

ECOSCIENCE INTERNATIONAL BERHAD (“ECOSCIENCE” OR THE “COMPANY”)

(I) PROPOSED PRIVATE PLACEMENT; AND

(II) PROPOSED FREE WARRANTS ISSUE

1. INTRODUCTION

On 28 February 2023, Hong Leong Investment Bank Berhad (“HLIB”), on behalf of the Board of Directors of Ecoscience (“**Board**”), announced that the Company proposes to undertake a free warrants issue of up to 170,000,000 free warrants in the Company on the basis of 1 free warrant for every 2 existing ordinary shares in Ecoscience (“**Ecoscience Shares**” or “**Shares**”) held by the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined and announced later. On 27 April 2023, the Company has decided to defer the implementation of the said proposal to the third quarter of 2023.

On behalf of the Board, HLIB wishes to announce that the Company proposes to undertake the following:

- (i) private placement of up to 34,000,000 new Shares, representing 10.00% of the total number of issued Shares to third party investors to be identified (“**Proposed Private Placement**”); and
- (ii) free warrants issue of up to 187,000,000 free warrants in the Company (“**Warrant(s)**”) on the basis of 1 Warrant for every 2 existing Shares held by the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined and announced later (“**Entitlement Date**”) (“**Entitled Shareholders**”) (“**Proposed Free Warrants Issue**”),

(collectively referred to as the “**Proposals**”).

Further details of the Proposals are set out in the ensuing sections.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Private Placement

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 (“**Act**”) which was renewed and obtained from the shareholders of the Company at the Company’s Second Annual General Meeting (“**AGM**”) convened on 26 May 2023, whereby the shareholders approved and authorised the Board to issue and allot new Shares not exceeding 10.00% of the total number of issued Shares (excluding treasury shares) of the Company (“**General Mandate**”). The said approval shall continue to be in force until the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held, whichever is earlier, unless revoked or varied by the Company in a general meeting.

Furthermore, the Company had also obtained its shareholders’ approval to waive their statutory pre-emptive rights to be offered any new Shares which rank equally to the existing Shares arising from any issuance of new Shares pursuant to Section 85 of the Act and Clause 12(3) of the Constitution of the Company.

For avoidance of doubt, Ecoscience had not issued any Shares under the General Mandate during the preceding 12 months from the date of this announcement.

2.1.1 Placement size

As at 31 July 2023, being the latest practicable date preceding the date of this announcement ("**LPD**"), the Company has an issued share capital of RM74,991,180 comprising 340,000,000 issued Shares and does not hold any treasury shares.

The Proposed Private Placement entails the issuance of up to 34,000,000 new Shares ("**Placement Shares**"), representing 10.00% of the Company's total number of issued Shares, at an issue price to be determined and announced later.

2.1.2 Placement arrangement

The Placement Shares will be placed to third party investors to be identified later who fall within Schedules 6 and 7 of the Capital Markets and Services Act 2007.

The Placement Shares will not be placed to the following parties:

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

The Proposed Private Placement may be implemented in one or multiple tranches (as the placees may be identified and procured over a period of time rather than simultaneously) within a period of 6 months from the date of approval of Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities or any extended period as may be approved by Bursa Securities, subject always to the General Mandate being in force. The implementation of the placement arrangement in multiple tranches, if any, would provide flexibility to the Company to procure interested investors to subscribe for the Placement Shares within the approved period.

2.1.3 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares shall be fixed at a date to be determined and announced later by the Company ("**Price-Fixing Date**") after receipt of Bursa Securities' approval for the Proposed Private Placement.

The issue price of the Placement Shares shall be fixed based on the volume weighted average market price of Ecoscience Shares for the 5 market days immediately preceding the Price-Fixing Date ("**5D-VWAMP**"), with a discount to be determined but in any event, not more than 10.00% to the 5D-VWAMP.

In the event the Placement Shares are to be issued in tranches, there will be a price-fixing announcement for each tranche.

For illustrative purposes, the Placement Shares are assumed to be issued at an issue price of RM0.33 per Placement Share, which represents a discount of RM0.0354 or 9.69% to the 5D-VWAMP of Ecoscience Shares up to and including the LPD of RM0.3654 per Share ("**Illustrative Issue Price**").

2.1.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Ecoscience Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of such Placement Shares.

2.1.5 Listing and quotation of the Placement Shares

An application will be made to Bursa Securities for the listing and quotation of the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities.

2.1.6 Utilisation of proceeds

Based on the Illustrative Issue Price of RM0.33 per Placement Share and the issuance of up to 34,000,000 Placement Shares, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM11.22 million. The gross proceeds are intended to be utilised in the following manner:

Details of utilisation of proceeds	Amount (RM'000)	Expected time frame for utilisation (from the date of listing of the Placement Shares)
Repayment of bank borrowings ⁽¹⁾	3,000	Within 12 months
Funding for the existing and new projects of the Company and its subsidiaries (" Group ") ⁽²⁾	7,820	Within 12 months
Estimated expenses for the Proposals ⁽³⁾	400	Within 1 month
Total	11,220	

Notes:

- (1) The Company intends to utilise proceeds of up to RM3.00 million to partially repay the bank overdrafts of the Group. The interest rate and tenure of the bank overdraft facility are set out below:

Financial institution /Banking facility	Purpose of borrowing	Interest rate (per annum)	Amount outstanding as at the LPD RM'000	Proposed repayment RM'000	Annual interest savings RM'000
Malayan Banking Berhad/Bank overdrafts	Working capital	8.15% (base lending rate + 1.50%)	5,814	3,000	244

As at the LPD, the total borrowings of the Group stood at approximately RM58.31 million. The repayment of the bank overdraft amounting to RM3.00 million is expected to result in interest savings of RM0.24 million per annum based on the prevailing interest rate as stated above.

- (2) The Company intends to allocate up to RM7.82 million of the proceeds to be raised from the Proposed Private Placement for the existing and new projects of the Group which include the following:

Details	RM'000
Payment to subcontractors for work performed	5,000
Purchase of construction materials	2,000
Other operating expenses*	820
Total	7,820

Note:

* This includes amongst others, staff costs, factory overhead and travelling expenses.

- (3) The breakdown of the estimated expenses for the Proposals is as follows:

Details	RM'000
Professional fees ⁽ⁱ⁾	266
Fees payable to relevant authorities	63
Printing, despatch, advertising and meeting expenses as well as miscellaneous expenses	71
Total	400

Note:

- (i) Comprise professional fees payable to the principal adviser, solicitors, reporting accountants and company secretary in relation to the Proposals as well as placement fees.

The actual gross proceeds to be raised from the Proposed Private Placement are dependent on the eventual issue price and the actual number of Placement Shares to be issued. Any variance between the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for funding for the Group's existing and new projects.

Pending utilisation of the proceeds from the Proposed Private Placement, the proceeds shall be placed in deposits with licensed financial institutions and/or short-term money market instruments. Any interest derived from such deposits or gains arising from such short-term money market instruments will be used as additional funds for the Group's existing and new projects (as mentioned above).

2.2 Proposed Free Warrants Issue

2.2.1 Basis and number of Warrants to be issued

The Proposed Free Warrants Issue entails the issuance of up to 187,000,000 Warrants on the basis of 1 Warrant for every 2 existing Shares held by the Entitled Shareholders on the Entitlement Date.

The maximum number of 187,000,000 Warrants that can be issued under the Proposed Free Warrants Issue was determined based on 340,000,000 issued Shares as at the LPD and assuming a maximum of 34,000,000 Placement Shares are issued pursuant to the Proposed Private Placement.

The actual number of Warrants to be issued pursuant to the Proposed Free Warrants Issue will be dependent on the total number of issued Shares held by the Entitled Shareholders on the Entitlement Date for the Proposed Free Warrants Issue after taking into consideration any new Shares that may be issued arising from the Proposed Private Placement.

The Proposed Free Warrants Issue complies with the Rule 6.51 of the Listing Requirements ⁽¹⁾.

Fractional entitlements arising from the Proposed Free Warrants Issue, if any, will be disregarded and shall be dealt with by the Board in such manner at its absolute discretion as the Board may deem fit and expedient in order to minimise the incidence of odd lots and in the best interest of the Company.

The Entitlement Date will be determined and announced at a later date by the Board upon receipt of all relevant approvals. The Proposed Free Warrants Issue will be implemented in a single tranche and is not intended to be implemented in stages over a period of time.

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 (i.e. warrants and convertible preference shares) does not exceed 50.00% 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.

2.2.2 Indicative salient terms of the Warrants

The Warrants shall have a tenure of 3 years at the exercise price which shall be determined and fixed by the Board and announced at a later date, after obtaining the relevant approvals. The Warrants will be issued in registered form and constituted by the provisions of the deed poll constituting the Warrants to be executed by the Company ("**Deed Poll**"). The indicative salient terms of the Warrants are set out in **Appendix I** of this announcement.

2.2.3 Basis and justification for the exercise price of the Warrants

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

The exercise price of the Warrants will be determined by the Board at a later date after all relevant approvals have been obtained, and after taking into consideration the following:

- (i) the historical price movement of Ecoscience Shares;
- (ii) the 5D-VWAMP of Ecoscience Shares and prevailing market conditions; and
- (iii) the future funding requirements of the Group.

In any event, the exercise price of the Warrants shall be based on reference to the 5D-VWAMP of Ecoscience Shares up to and including the date prior to the price-fixing date, without any discount or premium being accorded. As at the LPD, the 5D-VWAMP of Ecoscience Shares is RM0.3654. For the purpose of illustration only, the indicative exercise price of the Warrants is assumed at RM0.37 per Warrant, which approximates the said 5D-VWAMP of Ecoscience Shares (rounded to the nearest 2 decimal places) ("**Assumed Exercise Price**").

The Board wishes to emphasise that the Assumed Exercise Price should not be taken as an indication of or reference to the actual exercise price of the Warrants, as it will only be determined and announced at a later date.

2.2.4 Ranking of the Warrants and the new Ecoscience Shares to be issued arising from the exercise of the Warrants

The holders of the Warrants ("**Warrant Holders**") will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in Ecoscience until and unless such Warrant Holders exercise their Warrants into new Ecoscience Shares.

The new Ecoscience Shares to be issued upon the exercise of the Warrants shall, upon allotment, issuance and full payment of the exercise price, rank equally in all respects with the then existing Ecoscience Shares, save and except that they shall not be entitled to participate in any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of the new Ecoscience Shares.

2.2.5 Listing and quotation of the Warrants and new Ecoscience Shares to be issued arising from exercise of the Warrants

An application will be made to Bursa Securities for:

- (i) the admission of the Warrants to the Official List of Bursa Securities; and
- (ii) the listing and quotation of the Warrants and new Shares to be issued arising from the exercise of the Warrants on the ACE Market of Bursa Securities.

The Warrants to be issued in relation to the Ecoscience Shares held by the specified shareholders of the Company which are currently under moratorium (as set out in the prospectus of Ecoscience dated 21 June 2022), as well as new Ecoscience Shares to be issued arising from the exercise of the Warrants, will also be subject to a similar moratorium.

2.2.6 Utilisation of proceeds

The Proposed Free Warrants Issue is not expected to raise any immediate funds as the Warrants will be issued at no cost to the Entitled Shareholders.

The eventual proceeds to be raised from the exercise of the Warrants (if any) is dependent on the number of Warrants exercised during the tenure of the Warrants as well as the exercise price of the Warrants, which will be determined and fixed at a later date.

As such, the exact timeframe and the breakdown for the utilisation of the proceeds are not determinable at this juncture. The Company expects to utilise the proceeds from the exercise of Warrants within 24 months from the date of receipt of the proceeds.

For illustration purposes, the gross proceeds to be raised upon full exercise of the Warrants based on the Assumed Exercise Price are set out below:

No. of Warrants	187,000,000
Total gross proceeds to be raised assuming full exercise of Warrants (RM)	69,190,000

The Company intends to utilise the proceeds arising from the exercise of the Warrants, if any, for the Group's working capital requirements. The proceeds raised from the exercise of the Warrants will be utilised to finance the Group's day-to-day operations, including the payment to suppliers and subcontractors as well as defrayment of operational and administrative expenses (e.g., staff costs, rental expenses, utility charges, transportation costs and upkeep of property, plant and equipment). The allocation of proceeds to be utilised for each component of working capital is subject to the Group's operational requirements at the time of utilisation. As such, the detailed allocation can only be determined by the Board at a later date.

Pending utilisation of the proceeds to be raised as and when the Warrants are exercised, the proceeds shall be placed in deposits with licensed financial institutions and/ or short-term money market instruments. Any interest derived from such deposits or gains arising from such short-term money market instruments will be used as additional funds for the working capital requirements (as mentioned above) of the Group.

3. RATIONALE AND JUSTIFICATION OF THE PROPOSALS

3.1 Proposed Private Placement

The Proposed Private Placement will enable the Group to raise funds to finance its existing and new projects as detailed in Section 2.1.6 of this announcement.

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 it will:

- (i) enable the Company to raise additional funds without incurring interest cost as compared to bank borrowings; and
- (ii) enable the Company to raise funds expeditiously as compared to other forms of equity fund-raising such as rights issue, which would typically entail a longer implementation process.

Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen the financial position of the Company.

3.2 Proposed Free Warrants Issue

After due consideration of various methods, the Board is of the view that the Proposed Free Warrants Issue is the most appropriate method of rewarding the existing shareholders of the Company, after taking into account the following:

- (i) enable existing shareholders of Ecoscience to participate in convertible securities of the Company, which are tradable on the ACE Market of Bursa Securities, without incurring any cost;
- (ii) provide existing shareholders of Ecoscience with an opportunity to increase their equity participation in the Company at a pre-determined exercise price over the tenure of the Warrants;
- (iii) allow existing shareholders of the Company to further participate in the future growth of the Company when the Warrants are exercised; and
- (iv) strengthen the capital base and shareholders' funds of the Company as well as provide additional working capital for the Group, as and when the Warrants are exercised.

4. DETAILS OF EQUITY FUND-RAISING EXERCISE UNDERTAKEN IN THE PAST 12 MONTHS

Ecoscience has not undertaken any other equity fund-raising exercise in the past 12 months before the announcement of the Proposals.

5. OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded moderately in the second quarter (“2Q”) of 2023 (2.9%; first quarter (“1Q”) 2023: 5.6%), weighted mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages. Meanwhile, investment activity was underpinned by capacity expansion, progress of multi-year projects and higher fixed asset spending by the government. Continued recovery in inbound tourism partially offset the slower goods export growth. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when the economy experienced strong growth from reopening effects and policy measures. On the supply side, the services and construction sectors continued to support growth. Meanwhile, production in the agriculture and mining sectors were affected by hot weather and plant maintenance. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (1Q 2023: 0.9%).

Headline inflation during the quarter continued to moderate to 2.8% (1Q 2023: 3.6%). The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation, while declining, remained elevated relative to its long-term average (2011-2019 average: 2.0%). The moderation in core inflation (2Q 2023: 3.4%; 1Q 2023: 3.9%) was largely contributed by selected services. This included food away from home, telephone and telefax services, and personal transport repair and maintenance. Inflation pervasiveness declined as the share of Consumer Price Index (CPI) items recording monthly price increases moderated to 42.7% during the quarter (1Q 2023: 56.0%), below the second quarter long-term average (2011-2019) of 43.9%. Notably, inflation pervasiveness dropped in June after a transitory uptick in May following the festive season.

With the challenging global environment, the Malaysian economy is projected to expand close to the lower end of the 4.0% to 5.0% range in 2023. Growth will continue to be supported by domestic demand amid improving employment and income as well as implementation of multi-year projects. Tourist arrivals are expected to continue rising, which would support tourism-related activities.

For the second half of 2023, both headline and core inflation are projected to trend lower within expectations, partly due to the higher base in the corresponding period last year. Nonetheless, risks to the inflation outlook are subject to the changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2023, Bank Negara Malaysia)

5.2 Overview and outlook of the Gabon economy

Real gross domestic product (“GDP”) in Gabon grew 3.0% in 2022, up from 1.5% in 2021, due to the healthy state of the oil sector (which grew 7.1%) and the nonoil sector (which grew 2.3%). Growth in the oil sector was driven by the 45.3% rise in oil price associated with the 6.1% increase in oil production in 2022, and growth in the nonoil sector was driven by agriculture (which grew 4.9%), forestry (which grew 6.5%), and transportation (which grew 4.2%). The Bank of Central African States tightened monetary policy in 2022 by raising key rates several times to respond to inflationary pressures and boost foreign reserves.

Inflation rose to 4.2% in 2022 from 1.1% in 2021 due to higher food prices and the effects of Russia’s invasion of Ukraine. The fiscal balance turned to a surplus of 0.8% in 2022 from a deficit of 1.1% in 2021 due to higher oil revenue (up 51.8%). Debt fell to 52.6% of GDP in 2022 from 66.0% in 2021 thanks to lower financing needs. Reserves, which are used to finance the debt, dropped from 3.0 months of import cover in 2021 to 2.64 in 2022. The current account deficit was 1.2% in 2022 thanks to 45.7% growth in exports of goods and services.

Real GDP is projected to grow 2.7% in 2023 and 2.8% in 2024 due to high demand for export products (oil, manganese, wood, palm oil) and continued economic reforms. The budget balance is projected to remain in surplus, at 1.6% in 2023 and 1.2% in 2024. The current account balance is likely to narrow to 1.9% of GDP in 2023 before widening slightly to 2.1% in 2024. Inflation is projected to rise to 3.8% in 2023, still above the 3% target due to effects of Russia's invasion of Ukraine, before dropping to 2.9% in 2024.

(Source: African Economic Outlook 2023 – Mobilising Private Sector Financing for Climate and Green Growth in Africa, African Development Bank Group)

5.3 Overview and prospects of the palm oil industry in Malaysia

The Malaysian oil palm industry fared better in 2022 compared to 2021 with slight increase in crude palm oil (“CPO”) production and export. With the exception of the second quarter of 2022, the production of CPO recorded higher performance in other quarters as compared to the same period in 2021. The year 2022 ended with higher CPO production by 1.9% and palm oil export by 0.9%. Other key industry indicators also witnessed higher performance such as yield of fresh fruit bunches (FFB) and palm oil stocks, while national oil extraction rate (OER) and imports of palm oil witnessed declines. The tight supply situation had pushed prices to a new record of high annual average price at RM5,087.50 per tonne in the palm oil history and boosted total export revenue to RM137.89 billion.

The total oil palm planted area was recorded at 5.67 million hectares in 2022, a decrease of 1.1% as against 5.74 million hectares in the previous year. Sarawak remained as the largest oil palm planted state with 1.62 million hectares or 28.6% of the total Malaysian oil palm planted area, followed by Sabah with 1.51 million hectares or 26.6%. Oil palm planted area in Peninsular Malaysia amounted to 2.54 million hectares or 44.8%.

Total exports of palm oil and other palm-based products in 2022 amounted to 24.72 million tonnes, higher by 1.8% from 24.28 million tonnes recorded in 2021. Total export earnings also rose by 27.1% to RM137.89 billion as against RM108.52 billion in 2021 because of higher prices. In 2022, export earnings of palm oil alone surged significantly by 27.7% to RM82.49 billion as against RM64.61 billion in 2021. Similarly, palm oil export volume increased marginally by 0.9% to 15.71 million tonnes as compared to the previous year attributed to higher demand, particularly from UAE, Saudi Arabia, Japan, Bangladesh, Egypt and Turkiye.

Imports of palm oil decreased by 3.2% to 1.14 million tonnes in 2022 as compared to 1.18 million tonnes recorded in 2021. The decreased in imports was due to higher domestic production of palm oil by 1.9% or 337,066 tonnes. Almost all palm oil imports (both crude and processed) were sourced from Indonesia.

Palm oil end stocks in December 2022 closed higher for the second consecutive year in 2022 by 0.58 million tonnes or 36.0% to 2.20 million tonnes vis-à-vis 1.61 million tonnes in December 2021. The higher stocks were primarily due to higher CPO production by 1.9% or 0.34 million tonnes and higher palm oil opening stocks by 27.6% or 0.35 million tonnes as compared to that of in 2021.

In 2022, the prices of all oil palm products were traded higher. CPO price was traded higher by 15.4% or RM680.50 per tonne to RM5,087.50 per tonne as compared to RM4,407.00 per tonne in 2021. The highest traded price for 2022 was in May at RM6,873.00 per tonne, while the lowest was in October at RM3,682.00 per tonne. A number of factors accounted for the higher CPO prices in 2022 such as firmer prices of soybean and Brent crude oils in the global market, weaker Ringgit as against the US dollar, which made palm oil more competitive than other vegetable oils and the prolonged Ukraine-Russia war, which disrupted the sunflower oil supply chain globally, causing a surge in the demand for palm oil as a replacement for sunflower oil. Aside of this, the higher prices were also supported by Indonesia's CPO export ban and increased export levies, India's lower vegetable oil import duty and drought in Argentina, which kept supply tensions high in the oilseeds market and led to higher vegetable oil prices.

(Source: Overview of the Malaysian Oil Palm Industry 2022, Malaysian Palm Oil Board)

The agriculture sector turned around by 0.1% in 2022, mainly driven by the recovery in the oil palm subsector following firmer prices, the gradual return of foreign workers to the plantation industry and improved fresh fruit bunches yield, particularly in the second half of the year. The production of CPO increased by 1.9% to 18.5 million tonnes, mainly attributed to higher output from Peninsular Malaysia and Sarawak.

The agriculture sector is projected to expand in 2023 following continuous improvement in oil palm, livestock and fishing subsectors. The oil palm subsector is expected to grow supported by an increase in CPO production, as a result of the improved labour supply. In line with the expectation of better production, the average CPO price is forecast around RM4,000 per tonne. Furthermore, external factors including availability of other edible oils also projected to weigh on CPO price.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance Malaysia)

The agriculture sector is forecast to grow by 0.7% in 2023.

(Source: Economic and Monetary Review 2022, Bank Negara Malaysia)

5.4 Overview and prospects of the palm oil industry in Gabon

Since 2014, Gabon has been laying the foundations for agricultural development through a project entitled, “Gabonese Agricultural Achievement and Engaged National Initiatives” (the GRAINE Project). The project is funded by the Gabonese government through international loans provided by the African Development Bank and the World Bank. Olam was awarded the implementation and management contracts. In 2021, Olam Palm Gabon, a joint venture with the government of Gabon, delivered net volumes of CPO close to 100,000 tons, including 22,000 tons of refined palm oil.

(Source: Gabon - Country Commercial Guide, International Trade Administration, U.S. Department of Commerce)

5.5 Prospects of the Group

Ecoscience is an investment holding company. Through its subsidiaries, the Group is mainly involved in the construction of the palm oil mills and supporting facilities including fabrication of palm oil milling equipment.

The Group will continue to focus on its core competencies in the construction of palm oil mills and supporting facilities, and fabrication of equipment as well as to explore business opportunities with prospective new customers to grow its customer base, including covering new geographical markets.

In addition, the Group will implement the following business strategies and plans:

- (a) to establish new fabrication facility and office in Indonesia; and
- (b) to expand its environmental and energy efficiency business.

Barring any unforeseen circumstances, the Group remains cautiously optimistic of its performance driven by its existing on-going projects as well as new projects expected to be secured for the subsequent quarters of 2023. The Group will also continue to tender and secure new projects to sustain its order book.

(Source: Management of Ecoscience)

6. EFFECTS OF THE PROPOSALS

6.1 Issued share capital

The pro forma effects of the Proposals on the issued share capital of Ecoscience as at the LPD are as follows:

Details	No. of Shares	RM
Issued share capital as at the LPD	340,000,000	74,991,180
Placement Shares to be issued	34,000,000	⁽¹⁾ 11,220,000
	374,000,000	86,211,180
Assuming full exercise of the Warrants	187,000,000	⁽²⁾ 69,190,000
Enlarged issued share capital	561,000,000	155,401,180

Notes:

(1) Assuming 34,000,000 Placement Shares are issued at the Illustrative Issue Price.

(2) Assuming 187,000,000 Warrants are exercised at the Assumed Exercise Price.

6.2 Net assets ("NA") per Share and gearing

The pro forma effects of the Proposals on the NA per Share and gearing of the Group based on its audited consolidated statements of financial position as at 31 December 2022 are as follows:

		(I)	(II)	(III)
	Audited as at 31 December 2022	After the Proposed Private Placement	After (I) and the Proposed Free Warrants Issue	After (II) and assuming full exercise of Warrants
	RM'000	RM'000	RM'000	RM'000
Share capital	74,991	⁽¹⁾ 86,211	86,211	⁽²⁾ 155,401
Merger deficit	(45,209)	(45,209)	(45,209)	(45,209)
Foreign exchange translation reserve	(462)	(462)	(462)	(462)
Retained earnings	43,667	⁽³⁾ 43,552	⁽⁴⁾ 43,267	43,267
Shareholders' funds/ NA	72,987	84,092	83,807	152,997
No. of Shares in issue ('000)	340,000	374,000	374,000	561,000
NA per Share (RM)	0.21	0.22	0.22	0.27
Total borrowings	54,714	⁽⁵⁾ 51,714	51,714	51,714
Gearing (times)	0.75	0.61	0.62	0.34

Notes:

- (1) Assuming 34,000,000 Placement Shares are issued at the Illustrative Issue Price.
- (2) Assuming all 187,000,000 Warrants are exercised at the Assumed Exercise Price.
- (3) After deducting estimated expenses of approximately RM0.12 million relating to the Proposed Private Placement.
- (4) After deducting estimated expenses of approximately RM0.29 million relating to the Proposed Free Warrants Issue.
- (5) After adjusting for utilisation of proceeds arising from the Proposed Private Placement amounting to RM3.00 million which is earmarked for the repayment of bank borrowings.

6.3 Earnings and earnings per Share ("EPS")

The Proposals are not expected to have any material effect on the earnings of the Group for the financial year ending 31 December 2023. However, the EPS of the Group is expected to be diluted as a result of the increase in the number of Shares arising from the Proposals.

The effect of the Proposals on the future earnings and EPS of the Group cannot be ascertained at this juncture as it would depend on, among others, the actual issue price of the Placement Shares, the actual exercise price of the Warrants, the number of Shares issued pursuant to the exercise of Warrants at any point in time, the potential benefits from the utilisation of proceeds and the Group's future earnings.

6.4 Convertible securities

As at the LPD, there are no convertible securities issued by the Company.

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6.5 Substantial shareholders' shareholdings

The pro forma effects of the Proposals on the shareholdings of the substantial shareholders of Ecoscience based on the register of substantial shareholders of the Company as at the LPD are set out below:

Substantial shareholders	As at the LPD				(I) After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Wong Choi Ong	13,928,000	4.10	⁽⁴⁾ 153,117,000	45.03	13,928,000	3.72	⁽⁴⁾ 153,117,000	40.94
Pan Kum Wan	-	-	⁽⁵⁾ 164,393,927	48.35	-	-	⁽⁵⁾ 164,393,927	43.96
Rajawali Wang Sdn Bhd	153,000,000	45.00	-	-	153,000,000	40.91	-	-
Caiwan Capital Sdn Bhd	-	-	⁽⁶⁾ 153,000,000	45.00	-	-	⁽⁶⁾ 153,000,000	40.91
Visionary Support Sdn Bhd	-	-	⁽⁶⁾ 153,000,000	45.00	-	-	⁽⁶⁾ 153,000,000	40.91
Dynagear Technologies Sdn Bhd	-	-	⁽⁶⁾ 153,000,000	45.00	-	-	⁽⁶⁾ 153,000,000	40.91
Placee(s) (collectively)	-	-	-	-	34,000,000	9.09	-	-

Substantial shareholders	(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect	
	No. of Shares	(3)%	No. of Shares	(3)%
Wong Choi Ong	20,892,000	3.72	⁽⁴⁾ 229,675,500	40.94
Pan Kum Wan	-	-	⁽⁵⁾ 246,590,890	43.96
Rajawali Wang Sdn Bhd	229,500,000	40.91	-	-
Caiwan Capital Sdn Bhd	-	-	⁽⁶⁾ 229,500,000	40.91
Visionary Support Sdn Bhd	-	-	⁽⁶⁾ 229,500,000	40.91
Dynagear Technologies Sdn Bhd	-	-	⁽⁶⁾ 229,500,000	40.91
Placee(s) (collectively)	51,000,000	9.09	-	-

Notes:

(1) Based on the total number of issued Shares of 340,000,000 as at the LPD.

- (2) Based on the enlarged number of issued Shares of 374,000,000, assuming full issuance of Placement Shares pursuant to the Proposed Private Placement.
- (3) Based on the enlarged number of issued Shares of 561,000,000, assuming full issuance of Placement Shares pursuant to the Proposed Private Placement and full exercise of Warrants pursuant to the Proposed Free Warrants Issue.
- (4) Deemed interested by virtue of his indirect shareholdings in Rajawali Wang Sdn Bhd through Caiwan Capital Sdn Bhd and Visionary Support Sdn Bhd pursuant to Section 8 of the Act and indirect interest held through his daughter, Wong Pei Li's shareholdings in the Company.
- (5) Deemed interested by virtue of his indirect shareholdings in Rajawali Wang Sdn Bhd through Dynagear Technologies Sdn Bhd and Visionary Support Sdn Bhd pursuant to Section 8 of the Act and indirect interest held through his spouse, Li Siok Go's and his sons, Pan Ching Looi's and Pan Ching Yeong's shareholdings in the Company.
- (6) Deemed interested by virtue of its shareholdings in Rajawali Wang Sdn Bhd pursuant to Section 8 of the Act.

7. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities for the following:
 - (a) listing and quotation of up to 34,000,000 new Ecoscience Shares to be issued pursuant to the Proposed Private Placement;
 - (b) the admission of up to 187,000,000 Warrants to the Official List of Bursa Securities;
 - (c) the listing and quotation of up to 187,000,000 Warrants on the ACE Market of Bursa Securities; and
 - (d) the listing and quotation of up to 187,000,000 new Ecoscience Shares to be issued arising from the exercise of the Warrants on the ACE Market of Bursa Securities;
- (ii) the approval from the shareholders of Ecoscience for the Proposed Free Warrants Issue at an extraordinary general meeting to be convened; and
- (iii) any other relevant authorities and/or parties, if required.

8. INTER-CONDITIONALITY

The Proposals are not conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE COMPANY AND/OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders of the Company, chief executive and/or persons connected with them have any interest, direct and/or indirect, in the Proposals, other than their respective entitlements as shareholders of the Company under the Proposed Free Warrants Issue, the rights of which are also available to all other existing shareholders of the Company as at the Entitlement Date.

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

11. PRINCIPAL ADVISER AND PLACEMENT AGENT

HLIB has been appointed by the Company to act as the Adviser for the Proposals and Placement Agent for the Proposed Private Placement.

12. APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities will be made within 1 month from the date of this announcement.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposals are expected to be completed by the fourth quarter of 2023.

This announcement is dated 22 August 2023.

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APPENDIX I – INDICATIVE SALIENT TERMS OF THE WARRANTS

The indicative salient terms of the Warrants are set out as follows:

Terms	Details
Issuer	: Ecoscience
Issue size	: Up to 187,000,000 Warrants
Form and denomination	: The Warrants will be issued in registered form and constituted by a Deed Poll to be executed by the Company and as may be supplemented from time to time.
Tenure	: 3 years commencing from and inclusive of the date of the issuance of the Warrants (" Issue Date ").
Exercise Period	: The Warrants may be exercised at any time within the Tenure of the Warrants commencing from and including the Issue Date and ending at 5.00 p.m. (Malaysia time) on the Expiry Date. Any Warrants which have not been exercised at the close of business of the Expiry Date will thereafter lapse and cease to be valid.
Exercise Price	: The exercise price of the Warrants shall be determined and fixed by the Board and announced at a later date, after obtaining the relevant approvals. The basis of determining the exercise price of the Warrants is set out in Section 2.2.3. The exercise price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Exercise Rights	: Each Warrant shall entitle its Warrant Holders to subscribe for 1 new Ecoscience Share at any time during the Exercise Period and at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll.
Expiry Date	: The close of business at 5.00 p.m. in Malaysia on the day immediately preceding the third anniversary of the Issue Date. If such day is not a market day, then it shall be on the immediate preceding market day.
Board lot	: For the purpose of trading on Bursa Securities, and subject to such conditions which Bursa Securities may impose from time to time, a board lot of Warrants shall be 100 Warrants or such other denomination as determined by Bursa Securities.
Mode of exercise	: Warrant Holders are required to lodge an exercise form with the Company's share registrar which is duly completed, signed and stamped together with payment by way of banker's draft or cashier's order (drawn on a bank operating in Malaysia) or money order or postal order (issued by a post office in Malaysia) or with a remittance by way of internet bank transfer to the designated bank account via online payment gateway for the exercise form for the aggregate of the exercise price payable when exercising their Warrants to subscribe for new Shares. The payment of such fee must be made in Ringgit Malaysia.
Adjustment in the exercise price and/or the number of Warrants	: The exercise price and/or the number of Warrants held by each Warrant Holder may from time to time be adjusted in the event of any alteration to the share capital of the Company during the Tenure in accordance with the provisions as set out in the Deed Poll. Any adjustments to the exercise price and/or number of Warrants must be done in full compliance with Rule 6.55(3)(b) of the Listing Requirements.

APPENDIX I – INDICATIVE SALIENT TERMS OF THE WARRANTS

Terms	Details
Ranking of the new Ecoscience Shares to be issued pursuant to the exercise of the Warrants	<p>The new Ecoscience Shares to be issued upon the exercise of the Warrants shall, upon allotment and issuance, shall rank equally in all respects with the then existing Ecoscience Shares, save and except that they shall not be entitled to participate in any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of the new Ecoscience Shares.</p>
Modification of rights of the Warrant Holders	<p>Subject to the approval of any relevant authority as required under law, any modification, amendment or addition to the Deed Poll must be:</p> <ul style="list-style-type: none"> (i) approved by the Warrant Holders sanctioned by special resolution; (ii) effected by a supplemental Deed Poll; (iii) executed by the Company and expressed to be supplemental; and (iv) comply with the requirements of the Deed Poll. <p>The Company may from time to time without the consent of the Warrant Holders but in accordance with the terms of the Deed Poll, effect:</p> <ul style="list-style-type: none"> (i) any modification to the Warrant or the Deed Poll which, in the opinion of the Company, is not materially prejudicial to the interest of the Warrant Holders; or (ii) any modification to the Warrant or the Deed Poll, which in the opinion of the Company, is to correct a manifest error or to comply with mandatory provisions of Malaysian law, Rules of the Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act, 1991 and/or Listing Requirements.
Rights of the Warrant Holders	<p>The Warrants do not entitle Warrant Holders to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of further securities in the Company until and unless such Warrant Holders become shareholders of the Company by exercising their Warrant for new Ecoscience Shares in accordance with the terms and provisions of the Deed Poll.</p>

APPENDIX I – INDICATIVE SALIENT TERMS OF THE WARRANTS

Terms	Details
Rights in the event of winding up, liquidation or an event of default	<p>As long as any of the Exercise Rights remain exercisable, where a resolution has been passed for a members' voluntary winding-up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for reconstruction of the Company or the amalgamation of the Company with one or more companies, then:-</p> <p>(i) if such winding-up, compromise or scheme of arrangement is one in which the Warrant Holders, or some persons designated by them for such purpose by a special resolution shall be a party, the terms of such winding up, compromise or scheme of arrangement shall be binding on all the Warrant Holders; or</p> <p>(ii) in any other case and to the extent permitted by law, every Warrant Holder shall be entitled, upon and subject to the terms and conditions of the Warrants 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 (whichever is later) from the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants together with the duly completed exercise form and payment of the relevant exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement (as the case may be), exercised the Exercise Rights represented by such Warrant to the extent specified in the exercise form(s) and had on such date been the holder of the new Shares arising from the exercise of the Warrant, to which he/she would have become entitled to receive out of the assets of the Company which would be available in liquidation, and the liquidator of the Company shall give effect to such election accordingly. All Exercise Rights, which have not been exercised within the above 6 weeks of either passing of such resolution for the winding up or the granting of the court order for the approval of such compromise or arrangement, as the case may be, shall lapse and the Warrant will cease to be valid for any purpose.</p> <p>Subject to the foregoing, if the Company is wound up (other than by way of a members' voluntary winding up), all Exercise Rights which have not been exercised prior to the date of commencement of the winding up shall lapse and the Warrants will cease to be valid for any purpose.</p>
Listing	: The Warrants will be listed on the ACE Market of Bursa Securities.
Transferability	: The Warrants shall be transferable in accordance with the provisions of the Deed Poll, subject to the provisions of the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.
Governing Law	: Laws of Malaysia.