementing a debt restructuring and the rationalisation of the Remaining Group's resources have enabled the Remaining Group to stand stronger on a firmer footing.

Going forward, the Remaining Group will focus on using the resources that the Remaining Group has to implement the existing projects at a faster pace and therefore reduces the delays caused by the disruption. The Remaining Group also aims to complete the project soonest possible so as to contain the ballooning cost of projects. All these new focuses and objectives will not only ensure a successful completion of projects for the Remaining Group's clients, it may also leave behind a good name and track record for other future opportunities.

While the Remaining Group works with the projects in hand, the Remaining Group has also examined and analysed the Remaining Group's business in conjunction to the current macro-economic situation. A business plan comprising strategies was drawn up to further the Remaining Group's business and operation forward. With the track records, experiences and other strengths that the Remaining Group possess, the Remaining Group will refocus in procuring the project that the Remaining Group did best in the past while not getting into those that have caused us difficulties in the past. In addition, the Remaining Group is trying to be innovative with the Remaining Group's current business model and work with the property or land owner to establish development projects that could provide more revenue stream to the Remaining Group's business. The concept of design and built for the land owner or getting involved in the development business could also be in the Remaining Group's consideration as the Remaining Group needs to revolutionise the Remaining Group's business to rejuvenate Remaining Group into a profitable and prospective organisation.

While construction services sector remains one of the most important pillars of the Remaining Group's business, the Remaining Group will be open for procuring contracts for the concession and maintenance sector. Though procuring this type of concession contract are time and cost consuming, as they involve a lot of planning and developing work, the prospect of generating project for the Remaining Group's construction services sector and subsequently the longer contractual period makes this type contract worth the efforts.

In addition, the Remaining Group has throughout the 18 months ended 31 March 2022 relied on value engineering and other construction technologies to enhance the Remaining Group's day-to-day operation and deliveries. The Remaining Group had in year 2019 jumped on to the bandwagon of SaaS by subscribing to the construction SaaS that is on offer in Malaysia. The objective back then was to further increase the Remaining Group's productivity and efficiency in delivering projects. Evaluation on the productivity and efficiency gain has so far been really promising and the Remaining Group is glad that the Remaining Group took the decision back then. While the Remaining Group has enjoyed the productivity gain, the Remaining Group foresees opportunity do exist to work with the construction SaaS provider to establish a similar construction SaaS in other new market in the near future.

The team spirit of the Remaining Group's talents has much improved since the Remaining Group gain a firmer foothold after emerging out from the predicaments that the Remaining Group faced in the last few years. With this improvement, the Remaining Group looks forward to carrying out the task in hand with more confidence whilst the Remaining Group charts a new direction and ways to further the Remaining Group's business.

For the year ended 30 September 2020

Construction Services Sector

The construction services sector contributed RM180.2 million, or 94.6%, to the consolidated revenue of the Remaining Group in the year ended 30 September 2020, against RM334.9 million, or 98.8%, in the year ended 30 September 2019. These substantial decreases are directly impacted by the imposition of the MCO, the CMCO and the RMCO by the government of Malaysia to contain the spread of COVID-19 pandemic. During the MCO period which spanned from 18 March 2020 until 12 May 2020, all the Remaining Group construction sites remained closed and not operational. It has not only halted the Remaining Group's ability to generate work done and revenue, but has also directly prolonged the duration needed to complete the Remaining Group projects.

The Remaining Group, however, was given the green light to resume works on site on 4 May 2020 subject to each of the Group's project sites following the SOP imposed by the CIDB. The SOP carries the principle of social distancing and is put in place to avoid the spreading of COVID-19 disease. One of the major requirements for resuming works at project site is to carry out swab test for all the workers entering the project site while operating hours have also been adjusted to reduce the effective working hours on site. The Remaining Group project sites have since resumed work at different date as the swab test results are delivered over a period of time due to limitation in laboratories capacity.

In view of the above, all Remaining Group projects are in need of a revised completion date. Together with the delays that have not been granted with EOT, the Remaining Group has estimated the LAD for all the major ongoing projects. These estimations are however recoverable upon the Remaining Group obtaining the EOT for each individual project.

As at 30 September 2020, the Remaining Group had an outstanding order book of RM597.4 million (30 September 2019: RM1.2 billion).

Building and Structure segment

As the leading segment of the construction services sector of the Remaining Group as a whole with sizeable contracts on hand, building and structures segment contributed RM132.7 million, or 69.7%, to the Remaining Group's consolidated revenue in the year ended 30 September 2020, compared to RM291.6 million, or 86.0%, in the year ended 30 September 2019. Such decrease was mainly due to: (i) the impact of lower recognition of work done due to the temporary stop work order in conjunction to the MCO; (ii) the impact of imposing the estimated LAD in all the major ongoing projects capturing the delays caused by both activities on the sites and the closure of all sites by the impositions of MCO; and (iii) the Sentral Suites project was terminated by a customer.

During the year ended 30 September 2020, this segment has not secured any new project as the Remaining Group switches its focus to (i) comply to the SOP imposed by the government of Malaysia and resume work at the project site emerging out from MCO; (ii) increase the productivity and work done for the existing ongoing project as challenges are ahead with the new normal; and (iii) the limitation imposed by the Remaining Group's difficult financial position. 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 30 September 2020, the building and structures segment had an outstanding order book of RM520.8 million (30 September 2019: RM1.1 billion).

Energy Infrastructure segment

During the year ended 30 September 2020, the energy infrastructure segment has contributed a revenue of RM36.5 million or equivalent to 19.2% of the Remaining Group's consolidated revenue, as compared with RM21.1 million or 6.2% of the consolidated revenue in the year ended 30 September 2019. This increase is due to the changes of the revenue mix of the Remaining Group.

During the year ended 30 September 2020, this segment has not secured any new project. As at 30 September 2020, energy infrastructure segment had an outstanding order book of RM29.3 million (30 September 2019: RM59.8 million).

Mechanical and Electrical segment

The mechanical and electrical segment has recorded a revenue of RM10.6 million or 5.6% contribution to the consolidated revenue in the year ended 30 September 2020, as compared with RM14.9 million or 4.4% contribution to the consolidated revenue for the year ended 30 September 2019. The decrease is recorded as most of the ongoing projects are still in the early stage of progress.

During the year ended 30 September 2020, the mechanical and electrical segment has secured 7 contracts of total worth RM18.4 million. As at 30 September 2020, the mechanical and electrical segment recorded an outstanding order book of RM47.2 million (30 September 2019: RM79.1 million).

Earthworks and Infrastructure segment

The earthworks and infrastructure segment has recorded a revenue of RM0.4 million for the year ended 30 September 2020, or 0.2% of the consolidated revenue, as compared with RM7.3 million or 2.2% contribution recorded in the year ended 30 September 2019. The decrease of the segment revenue was mainly because all the projects have been completed and the Remaining Group are proceeding to prepare the final account for the projects. Activities in this segment will be minimal going forward while the resources will be redeployed to other segments.

Financial Review

Gross Loss

The Remaining Group recorded gross loss of RM82.0 million in the year ended 30 September 2020 as compared to RM17.8 million in the year ended 30 September 2019. Such adverse change was mainly attributable to (i) the impact of lesser revenue after the deduction of the LAD for all the major ongoing projects caused by the activities at construction site and the imposition of the MCO; (ii) further project cost adjustment as a result of the need to comply to the new SOP for prevention of COVID-19; and (iii) provision for loss making and terminated projects.

Administrative and Other Expenses

Administrative and other expenses decreased from RM52.6 million in the year ended 30 September 2019 to RM34.6 million in the year ended 30 September 2020, mainly due to decrease in staff cost from RM28.9 million in the year ended 30 September 2019 to RM22.1 million in the year ended 30 September 2020.

Finance Costs

Finance costs for the year ended 30 September 2020 were RM5.4 million compared to RM4.1 million in the year ended 30 September 2019. There is only a marginal change to the previous year. Majority of the finance costs is incurred for short term borrowings for financing working capital of the Remaining Group and also for the interest accrual for redeemable preference share.

Income Tax

Income tax credit reversed from RM4.9 million in the year ended 30 September 2019 to tax expense of RM5.6 million in the year ended 30 September 2020, mainly due to reversal of deferred tax asset amounting to RM3.6 million and under provision of income tax expenses amounting to RM2.0 million recorded in year ended 30 September 2020.

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 8.9 times as at 30 September 2020 as compared to 0.49 times as at 30 September 2019. Such increase was mainly due to higher losses incurred in year 2020.

The total borrowings of RM69.3 million as at 30 September 2020 (as at 30 September 2019: RM96.8 million).

Cash balances (including fixed deposits) stood at RM44.6 million as at 30 September 2020 as compared to RM42.0 million as at 30 September 2019, a decrease of RM2.6 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 Liabilities

As at 30 September 2020, the Remaining Group has net current liabilities of RM70.6 million, as compared to the net current assets of RM117.7 million as at 30 September 2019. The decrease in net current assets was mainly due to increase in trade and other payables and borrowings. As at 30 September 2020, the net liabilities of the Remaining Group amounted to RM5.2 million, representing a decrease of 103.3% as compared to net assets of RM171.5 million as at 30 September 2019.

As at 30 September 2020, the Remaining Group had total current liabilities of RM496.3 million as compared to RM369.3 million as at 30 September 2019, mainly comprising of trade and other payables and borrowings. The total non-current liabilities of the Remaining Group amounted to RM1.1 million as at 30 September 2020 as compared to RM5.2 million as at 30 September 2019 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 2020, the Remaining Group acquired RM0.12 million worth of fixed asset compared to RM2.2 million in the year ended 30 September 2019.

Charge of Remaining Group's Assets

As at 30 September 2020, the Remaining Group has pledged restricted bank balances of RM10.0 million, restricted fixed deposits of RM6.4 million, fixed deposits of RM22.8 million and pledged investment properties of RM25.0 million to the respective licensed banks for banking facilities.

Significant Investment Held

Save as disclosed in Notes 22 and 23 to the Annual Report for the year ended 30 September 2020, the Remaining Group did not hold any other significant investment during the year ended 30 September 2020.

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 2020, the Remaining Group had 184 employees as compared to 336 as at 30 September 2019. Total staff costs incurred for the year ended 30 September 2020 were RM22.1 million compared to RM31.3 million recorded for the year ended 30 September 2019.

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 in place, which became effective on 9 August 2017, the day the Company's issued shares were initially listed on the Stock Exchange. The share option 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 Latest Practicable Date, there was no outstanding share option granted under the share option scheme.

Material Legal Proceedings

During the year ended 30 September 2020, the Company has been involved in several legal proceedings, the details of which are disclosed in Note 45 to the consolidated financial statements.

For the year ended 30 September 2019***Construction Services Sector***

The construction services sector contributed RM334.9 million, or 98.8%, to the consolidated revenue of the Remaining Group in the year ended 30 September 2019, against RM496.9 million, or 99.9%, 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.

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 the 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 of the Remaining Group as a whole with sizeable contracts on hand, building and structure segment contributed RM291.6 million, or 86.0%, to the Remaining Group's consolidated revenue in the year ended 30 September 2019, compared to RM395.6 million, or 79.6%, in the year ended 30 September 2018 (restated). Such decrease was mainly due to the Remaining Group's signature project being almost completed in the year ended 30 September 2019, while other major projects being 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. The project 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 project 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): RM935.5 million).

Energy Infrastructure segment

During the year ended 30 September 2019, the energy infrastructure segment contributed revenue of RM21.1 million, or 6.2%, to the Remaining Group's consolidated revenue, compared to RM40.1 million, or 8.1%, 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): RM100.3 million).

Mechanical and Electrical segment

The mechanical and electrical segment recorded revenue of RM14.9 million, or a 4.4% 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): RM123.6 million).

Earthworks and Infrastructure segment

The earthworks and infrastructure segment recorded revenue of RM7.3 million for the year ended 30 September 2019, or 2.2% 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.

Financial Review*Gross (Loss)/Profit*

The Remaining Group recorded gross loss of RM17.8 million in the year ended 30 September 2019 versus gross profit of RM35.9 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 RM66.2 million in the year ended 30 September 2018 (restated) to RM52.6 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 RM6.7 million in the year ended 30 September 2018 (restated) to RM1.3 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 RM37.9 million in the year ended 30 September 2018 to RM31.3 million in the year ended 30 September 2019 with the number of employees down from 368 to 336.

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 Remaining Group.

Income Tax

Income tax credit increased from RM0.3 million in the year ended 30 September 2018 (restated) to RM4.9 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 0.49 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 RM70.9 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 RM42.0 million as at 30 September 2019 as compared to RM89.9 million as at 30 September 2018 (restated), a decrease of RM47.9 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 RM117.7 million, as compared to the net current assets of RM197.0 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 RM171.5 million, representing a decrease of 29.5% as compared to RM293.4 million as at 30 September 2018.

As at 30 September 2019, the Remaining Group had total current liabilities of RM369.3 million as compared to RM309.0 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 RM2.2 million worth of fixed asset compared to RM7.0 million in the year ended 30 September 2018 (restated).

Charge of Remaining Group's Assets

As at 30 September 2019, the Remaining Group has pledged restricted bank balances of RM7.4 million, restricted fixed deposits of RM7.9 million and fixed deposits of RM21.5 million to the respective licensed banks for banking facilities.

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 336 employees as compared to 368 as at 30 September 2018. Total staff costs incurred for the year ended 30 September 2019 were RM31.3 million compared to RM37.9 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 in place, which became effective on 9 August 2017, the day the Company's issued shares were initially listed on the Stock Exchange. The share option 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 Latest Practicable Date, there was no outstanding share option granted under the share option scheme.

UNAUDITED FINANCIAL INFORMATION OF BGMC BRAS POWER

Set out below are the unaudited statements of financial position of BGMC Bras Power as at 30 September 2019 and 2020 and 31 March 2022 and the unaudited statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of BGMC Bras Power for each of the two years ended 30 September 2020 and for the period from 1 October 2020 to 31 March 2022 (the “**Relevant Periods**”) and explanatory notes (the “**Unaudited Financial Information of BGMC Bras Power**”).

The Unaudited Financial Information of BGMC Bras Power has been prepared and presented on the basis set out in note 2 to the Unaudited Financial Information of BGMC Bras Power and paragraph 14.68(2)(a)(i)(A) of the Listing Rules. The Unaudited Financial Information of BGMC Bras Power is prepared by the Directors of the Company solely for the purpose of inclusion in this circular in connection with the disposal of interest in 95% ordinary shares of BGMC Bras Power. The reporting accountant, Moore Stephens CPA Limited, was engaged to review the Unaudited Financial Information of BGMC Bras Power set out on pages II-2 to II-7 of this circular 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 (the “**HKICPA**”).

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion.

Based on the review, nothing has come to the reporting accountant’s attention that causes them to believe that the Unaudited Financial Information of BGMC Bras Power is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information of BGMC Bras Power.

APPENDIX II FINANCIAL INFORMATION OF BGMC BRAS POWER

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

	Period from 1 October 2020 to 31 March 2022 RM'000	Year ended 30 September 2020 RM'000	Year ended 30 September 2019 RM'000
Revenue	71,077	111,111	4,326
Cost of sales	<u>(77,286)</u>	<u>(105,820)</u>	<u>(4,183)</u>
Gross (loss)/profit	(6,209)	5,291	143
Income from concession agreements	4,962	3,043	366
Other income	2,594	166	99
Administrative and other expenses	(2,102)	(4,199)	(112)
Finance costs	<u>(4,393)</u>	<u>(1,281)</u>	<u>–</u>
(Loss)/profit before tax	(5,148)	3,020	496
Income tax (expense)/credit	<u>(20)</u>	<u>(28)</u>	<u>13</u>
(Loss)/profit and total comprehensive (loss)/income for the period/year	<u><u>(5,168)</u></u>	<u><u>2,992</u></u>	<u><u>509</u></u>

APPENDIX II FINANCIAL INFORMATION OF BGMC BRAS POWER

B. UNAUDITED STATEMENTS OF FINANCIAL POSITION

	As at 31 March 2022 <i>RM'000</i>	As at 30 September 2020 <i>RM'000</i>	As at 30 September 2019 <i>RM'000</i>
ASSETS			
Non-current assets			
Right-of-use assets	16,129	18,091	–
Contract assets	194,878	120,052	6,084
	<u>211,007</u>	<u>138,143</u>	<u>6,084</u>
Current assets			
Trade and other receivables, deposits and prepaid expenses	1,335	25	26,868
Amount owing from immediate holding company	211	–	2,066
Amount owing from corporate shareholder	–	–	100
Cash and bank balances	54	119	3,482
	<u>1,600</u>	<u>144</u>	<u>32,516</u>
Current liabilities			
Trade and other payables	35,271	24,347	617
Borrowings – secured	52,014	–	–
Amount owing to immediate holding company	–	5,704	–
Share application monies	–	54,270	37,230
Lease liabilities	1,061	965	–
	<u>88,346</u>	<u>85,286</u>	<u>37,847</u>
Net current liabilities	<u>(86,746)</u>	<u>(85,142)</u>	<u>(5,331)</u>
Total assets less current liabilities	<u>124,261</u>	<u>53,001</u>	<u>753</u>
Non-current liabilities			
Borrowings – secured	20,426	–	–
Lease liabilities	16,031	17,599	–
	<u>36,457</u>	<u>17,599</u>	<u>–</u>
Net assets	<u><u>87,804</u></u>	<u><u>35,402</u></u>	<u><u>753</u></u>
EQUITY			
Capital and reserves			
Share capital	100	100	100
Reserves	87,704	35,302	653
Total equity	<u><u>87,804</u></u>	<u><u>35,402</u></u>	<u><u>753</u></u>

APPENDIX II FINANCIAL INFORMATION OF BGMC BRAS POWER

C. UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RM'000</i>	Redeemable preference shares reserve <i>RM'000</i>	(Accumulated losses)/ retained profits <i>RM'000</i>	Total <i>RM'000</i>
At 1 October 2018	–	–	144	144
Issuance of share capital	100	–	–	100
Profit and total comprehensive income for the year	–	–	509	509
At 30 September 2019	100	–	653	753
Issuance of redeemable preference shares	–	31,730	–	31,730
Profit and total comprehensive income for the year	–	–	2,992	2,992
Effect of adopting IFRS 16	–	–	(73)	(73)
At 30 September 2020	100	31,730	3,572	35,402
Issuance of redeemable preference shares	–	57,570	–	57,570
Loss and total comprehensive loss for the period	–	–	(5,168)	(5,168)
At 31 March 2022	<u>100</u>	<u>89,300</u>	<u>(1,596)</u>	<u>87,804</u>

APPENDIX II FINANCIAL INFORMATION OF BGMC BRAS POWER

D. UNAUDITED STATEMENTS OF CASH FLOWS

	Period from 1 October 2020 to 31 March 2022 RM'000	Year ended 30 September 2020 RM'000	Year ended 30 September 2019 RM'000
OPERATING ACTIVITIES			
(Loss)/profit before tax	(5,148)	3,020	496
Adjustments for:			
Finance costs	4,393	1,281	–
Depreciation of right-of-use assets	1,962	1,308	–
Income from concession agreements	(4,962)	(3,043)	(366)
Interest income	–	(166)	–
Operating cash flows before movements in working capital	(3,755)	2,400	130
(Increase)/decrease in trade and other receivables, deposits and prepaid expenses	(1,305)	26,843	(31,181)
Increase in contract assets	(69,864)	(110,925)	–
Increase in trade and other payables	10,924	23,730	92
Net cash used in operations	(64,000)	(57,952)	(30,959)
Income tax paid	(25)	(28)	–
Net cash used in operating activities	(64,025)	(57,980)	(30,959)
FINANCING ACTIVITIES			
Interest received	–	166	–
Interest paid	(2,715)	(87)	–
Lease interests paid	(1,678)	(1,194)	–
New borrowings raised	72,440	–	–
Repayment of lease liabilities	(1,472)	(908)	–
(Repayment to)/advances from immediate holding company	(2,615)	7,770	(3,162)
Advances from/(repayment to) corporate shareholder	–	100	(100)
Proceeds from issuance of ordinary shares	–	–	100
Receipts of share application monies	–	48,770	37,230
Net cash generated from financing activities	63,960	54,617	34,068
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(65)	(3,363)	3,109
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	119	3,482	373
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	54	119	3,482

NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF BGMC BRAS POWER**1. GENERAL**

BGMC Bras Power is a limited liability company incorporated in Malaysia. The address of its registered office is No. 18-3, Jalan PJU 8/5C, Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan, Malaysia and the address of the principal place of business is A-3A-02, Block A, Level 3A, Sky Park One City, Jalan USJ 25/1, 47650 Subang Jaya, Selangor Darul Ehsan, Malaysia. Its immediate holding company is BGMC Corporation Sdn. Bhd., a limited liability company incorporated in Malaysia, and its intermediate holding company is BGMC International Limited (the “**Company**”), a limited liability company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

On 24 March 2022, BGMC Group and reNIKOLA entered into the Agreements for BGMC Group’s disposal of interest in 95% ordinary shares in BGMC Bras Power to reNIKOLA. Upon Completion, BGMC Bras Power will cease to be a subsidiary of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Unaudited Financial Information of BGMC Bras Power has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of the Listing Rules, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the disposal of interest in 95% ordinary shares of BGMC Bras Power.

The Unaudited Financial Information of BGMC Bras Power has been prepared in accordance with the same accounting policies as those adopted by the Company and its subsidiaries (collectively referred to as the “**Group**”) in preparation of the consolidated financial statements of the Group for those respective years or periods. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which includes all IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standard Board (“**IASB**”).

The Unaudited Financial Information of BGMC Bras Power does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 “Presentation of Financial Statements” issued by the IASB and should be read in connection with the relevant published annual reports of the Company for the Relevant Periods.

3. CHANGE IN FINANCIAL YEAR END

In November 2021, the Directors of the Company resolved to change the financial year end date from 30 September to 31 March in order to provide a more meaningful basis for shareholders and investors to understand and evaluate the Group’s financial results, given that the Group’s construction operation has been impeded by COVID-19 and Movement Control Order (“**MCO**”) during the period from 1 October 2020 to 30 September 2021 and the Group’s operation level has improved since September 2021 as a result of relaxation of MCO restrictive measures on construction activities. Also, changing the financial year end to 31 March 2022 is preferable as

APPENDIX II FINANCIAL INFORMATION OF BGMC BRAS POWER

compared to changing to calendar year end (i.e. 31 December 2021) because it will avoid a competition of resources in the preparation of the announcement of annual results ending calendar year end.

The Unaudited Financial Information of BGMC Bras Power now presented cover a period of eighteen months from 1 October 2020 to 31 March 2022 and for the years ended 30 September 2019 and 2020. Accordingly, the unaudited statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years ended 30 September 2019 and 2020 are not comparable with those for the period from 1 October 2020 to 31 March 2022.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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

The following is the unaudited pro forma financial information of BGMC International Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) upon the completion of the disposal of interest in 95% ordinary shares of BGMC Bras Power Sdn. Bhd. (“**BGMC Bras Power**”) (the “**Disposal**”) (the “**Remaining Group**”), comprising the unaudited pro forma consolidated statement of financial position as at 31 March 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the period from 1 October 2020 to 31 March 2022 and related notes, which have been prepared by the Directors of the Company in accordance with paragraph 4.29 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 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effects of the Disposal on the financial position of the Group as at 31 March 2022 as if the Disposal had been completed on 31 March 2022, and the Group’s financial performance and cash flows for the period from 1 October 2020 to 31 March 2022 as if the Disposal had been completed on 1 October 2020. Details of the Disposal are set out in the “Letter from the Board” contained in this circular.

The unaudited pro forma financial information has been prepared for illustrative purposes only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its hypothetical nature, the unaudited pro forma financial information of the Remaining Group may not give a true picture of the financial position, financial performance or cash flows of the Remaining Group following the completion of the Disposal. Further, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Group’s future financial position, financial performance or cash flows.

The unaudited pro forma financial information of the Remaining Group has been prepared based upon the audited consolidated statement of financial position of the Group as at 31 March 2022, the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the period from 1 October 2020 to 31 March 2022, which have been extracted from the published annual report of the Group for period from 1 October 2020 to 31 March 2022 dated 30 June 2022 after taking pro forma adjustments as summarised in the accompanying notes that are directly attributable to the Disposal, factually supportable and clearly identified as to those have no continuing effect on the Group.

Furthermore, the unaudited pro forma financial information does not purport to predict the Remaining Group’s future results of operations, financial positions or cash flows. The unaudited pro forma financial information should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the published annual report of the Group for period from 1 October 2020 to 31 March 2022 dated 30 June 2022, the financial information of BGMC Bras Power as set out in Appendix II to this circular, the Company’s announcement dated 27 June 2022 and other financial information included elsewhere in this circular. The unaudited pro forma financial information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Remaining Group.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP AS AT 31 MARCH 2022

	The Group	Pro forma adjustments		The Remaining Group
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	
ASSETS				
Non-current assets				
Property, plant and equipment	145	–	–	145
Right-of-use assets	279	–	–	279
Investment properties	25,188	–	–	25,188
Intangible assets	1,242	–	–	1,242
	<u>26,854</u>	<u>–</u>	<u>–</u>	<u>26,854</u>
Current assets				
Investment in redeemable convertible preference shares	5,694	–	–	5,694
Trade and other receivables, deposits and prepaid expenses	71,600	–	8,188	79,788
Amount owing from the Remaining Group	–	(211)	211	–
Tax recoverable	3,902	–	–	3,902
Contract assets	115,519	–	–	115,519
Fixed deposits	35,236	–	–	35,236
Cash and bank balances	2,118	–	88,091	90,209
	<u>234,069</u>	<u>(211)</u>	<u>96,490</u>	<u>330,348</u>
Assets classified as held for sale	<u>212,396</u>	<u>(212,396)</u>	<u>–</u>	<u>–</u>
	<u>446,465</u>	<u>(212,607)</u>	<u>96,490</u>	<u>330,348</u>
Current liabilities				
Contract liabilities	7,425	–	–	7,425
Trade and other payables	192,291	–	–	192,291
Borrowings – secured	2,794	–	–	2,794
Lease liabilities	264	–	–	264
	<u>202,774</u>	<u>–</u>	<u>–</u>	<u>202,774</u>
Liabilities directly associated with assets classified as held for sales	<u>124,803</u>	<u>(124,803)</u>	<u>–</u>	<u>–</u>
	<u>327,577</u>	<u>(124,803)</u>	<u>–</u>	<u>202,774</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group	Pro forma adjustments		The Remaining Group
	<i>RM'000</i> <i>(Note 1)</i>	<i>RM'000</i> <i>(Note 2)</i>	<i>RM'000</i> <i>(Note 3)</i>	<i>RM'000</i>
Net current assets	<u>118,888</u>	<u>(87,804)</u>	<u>96,490</u>	<u>127,574</u>
Total assets less current liabilities	<u>145,742</u>	<u>(87,804)</u>	<u>96,490</u>	<u>154,428</u>
Non-current liabilities				
Trade payables	47,897	–	–	47,897
Lease liabilities	<u>161</u>	<u>–</u>	<u>–</u>	<u>161</u>
	<u>48,058</u>	<u>–</u>	<u>–</u>	<u>48,058</u>
Net assets	<u>97,684</u>	<u>(87,804)</u>	<u>96,490</u>	<u>106,370</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	9,862	–	–	9,862
Accumulated losses	(194,033)	–	8,746	(185,287)
Other reserves	<u>289,871</u>	<u>–</u>	<u>–</u>	<u>289,871</u>
	105,700	–	8,746	114,446
Non-controlling interests	<u>(8,016)</u>	<u>–</u>	<u>(60)</u>	<u>(8,076)</u>
Total equity	<u>97,684</u>	<u>–</u>	<u>8,686</u>	<u>106,370</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP FOR
THE PERIOD FROM 1 OCTOBER 2020 TO 31 MARCH 2022**

	The Group <i>RM'000</i> <i>(Note 1)</i>	Pro forma adjustments <i>RM'000</i> <i>(Note 4)</i> <i>RM'000</i> <i>(Note 5)</i>		The Remaining Group <i>RM'000</i>
Continuing operations				
Revenue	285,828	–	–	285,828
Cost of sales	<u>(335,886)</u>	<u>–</u>	<u>–</u>	<u>(335,886)</u>
Gross loss	(50,058)	–	–	(50,058)
Other income	50,742	–	–	50,742
Impairment losses of financial assets and contract assets, net	(13,786)	–	–	(13,786)
Administrative and other expenses	(35,491)	–	–	(35,491)
Other gains, net	5,370	–	–	5,370
Finance costs	<u>(3,887)</u>	<u>–</u>	<u>–</u>	<u>(3,887)</u>
Loss before tax from continuing operations	(47,110)	–	–	(47,110)
Income tax credit	<u>2,421</u>	<u>–</u>	<u>–</u>	<u>2,421</u>
Loss and total comprehensive loss from continuing operations	(44,689)	–	–	(44,689)
Discontinued operations				
Profit for the period from discontinued operations	<u>(14,610)</u>	<u>5,168</u>	<u>60,890</u>	<u>51,448</u>
Profit and total comprehensive income for the period	<u>(59,299)</u>	<u>5,168</u>	<u>60,890</u>	<u>6,759</u>
Profit and total comprehensive income for the period attributable to:				
Owners of the Company				
Loss from continuing operations	(42,190)	–	–	(42,190)
Profit from discontinued operations	<u>(14,352)</u>	<u>4,910</u>	<u>60,890</u>	<u>51,448</u>
	<u>(56,542)</u>	<u>4,910</u>	<u>60,890</u>	<u>9,258</u>
Non-controlling interests				
Loss from continuing operations	(2,499)	–	–	(2,499)
Loss from discontinued operations	<u>(258)</u>	<u>258</u>	<u>–</u>	<u>–</u>
	<u>(2,757)</u>	<u>258</u>	<u>–</u>	<u>(2,499)</u>
	<u>(59,299)</u>	<u>5,168</u>	<u>60,890</u>	<u>6,759</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF
THE REMAINING GROUP FOR THE PERIOD FROM 1 OCTOBER 2020 TO 31
MARCH 2022**

	The Group <i>RM'000</i> <i>(Note 1)</i>	Pro forma adjustments <i>RM'000</i> <i>RM'000</i> <i>(Note 4)</i> <i>(Note 5)</i>		The Remaining Group <i>RM'000</i>
OPERATING ACTIVITIES				
Loss before tax from continuing operations	(47,110)	–	–	(47,110)
Profit before tax from discontinued operations	(9,311)	5,148	60,890	56,727
Adjustments for:				
Finance costs	14,732	(4,393)	–	10,339
Depreciation of property, plant and equipment	87	–	–	87
Depreciation of right-of-use assets	2,725	(1,962)	–	763
Reversal of impairment loss of property, plant and equipment	(6,916)	–	–	(6,916)
Reversal of impairment loss of right-of-use assets	(6,950)	–	–	(6,950)
Amortisation of intangible assets	2,314	–	–	2,314
Impairment of trade and other receivables	8,926	–	–	8,926
Unrealised loss on foreign exchange	178	–	–	178
Imputed interest income from contract assets	(32,224)	4,962	–	(27,262)
Interest income from bank deposits	(1,107)	–	–	(1,107)
Impairment loss of contract assets	4,860	–	–	4,860
Loss on disposal of property, plant and equipment	8,173	–	–	8,173
Gains on extinguishment of debts	(46,114)	–	–	(46,114)
Gain on disposal of subsidiaries	25,684	–	(60,890)	(35,206)
Operating cash flows before movements in working capital	(82,053)	3,755	–	(78,298)
Inventories	7,720	–	–	7,720
Trade and other receivables, deposits and prepaid expenses	131,917	1,305	–	133,222
Contract assets	(86,120)	69,864	–	(16,256)
Trade and other payables	(60,148)	(10,924)	–	(71,072)
Contract liabilities	2,110	–	–	2,110
Cash used in operations	(86,574)	64,000	–	(22,574)
Income tax paid	(1,598)	25	–	(1,573)
Income tax refunded	835	–	–	835
Net cash used in operating activities	(87,337)	64,025	–	(23,312)

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group <i>RM'000</i> <i>(Note 1)</i>	Pro forma adjustments <i>RM'000</i> <i>(Note 4)</i> <i>RM'000</i> <i>(Note 5)</i>		The Remaining Group <i>RM'000</i>
INVESTING ACTIVITIES				
Interest received	1,107	–	–	1,107
Proceed from disposal of property, plant and equipment	1,052	–	–	1,052
Proceed from disposal of right-of-use assets	77	–	–	77
Proceeds from disposal of investment properties	319	–	–	319
Proceed from disposal of subsidiaries, net of cash and cash equivalents	88,660	–	88,302	176,962
Placement of restricted bank balances	(18,878)	–	–	(18,878)
Placement of pledged and restricted fixed deposits	(2,521)	–	–	(2,521)
Withdrawal of pledged and restricted fixed deposits	35,822	–	–	35,822
Net cash generated from investing activities	<u>105,638</u>	<u>–</u>	<u>88,302</u>	<u>193,940</u>
FINANCING ACTIVITIES				
Interest paid	(12,928)	2,715	–	(10,213)
Lease interest paid	(1,804)	1,678	–	(126)
New borrowings raised	52,015	(72,440)	–	(20,425)
Repayment of borrowings	(59,344)	–	–	(59,344)
Repayment of lease liabilities	(4,258)	1,472	–	(2,786)
Repayment to the Remaining Group	–	2,615	–	2,615
Decrease in bank overdrafts	(2,619)	–	–	(2,619)
Increase in other payables	8,800	–	–	8,800
Net cash used in financing activities	<u>(20,138)</u>	<u>(63,960)</u>	<u>–</u>	<u>(84,098)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,837)	65	88,302	86,530
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
Effect of foreign exchange rate, net	12,701	(119)	–	12,582
	<u>(178)</u>	<u>–</u>	<u>–</u>	<u>(178)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>10,686</u>	<u>(54)</u>	<u>88,302</u>	<u>98,934</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group	Pro forma adjustments		The Remaining Group
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	<i>(Note 1)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>	
Cash and cash equivalents at end of period are determined as follows:				
Cash and bank balances in the consolidated statement of financial position	2,118	–	88,302	90,420
Cash and bank balances included in assets held for sale	54	(54)	–	–
Fixed deposits with licensed banks	35,236	–	–	35,236
Less: Restricted bank balances	(18,899)	–	–	(18,899)
Restricted fixed deposits	(2,761)	–	–	(2,761)
Pledged fixed deposits	(5,062)	–	–	(5,062)
	10,686	(54)	88,302	98,934
	10,686	(54)	88,302	98,934

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

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

1. The amounts are extracted from the published annual report of BGMC International Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 31 March 2022 and for the period from 1 October 2020 to 31 March 2022.
2. These adjustments represent the exclusion of assets and liabilities of BGMC Bras Power Sdn. Bhd. (“**BGMC Bras Power**”) to be disposed of as at 31 March 2022 assuming the disposal of the interest in 95% ordinary shares of BGMC Bras Power (the “**Disposal**”) was completed on 31 March 2022. The amounts have been extracted from the Unaudited Financial Information of BGMC Bras Power as at 31 March 2022 except for the following items with reconciliation as follows:

	<i>Note</i>	BGMC Bras Power as per Appendix II RM'000	BGMC Bras Power RM'000
Non-current assets			
Right-of-use assets		16,129	16,129
Contract assets		194,878	194,878
		211,007	211,007
Current assets			
Trade and other receivables, deposits and prepaid expenses		1,335	1,335
Amount owing from immediate holding company	<i>(a)</i>	211	–
Amount owing from the Remaining Group	<i>(a)</i>	–	211
Cash and bank balances		54	54
		1,600	1,600
Total assets		212,607	212,607
Current liabilities			
Trade and other payables		35,271	35,271
Borrowings – secured		52,014	52,014
Lease liabilities		1,061	1,061
		88,346	88,346

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	<i>Note</i>	BGMC Bras Power as per Appendix II RM'000	BGMC Bras Power RM'000
Non-current liabilities			
Borrowings – secured		20,426	20,426
Lease liabilities		16,031	16,031
		36,457	36,457
Total liabilities		124,803	124,803
Net assets		87,804	87,804
Capital and reserves			
Share capital	<i>(b)</i>	100	–
Redeemable preference shares reserve	<i>(b)</i>	89,300	–
Accumulated losses		(1,596)	(1,596)
Total equity		87,804	(1,596)

Notes:

- (a) The amount owing from immediate holding company in the Unaudited Financial Information of BGMC Bras Power (Appendix II) is reclassified as amount owing from the Remaining Group upon completion of Disposal.
- (b) Share capital and redeemable preference shares reserve were eliminated in the consolidated financial statements of the Group.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

3. These adjustments represent the estimated gain on the Disposal which is calculated as follows assuming the Disposal had taken place on 31 March 2022:

	<i>Note</i>	<i>RM'000</i>	<i>RM'000</i>
Consideration			
Redemption of the Existing RCPS	<i>(a)</i>	89,300	
Option Price	<i>(a)</i>	8,188	97,488
Carrying amount of net assets of BGMC			
Bras Power	<i>(b)</i>		(87,804)
Estimated expenses directly attributable to the Disposal	<i>(c)</i>		(998)
Non-controlling interests disposal of			60
Estimated gain on the Disposal			8,746

The estimated cash flow proceeds from the Disposal which is calculated as follows assuming the Disposal had taken place on 31 March 2022:

	<i>Note</i>	<i>RM'000</i>	
Consideration – Redemption of the Existing RCPS	<i>(a)</i>	89,300	
Less: Settlement of amount due to BGMC Bras Power	<i>(a)</i>	(211)	
Estimated expenses directly attributable to the Disposal	<i>(c)</i>	(998)	
Estimated cash flow proceeds from the Disposal			88,091

Notes:

- (a) Pursuant to the Deed of Arrangement dated 24 March 2022, (i) reNIKOLA Sdn. Bhd. (“reNIKOLA”) pays RM89,300,000 to BGMC Bras Power as Subscription Price for New RPS to be issued by BGMC Bras Power to reNIKOLA; (ii) BGMC Bras Power utilizes the said amount to repay to BGMC Corporation Sdn. Bhd. (“BGMC Corporation”) by redemption of the Existing RCPS held by BGMC Corporation in cash; and (iii) the amount owing by the Remaining Group to BGMC Bras Power amounted to approximately RM211,000 is set off against the payment of Redemption Sum by BGMC Bras Power to BGMC Corporation.

Pursuant to the options agreement to be entered into between BGMC Corporation and reNIKOLA upon completion of the Disposal, RM10,450,000 (the “Option Price”) shall be payable by reNIKOLA to BGMC Corporation upon reNIKOLA’s exercise of Call Option or BGMC Corporation’s exercise of Put Option. The Option may be exercisable by either BGMC Corporation or reNIKOLA in writing at any time prior to the expiry of the Power Purchase Agreement but not earlier than the 5th anniversary from the Commercial Operation Date on 22 March 2022. For the purposes of the preparation of the Unaudited Pro Forma Financial Information, it is assumed that the Option will be exercised by either BGMC Corporation or reNIKOLA on the date of the 5th anniversary from the Commercial Operation Date and the Option Price will be received by the Group in 5 years and is discounted at a discount rate of 5%.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Pursuant to the Deed of Arrangement dated 24 March 2022, RM177,000, representing the amount payable by BGMC Bras Power to Sparks Energy 1 (“Existing Payable”), which will be paid by reNIKOLA by making subscription of the New RPS at the Subscription Price. For the purposes of the preparation of the Unaudited Pro Forma Financial Information, it is assumed that reNIKOLA will procure repayment of Existing Payable owed by BGMC Bras Power directly to Sparks Energy 1, therefore, the above-mentioned consideration did not include this repayment.

For more details of consideration, please refer to “Letter from the Board” set out in this circular.

- (b) The amount represents the carrying amount of the net assets of BGMC Bras Power as at 31 March 2022 which is extracted from the unaudited statement of financial position of BGMC Bras Power as at 31 March 2022 as set out in Appendix II.
- (c) The estimated expenses directly attributable to the Disposal represent costs and expenses directly incurred for the Disposal of RM998,000 which will be borne by the Group and are assumed to be settled in cash.
- (d) The actual amounts of the adjusted Consideration and the cash flow from the Disposal can only be determined at Completion, which may be substantially different from the estimated amounts used in the preparation of the unaudited pro forma financial information.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

4. These adjustments represent the exclusion of the results and cash flows of BGMC Bras Power to be disposed of for the period from 1 October 2020 to 31 March 2022 assuming the Disposal was completed on 1 October 2020. The amounts have been extracted from the Unaudited Financial Information of BGMC Bras Power for the period from 1 October 2020 to 31 March 2022 as set forth in Appendix II of this circular except for the following items with reconciliation as follows:

A reconciliation of the cash flows of BGMC Bras Power is shown below:

<i>Note</i>	BGMC Bras Power as per Appendix II RM'000	BGMC Bras Power RM'000
OPERATING ACTIVITIES		
Loss before tax	(5,148)	(5,148)
Adjustments for:		
Finance costs	4,393	4,393
Depreciation of right-of-use assets	1,962	1,962
Income from concession agreements	(4,962)	(4,962)
Operating cash flows before movements in working capital	(3,755)	(3,755)
Trade and other receivables, deposits and prepaid expenses	(1,305)	(1,305)
Contract assets	(69,864)	(69,864)
Trade and other payables	10,924	10,924
Net cash used in operations	(64,000)	(64,000)
Income tax paid	(25)	(25)
Net cash used in operating activities	(64,025)	(64,025)

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	<i>Note</i>	BGMC Bras Power as per Appendix II RM'000	BGMC Bras Power RM'000
FINANCING ACTIVITIES			
Interest paid		(2,715)	(2,715)
Lease interests paid		(1,678)	(1,678)
New borrowings raised		72,440	72,440
Repayment of lease liabilities		(1,472)	(1,472)
Repayment to immediate holding company	<i>2(a)</i>	(2,615)	–
Repayment to the Remaining Group	<i>2(a)</i>	<u>–</u>	<u>(2,615)</u>
Net cash generated from financing activities		<u>63,960</u>	<u>63,960</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(65)	(65)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>119</u>	<u>119</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>54</u></u>	<u><u>54</u></u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

5. These adjustments represent the estimated gain on the Disposal which is calculated as follows assuming the Disposal had taken place on 1 October 2020:

	<i>Note</i>	<i>RM'000</i>	<i>RM'000</i>
Consideration			
Redemption of the Existing RCPS	<i>(a)</i>	89,300	
Option Price	<i>(a)</i>	8,188	97,488
Carrying amount of net assets of BGMC			
Bras Power	<i>(b)</i>		(35,402)
Estimated expenses directly attributable to the Disposal	<i>(c)</i>		(998)
Non-controlling interests disposal of			(198)
Estimated gain on the Disposal			60,890

The estimated cash flow proceeds from the Disposal which is calculated as follows assuming the Disposal had taken place on 31 March 2022:

	<i>Note</i>	<i>RM'000</i>
Consideration – Redemption of the Existing RCPS	<i>(a)</i>	89,300
Less: Estimated expenses directly attributable to the Disposal	<i>(c)</i>	(998)
Estimated cash flow proceeds from the Disposal		88,302

Notes:

- (a) Pursuant to the Deed of Arrangement dated 24 March 2022, (i) reNIKOLA pays RM89,300,000 to BGMC Bras Power as Subscription Price for New RPS to be issued by BGMC Bras Power to reNIKOLA and (ii) BGMC Bras Power utilizes the said amount to repay to BGMC Corporation by redemption of the Existing RCPS held by BGMC Corporation in cash.

Pursuant to the options agreement to be entered into between BGMC Corporation and reNIKOLA upon completion of the Disposal, RM10,450,000 (the “**Option Price**”) shall be payable by reNIKOLA to BGMC Corporation upon reNIKOLA’s exercise of Call Option or BGMC Corporation’s exercise of Put Option. The Option may be exercisable by either BGMC Corporation or reNIKOLA in writing at any time prior to the expiry of the Power Purchase Agreement but not earlier than the 5th anniversary from the Commercial Operation Date on 22 March 2022. For the purposes of the preparation of the Unaudited Pro Forma Financial Information, it is assumed that the Option will be exercised by either BGMC Corporation or reNIKOLA on the date of the 5th anniversary from the Commercial Operation Date and the Option Price will be received by the Group in 5 years and is discounted at a discount rate of 5%.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Pursuant to the Deed of Arrangement dated 24 March 2022, RM177,000, representing the amount payable by BGMC Bras Power to Sparks Energy 1 (“Existing Payable”), which will be paid by reNIKOLA by making subscription of the New RPS at the Subscription Price. For the purposes of the preparation of the Unaudited Pro Forma Financial Information, it is assumed that reNIKOLA will procure repayment of Existing Payable owed by BGMC Bras Power directly to Sparks Energy 1, therefore, the above-mentioned consideration did not include this repayment.

For more details of consideration, please refer to “Letter from the Board” set out in this circular.

- (b) The amount represents the carrying amount of the net assets of BGMC Bras Power as at 30 September 2020 which is extracted from the unaudited statement of financial position of BGMC Bras Power as at 30 September 2020 as set out in Appendix II.
 - (c) The estimated expenses directly attributable to the Disposal represents costs and expenses directly incurred for the Disposal of RM998,000 which will be borne by the Group and are assumed to be settled in cash.
 - (d) The actual amounts of the adjusted Consideration and the cash flow from the Disposal can only be determined at Completion, which may be substantially different from the estimated amounts used in the preparation of the unaudited pro forma financial information.
6. Regarding the unaudited pro forma consolidated statement of financial position, apart from Notes 2 and 3 above relating to the Disposal, no other adjustment has been made to reflect any trading results or other disposals of the Group entered into subsequent to 31 March 2022.
7. Regarding the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows, apart from Notes 4 and 5 above relating to the Disposal, no other adjustment has been made to reflect any trading results or other disposals of the Group entered into subsequent to 1 October 2020.
8. No adjustment is expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

F. REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP



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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
BGMC International Limited

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 (collectively the “**Group**”) by the Directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 March 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the period from 1 October 2020 to 31 March 2022 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Parts A to E of Appendix III to the circular dated 21 September (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors of the Company have compiled the unaudited pro forma financial information are described in Parts A to E of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors of the Company to illustrate the impact of the very substantial disposal in relation to the disposal of the interest in 95% ordinary shares of BGMC Bras Power Sdn. Bhd. (“**BGMC Bras Power**”) (the “**Disposal**”) on the Group’s financial position as at 31 March 2022 and the Group’s financial performance and cash flows for the period from 1 October 2020 to 31 March 2022 as if the Disposal had taken place at 31 March 2022 and 1 October 2020, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors of the Company from the Group’s consolidated financial statements for the period from 1 October 2020 to 31 March 2022, on which an audit report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors of the Company are responsible for compiling the Unaudited pro forma financial information in accordance with paragraph 4.29 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 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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 HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA 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 4.29(7) 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 Circular” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 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 Disposal on unadjusted financial information of the Group as if the event had occurred or the Disposal 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 events or Disposals at 31 March 2022 or 1 October 2020 would have been as presented.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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 of the Company 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 Disposal, 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 Disposal in respect of which the unaudited 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

Limitation of Scope

The consolidated financial statements of the Group for the year ended 30 September 2020 were reported upon by another firm of auditors (the "**Predecessor Auditor**"), whose report dated 31 December 2020 expressed a disclaimer of opinion due to various limitations in evidence available to the Predecessor Auditor. The matters which led the Predecessor Auditor to disclaim their opinion are described in paragraphs (i) to (iii) below. During our engagement to audit the consolidated financial statements of the Group for the period from 1 October 2020 to 31 March 2022, we disclaimed our audit opinion on those consolidated financial statements because, inter alia, the closing balances as at 30 September 2020 of the assets and liabilities of the Group were brought forward as the opening balances as at 1 October 2020 and hence entered into the determination of the financial performance and cash flows of the Group for the period from 1 October 2020 to 31 March 2022. Hence, any adjustments found to be necessary to the closing balances of the assets and liabilities as at 30 September 2020 in respect of the matters described in paragraphs (i) to (iii) below might have significant effects on the Group's results and cash flows for the period from 1 October 2020 to 31 March 2022. Accordingly, we were also unable to determine whether adjustments might have been necessary in respect of the performance and cash flows of the Group for the period from 1 October 2020 to 31 March 2022 reported in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows. Our auditor's report is included in the annual report of the Company for the period from 1 October 2020 to 31 March 2022.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(i) *Provision for legal and professional fee and disclosure of contingent liabilities*

The Predecessor Auditor was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the accuracy and completeness of provision for the legal and professional fee of approximately RM967,000 as at 30 September 2020. There were no other satisfactory audit procedures that the Predecessor Auditor could adopt to determine whether the contingent liabilities were properly disclosed in the consolidated financial statements for the year ended 30 September 2020 and further provision for legal and professional fee was required.

(ii) *Provision for performance bonds and impairment loss on trade receivables and contract assets*

The Group had recognised the provision for two performance bonds of approximately RM25,797,000 for the year ended 30 September 2020. The Predecessor Auditor was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the accuracy and completeness of the provision for two performance bonds of approximately RM25,797,000 and provision for impairment loss on trade receivables and contract assets of approximately RM31,568,000 as at 30 September 2020.

(iii) *The effect of provision for liquidation ascertained damages (“LAD”)*

The Predecessor Auditor was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the effect of LAD of a project to the project contract sum, and project revenue for the year ended 30 September 2020 and contract assets as at 30 September 2020. There were no other satisfactory audit procedures that the Predecessor Auditor could adopt to determine whether the LAD was properly included in the calculation of project contract sum and project revenue recognised in the consolidated financial statements for the year ended 30 September 2020 and contract assets as at 30 September 2020.

The matters described in paragraphs (i) to (iii) above no longer have possible effects on the figures presented in the consolidated statement of financial position of the Group as at 31 March 2022.

However, the matters described above have possible effects on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the period from 1 October 2020 to 31 March 2022. Accordingly, we were also unable to determine whether adjustments might have been necessary in respect of the performance and cash flows of the Remaining Group for the period from 1 October 2020 to 31 March 2022 reported in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

Except for the matters described in the Limitation of Scope section above, 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 4.29(1) of the Listing Rules.

Moore Stephens CPA Limited

Certified Public Accountants

Chu Mei Yue, Michelle

Practising Certificate Number: P05826

Hong Kong

21 September 2022

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

The following is the text of the Final 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 31 December 2021 of the fair value of the 95% equity interest in BGMC Bras Power.



Valplus Consulting Limited
Unit 907, 9/F, Houston Centre
63 Mody Road Tsim Sha Tsui East
Hong Kong

21 September 2022

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 95% equity interest in BGMC Bras Power 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 95% equity interests (“**Controlling Interests**”) in BGMC Bras Power Sdn Bhd (“**BGMC Bras Power**”), a Malaysia incorporated and domiciled project company which holds a concession to design, construct, own, operate and maintain a solar photovoltaic energy power generation facility (“**Solar Farm**”) with an export capacity of 30 megawatts alternate current (“**MWac**”) located at Kuala Muda, Kedah, Malaysia for delivery and sale of solar photovoltaic energy power generated from the Solar Farm to Tenaga Nasional Berhad (“**TNB**”), being the Malaysian multinational electricity company and is the only electric utility company in Malaysia, for a period of 21 years (“**PPA Period**”) in accordance with the power purchase agreement (“**PPA**”) dated 27 March 2018 and the letter of award (“**LOA**”) dated 23 April 2018. 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 the Controlling Interests as at 31 December 2021 (“**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 Controlling Interests of BGMC Bras Power.

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 Proposed Disposal. We are not responsible for any unauthorized use of this report. Valplus assumes no responsibility whatsoever to any person other than the directors and management of 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 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, HKEXnews, Bloomberg and Duff & Phelps, LLC, etc.

The major documents and information include the following:

- Business license(s) or certificate(s) of incorporation of BGMC Bras Power;
- Agreements, contracts and research in relation to the design, development, construction and operation of the Kuala Muda Project, including but not limited to:
 - i. The PPA entered into between TNB and BGMC Bras Power;
 - ii. The LOA issued by the Energy Commission of Malaysia to BGMC Bras Power regarding the construction and development of the Solar Farm;

- iii. Lease agreement (“**Lease Agreement**”) dated 29 March 2019 and entered into between BGMC Bras Power and Kuala Muda Estate Sdn Bhd (“**KME**”) in relation to the lease of a parcel of land for the development and construction of the Solar Farm;
 - iv. Engineering, procurement, construction and commissioning contract dated 31 May 2019 and entered into between BGMC Bras Power, the consortium consisted of China Machinery Engineering Corporation, China Machinery & Equipment (HK) Co. Ltd., China Machinery International Engineering Design & Research Institute and Mattan Engineering Sdn Bhd (“**EPCC Contractors**”) in relation to the engagement of the EPCC Contractors for the construction works of the Solar Farm;
 - v. Operation, maintenance and management services agreement (“**OMMA**”) dated 31 May 2019 and entered into between BGMC Bras Power and Sparks Energy Sdn Bhd (“**Sparks Energy**”) in relation to the operation and maintenance work of the Solar Farm upon completion, and has been subsequently and effectively terminated on 1 April 2022;
 - vi. Conceptual design report (“**Design Report**”) issued by Afrima Consulting Engineer Sdn. Bhd. in 2019 in relation to the construction plan of the Solar Farm; and
 - vii. Project progress report dated 25 December 2021 and issued by BGMC Bras Power in relation to overall project progress status of the Solar Farm for the period from 26 November 2021 to 25 December 2021 (“**Progress Report**”).
- Agreements and contracts in relation to the financing of the Solar Farm entered by BGMC Bras Power, including but not limited to:
 - i. Subscription agreement dated 29 August 2019 and entered into between BGMC Bras Power and BGMC Corporation Sdn. Bhd. (“**BGMC Corporation**”), an indirect wholly owned subsidiary of the Company, in relation to the subscription of the redeemable convertible preference shares (“**RCPS**”) of BGMC Bras Power by BGMC Corporation at an initial consideration up to RM86.0 million; and
 - ii. Sukuk Murabahah Programme agreements dated 30 September 2019 and entered into between BGMC Bras Power, OCBC Bank (Malaysia) Berhad and its related parties (collectively, “**OCBC Group**”) for the unrated sukuk bonds (“**Bras Power Sukuk Bond**”) with an initial face value up to RM106 million issued by BGMC Bras Power.

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

- Announcement(s), circular (s) and/or prospectus made by the Company in relation to BGMC Bras Power;
- Audited annual reports and unaudited interim reports of the Group;
- Historical financial information of the Group and BGMC Bras Power including income statements and balance sheets provided by the Management; and
- Projections of BGMC Bras Power 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 BGMC Bras Power. 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 BGMC Bras Power will approximate to 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

BGMC Bras Power was incorporated in Malaysia with limited liability on 5 January 2018 and is an indirect non-wholly owned subsidiary of the Company. The principal activity of BGMC Bras Power is the development of projects for provision of renewable energy and is the project company of the Solar Farm. According to the LOA, BGMC Bras Power has been selected as the successful bidder for the development of the Solar Farm. Pursuant to the Management, the Solar Farm is the major operating asset of BGMC Bras Power and shall become the sole business operation and income source of BGMC Bras Power upon completion.

5. BUSINESS OVERVIEW

BGMC Bras Power is the legal owner of the Solar Farm, and together with its related facilities, infrastructure, transmission lines, power cables and sub-station, are located at Geran 33590, Lot 3222, located at Mukim Sungai Petani, District of Kuala Muda, State of Kedah, Malaysia, a parcel of land (“**Leased Land**”) with an area of approximately 86.5 hectares as leased by KME to BGMC Bras Power for a period of 23 years commencing from 2019 in accordance with the Lease Agreement. The consideration of the Leased Land will be paid by BGMC Bras Power monthly over a period of 15 years.

Based on the PPA and the Design Report, the Solar Farm will be developed into a 30 MWac solar photovoltaic power plant, with a peak installed capacity of photovoltaic (“**PV**”) modules of not less than 45.0 megawatt peak. The major components used in the Solar Farm consists of PV modules, string inverters, step-up transformer and AC cabinet etc. The maximum annual allowable quantity (“**MAAQ**”) of electrical output of the Solar Farm shall not exceed 68,605.32 MWh and is subject to an estimated degradation rate of approximately 0.7% per annum on output efficiency over the PPA Period. The payment made by TNB to BGMC Bras Power for electrical output generated from the Solar Farm will be fixed at RM0.38 per KWh (“**Energy Rate**”) upon the date the Solar Farm formally put into commercial operation (“**Commercial Operation Date**”), which was certified by TNB and relevant local authority on 22 March 2022. The energy sale payment from TNB to BGMC Bras Power is the only cash inflow in which BGMC Bras Power will not be entitled to recover any construction cost of the Solar Farm.

BGMC Bras Power has retained the EPCC Contractors for the design, engineering, procurement, construction, installation, testing and commissioning of energy generating facility, interconnection facility, interconnector and other works of the Solar Farm including transmission lines and loop-in loop-out works if applicable. To complete the development of the Solar Farm, BGMC Bras Power has obtained financing in a total amount of approximately RM160.4 million by issuance of the RCPS and Bras Power Sukuk Bond.

Initially, according to the OMMA, BGMC Bras Power appointed Sparks Energy as the project manager for operation, management and maintenance services of the Solar Farm upon completion, as well as assisting and facilitating the project finance of the Solar Farm. BGMC Bras Power shall pay monthly management and operation fees in an aggregated contract sum of approximately RM65.5 million over 21 years for the services provided by Sparks Energy, which is expected to be the major expense of the Solar Farm. Pursuant to the Management, though the OMMA has been terminated, it is still the plan and best interests of BGMC Bras Power to engage another contractor for the provision of such services to the Solar Farm.

Pursuant to the Management, though the Commercial Operation Date of the Solar Farm was certified, there are still certain remaining construction works of the Solar Farm to be finalized. According to the Progress Report, the proposed total capital expenditure is approximately RM198.4 million, in which the total cumulative expenditure incurred as of the Valuation Date was approximately RM163.4 million. The outstanding capital expenditure is estimated to be approximately RM42.5 million, including overbudget cost of around RM7.5 million as estimated by the Management, and is expected to be fully settled by early 2023.

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

Due to COVID-19 pandemic and movement control measures in Malaysia, the construction of the Solar Farm experienced delay and cost-overflow issues. BGMC Bras Power was obligated to pay an additional bank guarantee (“**Bank Guarantee**”) in an amount of RM7.6 million as performance bond for possible delay compensation, which was required by TNB under the PPA. The non-settlement of the Bank Guarantee will entitle TNB to terminate the PPA of the Solar Farm. Pursuant to the Management, BGMC Bras Power could claim delay compensation against the EPCC Contractors for the Bank Guarantee, in which the EPCC Contractors have been proposing exemption on the ground of force majeure. As the claim of the delay compensation is still subject to further legal proceedings, the Management is uncertain whether the exact amount of the Bank Guarantee could be recovered by the delay compensation payable by the EPCC Contractors.

6. FINANCIAL REVIEW

The following tables set forth the historical selected financial result of BGMC Bras Power for the year ended 30 September 2019, 2020, 2021 and for the three months ended 31 December 2021 (collectively, “**Track Record Period**”). We have only reviewed the financial accounts of BGMC Bras Power provided by the Management without independent verification and audit.

	Year ended 30 September			Three months ended 31 December
	2019 ¹	2020 ¹	2021 ¹	2021 ¹
<i>RM'000</i>				
Revenue				
– Construction revenue ²	4,326	111,111	36,003	1,086
Gross profit	143	5,291	1,714	52
EBIT	496	4,135	4,336	(249)
EBT	496	3,020	(3,548)	(1,163)
Net profit	509	2,992	(3,573)	(1,163)
Total assets	38,600	138,287	177,044	184,739
Cash & equivalents	3,482	119	92	89
Net current assets	(5,331)	(85,142)	(69,878)	(72,078)
Net assets	753	35,402	89,400	88,236
Debt to equity ratio	0%	16.1%	77.7%	89.6%

* *Figures above are subject to rounding.*

Table 1: Key financial performance of BGMC Bras Power

Source: The Management

Notes:

- (1) The results were unaudited results.
- (2) The construction revenue was accounted as recognition for the construction of the Solar Farm in progress for accounting purpose and no cash inflows were generated.

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

After discussion with the Management, the following is the highlight of the major financial performance of BGMC Bras Power over the Track Record Period.

- BGMC Bras Power has not generated any cash inflows from operations;
- BGMC Bras Power has been in a net current liabilities position which was mainly attributable to the increasing indebtedness to the Bras Power Sukuk Bond and interests of the RCPS;
- BGMC Bras Power had a low level of cash resources which has been decreasing over the Track Record Period; and
- BGMC Bras Power had an increasing trend of gearing ratios on its financial position.

7. ECONOMIC OVERVIEW

This section of economic overview is based on the data provided by Bloomberg. The pandemic outbreak had significantly impacted Malaysia's economic growth. In the near term, uncertainty around the ongoing pandemic remains, and will continue to affect Malaysia's economy. Nonetheless, Malaysia's economy is expected to resume positive growth, supported by robust foreign demand for its manufactured goods, as well as a strong construction sector. Malaysia's real gross domestic product ("Real GDP") growth dropped significantly from 15.9% in the second quarter of 2021 to 3.6% in the fourth quarter of 2021 on a year-over-year ("YOY") basis. The private consumption expenditure growth decreased from 11.7% in the second quarter of 2021 to 3.7% in the fourth quarter of 2020. The YOY government expenditure growth rate remained at 1.6%, which was around 6.6% down from 2021 Q2 and 5.5% down from 2021 Q3. The YOY consumer price index change showed a steady trend from 3.4% in 2021 Q2 to 3.2% in 2021 Q4. The manufacturing production growth had a rebound of 8.4% in 2021 Q4 compared to the -0.2% in 2021 Q2.

		YOY change	
	2021 Q2	2021 Q3	2021 Q4
Real GDP	15.9%	-4.5%	3.6%
Private consumption expenditure	11.7%	-4.2%	3.7%
Government expenditure	8.2%	7.1%	1.6%
Consumer price index	3.4%	2.2%	3.2%
Manufacturing production	-0.2%	4.0%	8.4%
Exports	37.1%	4.2%	13.0%
Imports	35.5%	11.4%	14.5%

* Figures above are subject to rounding.

Table 2: Major economic indicators of Malaysia

Source: Bloomberg

8. INDUSTRY OVERVIEW

This section of the industry overview is based on the data provided by the International Energy Agency (“IEA”) and research conducted by the Sustainable Energy Development Authority (“SEDA”) in Malaysia, namely “Annual Report 2020”.

The PV Industry in Malaysia

Malaysia, a manufacturing economy in Southeast Asia, increased its power demand in a decade with electricity consumption from approximately 109.3 TWh in 2009 to approximately 163.0 TWh in 2019, representing a compound annual growth rate (“CAGR”) of approximately 4.1%. Pursuant to the IEA, natural gas, oil and coal remained as top source of electrify in Malaysia in a decade. In 2019, approximately 43.0%, 29.0% and 24.0% of total energy supply in Malaysia were generated by natural gas-, oil- and coal-based power plants, respectively. Remarkedly, only 3,397 terajoule or 0% of total energy supply was generated from solar and wind energy power sources.

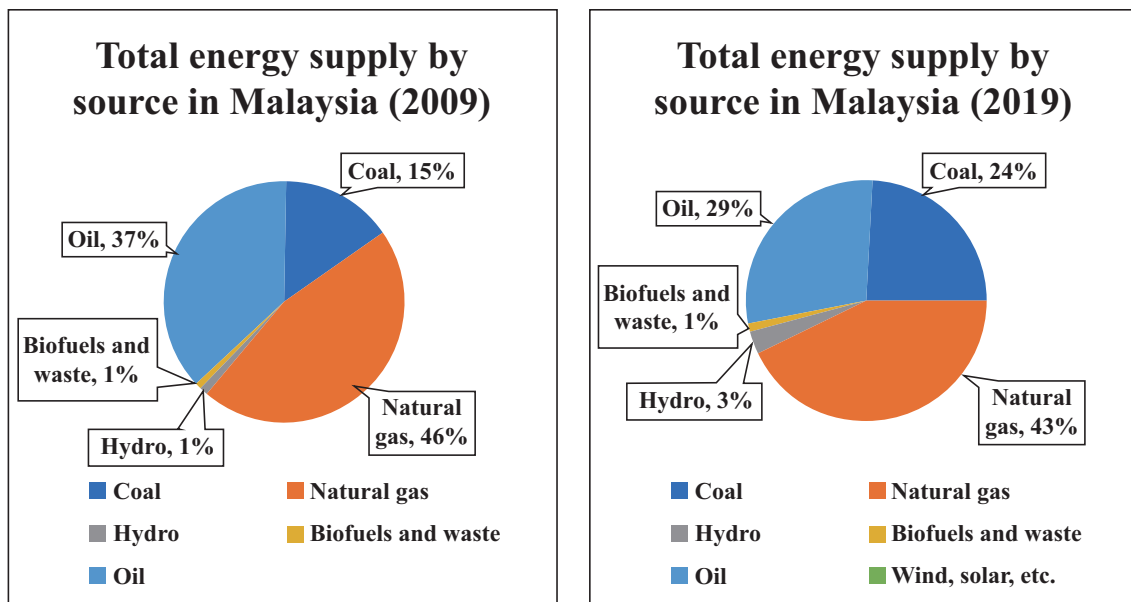


Figure 1: Energy supply sources in Malaysia (2009 and 2019)

Source: IEA

For renewable energy supply, in terms of GWh, Hydroelectric power was the main sources of electricity in Malaysia, amounting for approximately 92.0% of total electricity generation by renewable sources in 2019. Biofuels followed with an output of approximately 5.0% share. Solar PV power produced approximately 3.0% of total electricity generation by renewable sources.

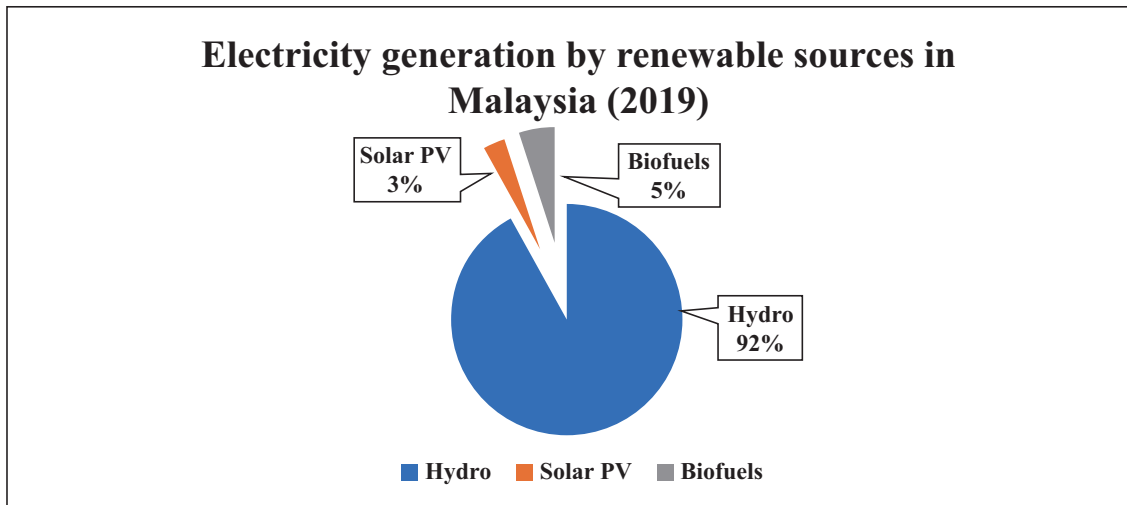


Figure 2: Renewable energy supply sources in Malaysia (2019)

Source: IEA

Indeed, the Malaysian Government has implemented several programmes and schemes to promote solar PV energy in order to reach 31.0% of total power capacity from renewable energy sources in 2025, namely the Net Energy Metering (NEM) Scheme, Large Scale Solar Photovoltaic Programme (LSSPV), MySuria Programme, and etc. The programmes met great interest despite being launched during the COVID-19 pandemic - there were 112 bids for 20 projects. References are made to the dataset provided by both the SEDA and the local authorities, the annual total new solar PV capacity added in Malaysia during 2019 was approximately 390.5 MWac, of which approximately 5.9 MWac was generated from the off-grid capacity; 66.0 MWac was contributed by decentralised PV installation (e.g. self-consumption and the NEM); and 318.6 MWac was came under the centralised capacity (e.g. the feed-in tariff and LSSPV).

According to the Annual Report 2020 released by the SEDA, the annual energy generated from solar PV projects in Malaysia soared from approximately 6.9 GWh in 2012 to approximately 420.4 GWh in 2020, with a CAGR of approximately 57.8%.

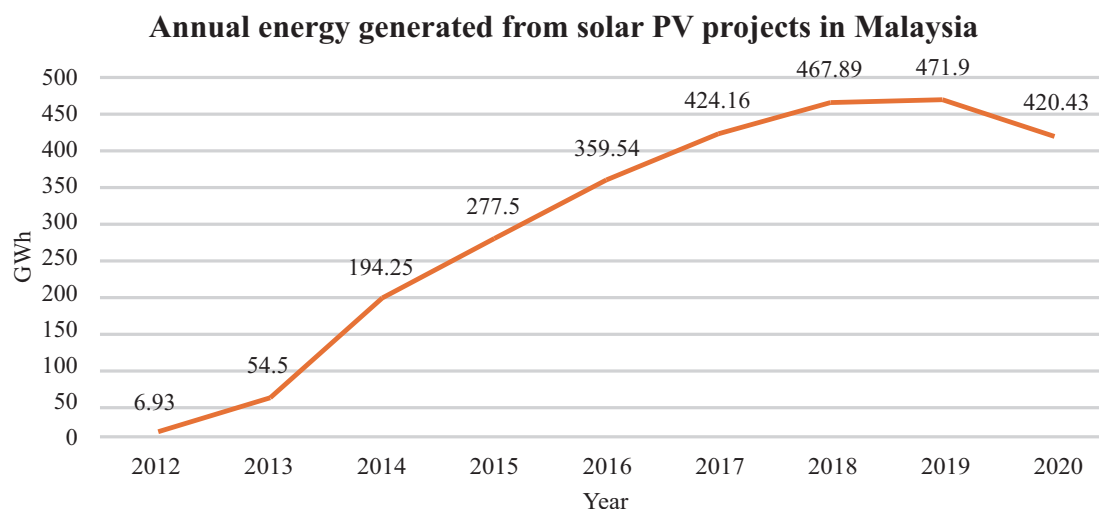


Figure 3: Annual energy generated from solar power in Malaysia (2020)

Source: SEDA

Regulations on Solar PV Industry in Malaysia

There are two major acts to regulate the renewable energy sector in Malaysia, namely the Sustainable Energy Development Authority Act 2011 and the Renewable Energy Act 2011. Amongst which, the Sustainable Energy Development Authority Act 2011 was initiated by SEDA, a statutory body in Malaysia promoted as an administer to deploy the sustainable energy measures.

Impacts of COVID-19 Pandemic on Solar PV Industry in Malaysia

The Malaysian Government announced four phases of the Movement Control Order (“MCO”) from March 2020 to May 2020 and two phases of the Conditional Movement Control Order (“CMCO”) from May 2020 to June 2020. The MCO has taken a huge impact on construction project delay of Solar PV energy plants due to the fact that the projects have been halted unless the contractors have obtained a special permit from the Ministry of International Trade and Industry. Although the site activities were resumed in early May, the projects’ site works progress were slow because the relevant upstream sectors were still not in operation.

In respect of license and approval matters, according to the SEDA Annual Report 2020, most of Malaysian State Government Offices and State Government Linked Companies were only allowed to operate at 30% capacity or completely closed. All license applications vetting and approvals were handled virtually, which in turns, the progress of licensing application and approval got longer than usual.

9. INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to historical performance, operations and industry, and other relevant information of BGMC Bras Power. 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 BGMC Bras Power provided to us by the Management.

The valuation of BGMC Bras Power 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 BGMC Bras Power;
- Historical information of BGMC Bras Power;
- Financial condition of BGMC Bras Power;
- Proposed business development of BGMC Bras Power;
- 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* to 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:

- BGMC Bras Power is solely a project company for the construction, management, operation and maintenance of the Solar Farm as set out in the PPA and the LOA. So, unlike other industry comparables to continue as going concern, the Solar Farm is subject to an uncertainty over economic life of the Solar Farm after the PPA period. Therefore, given the unique and specific nature of the PPA, there are insufficient relevant comparable transactions or companies to form a reliable basis for comparison with the Solar Farm, making the market approach not applicable and appropriate;
- Based on the Progress Report, the Solar Farm is under development which requires further capital injection to complete certain outstanding construction works. Economic value to be contributed by the proposed capital injection was not measured and reported on the latest accounts of BGMC Bras Power. The use of current net book value ignores the potential economic benefit brought by such outstanding capital investment and possibly underestimates the true value of BGMC Bras Power;

- BGMC Bras Power has been making loss in the most recent financial year, making relative valuation based on historical earnings not applicable and representative;
- 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
- BGMC Bras Power has been entitled to receive a stable income mainly from the supply of electricity throughout the PPA Period in accordance with the PPA, which is a solid, representative and reliable reference to prepare an income forecast with supportable, verifiable and explainable basis and assumptions.

Based on the above concerns, we therefore relied solely on the income approach in determining our opinion on value as reasonable future projections could be estimated on the basis of the PPA 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 PPA Period. Details of the projections is presented in the *ADDENDUM II – CASHFLOWS PROJECTIONS* to 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 supply of solar power, which is derived based on (i) the Energy Rate and (ii) the electricity output to be generated by the Solar Farm as stated in the PPA. The electricity output of the Solar Farm depends on (i) the effective power generation hours per annum and (ii) the efficiency of the PV system. The Solar Farm is projected to generate the electricity output at MAAQ of 68,605.32 MWh based on the historical insolation duration in the locality. According to the Design Report and the PPA report, the annual electricity output of the Solar Farm over the PPA Period is subject to the degradation rate of 0.7%, representing the lower efficiency attributable to physical deterioration and obsolescence of the PV system. During the testing period of the Solar Farm, the Energy Rate was RM0.08 per KWh but will be fixed at RM0.38 per KWh upon the start of the Commercial Operation Date.

Cost of Sales

Cost of sales mainly comprise electricity and processing fees in power generation, management and operation expenses to sub-contractors under the OMMA, and insurance charges, maintenance expenses and government surcharges which are based on the agreements entered by BGMC Bras Power and the local authorities.

Administrative and Other Operating Expenses

These expenses are mainly related to depreciations, 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 Expenses

BGMC Bras Power is 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 BGMC Bras Power is the weighted average cost of capital (“WACC”).

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

- Public listing location in Malaysia and other South-East Asia exchanges with financial information available as at the Valuation Date;
- Principal place of business based in Malaysia and other South-East Asia countries; and
- Major revenue generated from the development and sale of photovoltaic power.

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

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	Stock code
Solarvest Holdings Bhd	Solar MK
Integrated Logistics Bhd	ILB MK
SPCG Public Company Limited	SPCG TB
Thai Solar Energy Public Company Limited	TSE TB
Green Resources Public Company Limited	GREEN TB

Source: Bloomberg

Set forth below are the revenue distribution among BGMC Bras Power and the shortlisted comparable companies by making reference to their latest available annual financial results as at the Valuation Date.

Stock code	Revenue from Malaysia and other South-East Asia countries	Revenue from the development and sale of photovoltaic power
BGMC Bras Power	100%	100%
Solar MK	100%	100%
ILB MK	100%	100%
SPCG TB	100%	100%
TSE TB	100%	100%
GREEN TB	100%	76.7%

* *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 development and sale of PV power in Malaysia and South-East Asia. The basic profile of the selected comparable companies is set out in *ADDENDUM III – COMPARABLE COMPANIES PROFILE* to this report.

Our analysis suggested that a discount rate of 10.1% is appropriate for valuing BGMC Bras Power 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 8.3% is estimated by making reference to the PPA in which the payment for electrical output of the Solar Farm shall be settled within one month upon the receipt of the bill.

11.5. Capital Investment

The total outstanding capital expenditure is estimated to be approximately RM42.5 million, including overbudget cost of around RM7.5 million as estimated by the Management, and is expected to be fully settled by early 2023.

11.6. Terminal Growth

The terminal growth rate is not applicable to this valuation as BGMC Bras Power is only a project company for operation, management and maintenance of the Solar Farm during the PPA Period.

11.7. Marketability Discount

We have adopted a lack of marketability discount (“**DLOM**”) of approximately 15.8% for BGMC Bras Power 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 2021 edition of the Stout Restricted Stock Study Companion Guide, a commonly and widely used research study to assist the valuation profession in determining the DLOM.

11.8. Non-operating Assets and Liabilities

In computing the value of BGMC Bras Power, 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:

	<i>RM'000</i>
Excess cash	89
Net debts ¹	78,986
Other non-operating assets ²	6,890
Other non-operating liabilities ³	17,418

* *Figures above are subject to rounding.*

Notes:

- (1) These comprise mainly the RCPS interest payable of approximately RM8.0 million and the Bras Power Sukuk Bond of approximately RM70.9 million.
- (2) These comprise mainly deposits and prepayments etc.
- (3) These comprise mainly lease liabilities and project accruals etc.

11.9. Calculation

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

	Formula	Input value
		<i>RM'000</i>
(1) Sum of discounted FCFF		99,375
(2) Net non-operating liabilities ¹		10,528
(3) Firm value before the DLOM	(1) – (2)	88,847
(4) DLOM	(3) x 15.8%	13,993
(5) Firm value	(3) – (4)	74,854
(6) Surplus debt ²		78,897
(7) 100% equity value ³	(5) – (6)	0
(8) Controlling Interests	(7) x 95%	0

* *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.
- (3) The firm value is lower than the surplus debt which yields a negative equity value.

12. VALUATION ASSUMPTIONS

- There exists no legal obstacles for BGMC Bras Power to fully claim the delay compensation from the EPCC Contractors for settlement of the Bank Guarantee;
- BGMC Bras Power is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to BGMC Bras Power;
- To continue as a going concern throughout the projection period, BGMC Bras Power 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 and operational information of BGMC Bras Power as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of BGMC Bras Power as at the respective balance sheet dates;

- The availability of financing will not be a constraint on the forecast growth of BGMC Bras Power's operations;
- Market trends and conditions where BGMC Bras Power 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 BGMC Bras Power;
- There will be no material changes in the business strategy of BGMC Bras Power and its expected operating structure;
- Interest rates and exchange rates in the localities for the operations of BGMC Bras Power 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 BGMC Bras Power 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 BGMC Bras Power operates or intends to operate, which would adversely affect the revenues and profits attributable to BGMC Bras Power.

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.

Our work in connection with this engagement is of a different nature to that of a formal audit or a review of information, as those terms are understood in applicable to relevant auditing and accounting standards. We do not, as part of this exercise, perform an audit, review, or examination of any of the historical, present or prospective financial information used and therefore, does not express any opinions with regard to it.

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.

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

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 BGMC Bras Power. We have assumed no responsibility for the title to BGMC Bras Power.

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 BGMC Bras Power 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 BGMC Bras Power, 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 Controlling Interests as at the Valuation Date was in the sum of **RM0 (MALAYSIAN RINGGIT ZERO 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, MRICS
Director

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

Alfred Y.M. Wong
Assistant 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.

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

ADDENDUM II – CASHFLOWS PROJECTIONS

	2022 ¹	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<i>RM'000</i>											
Revenue											
– Power sale income	1,630	26,065	25,883	25,702	25,522	25,343	25,166	24,990	24,815	24,641	24,469
Cost of sales	<u>(690)</u>	<u>(3,810)</u>	<u>(3,484)</u>	<u>(3,534)</u>	<u>(3,731)</u>	<u>(3,821)</u>	<u>(4,167)</u>	<u>(4,265)</u>	<u>(4,368)</u>	<u>(4,475)</u>	<u>(4,588)</u>
Gross profit	940	22,255	22,399	22,168	21,791	21,522	20,999	20,725	20,447	20,166	19,881
Net operating expenses											
– Administrative and other operating expenses	(344)	(1,352)	(1,353)	(1,353)	(1,354)	(1,354)	(1,355)	(1,356)	(1,356)	(1,357)	(1,358)
EBIT	596	20,903	21,046	20,815	20,437	20,168	19,644	19,369	19,090	18,809	18,523
Income tax	<u>(143)</u>	<u>(5,017)</u>	<u>(5,051)</u>	<u>(4,996)</u>	<u>(4,905)</u>	<u>(4,840)</u>	<u>(4,715)</u>	<u>(4,649)</u>	<u>(4,582)</u>	<u>(4,514)</u>	<u>(4,446)</u>
After-tax EBIT	453	15,886	15,995	15,819	15,532	15,327	14,930	14,720	14,509	14,295	14,078
Other operating cashflow adjustments											
– Depreciation expenses ³	323	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308	1,308
– Change in non-cash working capital	(137)	(2,036)	15	15	15	15	15	15	15	14	14
– Capital expenditure	0	(42,527)	0	0	0	0	0	0	0	0	0
Free cashflows to firm	640	(27,369)	17,318	17,142	16,855	16,650	16,252	16,043	15,831	15,617	15,400

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043 ²
<i>RM'000</i>											
Revenue											
– Power sale income	24,297	24,127	23,958	23,791	23,624	23,459	23,294	23,131	22,970	22,809	22,087
Cost of sales	<u>(4,705)</u>	<u>(4,827)</u>	<u>(4,955)</u>	<u>(5,088)</u>	<u>(5,227)</u>	<u>(5,373)</u>	<u>(5,525)</u>	<u>(5,683)</u>	<u>(5,849)</u>	<u>(6,022)</u>	<u>(5,943)</u>
Gross profit	19,592	19,300	19,004	18,702	18,397	18,086	17,770	17,448	17,120	16,787	16,144
Net operating expenses											
– Administrative and other operating expenses	(1,358)	(1,359)	(488)	(52)	(53)	(54)	(54)	(55)	(56)	(56)	(56)
EBIT	18,234	17,941	18,516	18,650	18,344	18,032	17,715	17,393	17,065	16,730	16,088
Income tax	<u>(4,376)</u>	<u>(4,306)</u>	<u>(4,444)</u>	<u>(4,476)</u>	<u>(4,402)</u>	<u>(4,328)</u>	<u>(4,252)</u>	<u>(4,174)</u>	<u>(4,096)</u>	<u>(4,015)</u>	<u>(3,861)</u>
After-tax EBIT	13,858	13,635	14,072	14,174	13,941	13,704	13,464	13,219	12,969	12,715	12,227
Other operating cashflow adjustments											
– Depreciation expenses ³	1,308	1,308	436	0	0	0	0	0	0	0	0
– Change in non-cash working capital	14	14	14	14	14	14	14	14	13	13	1,901 ⁴
– Capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Free cashflows to firm	15,180	14,957	14,522	14,188	13,955	13,718	13,477	13,232	12,983	12,728	14,128

Notes:

- (1) As the year cut-off date of the Company is 31 March, the forecast in the first year as of the Valuation Date of 31 December 2021 represents the three-month projected result ended 31 March 2022. The first year of the projection covers (i) the testing period of the Solar Farm commenced on 13 January 2022 and ended on the Commercial Operation Date; and (ii) the period between the Commercial Operation Date and 31 March 2022.
- (2) The forecast in the last year represents the approximately twelve-month projected result ended 22 March 2043, the date of expiry of the PPA Period.
- (3) This refers to the depreciation of the right-of-use right assets over the lease term of 15 years as stipulated in the Lease Agreement.
- (4) Assume all the outstanding non-cash working capital will be settled at the end of the PPA Period.

ADDENDUM III – COMPARABLE COMPANIES PROFILE***Solarvest Holdings Bhd – Solar MK***

Solarvest Holdings Bhd operates as a holding company. The company, through its subsidiaries, provides engineering, procurement, construction, commissioning, management, and operation and maintenance services for solar projects. Solarvest Holdings serves customers in Malaysia.

Integrated Logistics Bhd – ILB MK

Integrated Logistics Bhd is a Malaysia-based investment holding company. The company operates through three segments: solar energy and related businesses, transportation and distribution, and warehousing and related value-added services. The solar energy and related businesses segment include solar power plant.

SPCG Public Company Limited – SPCG TB

SPCG Public Company Limited produces and distributes electricity from solar energy in Thailand and internationally. The company has 36 solar farm projects with a total installed capacity of 260 megawatts. It is also involved in engineering, procurement, and construction, as well as operation, maintenance, and monitoring of solar farms. In addition, the company manufactures, trades in, and installs solar roof for residences, office buildings, government buildings, and industrial factories, and steel or metal roofing sheets.

Thai Solar Energy Public Company Limited – TSE TB

Thai Solar Energy Public Company Limited generates and distributes electricity from solar and biomass power plants to government and private sector clients in Thailand and Japan. It had 23 solar PV farm projects, 14 solar rooftop projects, and 3 biomass power plants with a total production capacity of 299.94 MW; and 1 solar floating project under construction with a capacity of 8 MW.

Green Resources Public Company Limited – GREEN TB

Green Resources Public Company Limited, together with its subsidiaries, engages in real estate development business in Thailand. The company also involved in initiating and developing projects related to energy; generates and distributes electricity from solar projects; and sale of products with installation of solar-cell systems.

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:

$$\text{WACC} = W_e \times R_e + W_d \times R_d \times (1 - T)$$

in which

R_e = cost of equity

R_d = cost of debt

W_e = portion of equity value to enterprise value

W_d = 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 non-systematic. 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**”).

APPENDIX IV FINAL VALUATION REPORT OF BGMC BRAS POWER

Discount rate calculation

		Formula	Input
(1)	Risk free rate		3.6%
(2)	Equity beta		1.0
(3)	Market risk premium		5.4%
(4)	Size premium		3.2%
(5)	Company specific risk premium		1.0%
(6)	Cost of equity	(1) + (2) x (3) + (4) + (5)	13.4%
(7)	Weight of equity		69.1%
(8)	Cost of debt		3.5%
(9)	After-tax cost of debt		2.6%
(10)	Weight of debt		30.9%
(11)	Discount rate	(6) x (7) + (9) x (10)	10.1%

* *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 the surging unpredictable costs incurred by BGMC Bras Power due to the pandemic outbreak and the worldwide inflation.
- (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 Malaysia Average Commercial Lending Rate published by Bank Negara Malaysia.
- (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 Controlling Interests to the changes of certain underlying variables which are considered to be risk exposures of the valuation subject, while holding other parameters unchanged:

	<i>RM'000</i>
Discount rate	
1% increase	0
1% decrease	3,487
Annual revenue	
1% increase ¹	0
1% decrease ¹	0

* *Figures above are subject to rounding*

Note:

(1) For illustrative purpose only as the Energy Rates and the MAAQ are fixed.

ADDENDUM VI – STAFF BIOGRAPHY

Damon S.T. Wan, CFA, FRM, MRICS

Director

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

Willy T.Y. Yu, CESGA

Senior Manager

Mr. Willy T.Y. Yu is a Certified ESG Analyst and has been working in the banking and financial industry since 2014. He possesses experience in the aspects of corporate credit risk, cash trading, business valuation and ESG analysis.

Alfred Y.M. Wong

Assistant Manager

Mr. Alfred Y.M. Wong has been working in the corporate finance industry since 2015. He possesses experience in the aspects of corporate finance advisory, corporate credit risk and business valuation.

The following is the text of the letter of Moore Stephens CPA Limited submitted to the Stock Exchange in accordance with rule 14.62 of the Listing Rules.



Moore Stephens CPA Limited

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INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF 95% EQUITY INTEREST IN BGMC BRAS POWER SDN. BHD.

To the Board of Directors of BGMC International Limited

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted future estimated cash flows (the “**Underlying Discounted Cash Flows**”) on which the valuation report dated 21 September 2022 prepared by Valplus Consulting Limited in respect of 95% equity interest in BGMC Bras Power Sdn. Bhd. (the “**Disposal Company**”) as at 31 December 2021 (the “**Valuation**”) is based. The Valuation, prepared in connection with the proposed disposal of Disposal Company is set out in Appendix IV of the Circular. The Valuation which is based on the Underlying Discounted Cash Flows is regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of the Disposal Company (the “**Directors**”) are solely responsible for the preparation of the Underlying Discounted Cash Flows. The Underlying Discounted Cash Flows have been prepared using a set of bases and assumptions (the “**Assumptions**”) determined by the Directors, the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix IV to the Circular.

Reporting Accountant’s 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 (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA 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 on the accounting policies and the arithmetical accuracy of the calculations of the Underlying Discounted Cash Flows based on our work. The Underlying Discounted Cash Flows does not involve the adoption of accounting policies.

We conducted our engagement in accordance with the terms of our engagement letter dated 28 February 2022 and Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Underlying Discounted Cash Flows in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Underlying Discounted Cash Flows prepared based on the Assumptions made by the Directors. 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.

We are not reporting on the appropriateness and validity of the Assumptions on which the Underlying Discounted Cash Flows are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Disposal Company. The Assumptions used in the preparation of the Underlying Discounted Cash Flows include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Discounted Cash Flows and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of, or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Underlying Discounted Cash Flows are concerned, the Underlying Discounted Cash Flows have been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Moore Stephens CPA Limited

Certified Public Accountants

Hong Kong

21 September 2022

APPENDIX IVB LETTER FROM THE BOARD ON PROFIT FORECAST

The following is the text of the letter of the Board submitted to the Stock Exchange in accordance with rule 14.62 of the Listing Rules.

21 September 2022

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place, Central, Hong Kong

Dear Sir

We refer to the circular of BGMC International Limited dated 21 September 2022 in relation to, among others, the proposed disposal of interest in 95% ordinary shares of BGMC Bras Power Sdn. Bhd. (the “**Circular**”). Unless otherwise specified, terms used in this letter shall have the meanings as defined in the Circular.

We refer to the valuation report in Appendix IV to the Circular which was prepared by the Independent Valuer in relation to the fair market value of 95% equity interests in BGMC Bras Power Sdn. Bhd. as at 31 December 2021 (the “**Valuation**”), which constitutes profit forecasts under Rule 14.61 of the Listing Rules.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from Moore Stephens CPA Limited regarding whether the profit forecasts, so far as the calculations are concerned, have been properly compiled with the bases and assumptions set out in the Circular. We have noted that the profit forecasts in the Valuation are mathematically accurate and the discounted cash flows will not be affected by accounting policies.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board of the Company confirmed that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
BGMC International Limited
Teh Kok Lee
Executive 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 2)
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%

Notes:

- On 15 December 2016, Tan Sri Dato' Sri Goh Ming Choon ("**Tan Sri Barry Goh**"), a former executive Director, 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 of the Company.

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.

- 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, a former executive Director, 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 of the Company.

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:

- (1) Deed of Arrangement dated 24 March 2022 between BGMC Corporation and reNIKOLA
- (2) reNIKOLA Advance Agreement dated 24 March 2022 between reNIKOLA and BGMC Corporation
- (3) Supplemental reNIKOLA Advance Agreement dated 13 May 2022 between reNIKOLA and BGMC Corporation
- (4) BGMC Corporation Advance Agreement dated 24 March 2022 between BGMC Corporation and BGMC Bras Power
- (5) Supplemental BGMC Corporation Advance Agreement dated 13 May 2022 between BGMC Corporation and BGMC Bras Power
- (6) the share purchase agreement dated 16 November 2020 entered into between AB CONCESSION VENTURE SDN. BHD. (as purchaser) and BGMC Corporation Sdn. Bhd. (as vendor) in relation to the Group's disposal of KAS Engineering Sdn. Bhd., details of which are set out in the Company's circular dated 11 December 2020

5. LITIGATIONS

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

BGMC Corporation 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 absorbed in good faith and spirit of the full and final settlement agreement. The High Court has allowed BGMC Corporation’s application and struck out the Plaintiff’s writ and statement of claim. 13 Plaintiffs have appealed against the High Court’s decision to the Court of Appeal. On 25 August 2021, the Court of Appeal has unanimously dismissed the 13 Plaintiffs’ appeal and affirmed the High Court’s decision to strike out the Plaintiffs’ claims.

As to the counterclaim initiated by BGMC Corporation against the remaining Plaintiffs who did not appeal against the High Court’s decision (34 Plaintiffs in total) as disclosed above, BGMC Corporation has decided to withdraw.

As no claim or counterclaim is still pending as of current, the case is considered as closed. There was no settlement agreement between the Plaintiffs and BGMC Group.

- (ii) In the ordinary course of business, Built-Master Engineering Sdn. Bhd. (“**Built-Master Engineering**”), an indirect subsidiary of the Company, had awarded a sub-contract for electrical work to a third party in 2018. The said sub-contract was subsequently terminated by Built-Master Engineering 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 Built-Master Engineering claiming, amongst others, the balance payment of approximately RM733,000 and interest at 5% per annum from the date of the Writ, i.e. 21 March 2018 until the date of the full and final settlement on the basis that the termination was wrongful. Built-Master Engineering 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 Built-Master Engineering and dismissed Built-Master Engineering’s counterclaim. On 6 August 2020, Built-Master Engineering lodged appeal against the said judgment.

On 22 May 2021, Built-Master Engineering and the third party have entered into a settlement agreement to settle the judgment sum of RM764,000 payable in 9 instalments which is included in trade payables as at 31 March 2022. As settlement has been reached, Built-Master Engineering has withdrawn the appeal filed at the Court of Appeal with no order as to cost and no liberty to file afresh.

- (iii) On 22 May 2020, Customer A served notices of termination dated 19 May 2022, terminating 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 RM25,800,000.

On 27 May 2020, the Group has filed for an application for an injunction in the Court against Customer A's proposed forfeiture of performance bonds and has obtained an ad-interim injunction order dated 29 May 2020 against the forfeiture of the performance bonds by Customer A. On 16 April 2021, the High Court granted the Group the injunction order. Customer A filed an appeal at the Court of Appeal against the High Court order. In the case management hearing held on 11 August 2022, the court ordered the next court hearing to be held on 12 April 2023.

The Group has also initiated arbitrations on 30 June 2020 (which was withdrawn and retained as two arbitrations on 26 October 2020, which was eventually consolidated) to dispute the validity of the terminations by Customer A and claim against Customer A for (i) losses of profit of approximately RM35,000,000, (ii) return of retention sum of approximately RM4,400,000 and (iii) return of the sums under the two performance bonds amounting to approximately RM25,800,000.

On 17 August 2020, Customer A issued a counterclaim of approximately RM126,400,000 (which then became counterclaims of approximately RM83,000,000 in the two arbitrations) in the arbitration proceeding against the Group.

The next preliminary meeting for the matter is 10 February 2023. For further details, please refer to the Company's announcement dated 5 September 2022.

- (iv) On 20 November 2020, BGMC Corporation received a demand letter from a licensed bank in Malaysia ("**Bank**"), in which the Bank alleged that it had received a demand against a bank guarantee from a beneficiary ("**Beneficiary**") being a customer of BGMC Corporation, in the sum of approximately RM5,500,000, 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 ("**Application**") to the Kuala Lumpur High Court against the Beneficiary, which restrains the Beneficiary 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. On 20 May 2021, the Kuala Lumpur High Court granted a permanent injunction against the Beneficiary in favour of BGMC Corporation.

The Beneficiary has applied for an appeal against the decision of the High Court. The estimated payout for the bank guarantee is in the sum of approximately RM5,500,000 should the Beneficiary's action be successful in the appeal. The matter was heard for case management on 7 July 2022 and is currently fixed for further case management on 12 December 2022. For further details, please refer to the Company's announcement dated 5 September 2022.

- (v) The legal proceedings in respect of which the BGMC Group and other parties entered into the Settlement Agreement for, among others, full and final settlement, as disclosed in the announcements of the Company dated 16 August 2022 and 23 August 2022. For details, please also refer to section headed "Settlement Agreement in relation to legal proceedings" on page 26 to 27 of this circular.

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.

6. 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.

7. 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
Moore Stephens CPA Limited	Certified Public Accountant

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 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the Independent Valuer and Moore Stephens CPA Limited 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.

8. OTHER INTEREST OF THE DIRECTORS

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

- (a) none of the Directors have had any interest, either direct or indirect, in any assets which have, since 31 March 2022 (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.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgmc.asia) from the date of this circular up to and including the date of the EGM:

- (a) the report on the unaudited financial information of BGMC Bras Power, set out in Appendix II to this circular;
- (b) the report on the unaudited pro forma financial information of the Remaining Group, as set out in Appendix III to this circular;
- (c) the valuation report of BGMC Bras Power, as set out in Appendix IV to this circular;
- (d) the reports on the discounted future cash flows in connection with the Valuation of BGMC Bras Power, as set out in Appendix IVA to this circular;
- (e) the letter from Board on profit forecast as set out in Appendix IVB to this circular;
- (f) the written consent of the experts referred to in the paragraph headed “Experts” in this appendix;
- (g) the amended and restated Memorandum and Articles of Association of the Company;
- (h) the annual report of the Company for the year ended 30 September 2020;
- (i) the annual report of the Company for the 18 months ended 31 March 2022;
- (j) the material contracts referred to in the section headed “Material Contracts” in this appendix.

10. GENERAL

- (a) The company secretary of the Company is Chen Kun. He is a qualified solicitor of Hong Kong.
- (b) The registered office of the Company is located at Windward 3, Regatta Office Park, 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, 89 Queensway, 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.

NOTICE OF EGM



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 Friday, 7 October 2022 at 10 a.m. at Unit 2413A, 24/F, Lippo Centre Tower One, 89 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments or supplements:

ORDINARY RESOLUTION

“THAT:

- (a) the Agreements (as defined in the circular of the Company dated 21 September 2022) and all the transactions contemplated thereunder be and is hereby approved; and
- (b) 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 Agreements and the transactions contemplated thereunder.”

By order of the Board

BGMC International Limited

Datuk Kamalul Arifin Bin Othman

Chairman and Independent Non-Executive Director

Malaysia, 21 September 2022

NOTICE OF EGM

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 Monday, 3 October 2022 to Friday, 7 October 2022, 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 Friday, 30 September 2022.
- (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' Teh Kok Lee (Chief Executive Officer); Datuk Kamalul Arifin Bin Othman (Chairman), Kua Choh Leang and Datuk Kang Hua Keong.