

## XOX BHD ("XOX" OR THE "COMPANY")

### PROPOSED BONUS ISSUE OF WARRANTS

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#### 1. INTRODUCTION

On behalf of the Board of Directors of the Company ("**Board**"), Mercury Securities Sdn Bhd ("**Mercury Securities**") wishes to announce that the Company proposes to undertake a bonus issue of up to 1,336,281,385 free warrants in the Company ("**Warrants C**") on the basis of 3 Warrants C for every 8 existing ordinary shares in the Company ("**XOX Shares**" or "**Shares**") held by the entitled shareholders of the Company ("**Shareholders**") on an entitlement date to be determined and announced later ("**Entitled Shareholders**") ("**Entitlement Date**") ("**Proposed Bonus Issue of Warrants**").

#### 2. PROPOSED BONUS ISSUE OF WARRANTS

##### 2.1 Basis and number of Warrants C to be issued

The Proposed Bonus Issue of Warrants entails the issuance of Warrants C on the basis of 3 Warrants C for every 8 existing Shares held by the Entitled Shareholders on the Entitlement Date.

The actual number of Warrants C to be issued will depend on the number of Shares in issue on the Entitlement Date. As at 5 October 2020, being the latest practicable date ("**LPD**") prior to the date of this announcement, the Company has an issued share capital comprising 3,068,831,575 Shares.

##### Minimum Scenario

Based on the total number of 3,068,831,575 issued Shares as at the LPD and assuming:-

- (i) none of the 120,750,800 outstanding options granted under the Company's existing share issuance scheme ("**SIS**") ("**SIS Options**") which have been granted as at the LPD are exercised into new Shares prior to the Entitlement Date;
- (ii) none of the 55,507,972 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS as at the LPD are exercised into new Shares prior to the Entitlement Date;
- (iii) none of the 231,912,876 outstanding XOX warrants 2020/2023 ("**Warrants B**") as at the LPD are exercised into new Shares prior to the Entitlement Date; and
- (iv) none of the 86,413,806 outstanding irredeemable convertible preference shares ("**ICPS**") as at the LPD are converted into new Shares prior to the Entitlement Date,

the Proposed Bonus Issue of Warrants would entail the issuance of 1,150,811,840 Warrants C.

The SIS Options, Warrants B and ICPS are collectively referred to as the "**Convertible Securities**".

##### Maximum Scenario

Based on the total number of 3,068,831,575 issued Shares as at the LPD and assuming:-

- (i) all the outstanding 120,750,800 SIS Options which have been granted as at the LPD are exercised into new Shares prior to the Entitlement Date;
- (ii) all the 55,507,972 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS as at the LPD are exercised into new Shares prior to the Entitlement Date;
- (iii) all the 231,912,876 outstanding Warrants B as at the LPD are exercised into new Shares prior to the Entitlement Date; and
- (iv) all the outstanding 86,413,806 ICPS as at the LPD are converted into new Shares based on the conversion mode of surrendering 1 ICPS (which was issued at the issue price of RM0.025 each) with additional cash payment of RM0.025 to arrive at the conversion price of RM0.05 for every 1 new Share prior to the Entitlement Date,

the Company will have an enlarged total number of 3,563,417,029 issued Shares. Under this scenario, the Proposed Bonus Issue of Warrants would entail the issuance of 1,336,281,385 Warrants C.

Aside from the aforementioned 120,750,800 granted SIS Options and up to 55,507,972 SIS Options which the Company may grant pursuant to the maximum allowable amount under the SIS, the Company has undertaken not to grant any further SIS Options until the completion of the Proposed Bonus Issue of Warrants.

Taking into account the number of Warrants C to be issued, the Proposed Bonus Issue of Warrants will not result in non-compliance with Rule 6.51 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirement**")<sup>(1)</sup>.

Note:-

- (1) *Rule 6.51 of the Listing Requirements stipulates that a listed corporation must ensure that the number of new shares which will arise from the exercise or conversion of all outstanding convertible equity securities, does not exceed 50% of the total number of issued shares of the listed corporation (excluding treasury shares and before the exercise of the convertible equity securities) at all times.*

For avoidance of doubt, the holders of the Shares that are issued pursuant to the granting, exercise and/or conversion of any Convertible Securities prior to the Entitlement Date will be entitled to the Proposed Bonus Issue of Warrants.

Fractional entitlements for the Warrants C arising from the Proposed Bonus Issue of Warrants, if any, shall be disregarded and/or dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient in the best interests of the Company.

The Entitlement Date will be determined by the Board and announced at a later date upon receipt of all relevant approvals for the Proposed Bonus Issue of Warrants.

The Proposed Bonus Issue of Warrants will not be implemented in stages over a period of time.

## 2.2 Indicative salient terms of the Warrants C

Issuer	: XOX
Issue size	: Up to 1,336,281,385 Warrants C
Form	: The Warrants C will be issued in registered form and constituted by the deed poll (" <b>Deed Poll C</b> ").

Board lot	:	For purpose of trading on Bursa Securities, a board lot of Warrants C shall be 100 units of Warrants C, or such other denomination as permitted by Bursa Securities.
Tenure	:	3 years commencing from and inclusive of the date of issuance of the Warrants C.
Exercise period	:	The Warrants C may be exercised at any time within a period of 3 years commencing from and including the date of issuance of the Warrants C to the close of business at 5.00 p.m on the market day immediately preceding the date which is the third (3rd) anniversary from the date of issuance of the Warrants C.  Any Warrants C not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise price	:	The exercise price of the Warrants C will be determined by the Board and announced at a later date after obtaining all the relevant approvals but prior to the Entitlement Date. The exercise price of the Warrants C shall however be subject to adjustments under certain circumstances prescribed in accordance with the terms and provisions of the Deed Poll C.
Subscription rights	:	Each Warrant C entitles its holder to subscribe for 1 new Share at any time during the exercise period at the exercise price of the Warrants C, subject to adjustments under certain circumstances prescribed in accordance with the terms and provisions of the Deed Poll C.
Mode of exercise	:	The Warrants C holders must complete, sign and stamp the form for the exercise of the subscription rights as may be provided by the Company (" <b>Subscription Form</b> ") (which shall be irrevocable) and lodge the same with the share registrar of the Company together with a remittance in Ringgit Malaysia by way of a banker's draft/cashier's order/money order/postal order drawn on a bank or post office operating in Malaysia for the aggregate of the exercise price payable when exercising their Warrants C to subscribe for new Shares.
Participating rights	:	The Warrants C do not entitle the Warrants C holders to any voting rights or to participate in any distribution and/ or offer of securities in the Company until and unless the Warrants C holders exercise their Warrants C into new Shares and such new Shares have been allotted and issued.
Adjustments	:	The exercise price and/or number of Warrants C may be adjusted under certain circumstances prescribed in accordance with the terms and provisions of the Deed Poll C.

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Rights in the event of winding up, compromise or arrangement : Where a resolution has been passed for a members voluntary winding up of the Company, or where there is a compromise or scheme of arrangement whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies then:-

- (i) for the purposes of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrant C, or some persons designated by them for such purposes by a special resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrant C; and
- (ii) in the event a notice is given by the Company to its shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, and in any other case and subject always to the provisions in the Deed Poll C, every holder of the Warrants C shall be entitled to exercise his Warrants C at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new Shares to the holders of the Warrants C credited as fully paid subject to the prevailing laws, and such holder of Warrants C shall entitled to receive out of the assets of the Company which would be available in liquidation if the holder of the Warrants C would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the aforesaid 6 weeks, all subscription rights shall lapse and cease to be valid for any purpose.

Modification of rights of the holders of Warrants C : Save as otherwise provided in the Deed Poll C, a special resolution of the Warrant C holders is required to sanction any modification, alteration or abrogation in respect of the rights of the holder of Warrants C.

Modification of the Deed Poll C : Any modification to the terms and conditions of the Deed Poll C may be effected only by a further deed, executed by the Company and expressed to be supplemental to the Deed Poll C. Any of such modification shall however be subject to the approval of Bursa Securities (if so required).

No amendment or addition may be made to the provisions of the Deed Poll C without the sanction of a special resolution unless the amendments or additions are required to correct any typographical errors or relate purely to administrative matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of the Company, will not be materially prejudicial to the interests of the Warrants C holders.

Transferability	:	The Warrants C shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository.
Listing status	:	The Warrants C will be listed and quoted on the ACE Market of Bursa Securities.
Governing law	:	The Warrants C and the Deed Poll C shall be governed by the applicable laws and regulations of Malaysia.

## **2.3 Basis and justification for the issue price and exercise price of the Warrants C**

The Warrants C will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants C will be determined and announced by the Board at a later date after taking into consideration, amongst others, the theoretical ex-all price (“**TEAP**”) of the Shares based on the 5-day volume-weighted average market price (“**VWAP**”) of the Shares up to and including the price-fixing date.

Whilst it is the intention of the Company to fix the exercise price of the Warrants C at a discount to the TEAP of the Shares, the quantum of the discount have yet to be determined at this juncture. The Company will make an announcement relating to the exercise price and the relevant justifications in due course.

Based on an illustrative exercise price of the Warrants C of RM0.16, this represents a premium of 18.78% to the 5-day VWAP of the Shares up to and including the LPD of RM0.1347. As the illustrative exercise price of RM0.16 is out-of-the-money compared to the 5-day VWAP, no calculation for theoretical ex-bonus price is provided.

## **2.4 Ranking of the Warrants C and the new Shares to be issued arising from the exercise of the Warrants C**

The Warrants C holders are not recognised as Shareholders and are not entitled to any dividends, rights, allotments and/or other distributions until and unless such Warrants C holders exercise their Warrants C into new Shares.

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

## **2.5 Listing and quotation of the Warrants C and the new Shares to be issued arising from the exercise of the Warrants C**

An application will be made to Bursa Securities for the admission of the Warrants C to the official list of the ACE Market of Bursa Securities (“**Official List**”) as well as the listing and quotation of the Warrants C and the new Shares to be issued arising from the exercise of the Warrants C on the ACE Market of Bursa Securities.

## **2.6 Utilisation of proceeds**

The Proposed Bonus Issue of Warrants will not raise any immediate funds as the Warrants C will be issued at no cost to Entitled Shareholders.

The exact quantum of proceeds that may be received by the Company upon the exercise of the Warrants C would depend on the actual number of Warrants C exercised during the tenure of the Warrants C and the exercise price.

Strictly for illustrative purposes, based on the illustrative exercise price of RM0.16 per Warrant C, the Company will raise gross proceeds of up to approximately RM213.8 million upon full exercise of the Warrants C under the Maximum Scenario. Any proceeds arising from the exercise of the Warrants C in the future will be used to finance the Company and its subsidiaries' ("**XOX Group**" or the "**Group**") general working capital requirements which shall include the defrayment of operational and administrative expenses (i.e. upgrade of system, payment to suppliers, marketing campaigns and promotional activities, payment of salaries, transportation costs, utilities and other miscellaneous items). The exact utilisation breakdown and the timeframe for full utilisation cannot be determined at this juncture as it would depend on the actual requirements of the Group at the time of utilisation.

### 3. RATIONALE FOR THE PROPOSED BONUS ISSUE OF WARRANTS

The rationale for the Proposed Bonus Issue of Warrants is as follows:-

- (i) to reward Shareholders for their continuous support by enabling them to participate in convertible securities of the Company, which are tradable on the ACE Market of Bursa Securities, without incurring any cost;
- (ii) to provide Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price over the tenure of the Warrants C, and to allow Shareholders to further participate in the future growth of the Company when the Warrants C are exercised;
- (iii) to provide the Company with additional working capital as and when the Warrants C are exercised without incurring interest costs as compared to conventional bank borrowings; and
- (iv) to strengthen the capital base of the Company by increasing the size of the shareholders' funds pursuant to the exercise of the Warrants C.

### 4. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

#### 4.1 Malaysian economy

The Malaysian economy contracted by 17.1% in the second quarter of 2020 (1Q 2020: 0.7%). The decline reflected the unprecedented impact of the stringent containment measures to control the coronavirus disease 2019 ("**COVID-19**") pandemic globally and domestically. In Malaysia, the nationwide movement control order issued by the Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 ("**MCO**") issued by the Malaysian government included various measures that restricted production and consumption activities. This resulted in demand and supply shocks that emanated not only from significantly weak external demand conditions, but also production constraints in many economic sectors. On the supply side, most economic sectors registered negative growth, while most expenditure components declined. On a quarter-on-quarter seasonally-adjusted basis, the economy contracted by 16.5%.

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

This improvement in growth will also be supported by the recovery in global growth and continued domestic policy support. In particular, consumption and investment activities are projected to benefit from the wide-range of measures in the fiscal stimulus packages, continued financial measures and low interest environment. With the reopening of economic activities, a concurrent improvement in labour market conditions is expected.

Overall, the Malaysian economy is therefore forecasted to grow within the range of -3.5% to -5.5% in 2020, before staging a rebound within a growth range of 5.5% to 8.0% in 2021.

*(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia (“BNM”))*

In 2019, the Malaysian economy expanded by 4.3%. 2020 is an exceptionally challenging year for the global economy. Confronted with an unprecedented health crisis, global growth is expected to contract. As an open economy, Malaysia will not be spared. Malaysia’s gross domestic product (“GDP”) growth is projected to be between -3.5% and -5.5% in 2020<sup>(1)</sup>, affected by weak global demand, supply chain disruptions and COVID-19 containment measures both abroad and domestic.

Source:-

(1) BNM’s Sidang Akhbar dated 14 August 2020: “Pretasi Ekonomi Suku Kedua Tahun 2020”.

While the MCO and measures to promote social distancing will dampen economic activity temporarily, they are necessary to contain the spread of the virus. The Government’s stimulus package will help to cushion the economic fallout. Both Pakej Rangsangan Ekonomi 2020 and Pakej Rangsangan Ekonomi Prihatin Rakyat as well as BNM’s financial measures will provide sizable support to households and businesses.

These measures are expected to add 2.8 percentage points to 2020 GDP growth. Also supporting growth is the ongoing large-scale infrastructure projects, which are expected to provide an additional 1 percentage point lift to growth in 2020.

There remain significant uncertainties surrounding the growth outlook, with both upside and downside risks to the outlook. Downside risks stems from more prolonged and wider spread of COVID-19 globally and domestically, recurring commodities supply disruptions and tighter financial conditions following heightened volatility in financial markets. However, there are also upside risks, emanating from potentially larger-than-expected impact from the pro-growth measures, faster normalisation in activity amid pent-up demand and better-than expected global economy, arising from the various stimulus measures. BNM expects the Malaysian economy to rebound in 2021, in line with the projected global recovery.

*(Source: BNM’s press statement dated 3 April 2020: “Bank Negara Malaysia Publishes Annual Report 2019, Economic and Monetary Review 2019 and Financial Stability Review for Second Half 2019”)*

## **4.2 Information and communications technology industry in Malaysia**

The Government will create the necessary infrastructure to construct a Digital Malaysia by implementing the National Fiberisation & Connectivity Plan (“NFCP”) over the next 5 years which will provide comprehensive coverage of high speed and quality digital connectivity nationwide including rural areas. The NFCP will adopt a public private partnership approach involving a total investment of RM21.6 billion. The Malaysian government, through Malaysian Communications and Multimedia Commission (“MCMC”), will finance at least half of the required investment with corresponding investments by the private sector telecommunications players via a matching grant mechanism.

As part of NFCP, the Government will improve connectivity in remote areas of Malaysia, especially in Sabah and Sarawak, to ensure that no one is left behind in Malaysia's digital drive. MCMC will allocate RM250 million to leverage on various technologies, including via satellite broadband connectivity.

In addition, the Malaysian government will allocate RM210 million to accelerate the deployment of new digital infrastructure for public buildings particularly schools and also high impact areas such as industrial parks. Priority will be given to locations within states that are able to facilitate and expedite the implementation of the NFCP.

The vigorous rollout of the NFCP will be key to bringing fifth-generation cellular network ("5G") technology and services to the Malaysian public. To seed technological developments by Malaysian companies to ride the global 5G wave, which is 100 times faster than 4G, the Government will introduce a 5G Ecosystem Development Grant worth RM50 million.

Digital content creates economic value. For instance, the global video gaming industry today has revenue upward of USD150 billion, higher than both the music and movie industries combined. Therefore, the Government will allocate RM20 million to Malaysian Digital Economy Corporation to grow local champions in creating digital content, especially in e-Gamer, animation and digital arts.

To build a Digital Malaysia, the private sector must come onboard. More Malaysian small medium enterprises ("SME") need to adopt digitalisation measures for their business operations, including electronic POS system, Enterprise Resource Planning and electronic payroll system. The Government will provide a 50% matching grant of up to RM5,000 per company for the subscription of the above services. This matching grant will be worth RM500 million over 5 years, limited to the first 100,000 SMEs applying to upgrade their systems.

According to BNM's Financial Sector Blueprint for 2011 to 2020, Malaysia stands to gain about 1% in cost savings to the GDP annually by switching fully to e-payments processes and becoming cashless society. This is at a time where mobile payment transaction volume had increased twenty-fold to over 34 million transactions in 2018 from just below 2 million transactions in 2017.

To significantly increase the number of Malaysians, participating merchants and SMEs to use e-wallets, the Government will offer a one-time RM30 digital stimulus to qualified Malaysians. The Government will allocate up to RM450 million to Khazanah Nasional to implement this digital stimulus, which will benefit up to 15 million Malaysians.

The Government will support and encourage new digital financial innovations such as Equity Crowd Funding and Peer-to-Peer platforms. Collectively, more than RM430 million was raised as at June 2019, benefitting more than 1,200 SMEs. Building on this early success, the Government will further allocate an additional RM50 million to My Co-Investment Fund under the SC to leverage such platforms to help finance the underserved SMEs. To further encourage alternative sources of funding for start-ups companies and to attract more foreign investment to Malaysia, tax incentives given to venture capital and angel investors will be extended until the year 2023.

*(Source: Budget 2020, Ministry of Finance)*

In 2019, the information and communication subsector is expected to grow 6.7%<sup>(1)</sup> attributed to telecommunications and computer services. The communication segment will continue to spearhead the subsector with various Government's initiatives to enhance broadband access and coverage through NFCP. This plan focuses on expanding the existing fibre optic network, installing submarine cables and developing gigabyte networks in several locations in state capitals and selected industrial areas.



In addition, the Digital Free Trade Zone which emphasises on the growth of the digital economy and cross-border e-commerce activities, including e-fulfilment hub to enhance exports will continue to support the segment.

Meanwhile, the introduction of the 5G is anticipated to drive the growth of the subsector to 6.9% in 2020. The 5G technology will create a competitive market for home broadband services as well as increase the coverage and network quality. This will strengthen Malaysia's capacity to participate in the Industrial Revolution 4.0, allowing the industry to fully utilise artificial intelligence, robotics, virtual reality, big data analytics, internet of Things and software engineering, leading to higher digital adoption.

In addition, NFCP will provide affordable broadband services to support the digital economy, especially to small and medium enterprises. In the meantime, i-Solutions offers a seamless, borderless digital connectivity solution for the Malaysian market mainly for the small and medium enterprises and multinational corporations.

*(Source: Economic Outlook 2020, Ministry of Finance Malaysia)*

Note:-

(1) Based on the Quarterly Services Statistics for fourth quarter of 2019 published by the Department of Statistics, Malaysia, the growth rate for information and communication subsector in 2019 is 7.0%.

#### **4.3 Prospects and future plans of the Group**

The Company is principally engaged in the provision of mobile telecommunication products and services as well as mobile application and e-wallet services. The Group's number of subscribers has increased steadily over the past few years from approximately 402,000 subscribers in March 2015 to reach approximately 2.4 million subscribers as at the LPD, amidst intense price-focused competition.

Over time, the Group has taken various efforts to differentiate itself from competitors and present itself as the brand of choice to Malaysian mobile users. These include increasing ground visibility and branding by having more stores and promotional spaces to increase public exposure and accessibility to the Group's products and services, revamping business support system to ensure a more streamlined user experience and allowing subscriber management on multiple channels.

The Group is in the midst of transforming itself from a conventional mobile operator to a technology-driven company by implementing new technology offerings. These include the development and expansion of:-

- (i) Voopee, a mobile application that allows smartphone users to have an additional local area mobile number without the need for an additional SIM card;
- (ii) eSIM technology via the introduction of the ONEXOX Prepaid eSim. eSIM is a virtual SIM card where data is stored in a small chip embedded into a smartphone that supports the eSIM technology; and
- (iii) an e-wallet mobile application ("**XOX e-Wallet**").

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Further, the Group, via its wholly-owned subsidiary, XOX Media Sdn Bhd had inked a microfinancing partnership agreement with Wetek Technology (M) Sdn Bhd (“**Wetek**”) on 16 July 2020, for a proposed collaboration to offer microfinancing facilities to XOX’s subscribers and general public to enhance the adoption of the XOX e-Wallet. Through this partnership, the funds from microfinancing is expected to populate the XOX e-Wallet, thereby increasing the number of transactions through the XOX e-Wallet.

On 24 August 2020, the Group via XOX Wallet Sdn Bhd, entered into a 3 year strategic collaboration agreement with Alipay Labs (Singapore) Pte. Ltd (“**Alipay Labs**”), an affiliate company of Ant Group Co Ltd, to collaborate to provide blockchain-based solutions. The Group intends to leverage on Alipay Lab’s expertise to integrate blockchain technology with its XOX e-Wallet which is expected to provide with additional security and functionality. The Group is expected to derive new income source from these additional service offerings.

To support its expansion plans, the Company has undertaken the following fund raising exercise in the past year:-

- (i) In March 2020, the Company completed a rights issue exercise raising a total of RM26.5 million mainly for the eSIM expansion plan to enhance its features and cater for more subscribers as well as expansion of the XOX e-Wallet’s function. These expansion and upgrades are expected to contribute positively to the future earnings of the Group; and
- (ii) In July 2020, the Company completed a private placement exercise raising total proceeds of RM19.7 million for the acquisition and commercialisation of up to 400 smart vending machines. The investment in smart vending machines business aimed at growing the Group’s subscriber base and average revenue per user. Meanwhile, the smart vending machines may also provide ancillary income via the sale of fast-moving consumer goods as well as digital advertising space.

Premised on the successful execution of the Group’s current and future expansion plans as set out above, the Board is optimistic on the future financial performance of the Group.

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## 5. EFFECTS OF THE PROPOSED BONUS ISSUE OF WARRANTS

### 5.1 Share capital

The pro forma effects of the Proposed Bonus Issue of Warrants on the share capital of the Company are as follows:-

	Minimum Scenario			
	No. of Shares	Share capital (RM)	No. of ICPS	Share capital (RM)
Issued share capital as at the LPD	3,068,831,575	346,234,679	86,413,806	2,160,345
New Shares to be issued assuming full exercise of the granted SIS Options	-	-	-	-
New Shares to be issued assuming full granting and exercise of the SIS Options which may be granted pursuant to the maximum allowable amount under the SIS	-	-	-	-
New Shares to be issued assuming full exercise of the Warrants B	-	-	-	-
New Shares to be issued assuming full conversion of the ICPS	-	-	-	-
<b>Enlarged issued share capital after full granting, exercise and/or conversion of Convertibles Securities</b>	<b>3,068,831,575</b>	<b>346,234,679</b>	<b>86,413,806</b>	<b>2,160,345</b>
New Shares to be issued assuming the full exercise of Warrants C	1,150,811,840	<sup>(3)</sup> 184,129,894	-	-
<b>Enlarged issued share capital</b>	<b>4,219,643,415</b>	<b>530,364,573</b>	<b>86,413,806</b>	<b>2,160,345</b>

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	Maximum Scenario			
	No. of Shares	Share capital (RM)	No. of ICPS	Share capital (RM)
Issued share capital as at the LPD	3,068,831,575	346,234,679	86,413,806	2,160,345
New Shares to be issued assuming full exercise of the granted SIS Options	120,750,800	<sup>(1)</sup> 26,391,962	-	-
New Shares to be issued assuming full granting and exercise of the SIS Options which may be granted pursuant to the maximum allowable amount under the SIS	55,507,972	<sup>(2)</sup> 9,893,186	-	-
New Shares to be issued assuming full exercise of the Warrants B	231,912,876	<sup>(3)</sup> 13,914,773	-	-
New Shares to be issued assuming full conversion of the ICPS	86,413,806	<sup>(4)</sup> 4,320,690	-	-
<b>Enlarged issued share capital after full granting, exercise and/or conversion of Convertibles Securities</b>	<b>3,563,417,029</b>	<b>400,755,290</b>	-	-
New Shares to be issued assuming the full exercise of Warrants C	1,336,281,385	<sup>(5)</sup> 213,805,022	-	-
<b>Enlarged issued share capital</b>	<b>4,899,698,414</b>	<b>614,560,311</b>	-	-

Notes:-

- (1) Assuming all the following SIS Options which have been granted but unexercised as at the LPD are exercised into new Shares based on their respective exercise prices and after accounting for the reversal of the share option reserve:-

Number of SIS Options	Exercise price (RM)
3,287,500	0.13
15,422,600	0.10
102,040,700	0.20

- (2) Assuming all 55,507,972 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS are fully granted and exercised based on the illustrative exercise price of RM0.1212 per SIS Option (based on 10% discount to the 5-day VWAP of Shares up to and including the LPD of RM0.1347) and after accounting for the reversal of share option reserve.
- (3) Assuming all the Warrants B are fully exercised into new Shares based on an exercise price of RM0.06 each.
- (4) Assuming all the ICPS are converted into new Shares based on the conversion mode of surrendering 1 ICPS (which was issued at the issue price of RM0.025 each) with additional cash payment of RM0.025 to arrive at the conversion price of RM0.05 for every 1 new Share.
- (5) Based on the illustrative exercise price of RM0.16 per Warrants C.

## 5.2 Net assets (“NA”) and gearing

The pro forma effects of the Proposed Bonus Issue of Warrants on the NA and gearing of the Group are as follows:-

### Minimum Scenario

	Audited as at 30 September 2019 (RM'000)	(I) After subsequent events <sup>(1)</sup> (RM'000)	(II) After (I) and the Proposed Bonus Issue of Warrants (RM'000)	(III) After (II) and assuming the full exercise of Warrants C <sup>(3)</sup> (RM'000)
Share capital	126,893	346,235	346,235	530,365
ICPS	-	2,160	2,160	2,160
Other reserve	-	(4,708)	(4,708)	(4,708)
<b>Sub-total</b>	<b>126,893</b>	<b>343,687</b>	<b>343,687</b>	<b>527,817</b>
SIS Options reserve	962	4,014	4,014	4,014
Warrant reserve	-	4,708	121,976	4,708
Other reserve	-	-	(117,268)	-
Capital reserve	2,200	2,200	2,200	2,200
Foreign translation reserve	(12)	(12)	(12)	(12)
Accumulated losses	(36,856)	(63,409)	<sup>(2)</sup> (63,639)	(63,639)
<b>Shareholders' equity / NA</b>	<b>93,187</b>	<b>291,189</b>	<b>290,959</b>	<b>475,088</b>
Non-controlling interest	2,312	2,312	2,312	2,312
<b>Total equity / NA</b>	<b>95,499</b>	<b>293,501</b>	<b>293,271</b>	<b>477,400</b>
No. of Shares in issue ('000)	1,092,397	3,068,832	3,068,832	4,219,643
NA per Share (RM)	0.09	0.09	0.09	0.11
Total borrowings (RM'000)	3,993	3,993	3,993	3,993
Gearing (times)	0.04	0.01	0.01	0.01

#### Notes:-

(1) After accounting for the following:-

- (i) lapsing of 169,000 and 16,243,800 SIS Options with an exercise price of RM0.13 and RM0.10 each respectively from 1 October 2019 up to the LPD;
- (ii) granting of 730,682,300 SIS Options with exercise price of RM0.20 each from 21 August 2020 up to the LPD;
- (iii) issuance of 14,251,600 and 628,641,600 new Shares arising from the exercise of SIS Options at the exercise price of RM0.10 and RM0.20 each respectively from 1 October 2019 up to the LPD;
- (iv) issuance of 1,061,027,506 ICPS together with 265,256,876 free Warrants B arising from a right issue exercise which was completed on 12 March 2020;

- (v) issuance of 33,344,000 new Shares arising from the exercise of Warrants B at the exercise price of RM0.06 each from 5 August 2020 up to the LPD;
- (vi) issuance of 972,478,700 new Shares arising from the following:-
- (a) 970,343,700 ICPS converted by surrendering for cancellation 1 ICPS and paying RM0.025 in cash; and
- (b) 4,270,000 ICPS converted by surrendering for cancellation 2 ICPS.
- (vii) issuance of 327,719,000 new Shares at the issue price of RM0.06 each arising from a private placement exercise which was completed on 23 July 2020.
- (2) After deducting estimated expenses incidental to the Proposed Bonus Issue of Warrants of RM230,000.
- (3) Based on issuance of 1,150,811,840 new Shares arising from the full exercise of Warrants C at the illustrative exercise price of RM0.16 each.

### **Maximum Scenario**

	<b>Audited as at 30 September 2019 (RM'000)</b>	<b>(I) After subsequent events<sup>(1)</sup> (RM'000)</b>	<b>(II) After (I) and assuming full granting, exercise and/or conversion of Convertible Securities<sup>(2)</sup> (RM'000)</b>	<b>(III) After (II) and the Proposed Bonus Issue of Warrants (RM'000)</b>	<b>(IV) After (III) and assuming the full exercise of Warrants C<sup>(4)</sup> (RM'000)</b>
Share capital	126,893	346,235	400,755	400,755	614,560
ICPS	-	2,160	-	-	-
Other reserve	-	(4,708)	-	-	-
<b>Sub-total</b>	<b>126,893</b>	<b>343,687</b>	<b>400,755</b>	<b>400,755</b>	<b>614,560</b>
SIS Options reserve	962	4,014	-	-	-
Warrant reserve	-	4,708	-	136,167	-
Other reserve	-	-	-	(136,167)	-
Capital reserve	2,200	2,200	2,200	2,200	2,200
Foreign translation reserve	(12)	(12)	(12)	(12)	(12)
Accumulated losses	(36,856)	(63,409)	(66,573)	<sup>(3)</sup> (66,803)	(66,803)
<b>Shareholders' equity / NA</b>	<b>93,187</b>	<b>291,189</b>	<b>336,371</b>	<b>336,141</b>	<b>549,946</b>
Non-controlling interest	2,312	2,312	2,312	2,312	2,312
<b>Total equity / NA</b>	<b>95,499</b>	<b>293,501</b>	<b>338,683</b>	<b>338,453</b>	<b>552,258</b>
No. of Shares in issue ('000)	1,092,397	3,068,832	3,563,417	3,563,417	4,899,698
NA per Share (RM)	0.09	0.09	0.09	0.09	0.11
Total borrowings (RM'000)	3,993	3,993	3,993	3,993	3,993
Gearing (times)	0.04	0.01	0.01	0.01	0.01

#### Notes:-

- (1) After accounting for the following:-

- (i) lapsing of 169,000 and 16,243,800 SIS Options with an exercise price of RM0.13 and RM0.10 each respectively from 1 October 2019 up to the LPD;
  - (ii) granting of 730,682,300 SIS Options with exercise price of RM0.20 each from 21 August 2020 up to the LPD;
  - (iii) issuance of 14,251,600 and 628,641,600 new Shares arising from the exercise of SIS Options at the exercise price of RM0.10 and RM0.20 each respectively from 1 October 2019 up to the LPD;
  - (iv) issuance of 1,061,027,506 ICPS together with 265,256,876 free Warrants B arising from a right issue exercise which was completed on 12 March 2020;
  - (v) issuance of 33,344,000 new Shares arising from the exercise of Warrants B at the exercise price of RM0.06 each from 5 August 2020 up to the LPD;
  - (vi) issuance of 972,478,700 new Shares arising from the following:-
    - (a) 970,343,700 ICPS converted by surrendering for cancellation 1 ICPS and paying RM0.025 in cash; and
    - (b) 4,270,000 ICPS converted by surrendering for cancellation 2 ICPS.
  - (vii) issuance of 327,719,000 new Shares at the issue price of RM0.06 each arising from a private placement exercise which was completed on 23 July 2020.
- (2) Assuming the following:-
- (i) Assuming all the following SIS Options which have been granted but unexercised as at the LPD are exercised into new Shares based on their respective exercise prices and after accounting for the reversal of the share option reserve:-
- | Number of SIS Options | Exercise price (RM) |
|-----------------------|---------------------|
| 3,287,500             | 0.13                |
| 15,422,600            | 0.10                |
| 102,040,700           | 0.20                |
- (ii) Assuming all 55,507,972 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS are fully granted and exercised based on the illustrative exercise price of RM0.1212 per SIS Option (based on 10% discount to the 5-day VWAP of Shares up to and including the LPD of RM0.1347) and after accounting for the reversal of share option reserve.
  - (iii) Assuming all the Warrants B are fully exercised into new Shares based on an exercise price of RM0.06 each.
  - (iv) Assuming all the ICPS are converted into new Shares based on the conversion mode of surrendering 1 ICPS (which was issued at the issue price of RM0.025 each) with additional cash payment of RM0.025 to arrive at the conversion price of RM0.05 for every 1 new Share.
- (3) After deducting estimated expenses incidental to the Proposed Bonus Issue of Warrants of RM230,000.
- (4) Based on issuance of 1,336,281,385 new Shares arising from the full exercise of Warrants C at the illustrative exercise price of RM0.16 each.

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### 5.3 Substantial Shareholders' shareholdings

The pro forma effects of the Proposed Bonus Issue of Warrants on the substantial Shareholders' shareholdings in the Company based on the register of substantial Shareholders of the Company as at the LPD are as follows:-

#### Minimum Scenario

Substantial Shareholders	As at the LPD				(I) Assuming full exercise of Warrants C			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Key Alliance Group Berhad	347,900,000	11.34	-	-	478,362,500	11.34	-	-
Tam Ping Kuen, Daniel	183,000,000	5.96	-	-	251,625,000	5.96	-	-
Datuk Chai Woon Chet	182,833,400	5.96	-	-	251,395,925	5.96	-	-

Notes:-

(1) Based on the issued share capital of 3,068,831,575 Shares as at the LPD.

(2) Based on the enlarged issued share capital of 4,219,643,415 Shares.

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### Maximum Scenario

Substantial Shareholders	As at the LPD				(I) Assuming full granting, exercise and/or conversion of Convertible Securities			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Key Alliance Group Berhad	347,900,000	11.34	-	-	347,900,000	9.76	-	-
Tam Ping Kuen, Daniel	183,000,000	5.96	-	-	183,000,000	5.14	-	-
Datuk Chai Woon Chet	182,833,400	5.96	-	-	182,833,400	5.13	-	-

Substantial Shareholders	(II) After (I) and assuming full exercise of Warrants C			
	Direct		Indirect	
	No. of Shares	(3)%	No. of Shares	(3)%
Key Alliance Group Berhad	478,362,500	9.76	-	-
Tam Ping Kuen, Daniel	251,625,000	5.14	-	-
Datuk Chai Woon Chet	251,395,925	5.13	-	-

Notes:-

- (1) Based on the issued share capital of 3,068,831,575 Shares as at the LPD.  
(2) Based on the enlarged issued share capital of 3,563,417,029 Shares.  
(3) Based on the enlarged issued share capital of 4,899,698,414 Shares.

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## **5.4 Losses and loss per Share (“LPS”)**

The Proposed Bonus Issue of Warrants is not expected to have any material effect on the Group's losses until such time when the Warrants C are exercised into new Shares. As and when the Warrants C are exercised into new Shares, it will result in a corresponding dilution in the Group's LPS due to the increase in the number of Shares.

The potential effect of the Proposed Bonus Issue of Warrants on the future earnings / losses and earnings per Share (“EPS”) / LPS of the Group will depend upon, amongst others, the number of Shares issued pursuant to the number of Warrants C exercised at any point in time, the exercise price and the potential benefits from the utilisation of the proceeds.

Although the EPS / LPS shall be correspondingly diluted as a result of the increase in number of Shares, the Proposed Bonus Issue of Warrants is expected to contribute positively to the Group's earnings thereafter through the utilisation of proceeds.

## **5.5 Convertible Securities**

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

### **5.5.1 SIS Options**

As at the LPD, there are:-

- (i) 120,750,800 granted SIS Options which have not been exercised, out of which 3,287,500 SIS Options have an exercise price of RM0.13 each, 15,422,600 SIS Options have an exercise price of RM0.10 each and 102,040,700 SIS Options have an exercise price of RM0.20 each; and
- (ii) up to 55,507,972 SIS Options which may be granted pursuant to the maximum allowable amount under the SIS.

In accordance with the provisions of the By-laws, the Proposed Bonus Issue of Warrants does not require any adjustments to be made to the exercise price and number of SIS Options which have been granted but unexercised.

### **5.5.2 Warrants B**

As at the LPD, there are 231,912,876 outstanding Warrants B, which have an exercise price of RM0.06 each and are expiring on 3 March 2023.

In accordance with the provisions of the Deed Poll B, the implementation of the Proposed Bonus Issue of Warrants will not give rise to any adjustments to the number of the outstanding Warrants B but may give rise to adjustments to the exercise price of the outstanding Warrants B (if applicable). This is to ensure that the status of the Warrants B holders is not prejudiced as a result of the Proposed Bonus Issue of Warrants.

Any necessary adjustments pertaining to the exercise price of the outstanding Warrants B arising from the Proposed Bonus Issue of Warrants (if applicable) will only be finalised by the Board on the Entitlement Date. The rights and obligations of the holders of the outstanding Warrants B will remain unchanged, save for the adjustment to the exercise price of existing Warrants B (if applicable). The holders of the outstanding Warrants B will be notified of such adjustment (if any) in due course.

### 5.5.3 ICPS

As at the LPD, there are 86,413,806 outstanding ICPS, which have a conversion price of RM0.05<sup>(1)</sup> each and are expiring on 5 March 2030.

Note:-

(1) *Holders of the ICPS are entitled to convert their ICPS into 1 new Share at the conversion price of RM0.05 in any of the following manner:-*

- (i) *by surrendering for cancellation 2 ICPS (which were issued at the issue price of RM0.025 each and thus collectively have an aggregate issue price equivalent to the conversion price of RM0.05); or*
- (ii) *by surrendering for cancellation 1 ICPS and paying RM0.025 in cash (being the difference between the issue price of the ICPS surrendered of RM0.025 and the conversion price of RM0.05).*

In accordance with the terms of the ICPS as stipulated in the Constitution of the Company, the Proposed Bonus Issue of Warrants will not result in any adjustment to the conversion price and conversion mode of the outstanding ICPS.

## 6. APPROVALS REQUIRED AND CONDITIONALITY

### 6.1 Approvals required

The Proposed Bonus Issue of Warrants is subject to the following approvals being obtained:-

- (i) the approval of Bursa Securities for the following:-
  - (a) admission of up to 1,336,281,385 Warrants C to the Official List;
  - (b) listing and quotation of up to 1,336,281,385 Warrants C; and
  - (c) listing and quotation of up to 1,336,281,385 new Shares to be issued arising from the exercise of the Warrants C.
- (ii) the approval of the Shareholders at an extraordinary general meeting to be convened for the Proposed Bonus Issue of Warrants; and
- (iii) the approvals / consents of any other relevant authorities and/or parties, if required.

### 6.2 Conditionality

The Proposed Bonus Issue of Warrants is not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

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

None of the directors and/or major Shareholders, chief executives and/or persons connected to them have any interest, direct or indirect, in the Proposed Bonus Issue of Warrants save for their respective entitlements to the Warrants C as Shareholders, to which all other Shareholders are similarly entitled to on a pro rata basis.

**8. DIRECTORS' STATEMENT**

The Board, having considered the rationale, the effects and all other aspects of the Proposed Bonus Issue of Warrants, including but not limited to of the Proposed Bonus Issue of Warrants, is of the opinion that the Proposed Bonus Issue of Warrants is in the best interests of the Company.

**9. APPLICATION TO THE AUTHORITIES**

The corresponding application in relation to the Proposed Bonus Issue of Warrants will be submitted to Bursa Securities on even date.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Subject to all relevant approvals being obtained, the Proposed Bonus Issue of Warrants is expected to be completed by the fourth quarter of 2020.

**11. ADVISER**

Mercury Securities has been appointed by the Company to act as the Principal Adviser for the Proposed Bonus Issue of Warrants.

This announcement is dated 9 October 2020.