

NESTCON BERHAD ("NESTCON" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT

Unless otherwise stated, the information set out in this announcement is updated to 28 June 2024, being the latest practicable date prior to the date of this announcement ("LPD").

1. INTRODUCTION

On behalf of the Board of Directors of Nestcon ("**Board**"), M & A Securities Sdn Bhd wishes to announce that the Company proposes to undertake a private placement of up to 70,820,000 new ordinary shares in Nestcon ("**Nestcon Share(s)**" or "**Share(s)**") ("**Placement Share(s)**"), representing not more than 10% of the total number of issued shares of the Company ("**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**") obtained from the shareholders of the Company at its 4th Annual General Meeting ("**AGM**") held on 30 May 2024, whereby the Board has been authorised to allot and issue new Shares not exceeding 10% of the issued shares in the Company (excluding treasury shares) ("**General Mandate**"). The approval, unless revoked or varied by an ordinary resolution at a general meeting of the Company, will continue to be in force until the conclusion of the next AGM of the Company.

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

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

As at LPD, the Company has an issued share capital of RM123,999,990 comprising 708,204,000 Nestcon Shares. In addition, the Company does not have treasury shares and outstanding convertible securities as at LPD.

The Proposed Private Placement entails the issuance of up to 70,820,000 Placement Shares, representing not more than 10% of the existing number of issued Shares as at LPD. The actual number of Nestcon Shares to be issued pursuant to the Proposed Private Placement will be determined at a later date, after obtaining the relevant approvals.

Subject to the prevailing market conditions, the Proposed Private Placement may be implemented in multiple tranches, if required, within 6 months from the date of approval from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the Proposed Private Placement (depending on investors' interest at the point of implementation) or any extended period as may be approved by Bursa Securities.

2.2 Basis of arriving at the issue price of the Placement Shares

The issue price of each tranche of the Placement Shares, where applicable, shall be determined separately and fixed by the Board at a later date after obtaining the relevant approvals for the Proposed Private Placement.

The Board will take into consideration amongst others, the prevailing market conditions and the provisions of Rule 6.05(a) of the ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), in determining the issue price of the Placement Shares. The issue price shall be at a discount of not more than 10% to the five (5)-day volume weighted average market price of Nestcon Shares immediately preceding the price fixing date(s) ("**5D-VWAMP**"). The mechanism to determine the issue price of the Placement Shares is in accordance with market-based principles.

For illustration purpose, the issue price per Placement Share is assumed to be RM0.385 ("**Indicative Issue Price**"). The Indicative Issue Price represents a discount of approximately 8.85% to the 5D-VWAMP of Nestcon Shares up to and including LPD of RM0.4224.

2.3 Placement arrangement

The Placement Shares will be placed to independent investor(s) to be identified ("**Placee(s)**"). In accordance with Rule 6.05(c) of the Listing Requirements, the Placement Shares will not be placed to the following parties:

- (i) the interested director, interested major shareholder or interested chief executive of Nestcon or a holding company of Nestcon (if applicable), or interested person(s) connected with such director, major shareholder or chief executive; and
- (ii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Additionally, the Placees shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing issued Nestcon Shares, save and except that the holders of 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, for which the relevant entitlement date precedes the date of allotment of the Placement Shares.

2.5 Listing of and quotation for the Placement Shares

Nestcon shall make an application to Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

2.6 Utilisation of proceeds

Based on the Indicative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of up to RM27.27 million. The proceeds raised are expected to be utilised in the following manner:

	RM'000	Notes	Expected time frame for utilisation of proceeds (from listing date)
Repayment of bank borrowings	22,000	(i)	Within 6 months
Working capital	4,581	(ii)	Within 12 months
Estimated expenses for the Proposed Private Placement	685	(iii)	Within 1 month
Total estimated proceeds	<u>27,266</u>		

Notes:

(i) Repayment of bank borrowings

As at LPD, the total bank borrowings of the Group are approximately RM262.86 million, of which RM41.53 million are long-term borrowings and RM221.33 million are short-term borrowings.

The Group proposes to earmark RM22.00 million from the proceeds of the Proposed Private Placement for the partial repayment of its existing bank borrowings in the following manner:

Type of facility	Purpose of bank borrowings	Amount outstanding as at LPD	Proposed repayment amount	Effective interest rate per annum	Estimate interest savings per annum from the repayment
		RM'000	RM'000	%	RM'000
Revolving credit	Working capital	29,810	14,000	5.9-6.3	842
Overdraft	Working capital	63,003	4,500	7.8	351
Invoice financing	Working capital	63,335	3,500	6.6	231
Total		<u>156,148</u>	<u>22,000</u>		<u>1,424</u>

The effective interest rate of the above bank borrowings ranges between 5.9% to 7.8% per annum, and the repayment of bank borrowings amounting to RM22.00 million is expected to result in an annual interest savings of approximately RM1.42 million.

(ii) Working capital

The Group's working capital requirements are expected to increase in line with the prospects of the Group as set out in Section 4.4 below. As such, the Company intends to utilise RM4.58 million of the proceeds for the construction projects as well as engineering, procurement, construction and commissioning ("**EPCC**") of solar photovoltaic ("**PV**") systems projects of Nestcon and its subsidiaries ("**Nestcon Group**" or "**Group**"), as detailed below:

(a) Construction projects

Since 1 January 2024 up to LPD, the Group secured 8 construction projects with a total contract value amounting to RM657.44 million. As at LPD, the Group has an unbilled order book of approximately RM1.88 billion from a total of 35 ongoing construction projects which is expected to be progressively completed between FYE 2024 and FYE 2027.

The Company intends to utilise RM3.00 million from the Proposed Private Placement to purchase construction materials such as steel, concrete and diesel for the Group's ongoing construction projects.

(b) EPCC of solar PV systems projects

Since 1 January 2024 up to LPD, the Group secured 14 EPCC of solar PV systems projects with a total contract value amounting to RM31.97 million. As at LPD, the Group has an unbilled order book of approximately RM39.44 million from a total of 35 ongoing EPCC of solar PV systems projects which is expected to be progressively completed between FYE 2024 and FYE 2025.

The Company intends to utilise approximately RM1.58 million from the Proposed Private Placement to purchase solar PV systems materials such as solar panels, inverters and cables for the Group's EPCC of solar PV systems projects.

The actual breakdown of the working capital expenses for the Group's ongoing construction projects and EPCC of solar PV systems projects is subject to the Group's operational requirements arising from the Group's ongoing construction projects and EPCC of solar PV systems projects at the time of utilisation and as such can only be determined at a later stage. Any balance/ shortfall required to fund the working capital of these ongoing construction projects and EPCC of solar PV systems projects will be financed through the Group's internally-generated funds and/ or bank borrowings.

(iii) Estimated expenses for the Proposed Private Placement

Consisting of mainly professional fees, placement fees, fees payable to Bursa Securities and other ancillary expenses. Any surplus or shortfall for the payment of expenses for the Proposed Private Placement will be adjusted accordingly against the amount allocated for working capital.

The actual proceeds to be raised from the Proposed Private Placement will be dependent on the issue price of the Placement Shares and actual number of Placement Shares to be issued. In the event that the actual proceeds raised are lower, the proceeds will firstly be utilised to defray the estimated expenses for the Proposed Private Placement followed by the amount allocated for the repayment of bank borrowings. The balance, if any, will be utilised for working capital.

Pending full utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institution(s) as the Board deems fit. The interest derived from the deposits with financial institutions will be used as additional funds for the Group's working capital.

2.7 Details of equity fund raising exercises undertaken in the past 12 months

Save as disclosed below, the Company has not undertaken any other equity fund-raising exercises in the past 12 months prior to the date of this announcement.

On 31 January 2024, the Company had completed a private placement of 64,382,000 new Nestcon Shares ("**Placement Shares 2022**") and raised total gross proceeds of approximately RM23.18 million ("**Private Placement 2022**").

Tranche	Date of listing	Issue price	Number of Shares	Gross proceeds raised
		RM		RM'000
1	29 September 2022	0.360	13,000,000	4,680
2	30 December 2022	0.435	12,250,000	5,329
3	31 March 2023	0.360	13,000,000	4,680
4	31 January 2024	0.325	26,132,000	8,493
		Total	64,382,000	23,182

As at LPD, the entire proceeds from the Private Placement 2022 have been utilised as follows:

Details of utilisation	Actual proceeds raised	Actual utilisation up to LPD
	RM'000	RM'000
Building, civil engineering and infrastructure segments:		
• Rental of machineries and equipment	4,639	4,639
• Purchase of reinforcement steel	8,161	8,161
• Payment to subcontractors	7,171	7,171
Purchase of solar panels for renewable energy segment	3,000	3,000
Estimated expenses for the Private Placement 2022	211	211
	23,182	23,182

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3. RATIONALE

The Proposed Private Placement will strengthen the capital position of Nestcon and allow the Group to raise the necessary funding for the purpose as set out in Section 2.6 above.

After due consideration of other methods of fund-raising, such as rights issue and bank borrowings, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund-raising at this juncture for the following reasons:

- (i) the Proposed Private Placement will provide the Group an expeditious and cost-effective way of raising funds from the capital market as opposed to a pro-rata issuance of securities such as rights issue, which would typically take a longer time to implement. In addition, the Company will also have to incur costs to procure underwriting arrangements in order to ensure that a minimum level of proceeds can be raised under a rights issue;
- (ii) the Group would be able to raise the requisite funds for the purpose as set out in Section 2.6 above without incurring interest costs associated with bank borrowings or issuance of debt instruments. This will enable the Group to preserve its future cash flow to meet its reinvestment and/or operational needs; and
- (iii) the Proposed Private Placement will improve the liquidity and financial flexibility of the Group by strengthening its capital base and financial position. Although the issuance of the Placement Shares will dilute the percentage shareholdings of the Company's existing shareholders, whereby the degree of dilution will depend on the number of Placement Shares to be issued, the Proposed Private Placement is expected to have a positive impact on the Group's earnings as the Group realises the financial benefits from the utilisation of proceeds.

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4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy grew at a higher rate of 4.2% in the first quarter of 2024 (4Q 2023: 2.9%), driven by stronger private expenditure and positive turnaround in exports. Household spending was higher amid continued growth in employment and wages. Better investment activities were supported by higher capital spending by both the private and public sectors. Exports rebounded amid higher external demand. On the supply side, most sectors registered higher growth. The manufacturing sector was lifted by a rebound across both the electrical and electronic (“**E&E**”) and non-E&E industries. The stronger growth in the services sector was driven by higher retail trade activities and continued support from the transport and storage subsector. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.4% (4Q 2023: -1%).

Headline inflation remained moderate at 1.7% during the quarter (4Q 2023: 1.6%). The modest increase in headline inflation reflects the policy adjustments to water tariffs in February and services tax for high-usage electricity in March, which increased by 20.8% (4Q 2023: 2.1%) and 0.7% (4Q 2023: 0%) respectively. Core inflation moderated to 1.8% (4Q 2023: 2%), largely driven by continued easing in the food and beverages segment. Inflation pervasiveness edged higher, as the share of Consumer Price Index (CPI) items recording monthly price increases rose to 44.2% during the quarter (4Q 2023: 36.3%). Nonetheless, this remains well below the first quarter long term average (corresponding first quarter periods during 2011-2019) of 52.2%.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2024, Bank Negara Malaysia)

Going forward, growth of the Malaysian economy will be driven mainly by resilient domestic expenditure, with additional support from exports recovery. Household spending will be supported by sustained growth in employment and wage growth. Tourist arrivals and spending are expected to improve further. Additionally, investment activities will be supported by continued progress of multi-year projects in both the private and public sectors, and augmented by the implementation of catalytic initiatives under the national master plans, as well as the higher realisation of approved investments.

The growth outlook faces downside risks from weaker-than-expected external demand, further escalation of geopolitical conflicts and larger declines in commodity production. Nevertheless, greater spillover from the tech up-cycle, more robust tourism activities, and faster implementation of new and existing investment projects provide upside to Malaysia’s economic outlook.

(Source: Quarterly Bulletin 1Q 2024, Bank Negara Malaysia)

For 2024, headline and core inflation are projected to remain moderate between 2% – 3.5% and 2% – 3%, respectively. These broadly reflect stabilising demand and contained cost pressures, coupled with some potential upside that could arise from the implementation of fuel subsidy rationalisation. The outlook for the rest of the year is dependent on the implementation of 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 First Quarter of 2024, Bank Negara Malaysia)

4.2 Overview and outlook of the construction industry in Malaysia

The construction sector continued expanding by 11.9% in the first quarter of 2024 (4Q 2023: 3.6%). This was mainly due to the faster progress of civil engineering projects and stronger support from special trade and residential activities.

(Source: Quarterly Bulletin First Quarter 2024, Bank Negara Malaysia)

The construction sector improved steadily by 6.8% in the first half of 2023 mainly driven by the civil engineering and special construction activities subsectors. The civil engineering subsector rebounded, supported by the acceleration of ongoing infrastructure and utilities projects, which include East Coast Rail Link (ECRL) and Large-Scale Solar 4 projects. The non-residential buildings and residential buildings subsectors also registered positive growth in line with vibrant economic activities.

The sector is forecast to expand by 5.9% in the second half of the year supported by growth in all subsectors. The residential buildings subsector is anticipated to remain encouraging on the back of Government's initiatives such as i-MILIKI and Housing Credit Guarantee Scheme in assisting first-time home buyers, spurring demand for home ownership. Similarly, the non-residential buildings subsector is envisaged to increase, particularly with the realisation of approved private investments. The continuous implementation of strategic infrastructure and utilities projects will further support the civil engineering subsector. For the year, performance of the sector is expected to remain steady and grow by 6.3%.

The construction sector is forecast to increase by 6.8% in 2024 following better performance in all subsectors. Civil engineering subsector continues to be bolstered by strategic infrastructure and utilities projects which include ongoing projects such as the Central Spine Road (CSR), the Pan Borneo Sabah Highway and acceleration of projects under the Twelfth Malaysia Plan, 2021 – 2025 ("**Twelfth Plan**"). Furthermore, a new solar power plant project under the Corporate Green Power Programme will support the subsector's growth. The implementation of NIMP 2030 is expected to further strengthen the performance of non-residential buildings subsector as the Plan will provide a platform to attract more investments into the country.

In addition, the residential buildings subsector is projected to improve further in line with the Government's effort to increase more affordable houses as outlined under the MTR of the Twelfth Plan and the MADANI Neighbourhood scheme, as well as new launching by the private sector

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

In the construction segment for residential properties, housing completion were promising, up by 4.0% to 74,893 units in 2023 as compared to 2022. Selangor contributed the highest number with 21,448 units and followed by Johor with 10,456 units. By type, supply continued to focus on condominiums/apartments, formed around 34.1% (25,513 units) of the national total, while two to three storey terraced houses formed another 30.5% (22,805 units). Contrarily, starts and new planned supply declined by 9.9% to 88,114 units and 9.1% to 80,964 units respectively, both led by Selangor with 19,865 units for the former and 7,593 units for the latter.

On the supply front for serviced apartments, construction activity saw mixed trend with completion and new planned supply increased by 12.9% to 27,032 units and 35.2% to 19,452 units respectively. Contrarily, starts declined by 13.4% to 17,952 units. As at year-end, there were more than 370,000 existing serviced apartment units with more than 153,000 units in the incoming supply and 125,000 units in the planned supply.

(Source: Annual Property Market 2023, Valuation and Property Services Department, Ministry of Finance Malaysia)

4.3 Overview and outlook of the renewable energy industry in Malaysia

Malaysia takes pride in its leading role among Asian economies in the pursuit of green growth and climate resilience. Remarkable advancements were made in the adoption of sustainable practices across various sectors, encompassing substantial investments in RE, the implementation of energy-efficient measures, extensive reforestation initiatives, and the promotion of eco-friendly urban planning. The Government is also committed in advancing the commercialisation of green hydrogen, in view of its potential as a competitive clean energy solution for Malaysia which aligns with the net-zero aspirations. In line with the long-term commitment to environmental sustainability, the Budget 2024 will continue to encourage businesses to embrace ESG principles, aiming at increasing the competitiveness to meet the global standards. These initiatives entail the establishment of pertinent policies and regulatory frameworks, as well as substantial funding directed towards promoting green growth and lowcarbon transition. In addition, the provision of relevant data and reports is crucial in assessing and accounting the carbon emission level in accordance with international best practices. These concerted green efforts underscore the determination to champion sustainability agenda, positioning Malaysia as the frontier among the developing countries.

The National Energy Transition Roadmap ("**NETR**") will guide investments in six energy transition levers which include energy efficiency, RE, hydrogen, bioenergy, green mobility as well as carbon capture, utilisation and storage ("**CCUS**"). Therefore, the whole-of-nation approach is needed to ensure the successful implementation of this initiative.

In the country's endeavour towards achieving net-zero aspiration by as early as 2050, low-carbon and climate-resilient elements will be emphasised in Malaysia's development planning to shape a more efficient and sustainable economic landscape. Under the NETR, the Government aims to accelerate the energy transition to ensure a continuous and sustainable supply of clean energy for all. This aspiration will include increasing RE generation capacity, installation of solar panels on government buildings, as well as RE trading policy through the electricity market system. The Government will also continue to spearhead efforts to pioneer the hydrogen economy and CCUS while continuously providing incentives specifically to encourage such new green growth activities.

(Source: Economic Outlook 2024, Bank Negara Malaysia)

4.4 Prospects and future plans of Nestcon Group

As at LPD, Nestcon Group is principally involved in the following:

- (i) provision of construction services; and
- (ii) EPCC of solar PV systems, project management of renewable energy activities, as well as owning and operating Solar PV assets ("**Renewable Energy Business**").

The construction industry in Malaysia has been challenging in recent years due to the rising cost of construction materials and higher labour costs, which increased the Group's construction costs. Notwithstanding the challenging business environment, the Board is cautiously optimistic of the Group's prospects moving forward given the positive economic outlook of the construction industry and renewable energy industry in Malaysia, as set out in Sections 4.2 and 4.3 above, as well as the Group's endeavours to continue with or execute the step/strategies as set out in Section 4.4.1 below.

4.4.1 Steps undertaken or to be undertaken by the Group to improve its financial position

The steps undertaken or to be undertaken as part of the Group's plans to improve its financial performance and strengthen its financial position are as follows:

- (a) Nestcon Group was initially focused on building construction works as well as civil engineering and infrastructure works throughout Malaysia. Subsequently, driven by the Group's strategy to achieve continuous growth, the Group made efforts to further improve its revenue and profitability by venturing into the Renewable Energy Business to diversify the Group's income stream. In May 2024, the Company has obtained approval from its shareholders for the diversification of the Group's business to include Renewable Energy Business. The Group expects to leverage on its experience and network in the construction industry to seek various business opportunities for the Group's Renewable Energy Business.

Following the above, the Group has been actively participating in tenders for EPCC of solar PV systems projects and successfully secured 14 projects since 1 January 2024 up to LPD. As at LPD, the Group's unbilled contract value for its EPCC of solar PV systems projects is approximately RM39.44 million which is expected to be recognised in FYE 2024 and FYE 2025. Moving forward, the Group will proactively secure more contracts for the EPCC of solar PV systems as well as taking reasonable steps and efforts to build the reputation of Nestcon Group in the renewable energy industry in Malaysia.

- (b) With regards to the Group's construction business, the Group has been actively participating in tenders for construction projects and successfully secured 8 projects since 1 January 2024 up to LPD. As at LPD, the Group's unbilled contract value for its construction projects is approximately RM1.88 billion, which is expected to be recognised between FYE 2024 to FYE 2027. Several of the Group's existing construction projects are as follows:

Project name/ Location	Description	Estimated completion date	Contract value RM'000	Total value completed as at LPD RM'000	Estimated value of unbilled order book RM'000
<u>Building segment</u>					
Kyliez Project/ Kuala Lumpur	Construction of 1 block of 37-storey commercial development with other relevant facilities	14 April 2027	108,000	5,522	102,478
Kuchai Sentral Phase 2 Project/ Kuchai Lama	Construction of 1 block of 30-storey and 1 block of 34-storey apartment suites with other relevant facilities	2 November 2026	251,500	6,753	244,747
<u>Civil engineering and infrastructure segment</u>					
Iskandar Project/ Bahru	Earthworks and main infrastructure works	27 November 2025	79,500	1,953	77,547
			439,000	14,228	424,772

- (c) The Group remains vigilant by undertaking prudent approaches and proactive steps to manage the risks and mitigate the impacts of rising construction costs, such as putting in place stringent cost control measures on the Group's operations and closely monitoring the prices of construction materials. In addition, to minimise the Group's exposure to the fluctuation of material cost, the Group have established good relationships with the suppliers to ensure a continuous supply of raw materials at competitive prices. Moving forward, the Group will continue to focus on the quality of services to their customers and improve the efficiencies of the Group's operations in order to maintain the Group's competitiveness in the construction industry.

(Source: Management of Nestcon)

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5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

5.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of Nestcon are as follows:

	<u>No. of Shares</u>	<u>RM</u>
Issued share capital as at LPD	708,204,000	123,999,990
To be issued pursuant to the Proposed Private Placement	70,820,000	⁽¹⁾ 27,265,700
Enlarged share capital	779,024,000	151,265,690

Note:

(1) Based on the Indicative Issue Price.

5.2 Net assets ("NA") and gearing

For illustrative purposes, the pro forma effects of the Proposed Private Placement on the NA and gearing of the Group based on its latest audited consolidated financial statements as at 31 December 2023 are as follows:

	<u>(I)</u> Audited as at 31 December 2023 RM'000	<u>(II)</u> After (I) and subsequent events⁽³⁾ RM'000	<u>(III)</u> After (II) and the Proposed Private Placement⁽⁴⁾ RM'000
Share capital	115,592	124,000	151,266
Merger reserves	(47,544)	(47,544)	(47,544)
Retained earnings	61,710	61,710	⁽⁵⁾ 61,025
Equity attributable to the owners of the Company	129,758	138,166	164,747
Non-controlling interest	3,231	3,231	3,231
Total Equity	132,989	141,397	167,978
Number of Shares in issue ('000)	682,072	708,204	779,024
NA per Share (RM)	0.19	0.20	0.22
Total borrowings ⁽¹⁾ (RM'000)	236,584	236,584	214,584
Gearing ratio (times) ⁽²⁾	1.78	1.67	1.28

Notes:

(1) Consist of bank borrowings and lease liabilities.

(2) Computed based on total borrowings over total equity.

(3) After taking into consideration the issuance and allotment of 26,132,000 Placement Shares 2022 at the issue price of RM0.325 each on 31 January 2024 pursuant to the Private Placement 2022.

(4) Assuming the Placement Shares are issued at the Indicative Issue Price.

(5) After deducting estimated expenses for the Proposed Private Placement of approximately RM0.69 million.

5.3 Earnings and earnings per Share ("EPS")

The Proposed Private Placement is expected to contribute positively to the earnings of the Group for the future years as and when the benefit of the utilisation of proceeds are realised. Notwithstanding the above, the earnings per Share of the Group may however be proportionately diluted as a result of the increase in the number of Shares after the Proposed Private Placement.

5.4 Dividends

The Proposed Private Placement will not have any effect on the dividend policy of the Company. Future dividends to be declared by the Company will be dependent on, *inter-alia* the future financial performance as well as cash position of the Nestcon Group.

5.5 Convertible securities

The Company does not have any outstanding convertible securities as at LPD.

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5.6 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the shareholding of the substantial shareholders of Nestcon as at LPD are set out in the table below:

Substantial shareholders	As at LPD				⁽⁴⁾ After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Ir. Dr. Lim Jee Gin	363,243,758	51.3	-	-	363,243,758	46.6	-	-
Ong Yong Chuan	64,680,842	9.1	⁽¹⁾ 165,000	⁽²⁾ -	64,680,842	8.3	⁽¹⁾ 165,000	⁽²⁾ -
Hii Pick Hung	165,000	⁽²⁾ -	⁽³⁾ 64,680,842	9.1	165,000	⁽²⁾ -	⁽³⁾ 64,680,842	8.3
Investors to be identified	-	-	-	-	70,820,000	9.1	-	-

Notes:

- (1) Deemed interest by virtue of his spouse, Hii Pick Hung's shareholdings in Nestcon pursuant to Section 59(11)(c) of the Act.
- (2) Represents less than 0.1%.
- (3) Deemed interest by virtue of her spouse, Ong Yong Chuan's shareholdings in Nestcon pursuant to Section 59(11)(c) of the Act.
- (4) Based on an enlarged issued share capital of 779,024,000 Shares, after the Proposed Private Placement.

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6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the approvals being obtained from the following:

- (i) Bursa Securities, for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities; and
- (ii) any other relevant persons or authorities, if required.

The Proposed Private Placement will not require the approval of the shareholders of the Company as the Placement Shares will be issued and allotted pursuant to the General Mandate.

Approval has been obtained from the shareholders of Nestcon at the 4th AGM convened on 30 May 2024 for the Board to allot and issue new Nestcon Shares not exceeding 10% of the issued share capital of the Company pursuant to Sections 75 and 76 of the Act. The approval is valid, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of Nestcon. Therefore, the Proposed Private Placement does not require another specific approval from the shareholders of Nestcon.

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

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

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

8. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Private Placement (including, but not limited to the rationale as set out in Section 3 above and the effects as set out in Section 5 above), is of the opinion that the Proposed Private Placement is in the best interest of the Group and its shareholders.

9. ADVISER AND PLACEMENT AGENT

M&A Securities Sdn Bhd has been appointed as the Adviser and Placement Agent to the Company for the Proposed Private Placement.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the application to Bursa Securities in relation to the Proposed Private Placement is expected to be made within 1 month from the date of this announcement. The Proposed Private Placement is expected to be completed by the first quarter of 2025.

This announcement is dated 12 July 2024.

APPENDIX I – ADDITIONAL INFORMATION

1. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

The summary of key financial information of the Group for the past 3 financial years as well as the 3-months financial period ended 31 March ("3M-FPE") 2023 and 3M-FPE 2024 are as follows:

	Audited			Unaudited	
	FYE 2021	FYE 2022	FYE 2023	3M-FPE 2023	3M-FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	358,261	461,518	775,146	146,682	208,491
Cost of sales	(329,739)	(461,925)	(746,832)	(139,504)	(198,880)
Gross profit/ loss ("GP"/ "GL")	28,522	(407)	28,314	7,178	9,611
Other income	1,519	2,567	4,259	436	589
Administrative expenses	(11,555)	(12,903)	(14,236)	(3,866)	(4,287)
Other operating expenses	(69)	(112)	(227)	(4)	(2)
Profit from operations	18,417	(10,855)	18,110	3,744	5,911
Finance costs	(5,614)	(7,819)	(12,743)	(2,790)	(3,523)
Profit/ (Loss) before tax ("PBT"/("LBT"))	12,803	(18,674)	5,367	954	2,388
Tax (expense)/ income	(592)	3,114	(1,466)	(341)	(709)
Profit/ (Loss) after tax ("PAT"/("LAT"))	12,211	(15,560)	3,901	613	1,679
PAT/ (LAT) for the financial years/ periods attributable to:					
Owners of the Company	12,211	(15,348)	3,492	518	1,578
Non-controlling interest	-	(212)	409	95	101
	12,211	(15,560)	3,901	613	1,679
Share capital (RM'000)	101,029	110,953	115,592	115,592	124,000
Total equity/ NA	127,541	122,023	132,989	127,275	143,076
No. of Shares in issue ('000)	643,822	669,072	682,072	682,072	708,204
Weighted average number of Shares in issue ('000)	565,329	647,375	678,902	669,216	699,589
NA per Share (sen) ⁽¹⁾	19.8	18.2	19.5	18.7	20.2
Basic and diluted EPS/(loss per share ("LPS")) (sen) ⁽²⁾	1.90	(2.29)	0.51	0.08	0.22
GP margin (%) ⁽³⁾	7.96	(0.09)	3.65	4.89	4.61
PBT/ (LBT) margin (%) ⁽⁴⁾	3.57	(4.04)	0.69	0.65	1.15
PAT/ (LAT) margin (%) ⁽⁵⁾	3.41	(3.37)	0.50	0.42	0.81
Borrowings (RM'000)	82,859	180,930	236,584	197,420	261,571
Gearing ratio (times) ⁽⁶⁾	0.65	1.48	1.78	1.55	1.83
Current ratio (times) ⁽⁷⁾	1.29	1.20	1.15	1.19	1.16

(Source: Nestcon's annual reports and latest unaudited quarterly reports for the financial years/ periods under review)

Notes:

- (1) Computed based on total equity divided by the number of Shares in issue.
- (2) Computed based on PAT/ (LAT) attributable to owners of the Company divided by the weighted average number of Shares in issue for the financial years/ periods under review. The Company has no dilutive equity instruments in issue for the financial years/ periods under review that have dilutive effect to the EPS/(LPS).
- (3) Computed based on GP over revenue.
- (4) Computed based on PBT/ (LBT) over revenue.
- (5) Computed based on PAT/ (LAT) over revenue.
- (6) Computed based on borrowings (comprising bank borrowings and lease liabilities) over total equity.
- (7) Computed based on current assets over current liabilities.

Commentaries:**(i) 3M-FPE 2024 compared to 3M-FPE 2023**

The Group's revenue for 3M-FPE 2024 increased by RM61.81 million (or 42.14%) to RM208.49 million (3M-FPE 2023: RM146.68 million) mainly due to higher level of construction activities and the commencement of new contracts for both building construction division and civil engineering and infrastructure division of the Group.

The Group's PAT for 3M-2024 increased by RM1.07 million (or 173.90%) to RM1.68 million (3M-FPE 2023: RM0.61 million). The higher PAT for 3M-FPE 2024 was mainly due to increase in the Group's gross profit of by RM2.43 million (33.90%) to RM9.61 million for the 3M-FPE 2024 (GP margin of 4.61%) from RM7.18 million for 3M-FPE 2023 (GP margin of 4.89%), which is in line with the increase in revenue stated above. However, it was offset by the higher finance costs of RM3.52 million in 3M-FPE 2024 (3M-FPE 2023: RM 2.79 million) mainly due to additional draw down of the Group's banking facilities to finance part of the Group's new construction contracts.

(ii) FYE 2023 compared to FYE 2022

The Group's revenue for FYE 2023 increased by RM313.63 million (or 67.96%) to RM775.15 million (FYE 2022: RM461.52 million) mainly due to higher level of construction activities and the commencement of new contracts for both building construction division and civil engineering and infrastructure division of the Group.

The Group recorded a PAT RM3.90 million in FYE 2023 (FYE 2022: LAT of RM15.56 million). The PAT for FYE 2023 was mainly due to Group recorded a GP of RM28.31 million for the FYE 2023 (GP margin of 3.65%) as compared to a GL of RM0.41 million in FYE 2022 (GL margin of 0.09%). This is in line with the increase in revenue as stated above and lower cost of sales in FYE 2023 mainly due to better cost control measures by the Group to reduce the cost of purchasing building materials for its construction projects. However, it was offset by the following:

- (a) higher finance costs of RM12.74 million in FYE 2023 (FYE 2022: RM7.82 million) mainly due to additional drawdown of the Group's banking facilities to finance part of the Group's new construction contracts; and

- (b) tax expense of RM1.47 million in FYE 2023 (FYE 2022: tax income of RM3.11 million) mainly due corporate income tax charged on the Group's PBT in FYE 2023.

(iii) FYE 2022 compared to FYE 2021

The Group's revenue for FYE 2022 increased by RM103.26 million (or 28.82%) to RM461.52 million (FYE 2021: RM358.26 million) mainly due to higher level of construction activities and the commencement of new contracts for both building construction division and civil engineering and infrastructure division of the Group.

The Group recorded a LAT RM15.56 million in FYE 2022 (FYE 2021: PAT of RM12.21 million). The LAT for FYE 2022 was mainly due to Group recorded a GL of RM0.41 million for FYE 2022 (GL margin of 0.09%) as compared to a GP of RM28.52 million in FYE 2021 (GP margin of 7.96%). This was mainly due to the Group incurred higher cost of sales for its construction projects in FYE 2022 arising from the higher cost of building materials (such as steel, concrete, cement and diesel) and high labour costs arising from the implementation of Malaysia's revised minimum wage policy.

2. VALUE CREATION TO THE GROUP AND ITS SHAREHOLDERS

After due consideration of the various options available, the Board is of the view that the Proposed Private Placement is the most appropriate and expedient avenue to raise funds for the Group for the purposes set out in Section 2.6 of this announcement. Further, premised on the rationales set out in Section 3 of this announcement, the Board considers the Proposed Private Placement to be the most appropriate option as compared to other equity fundraising exercises such as a rights issue, given that the placement exercise may be implemented within a shorter time period (as opposed to the implementation time period of a rights issue).

The Proposed Private Placement will enable the Group to raise up to RM27.27 million (based on the Indicative Issue Price) to be channelled towards, among others, repayment of bank borrowings and working capital purposes. The Proposed Private Placement will enable to the Group to benefit from savings in financing costs arising from the lower borrowings. In addition, the reduction of the Group's gearing from the repayment of bank borrowings is expected to provide greater financial flexibility for the Group to re-gear in the future, in order to be ready to capitalise on any business opportunities by pursuing and executing development projects should the need arise.

Further, the Proposed Private Placement will also serve as an additional source of funding for the Group without incurring interest expenses as compared to conventional means of debt financing, in addition to strengthening the capital structure of the Group by increasing the capital base of the Group.

Premised on the above, the Proposed Private Placement is expected to enhance its shareholders' value and to provide an opportunity for the introduction of new investors to participate in the equity of the Company, its future prospects and growth as well as broadening the shareholding base of the Company.

3. IMPACT OF THE PROPOSED PRIVATE PLACEMENT TO THE GROUP AND ITS SHAREHOLDERS

The Proposed Private Placement is expected to increase the NA of the Group from approximately RM141.40 million as at LPD to approximately RM167.98 million. The increase in the Group's NA position will strengthen the capital base of the Group as well as achieve a lower gearing ratio.

The enlarged issued share capital of the Group will increase shareholders' equity and enhance the overall financial position of the Group. Nevertheless, the increase in the total number of issued Shares arising from the Proposed Private Placement will have a dilutive impact on the EPS of the Group, in the event the earnings of the Group does not increase in line with the increased number of Nestcon Shares to be issued pursuant to the Proposed Private Placement. Further details of the impact of the Proposed Private Placement to the financial position of the Group are set out in Section 5.2 of this announcement.

4. ADEQUACY OF THE PROPOSED PRIVATE PLACEMENT IN ADDRESSING THE COMPANY'S FINANCIAL CONCERNS

The Board is of the view that the Proposed Private Placement will allow the Group to raise the necessary funding for the purposes as set out in Section 2.6 of this announcement (such as repayment of bank borrowings and working capital) without relying on further debt financing which will result in higher finance costs to be incurred. In addition, the Company will be able to have greater financial flexibility in exploring business expansion and/or new business ventures which can be expected to contribute positively to the future financial performance of the Group.

The Board is of the opinion that the Proposed Private Placement is adequate to address the Group's financial needs at this juncture.

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