

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

PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF OCR (EXCLUDING TREASURY SHARES) ("PROPOSED PRIVATE PLACEMENT")

1. INTRODUCTION

On behalf of the Board of Directors of OCR ("Board"), UOB Kay Hian Securities (M) Sdn Bhd ("UOBKH") wishes to announce that the Company proposes to undertake a private placement of up to 20% of the total number of issued shares of OCR (excluding treasury shares) to third party investor(s) to be identified later.

Further details of the Proposed Private Placement are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

Bursa Malaysia Securities Berhad ("Bursa Securities") had, on 16 April 2020, announced additional relief measures for listed issuers to ease compliance and facilitate their capital raising in a timely and cost-effective manner. In this regard, as an interim measure, listed issuer is allowed to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities ("20% General Mandate") provided that the following are being complied with:

- i. the listed issuer procures its shareholders' approval for the 20% General Mandate at a general meeting;
- ii. the listed issuer complies with all the relevant applicable legal requirements, including its constitution or relevant constituent document; and
- iii. in addition to the existing disclosures required in the statement accompanying the proposed resolution under Paragraph 6.03(3) of the Listing Requirements, the listed issuer must disclose the views from its board of directors that the 20% General Mandate is in the best interest of the listed issuer and its shareholders, as well as the basis for such views.

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

The Company had obtained the approval from its shareholders at the 22nd annual general meeting ("AGM") convened on 27 July 2020, whereby pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act") ("General Mandate"), the Board has been authorised to issue and allot new ordinary shares in OCR ("OCR Share(s)" or "Share(s)") provided that the number of new OCR Shares does not exceed 20% of the total number of issued shares of the Company. Such authority shall continue to be in force until the conclusion of the next AGM of the Company. For further clarification, the Company may only issue up to 20% of the total number of issued shares of the Company within a period of 12 months, irrespective of when the General Mandate was procured from the shareholders of the Company. For avoidance of doubt, OCR had not issued any shares under any General Mandate during the preceding 12 months from the date of this announcement.

2.1 Placement size

The Proposed Private Placement entails an issuance of up to 20% of the total number of issued shares of OCR.

As at 16 October 2020 (being the latest practicable date of this announcement) ("LPD"), the total issued share capital of OCR was RM145,907,256 comprising 412,232,768 OCR Shares and the company has no retained treasury shares. In addition, as at the LPD, the Company has the following outstanding convertible securities:-

- i. 66,141,269 outstanding warrants 2016/2021 ("**Warrants C**") constituted by the deed poll dated 1 June 2016 and each Warrant C carries the entitlement to subscribe for 1 new OCR Share at an exercise price of RM0.50 per Warrant C during the 5-year exercise period up to 24 July 2021;
- ii. 89,109,722 outstanding warrants 2019/2022 ("**Warrants D**") constituted by the deed poll dated 12 February 2019 and each Warrant D carries the entitlement to subscribe for 1 new OCR Share at an exercise price of RM0.22 per Warrant D during the 3-year exercise period up to 18 February 2022; and
- iii. 322,538,397 outstanding irredeemable convertible preference shares ("**ICPS**") issued by the Company. The ICPS will expire on 24 July 2021 and are convertible into new OCR Shares at the conversion price of RM0.50 each based on the following conversion modes:-
 - a) 10 ICPS for 1 new OCR Share; or
 - b) 1 ICPS with cash payment of RM0.45 for 1 new OCR Share.

For illustration purpose throughout this announcement, the outstanding ICPS are assumed to be converted into new OCR Shares by surrendering 1 ICPS with cash payment of RM0.45. Accordingly, a total of 322,538,397 new OCR Shares may be issued arising from the conversion of the outstanding ICPS,

the above are collectively referred to as "**Convertible Securities**".

Further, as at the LPD, a total of 43,050,000 new OCR Shares may be issued pursuant to the subscription agreement entered into between OCR and Macquarie Bank Limited on 17 December 2019 ("**Share Issuance**"). Further details are set out in **Section 2.7** of this announcement.

For illustrative purpose, assuming all the outstanding Convertible Securities are converted/ exercised and 43,050,000 new OCR Shares are issued pursuant to the Share Issuance prior to the implementation of the Proposed Private Placement, the Company's enlarged issued shares will be 933,072,156 OCR Shares. Accordingly, a total of up to 186,614,431 new OCR Shares ("**Placement Share(s)**") may be issued pursuant to the Proposed Private Placement, after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 7** of this announcement.

In conjunction with the Proposed Private Placement, the Board has undertaken not to grant any further options under its employee share option scheme until the completion of the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued Shares on a date to be determined and announced later, after receipt of all the relevant approvals for the Proposed Private Placement.

For illustrative purpose, throughout this announcement, the effects of the Proposed Private Placement shall be illustrated based on the following 2 scenarios:-

Minimum Scenario : Assuming none of the outstanding Convertible Securities are converted/ exercised and no shares are issued pursuant to the Share Issuance prior to the implementation of the Proposed Private Placement

Maximum Scenario : Assuming all the outstanding Convertible Securities are fully converted/ exercised and all 43,050,000 new OCR Shares are issued pursuant to the Share Issuance prior to the implementation of the Proposed Private Placement

2.2 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

Based on Paragraph 6.04(a) of the Listing Requirements, the Placement Shares may be issued based on a discount of not more than 10% to the 5-day volume weighted average market price ("VWAP") of OCR Shares immediately preceding the price-fixing date.

For illustrative purposes only, the indicative issue price of the Placement Shares is assumed at RM0.235 per Placement Share, which represents a discount of approximately 9.62% to the 5-day VWAP of OCR Shares up to and including the LPD of RM0.26 per OCR Share.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing OCR Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.5 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

In accordance with Paragraph 6.04(c) of the Listing Requirements, the Placement Shares will not be placed out to the following parties:-

- i. director, major shareholder or chief executive of OCR or a holding company of OCR ("**Interested Person**");
- ii. a person connected with an Interested Person; and
- iii. nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In the event the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of Bursa Securities' approval for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

2.6 Utilisation of proceeds

Based on the indicative issue price of RM0.235 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM43.85 million. The proceeds are intended to be utilised by OCR and its subsidiary companies ("OCR Group" or the "Group") in the manner as follows:

Details of utilisation	Timeframe for utilisation	Amount of proceeds	
		Minimum Scenario RM'000	Maximum Scenario RM'000
Funding for existing and future property development and construction projects ¹	Within 24 months from the receipt of placement proceeds	19,305	43,784
Estimated expenses in relation to the Proposed Private Placement ²	Upon completion of the Proposed Private Placement	70	70
Total		19,375	43,854

Notes:

¹ *The proceeds will be used to fund the following property development and construction projects, the breakdown of which cannot be determined at this juncture and is dependent on the progress of the projects at material time:-*

Property development projects

Project name / location	Estimated gross development value ("GDV") RM'million	Type of project	Percentage of completion as of LPD %
Isola @ KLCC, Kuala Lumpur	273.0	140 units of high-end condominium	50.9
PRIYA Scheme, Kuantan, Pahang	166.0	Mixed development which includes commercial development and affordable housing	25.9
The Mate, Damansara Jaya, Selangor	144.0	268 units of signature suites and 5 retail outlets	17.3
Vertex, Kuantan City Centre, Pahang	268.0	Mixed development includes 34 retail outlets and 2 blocks of serviced residence	-
Tiara Bangi Homes, Bangi, Selangor	90.0	Residential properties	-

Construction project

Project name/ location	Contract value RM'million	Type of project	Percentage of completion as of LPD %
YOLO Signature Suites, Bandar Sunway, Selangor	159.0	Construction works for 41-storey commercial building comprising office units, shop lots, commercial space, gymnasium, swimming pool, car park and other ancillary facilities	21.6

² The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised as set out below:-

	RM'000
Professional fees	38
Regulatory fees	23
Other incidental expenses in relation to the Proposed Private Placement	9
Total	70

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any shortfall in the actual gross proceeds to be raised and the intended gross proceeds to be raised will be funded via internally generated funds and/ or bank borrowings and any excess from the actual gross proceeds raised will accordingly be allocated for the funding for existing and future property development and construction projects.

2.7 Other fund raising exercise in the past 12 months

For shareholders' information, the Company had announced the Share Issuance on 17 December 2019 and Macquarie Bank Limited may subscribe for up to 98,600,000 new OCR Shares pursuant to the Share Issuance. The Share Issuance had been approved by the shareholders of OCR at the extraordinary general meeting held on 7 February 2020. As at the LPD, the Company has placed out an aggregate 55,550,000 new OCR Shares, raising a total gross proceeds of approximately RM14.45 million. The status of the utilisation of the said gross proceeds as at the LPD is set out below:-

Details of utilisation	Expected timeframe for utilisation	Proposed utilisation RM'000	Amount utilised as at the LPD RM'000
Funding for existing and future property development and construction projects ¹	Within 24 months from the receipt of issuance funds	13,990	9,778
Expenses	Immediate	459	459
Total		14,449	10,237

Note:

¹ As set out in the circular to shareholders dated 21 January 2020 in relation to the Share Issuance, the proceeds raised will be used for existing and future property development and construction projects. Further details on the existing and future property development and construction projects and the details of the allocation of proceeds used as at 30 September 2020 is set out as follows:-

Property development project

Project name / location	Estimated GDV RM'million	Type of project	Amount utilised as at the LPD RM'000
Isola @ KLCC, Kuala Lumpur	273.0	140 units of high-end condominium	3,829
PRIYA Scheme, Kuantan, Pahang	166.0	Mixed development which includes commercial development and affordable housing	-
The Mate, Damansara Jaya, Selangor	144.0	268 units of signature suites and 5 retail outlets	953
Vertex, Kuantan City Centre, Pahang	268.0	Mixed development includes 34 retail outlets and 2 blocks of serviced residence	-
Tiara Bangi Homes, Bangi, Selangor	90.0	Residential properties	-
Total			4,782

For property development projects, the total proceeds of RM4.8 million have been utilised for payments to contractors, suppliers, and consultants as well as payments to the relevant authorities.

Construction project

Project name/ location	Contract value RM'million	Type of project	Amount utilised as at the LPD RM'000
YOLO Signature Suites, Bandar Sunway, Selangor	159.0	Construction works for 41-storey commercial building comprising office units, shop lots, commercial space, gymnasium, swimming pool, car park and other ancillary facilities	4,996
Total			4,996

For constructions projects, the total proceeds of RM5.0 million have been utilised for payments to contractors, material costs, earthwork, piling works, site clearing, building and external works as well as payment to the relevant authorities.

As at the LPD, Macquarie Bank Limited has, at its discretion, up to 17 February 2021 to subscribe for the remaining 43,050,000 new OCR Shares to be issued pursuant to the Share Issuance.

3. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

3.1 Overview and outlook of the Malaysian economy

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 3Q 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%).

Weak growth was recorded across most economic sectors amid the imposition of the Movement Control Order ("MCO"), followed by the Conditional and Recovery MCO, during 2Q 2020.

Domestic demand declined by 18.7% in 2Q 2020 (1Q 2020: 3.7%), due mainly to weaker private sector expenditure. Spending by the private sector was impacted by lower income, movement restrictions and subdued consumer and business sentiments. While net exports continued to decline, the contribution of the external sector to the economy improved due mainly to the larger contraction in imports vis-a-vis the previous quarter.

Private consumption growth declined by 18.5% in 2Q 2020 (1Q 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amid weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued. During this challenging period, stimulus measures such as the disbursement of Bantuan Prihatin Nasional cash transfers, Employees Provident Fund i-Lestari withdrawals and the implementation of the loan moratorium helped to cushion consumption spending. Public consumption continued to expand, albeit at a more moderate pace of 2.3% (1Q 2020: 5.0%). Growth was supported by continued increase in emoluments amid lower spending on supplies and services.

Gross fixed capital formation registered a sharper contraction of 28.9% (1Q 2020: -4.6%), weighed by significantly lower capital spending by both public and private sectors. By type of asset, both investment in structures and machinery & equipment ("M&E") declined by 41.2% (1Q 2020: -4.0%) and 11.1% (1Q 2020: -6.2%), respectively. Private investment declined by 26.4% (1Q 2020: -2.3%), due mainly to the COVID-19 containment measures and heightened uncertainty which affected business sentiments and investment intentions. During the quarter, investment was affected by mobility restrictions, which temporarily halted the implementation of projects. Despite the gradual relaxation of the MCO, firms maintained a cautious approach to capital expenditure amid slower production and disruptions to global value chains. Furthermore, businesses also faced challenges in the delivery and installation of M&E amid border closures. Public investment also recorded a larger decline of 38.7% (1Q 2020: -11.3%). This was due to a contraction in capital spending by both general government and public corporations due mainly to the movement restrictions.

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

Against a highly challenging global economic outlook, Malaysia's GDP growth is projected to be between -2.0 to 0.5% in 2020. The domestic economy will be impacted by the necessary global and domestic actions taken to contain the outbreak. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. The implementation and subsequent extension of the MCO, while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms. Beyond the MCO period, reduced social and recreational activities until the pandemic is fully controlled globally and domestically will continue to dampen consumption and investment activity. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavourable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas.

Given the significant headwinds to growth arising from COVID-19, the Government and Bank Negara Malaysia ("BNM") have introduced large countercyclical policy measures to mitigate the economic impact of the pandemic. Two economic stimulus packages amounting to RM250 billion were introduced to provide immediate relief to affected households and businesses. These packages also include loan guarantees and an automatic 6-month moratorium on loan repayments for individuals and small and medium enterprises. The economic stimulus measures were complemented by two consecutive Overnight Policy Rate reductions early this year and measures to provide additional liquidity in the banking system.

Private consumption is expected to be dampened by weak labour market conditions, mobility restrictions and subdued sentiments. Nonetheless, policy measures introduced in the two economic stimulus packages, including cash transfers to vulnerable households, flexibility to withdraw from Employees Provident Fund savings and the moratorium on loan repayments will increase disposable income and improve cash flow for households. In addition to supporting household spending, these broad-based measures will facilitate a gradual recovery in private consumption as labour market conditions eventually stabilise following the projected improvement in global and domestic economic activities.

Domestic growth prospects are expected to improve towards the end of the year, in line with the projected recovery in global demand and amid continued support from policy measures. Recovering external demand will lift growth in the export-oriented sectors. Consumer sentiments are also expected to gradually improve following the easing of travel restrictions and resumption of tourism activities as risks from the pandemic subside. In addition, the anticipated recovery from supply disruptions in the commodities sector and higher public sector expenditure will support the gradual improvement in the Malaysian economy in the latter part of the year. Public sector spending will be underpinned by the continuation of large-scale transport-related projects by public corporations and the implementation of more small-scale projects worth RM4 billion by the Federal Government.

Overall risks to the domestic growth outlook are tilted to the downside, mainly due to the risk of a prolonged and wider spread of COVID-19 and its effects on the global and domestic economy. Domestic growth also remains susceptible to a recurrence of commodities supply shocks and continued low commodity prices which could pose additional risks to production in the commodities sector, exports and income growth. In addition, heightened financial market volatility due to ongoing external uncertainties may lead to tighter domestic financial market conditions. The baseline growth projection could, however, be lifted by a stronger-than-expected impact from the various stimulus measures by the Federal Government and additional measures implemented by several state governments.

(Source: *Executive Summary, Economic and Monetary Review 2019, Bank Negara Malaysia*)

3.2 Overview and outlook of the property industry in Malaysia

The property market performance recorded a sharp decline in the first half of 2020 (H1 2020) compared to the same period last year (H1 2019). The property sector recorded 115,476 transactions worth RM46.94 billion in H1 2020, a decrease by 27.9% in volume and 31.5% in value compared to H1 2019, which recorded 160,165 transactions worth RM68.53 billion. The residential sub-sector led the overall property market with 65.2% contribution, followed by the agriculture sub-sector with 20.1% share. In terms of value, residential took the lead with 54.6% share, followed by commercial (18.1%).

Residential property

There were 75,318 transactions worth RM25.61 billion recorded in H1 2020, declining 24.6% in volume and 26.1% in value compared to H1 2019. Performance across the states was less than encouraging as all states recorded declines in market activity. Selangor contributed the highest volume and value to the national market share, with 22.8% in volume (17,178 transactions) and 32.9% in value (RM8.44 billion).

The residential overhang continued to increase due to slow market absorption of the primary market. There were 31,661 overhang units worth RM20.03 billion, increased by 3.3% in volume (H2 2019: 30,664 units) and 6.4% in value against the preceding half year (H2 2019: RM18.82 billion).

Construction activities remained on a low tone for starts and new planned supply whilst completed units increased slightly. Starts and new planned supply declined by 28.3% to 33,493 units (H1 2019: 46,735 units) and 34.1% to 24,098 units (H1 2019: 36,578 units) respectively. Completion recorded a marginal increase of 0.9% to 27,529 units compared to H1 2019 (27,277 units).

The Malaysian House Price Index (MHPI) continued to grow at a moderating trend. As at Q2 2020P, MHPI stood at 198.3 points (base year 2010), up by 0.4% on annual basis, the lowest annual growth recorded since year 2010. However, on quarterly movements, the index points decreased marginally by 0.7% against Q1 2020 (199.7 points).

Commercial property

There were 8,118 transactions worth RM8.51 billion recorded, declining by 37.4% in volume and 33.2% in value (H1 2019: 12,962 transactions worth RM12.75 billion). Performance across the states slumped as all states recorded significant declines in market activity. Selangor contributed the highest volume and value to the national market share, with 23.0% in volume (1,870 transactions) and 28.2% in value (RM2.4 billion), while WP Kuala Lumpur came in second in terms of value, with 1,212 transactions worth RM2.09 billion.

Serviced apartment overhang continued to increase, accumulating a total of 21,683 units with a value of RM18.64 billion, up by 26.5% in volume and 23.9% in value (H2 2019: 17,142 units worth RM15.04 billion). Meanwhile, the number of unsold under construction and unsold not constructed increased to 35,720 units and 10,874 units, up by 5.6% and 42.0% respectively.

On the supply front, construction activity in the serviced apartment segment was less active in H1 2020. Completion, starts and new planned supply declined by 73.6% (4,393 units), 48.5% (11,224 units) and 42.5% (5,489 units) respectively.

2020 Outlook

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

Further assistance from the government, initiated under the new Short-term Economic Recovery Plan or PENJANA namely the proposed reintroduction of the Home Ownership Campaign (HOC), Real Property Gains Tax (RPGT) exemption and the relaxation of the current 70% financing margin limit for third housing loan onwards.

Despite the cautious optimism towards the nation's projected gradual economic recovery, with the resumption of market activity under the Recovery Movement Control Order (RMCO) and the proposed measures under PENJANA, the property market is more than likely to remain soft for the remaining half of 2020. The pace of improvement will be depending on both domestic and external factors such as political stability, global oil and commodity prices as well as further developments related to the Covid-19 pandemic.

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

3.3 Future prospects of the Group

The Group's existing development projects include Isola @ KLCC, The Mate at Damansara Jaya and PRIYA Scheme Kuantan. Total gross development value of the existing development projects are approximately RM583 million and total unbilled sales are approximately RM228.0 million. In terms of the construction segment, the Group has resumed YOLO Signature Suites' construction since June 2020. Total contract value of the project is RM159.0 million while balance order book as at 30 June 2020 is RM125.6 million.

Despite the continuing proliferation of the COVID-19 situation, the Group remains positive on the mid-to-long term prospects of the property market while being optimistic on the immediate-to-near-term outlook. During this MCO, Conditional as well as Recovery MCO period, the Group has taken various initiatives to optimize cash flow and manage operational risks, including off-site/virtual marketing, funding re-alignment and optimization of construction plans.

In terms of new launches, the Group will closely monitor market conditions and perform comprehensive market research to ensure good take-ups. Apart from that, the Group are also open for potential land bank acquisition and joint venture opportunities.

As set out in Section 3 of this announcement, the proceeds raised from the Proposed Private Placement will be used for the funding for existing and future development and construction projects, which will ensure timely completion of projects.

After taking into consideration the above and the outlook of the Malaysian economy and property industry as set out in Section 4.1 and 4.2 of this announcement, the management is cautiously optimistic that the Group will be able to continue delivering positive results and in turn, enhance shareholders' value in OCR.

(Source: *Management of OCR*)

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement:

- i. Enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings;
- ii. Provides the Company with an expeditious way of raising funds from the capital market as opposed to other forms of fund raising; and
- iii. Increases the size and strength of the Company's shareholders' funds.

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

5.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:

	<-----Minimum Scenario--->		<-----Maximum Scenario----->	
	No. of OCR Shares	RM	No. of OCR Shares	RM
Issued share capital as at the LPD	412,232,768	145,907,256	412,232,768	145,907,256
Assuming full exercise/ conversion of the Convertible Securities ^{*1}	-	-	477,789,388	213,943,973
Assuming issuance of new OCR shares pursuant to the Share Issuance ^{*2}	-	-	43,050,000	10,332,000
Reversal of warrant reserve	-	-	-	890,326
	412,232,768	145,907,256	933,072,156	371,073,555
Shares to be issued pursuant to the Proposed Private Placement	82,446,553	19,374,940 ^{*3}	186,614,431	43,854,391 ^{*3}
Enlarged issued share capital	494,679,321	165,282,196	1,119,686,587	414,927,946

Notes:

^{*1} Assuming the Convertible Securities are fully converted/ exercised as set out below:-

Convertible Securities	No. of outstanding Convertible Securities	No. of new OCR Shares to be issued	Exercise/ Conversion price RM	Value RM
Warrants C	66,141,269	66,141,269	0.50	33,070,635
Warrants D	89,109,722	89,109,722	0.22	19,604,139
ICPS	322,538,397	322,538,397	0.50	161,269,199
Total	477,789,388			213,943,973

^{*2} Assuming 43,050,000 new OCR Shares are issued at an issue price of RM0.24 each pursuant to the Share Issuance

^{*3} Computed based on the indicative issue price of RM0.235 per Placement Share

5.2 Net asset ("NA") per Share and gearing

Based on the latest audited consolidated statements of financial position of the Group as at 31 December 2019, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing of the Group are set out as follows:-

Minimum Scenario

	Audited as at 31 December 2019 RM'000	Subsequent adjustment up to the LPD¹ RM'000	I After I and the Proposed Private Placement RM'000	II
Share capital	119,321	145,907	165,282 ²	
ICPS	27,637	16,127	16,127	
Warrant reserve	890	890	890	
Accumulated losses	(23,444)	(23,444)	(23,514) ³	
Shareholders' funds/ NA	124,404	139,480	158,785	
Non-controlling interests	(1,343)	(1,343)	(1,343)	
Total equity	123,061	138,137	157,442	
No. of Shares in issue (000)	330,809	412,233	494,679	
NA per Share (RM)	0.38	0.34	0.32	
Total borrowings (RM)	80,670	80,670	80,670	
Gearing ratio (times)	0.66	0.58	0.51	

Notes:

¹ After adjusting for the following:-

- a. The exercise of 2,853,428 Warrants D at the exercise price of RM0.22 each
- b. The conversion of 230,207,100 ICPS into 23,020,710 new OCR Shares at the conversion price of RM0.50 each by surrendering 10 ICPS for 1 new OCR Share
- c. Issuance of 55,550,000 new OCR Shares for an aggregate consideration of RM14,448,600 pursuant to the Share Issuance

² Assuming 82,446,553 Placement Shares to be issued at an indicative issue price of RM0.235 per Placement Share

³ After deducting estimated expenses of RM70,000 in relation to the Proposed Private Placement

Maximum Scenario

	I Audited as at 31 December 2019 RM'000	Subsequent adjustment up to the LPD¹ RM'000	After I and the conversion/ exercise of Convertible Securities and Share Issuance²⁺³ RM'000	II After I and the conversion/ exercise of Convertible Securities and Share Issuance ²⁺³ RM'000	III After II and the Proposed Private Placement RM'000
Share capital	119,321	145,907	371,074	414,928 ⁴	
ICPS	27,637	16,127	-	-	
Warrant reserve	890	890	-	-	
Accumulated losses	(23,444)	(23,444)	(23,444)	(23,514) ⁵	
Shareholders' fund/ NA	124,404	139,480	347,630	391,414	
Non-controlling interests	(1,343)	(1,343)	(1,343)	(1,343)	
Total equity	123,061	138,137	346,287	390,071	
 No. of Shares in issue (000)	330,809	412,233	933,072	1,119,687	
NA per Share (RM)	0.38	0.34	0.37	0.35	
Total borrowings (RM)	80,670	80,670	80,670	80,670	
Gearing ratio (times)	0.66	0.58	0.23	0.21	

Notes:

¹ After adjusting for the following:-

- a. The exercise of 2,853,428 Warrants D at the exercise price of RM0.22 each
- b. The conversion of 230,207,100 ICPS into 23,020,710 new OCR Shares at the conversion price of RM0.50 each by surrendering 10 ICPS for 1 new OCR Share
- c. Issuance of 55,550,000 new OCR Shares for an aggregate consideration of RM14,448,600 pursuant to the Share Issuance

² Assuming the Convertible Securities are fully converted/ exercised as set out below:-

Convertible Securities	No. of outstanding Convertible Securities	No. of new OCR Shares to be issued	Exercise/ Conversion price RM	Value RM
Warrants C	66,141,269	66,141,269	0.50	33,070,635
Warrants D	89,109,722	89,109,722	0.22	19,604,139
ICPS	322,538,397	322,538,397	0.50	161,269,199
Total	<u>477,789,388</u>			<u>213,943,973</u>

³ Assuming 43,050,000 new OCR Shares are issued at an issue price of RM0.24 each pursuant to the Share Issuance

⁴ Assuming 186,614,431 Placement Shares to be issued at an indicative issue price of RM0.235 per Placement Share

⁵ After deducting estimated expenses of RM70,000 in relation to the Proposed Private Placement

5.3 Substantial shareholding structure

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company are set out below:

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement ^{*1}			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ace Credit (M) Sdn. Bhd.	39,424,700	9.56	-	-	39,424,700	7.97	-	-
OCR Land Holdings Sdn. Bhd.	31,215,000	7.57	-	-	31,215,000	6.31	-	-
Dato' Koon Poh Tat	29,239,000	7.09	-	-	29,239,000	5.91	-	-
Ong Kah Hoe	24,442,600	5.93	41,378,800 ^{*2}	10.04	24,442,600	4.94	41,378,800 ^{*2}	8.36

Notes:

^{*1} Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)

^{*2} Deemed interested by virtue of his interest in OCR Land Holdings Sdn. Bhd. pursuant to Section 8 of the Act and his parents and siblings' direct shareholdings in OCR

Maximum Scenario

Name	Shareholdings as at the LPD				After the full conversion/ exercise of Convertible Securities and Share Issuance ¹				After I and the Proposed Private Placement ²			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ace Credit (M) Sdn. Bhd.	39,424,700	9.56	-	-	39,424,700	4.23	-	-	39,424,700	3.52	-	-
OCR Land Holdings Sdn. Bhd.	31,215,000	7.57	-	-	31,215,000	3.35	-	-	31,215,000	2.79	-	-
Dato' Koon Poh Tat	29,239,000	7.09	-	-	29,239,000	3.13	-	-	29,239,000	2.61	-	-
Ong Kah Hoe	24,442,600	5.93	41,378,800 ³	10.04	31,426,199	3.37	56,381,310 ³	6.04	31,426,199	2.81	56,381,310 ³	5.04

Notes:

¹ Assuming the full exercise of Ong Kah Hoe's direct holdings of 6,983,599 Warrants D and indirect holdings of 180,000 Warrants C, 11,822,510 Warrants D and conversion of 3,000,000 ICPS by surrendering 1 ICPS with cash payment of RM0.45 for 1 new OCR Share

² Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)

³ Deemed interested by virtue of his interest in OCR Land Holdings Sdn. Bhd. pursuant to Section 8 of the Act and his parents and siblings' direct shareholdings in OCR

For information purpose, the Proposed Private Placement may have a dilutive effect on the Company's existing shareholders' shareholdings. However, the Proposed Private Placement will enlarge the Company's share capital and increase its shareholders' funds.

5.4 Earnings and earnings per Share ("EPS")

The Proposed Private Placement, which is expected to be completed by the first quarter of 2021, will not have any material effect on the earnings of OCR Group for the financial year ending 31 December 2020. However, there may be a dilution in the EPS of the Group for the financial year ending 31 December 2021 due to the increase in the number of OCR Shares in issue arising from the Proposed Private Placement.

5.5 Convertible securities

Save for the outstanding Convertible Securities as at the LPD, the Company does not have any other existing convertible securities.

The Proposed Private Placement will not result in any adjustments to the exercise/ conversion price and the number of outstanding Convertible Securities.

6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals:

- i. Bursa Securities, for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- ii. Any other relevant authority, if required.

The Company had obtained the approval from its shareholders at the last AGM convened on 28 September 2020, whereby pursuant to Sections 75 and 76 of the Act, the Board has been authorised to issue and allot new OCR Shares provided that the number of new OCR Shares does not exceed 20% of the total number of issued shares of the Company. Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

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

None of the Directors and/ or major shareholders and/ or chief executives of OCR and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

8. STATEMENT BY THE BOARD

The Board, after having considered all aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed by the first quarter of 2021.

10. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities shall be made within 1 month from the date of this announcement.

11. ADVISER AND PLACEMENT AGENT

UOBKH has been appointed as the Adviser and the Placement Agent for the Proposed Private Placement.

This announcement is dated 30 October 2020.