

VERTICE BERHAD (“VERTICE” OR THE “COMPANY”)

PROPOSED RATIFICATION

(Unless stated otherwise or defined herein, the abbreviations used in this Announcement shall be defined in Appendix I.)

1. INTRODUCTION

On 30 December 2021, the Company completed the 2021 Private Placement and raised proceeds of approximately RM11.82 million. Pursuant to the announcements dated 29 October 2021 in relation to the 2021 Private Placement, the proceeds were allocated for funding the following construction projects (after paying the expenses for the 2021 Private Placement):

- (i) Slope repair works at Lok Kawi, Papar, Sabah (“**Lok Kawi Project**”);
- (ii) Road maintenance works at Sandakan, Sabah (“**Sandakan Project**”); and
- (iii) Construction of 1 block condominium with car park at Penampang, Sabah (“**Penampang Project**”).

As at the LPD, the Company had fully utilised the proceeds of RM11.82 million for item (i), 4 other construction and property development projects as well as working capital of the Group, further details of which are set out in Section 2 below.

Following the above, on behalf of the Board, TA Securities wishes to announce that the Company proposes to seek ratification from its shareholders in respect of the variation to the utilisation of proceeds raised from the 2021 Private Placement.

2. DETAILS OF THE PROPOSED RATIFICATION

On 30 December 2021, the Company completed the 2021 Private Placement which involved the issuance of 53,196,600 Vertice Shares and raised proceeds of approximately RM11.82 million. Such proceeds were intended to be utilised as follows:

	Expected timeframe for utilisation from completion of the 2021 Private Placement	Proceeds raised (RM'000)
(i) Funding for new construction projects	Within 36 months	11,484
(ii) Expenses for the 2021 Private Placement	Immediate	336
Total		11,820

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As set out in the announcement dated 29 October 2021 in relation to the 2021 Private Placement, the funds earmarked for funding new construction projects will be used towards, amongst others, payments to contractors, suppliers, consultants, material costs, earthwork, piling works, site clearing, building and external works, staff costs as well as payment to the relevant authorities, for the following construction projects:

Construction projects	Contract value (RM' million)	Estimated construction costs (RM' million)	Estimated completion date
(i) Lok Kawi Project	3.56	3.50	February 2023
(ii) Sandakan Project	6.43	6.36	October 2024
(iii) Penampang Project	50.25	45.23	June 2024
Total	60.24	55.09	

On 29 April 2022, the Group and Wijaya Daya Sdn Bhd (the main contractor of the Penampang Project) have mutually terminated the Penampang Project as a result of increasing construction costs. Further, the Sandakan Project was funded by progress payments received from the main contractor. Following this, the Company has secured 4 other construction and property development projects. In the essence of time, the Company had fully utilised the proceeds raised from the 2021 Private Placement to fund the Lok Kawi Project and those 4 construction and property development projects as well as working capital of the Group (after paying the expenses for the 2021 Private Placement), details of which are as follows:

Utilisation of proceeds from the 2021 Private Placement	Contract value / Gross development value (RM' million)	Estimated construction costs / Gross development cost (RM' million)	Estimated completion date	Actual utilisation as at the LPD (RM' million)
<u>Construction project</u>				
(i) Lok Kawi Project ⁽¹⁾	3.56	3.50	February 2023	0.17
(ii) Construction of a 9.87km road connecting FELDA Bukit Jalor to Gemas, Negeri Sembilan (" Gemas Project ") ⁽¹⁾	45.00	42.48	October 2024	3.00

Utilisation of proceeds from the 2021 Private Placement	Contract value / Gross development value (RM' million)	Estimated construction costs / Gross development cost (RM' million)	Estimated completion date	Actual utilisation as at the LPD (RM' million)
(iii) Construction of the basement and lower ground work for an integrated development with residences, hotels, retail shops, offices and spaces in Melaka (" Melaka Project ") ⁽¹⁾	25.62	22.73	January 2023	0.44
(iv) Construction of a mosque in Petaling District, Selangor (" Subang Project ") ⁽¹⁾	13.03	12.57	April 2023	0.30
<u>Property development project</u>				
(v) Construction of 26-storey condominium and 4-storey multi-level car park in Seberang Jaya Penang (" Pavillion Residence Project ") ⁽¹⁾	45.39	40.44	December 2022	⁽²⁾ 6.18
Working capital of the Group	-	-	-	⁽³⁾ 1.39
Expenses for the 2021 Private Placement	-	-	-	0.34
Total	132.60	121.72		11.82

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Notes:

- (1) Save for the Melaka Project where the Group is the main contractor, the Group is the sub-contractor for these construction projects. The main contractor of these construction projects are as follows:

Construction project	Main contractor
Lok Kawi Project	Sancity Co.
Gemas Project	KCJ Engineering Sdn Bhd
Subang Project	Twinity Enterprise Sdn Bhd

- (2) Includes the acquisition cost of Greenview Pavillion of approximately RM4.46 million, the developer of the Pavillion Residence Project. The aforesaid acquisition was completed on 17 March 2022.
- (3) Includes amongst others, staff cost, upkeep and maintenance as well as other administrative expenses.

3. RATIONALE FOR THE PROPOSED RATIFICATION

The Proposed Ratification is undertaken to seek shareholders' approval for the variation in the utilisation of proceeds of RM11.31 million from the 2021 Private Placement which was initially earmarked for the Lok Kawi Project, Sandakan Project and Penampang Project. Nonetheless, the Penampang Project was mutually terminated by the Company and the project's main contractor, Wijaya Daya Sdn Bhd due to increasing construction costs whilst the Sandakan Project was funded by progress payments from the main contractor.

In the meantime, the Company managed to secure 4 other construction and property development projects (i.e. the Gemas Project, Melaka Project, Subang Project and Pavillion Residence Project). In the essence of time, the Company had instead utilised the proceeds from the 2021 Private Placement for, amongst others, the 4 aforesaid projects (further details as set out in Section 2 of this Announcement). This is expected to contribute positively to the financial performance and financial position of the Group.

4. EFFECTS OF THE PROPOSED RATIFICATION

The Proposed Ratification is not expected to have any material effect on the issued share capital, net assets and gearings, earnings and earnings per Share as well as the substantial shareholder's shareholding of the Group.

As at the LPD, the Company has the following convertible securities:

- (i) 44,876,900 SIS Options that may be granted and exercised into 44,876,900 Shares pursuant to the maximum allowable amount under the SIS;
- (ii) 60,000,000 Warrants A which may be exercised into 60,000,000 Shares; and
- (iii) such number of RCPS (up to 500,000,000 RCPS) that may be issued and converted into 319,652,881 Shares pursuant to the maximum conversion shares threshold under the Issuance of RCPS.

In accordance to the Deed Poll and the By-Laws, the Proposed Ratification is not expected to result in any adjustment to the exercise price and conversion price of the Convertible Securities.

5. APPROVALS REQUIRED

The Proposed Ratification is subject to the following approvals being obtained:

- (i) the approval of Shareholders at an extraordinary general meeting to be convened; and
- (ii) the approval of any other relevant authorities and/or parties, if required.

The Proposed Ratification is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

6. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Ratification is expected to be completed by the third quarter of 2022.

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

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

This Announcement is dated 27 May 2022.

APPENDIX I - DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Announcement:

2021 Private Placement	:	Private Placement of up to 20% of the issued Shares of the Company, further details of which are set out in the announcements dated 29 October 2021, 5 November 2021 and 9 November 2021
Board	:	Board of Directors of Vertice
By-Laws	:	By-laws governing the SIS
Convertible Securities	:	Collectively, the Warrants A, SIS Options and RCPS
Deed Poll	:	Deed poll constituting the Warrants A dated 11 March 2014
Directors	:	Directors of the Company for the time being and shall have the meaning ascribed to it in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 and Director shall be construed accordingly
Greenview Pavillion	:	Greenview Pavillion Sdn Bhd (201101023103 (951239-K))
Issuance of RCPS	:	Issuance of up to 600,000,000 RCPS at the issue price of RM0.10 each, further details of which are set out in the circular to shareholders of the Company dated 19 November 2020
LPD	:	20 May 2022, being the latest practicable date prior to this Announcement
Proposed Ratification	:	Proposed ratification in respect of the variation to the utilisation of proceeds raised from the 2021 Private Placement
RCPS	:	2% cumulative redeemable convertible preference shares in Vertice issued and/or to be issued pursuant to the Issuance of RCPS
RM and sen	:	Ringgit Malaysia and sen respectively
Shareholders	:	Registered holders of Vertice Shares
SIS	:	Employees' share issuance scheme of the Company which took effect on 18 December 2017 and unless extended, is effective for a period of 5 years
SIS Options	:	SIS options that may be granted to eligible persons during the duration of the SIS, where each holder of the options can subscribe for 1 new Share for every 1 option held in accordance with the terms and provisions of the By-Laws
TA Securities or the Principal Adviser	:	TA Securities Holdings Berhad (197301001467 (14948-M))
Vertice or the Company	:	Vertice Berhad (200701007217 (765218-V))
Vertice Group or the Group	:	Collectively, the Company and its subsidiaries
Vertice Shares or Shares	:	Ordinary shares in the Company
Warrants A	:	Existing warrants 2014/2024 of the Company. Each warrant holder is entitled the right to subscribe for 1 Share at an exercise price of RM0.50