

DESTINI BERHAD ("DESTINI" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF DESTINI ("PROPOSED PRIVATE PLACEMENT")

1. INTRODUCTION

On behalf of the Board of Directors of Destini ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake a proposed private placement of up to 10% of the total number of issued shares of Destini ("**Destini Share(s)**" or "**Share(s)**") to third party investor(s) to be identified later at an issue price to be determined and announced later, pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**").

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

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Company had, at its last annual general meeting ("**AGM**") convened on 20 June 2023, obtained approval from its shareholders that subject to the approval of relevant regulatory authorities, the Board has been authorised to issue and allot new Destini Shares at any time, at such price(s) as the Directors may, in their absolute discretion, deem fit, provided that the number of new Destini Shares to be issued does not exceed 10% of the total number of issued Shares, in accordance with the provision under Sections 75 and 76 of the Act ("**General Mandate**"). Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

Furthermore, the Company had also obtained its shareholders' approval to waive their statutory pre-emptive rights to be offered any new Destini Shares which rank equally to the existing Destini Shares arising from issuance of new Destini Shares pursuant to Section 85(1) of the Act and Clause 70 of the Constitution of the Company.

Further to the above, pursuant to Paragraph 6.03(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the aggregate number of Shares to be issued under the General Mandate must not exceed 10% of the total number of issued Shares of the Company during the preceding 12 months. For avoidance of doubt, Destini had not issued any Shares under any General Mandate during the preceding 12 months from the date of this announcement.

2.1 Placement size

The Proposed Private Placement entails an issuance of up to 10% of the total number of issued shares of Destini.

As at 11 October 2024, being the latest practicable date of this announcement ("**LPD**"), the total issued share capital of Destini was RM612,911,026 comprising 499,059,412 Destini Shares. The Company does not retain any treasury shares as at the LPD.

In addition, as at the LPD, the Company has 166,353,160 outstanding warrants 2024/2029 in the Company ("**Warrant(s)**"). The Warrants are constituted by the deed poll dated 26 January 2024 ("**Deed Poll**") and each Warrant carries the entitlement to subscribe for 1 new Destini Share during the 5-year exercise period up to 6 March 2029 at an exercise period of RM0.54 per Warrant.

Assuming all the outstanding 166,353,160 Warrants are exercised into new Destini Shares prior to the implementation of the Proposed Private Placement, the Company's enlarged number of issued Shares will be 665,412,572 Shares. Accordingly, a total of up to 66,541,257 Shares ("**Placement Share(s)**") may be issued pursuant to the Proposed Private Placement.

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

Minimum Scenario : Assuming none of the existing outstanding Warrants are exercised prior to the implementation of the Proposed Private Placement

Maximum Scenario : Assuming all of the existing outstanding Warrants are exercised prior to the implementation of the Proposed Private Placement

For illustrative purposes, the total number of Placement Shares that may be issued by Destini pursuant to the Proposed Private Placement under the Minimum and Maximum Scenario is set out below:-

Minimum Scenario : 49,905,941 Placement Shares
(representing approximately 10% of the existing number of issued Shares of 499,059,412)

Maximum Scenario : 66,541,257 Placement Shares
(representing approximately 10% of the existing number of issued Shares of 665,412,572)

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 6** of this announcement, where applicable.

2.2 Basis and justification of determining the issue price of the Placement Shares

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

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

For illustrative purposes, the illustrative issue price is assumed at RM0.2460 per Placement Share, which represents a discount of approximately 9.92% to the 5-day VWAP of Destini Shares up to and including the LPD of RM0.2731 per Share.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the existing issued Destini Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation for the Placement Shares

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

2.5 Allocation to places

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

Additionally, the Placement Shares will not be placed out to the following parties:-

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

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

2.6 Utilisation of proceeds

Based on the illustrative issue price of RM0.2460 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM16.37 million. The proceeds from the Proposed Private Placement are intended to be utilised by Destini and its subsidiaries ("**Destini Group**" or the "**Group**") in the following manner:-

Details of utilisation	Timeframe for utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000
Working capital requirements ^{*1}	Within 12 months from the receipt of placement funds	6,221	10,313
Acquisition of equipment ^{*2}	Within 12 months from the receipt of placement funds	6,000	6,000
Estimated expenses ^{*3}	Upon completion of the Proposed Private Placement	56	56
Total		12,277	16,369

Notes:-

^{*1} The proceeds earmarked for working capital requirements is intended to be utilised mainly for the Group's on-going projects and other operational expenditure. The details of the projects are as follows:-

Details	Descriptions	Minimum Scenario RM'000	Maximum Scenario RM'000																				
IWK Projects	<p>Destini Energy Sdn Bhd ("DESB"), a wholly-owned subsidiary of Destini had on 17 December 2021, received and accepted a conditional letter of award with a contract value of approximately RM85.00 million from Indah Water Konsortium Sdn Bhd ("IWKSB"), for the engineering, procuring, construction and commissioning ("EPCC") of solar photovoltaic systems at 1,177 sewerage treatment plants of IWKSB in Malaysia. IWK Projects were novated to Hijau Baiduri Sdn Bhd ("HBSB"), a wholly-owned subsidiary of DESB.</p> <p>Upon acceptance of the conditional letter of award from IWKSB, DESB conducted feasibility studies and site visits to assess the total costs for the EPCC of solar photovoltaic systems. Based on these studies and upon discussion with IWKSB, the Company will only proceed with the EPCC of solar photovoltaic systems at 357 out of the 1,177 sewerage treatment plants originally awarded.</p> <p>Following the results of the feasibility studies, IWKSB and HBSB have entered into 3 Renewable Energy Power Purchase Agreement on 16 August 2022, 31 March 2023 and 21 June 2023 for northern region, central region and southern & eastern region, respectively. For information purpose, the details of the EPCC of solar photovoltaic systems for all regions are as follows:-</p> <table border="1"> <thead> <tr> <th>Region</th> <th>No. of sewerage treatment plants</th> <th>Estimated total cost RM'mil</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>Northern</td> <td>110</td> <td>6.57</td> <td>37 out of 110 sites have been completed and are operational. The remaining 63 sites are expected to be completed by the second quarter of 2025</td> </tr> <tr> <td>Central</td> <td>148</td> <td>16.69</td> <td>The first site for this region is expected to commence in the first quarter of 2025</td> </tr> <tr> <td>Southern & Eastern</td> <td>99</td> <td>6.77</td> <td>The first site for this region is expected to commence in the third quarter of 2025</td> </tr> <tr> <td>Total</td> <td>357</td> <td>30.03</td> <td></td> </tr> </tbody> </table> <p>The Group has earmarked 60% of the proceeds raised for working capital of the Group for the payment to subcontractors for the installation and EPCC of solar photovoltaic systems. The Group intends to fund the remaining shortfall in the IWK Projects via internally generated funds and/ or bank borrowings.</p> <p>The installation and EPCC of the completed solar photovoltaic systems at the sewerage treatment plants up to the LPD has been funded via the internally generated funds.</p>	Region	No. of sewerage treatment plants	Estimated total cost RM'mil	Status	Northern	110	6.57	37 out of 110 sites have been completed and are operational. The remaining 63 sites are expected to be completed by the second quarter of 2025	Central	148	16.69	The first site for this region is expected to commence in the first quarter of 2025	Southern & Eastern	99	6.77	The first site for this region is expected to commence in the third quarter of 2025	Total	357	30.03		3,733	6,188
Region	No. of sewerage treatment plants	Estimated total cost RM'mil	Status																				
Northern	110	6.57	37 out of 110 sites have been completed and are operational. The remaining 63 sites are expected to be completed by the second quarter of 2025																				
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Southern & Eastern	99	6.77	The first site for this region is expected to commence in the third quarter of 2025																				
Total	357	30.03																					
Royal Malaysia Air Force Project	<p>Destini Prima Sdn Bhd ("DPSB"), a wholly-owned subsidiary of Destini had on 20 June 2023, secured a contract with a contract value of approximately RM25.40 million from the Ministry of Defence for the procurement of scheduled and unscheduled maintenance, testing, technical services and supply of spare parts and related components for the non-airborne equipment to the Royal Malaysian Air Force, for a period of 3 years.</p>	2,488	4,125																				

Details	Descriptions	Minimum Scenario RM'000	Maximum Scenario RM'000
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Throughout the contract, DPSB shall provide scheduled maintenance, repair and overhaul works on the following equipment components:-

- (i) Aircraft arrestor system;
- (ii) Fire fighting equipment; and
- (iii) Crash and salvage equipment

The Group has earmarked 40% of the proceeds raised for working capital of the Group for the purchase of spare parts and payment to subcontractors in relation to Royal Malaysia Air Force Project. The indicative breakdown of which is as follows:-

	Indicative percentage allocation
	%
Purchase of spare parts (e.g. purchased tape, arrestor nets & cables, hydraulic mainfolds, ECC1 equipment and self-contained breathing apparatus)	75.00
Payment to subcontractors for services such as fire fighting system installer. civil, mechanical and electrical works for new hangar & facilities and installation of machineries for handling equipment	25.00
	<u>100.00</u>

The Group intends to fund the remaining shortfall in the Royal Malaysian Air Force Project via internally generated funds and/ or bank borrowings.

² For information purposes, Destini Oil Services Sdn Bhd ("**DOSSB**"), a 100%-owned subsidiary of Destini, is principally involved in the provision of services to upstream onshore and offshore exploration, development, production and workover programmes. One of the services provided by DOSSB is tubular running services ("**TRS**") which involves the installation of pressure-tight casing, tubing and completions to help ensure the productive performance of drilling rig operations.

As at the LPD, 90% of DOSSB's equipment were acquired prior to 2010 and were deemed to be obsolete and unacceptable to the current demands of the industry. As such, DOSSB rented the equipment needed from third party vendors, depending on their availability, to carry out TRS. This dependency on rented equipment has affected DOSSB's margin.

As such, the Group intends to invest in new equipment in line with DOSSB's future plan to cater for expansion of DOSSB's output and enhancement of DOSSB's internal capability. Accordingly, the Group has earmarked RM6.00 million of the gross proceeds to acquire the following new equipments:-

Equipment	Description	No. of unit	RM'000
14-inch High Torque Casing Tong	Heavy-duty mechanical tool used in the oil and gas industry to make up (tighten) or break out (loosen) casing connections during drilling and completion operations. It is specifically designed to apply the high torque necessary to properly connect or disconnect the casing joints (sections of large-diameter pipe) used to line and stabilize wellbores.	2	1,200
Torque Monitoring System	Specialized device or set of tools used to measure, control, and record the torque applied during the make-up or breakout of tubular connections, such as drill pipes, casings, or other threaded connections, in oil and gas drilling and well completion operations. It ensures that the proper amount of torque is applied to the connections, which is crucial for maintaining the integrity and safety of the well.	1	1,100

Equipment	Description	No. of unit	RM'000
BX3 Spider Elevator	Specialized tool used in oil and gas drilling operations for the safe handling of casing, tubing, or drill pipe during running or pulling operations. It combines the functions of a spider and an elevator into one compact, versatile unit, streamlining the process of gripping and lifting tubulars in and out of the wellbore.	1	1,820
Flush Mounted Spider Slip	Specialized piece of equipment used in oil and gas drilling operations to grip and hold tubulars, such as drill pipe, casing, or tubing, during the running or pulling process. It is installed flush with the drilling floor, providing a stable and efficient means to suspend the tubulars while allowing for unobstructed movement during drilling or casing operations.	1	1,880
Total			<u>6,000</u>

In the event that the allocated proceeds are insufficient for the purchase of new equipment, any shortfall will be funded via internally generated funds and/ or bank borrowings. Conversely, if the actual cost is lower than the amount budgeted above, the excess will be allocated for our working capital requirements.

³ The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised as set out below:-

	RM'000
Professional fees (i.e. adviser and placement agent)	30
Regulatory fees	21
Other incidental expenses in relation to the Proposed Private Placement	5
Total	<u>56</u>

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for the working capital of the Group.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised will be adjusted accordingly to firstly fund the estimated expenses of the Proposed Private Placement, followed by the acquisition of equipment and working capital requirements.

Pending utilisation of the proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income derived from such deposits or instruments will be utilised for the working capital requirements of the Company as set out in Note 1 above.

2.7 Other fundraising exercises in the past 12 months

The Company had on 28 August 2023, announced a renounceable rights issue of up to 3,327,063,258 Destini Shares ("**Rights Share(s)**") on the basis of 2 Rights Shares for every 1 existing Destini Share held, together with up to 1,663,531,629 Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for ("**Rights Issue with Warrants**"). On 13 March 2024, 3,327,063,258 Rights Shares were listed and quoted on the Main Market of Bursa Securities at the issue price of RM0.04 pursuant to the Rights Issue with Warrants and the Rights Issue with Warrants was completed on the even date.

The utilisation of proceeds as at the LPD are set out below:-

Details of utilisation	Proposed utilisation based on actual proceeds raised RM'000	Actual proceeds raised and utilised RM'000	Balance proceeds unutilised RM'000
Working capital	129,478	129,478	-
Repayment of bank borrowings	2,895	2,895	-
Expenses	710	710	-
	133,083	133,083	-

Save for the Rights Issue with Warrants, the Company has not undertaken any other fundraising exercises in the 12 months prior to the date of this announcement.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising to address the Group's needs as set out in **Section 2.6** of this announcement as the Proposed Private Placement:-

- (i) enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings;
- (ii) increases the size and strength of the Company's shareholders' funds; and
- (iii) enables the Company to raise funds in an expeditious manner, compared to pro-rated issuance such as a rights issue, which usually requires a longer timeframe for implementation, also without certainty that the Company will be able to meet its fundraising objectives as the level of funds raised will depend on the subscription rate by the entitled shareholders and/ or renouncee(s).

4. INDUSTRY OUTLOOK AND OVERVIEW AND FUTURE PROSPECTS OF THE GROUP

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in E&E. The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

Growth in the second half of 2024 will be driven by domestic spending with continued strong support from external demand. On the domestic front, household spending will be underpinned by continued employment and wage growth as well as policy measures. Investment activities will be driven by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and the higher realisation of approved investments are also key drivers for investment activities. Externally, the ongoing global tech upcycle and continued strong demand for non-electrical and electronics goods are expected to lift exports. Improvement in tourist arrivals and spending are expected to continue. Upside risks to growth include greater spillover from the tech upcycle, robust tourism activities, and faster implementation of existing and new investment projects. Downside risks to Malaysia's growth prospects stem from a downturn in external demand, an escalation in geopolitical conflicts and lower-than-expected commodity production.

Headline and core inflation are expected to edge higher in the second half of 2024 mainly due to the rationalisation of diesel subsidies. However, the impact will remain manageable given mitigation measures by the Government to minimise cost impact to businesses. For the rest of the year, upside risks to inflation depend on the extent of the spillover effects from further domestic policy measures on subsidies and price controls to broader price trends, as well as global commodity prices and financial market developments. Overall, headline and core inflation for the year are projected to remain within the forecast ranges of 2.0% – 3.5% and 2.0% – 3.0% respectively.

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

4.2 Overview and outlook of the Aviation & Defence, Energy, Mobility and Marine Industry in Malaysia

The global aerospace industry in 2023 experienced a year of recovery, with airlines projecting revenue growth and improved profitability. This comes amidst persistent challenges and issues related to supply chain pressures, the lack of qualified talent, high energy and fuel prices, and inflation. Earlier in 2023, Accenture's Commercial Aerospace Insight Report projected that global commercial aerospace revenues in 2023 would exceed 2019 levels to grow at 14 per cent year-on-year (YoY), reaching pre-pandemic levels in 2024 with airlines returning to profitability. It also found that 85 per cent of surveyed commercial aerospace executives expected revenue growth over the next two years.

Malaysia's aviation industry is also undergoing a revival, marked by increased competition amongst local airlines and their expansion of services. In the first half of 2023, Malaysia Airports reported 56.1 million passenger movements, or 82 per cent of the 2019 pre-pandemic levels for the same period. This growth contributes to increased local competition, as exemplified by Capital A bringing back a considerable number of previously parked Air Asia aircraft into service. Additionally, Batik Air (formerly Malindo) has been expanding its services. According to the National Aerospace Industry Corporation Malaysia (NAICO), Malaysia's aerospace sector secured a cumulative total of RM5.7 billion in new work packages for the local supply chain in 2022. Additionally, RM600 million worth of MRO projects were undertaken in 2022. These new projects are expected to commence in 2024, contributing additional revenue to the industry. NAICO later also reported that Malaysia's aerospace industry revenue is estimated to be over RM16 billion as of the third quarter in 2023, or nearly meeting its 2023 full-year revenue target of RM18 billion. The industry is expected to grow even faster in 2024 as its product portfolio for the global aerospace supply chain expands.

Meeting the demand for new aircraft and the simultaneous rise in repair activities has been challenging for the global supply chain. Other factors exacerbating the situation are the cessation of operations by numerous suppliers impacted by the pandemic; corporate restructuring; difficulties in sourcing specialised raw materials; and the demand for high-value aerospace engineering expertise. Coupled with inflationary pressures, these factors contributed to escalating costs in the aviation industry for both aircraft and components, thereby affecting the MRO sector as well. Notwithstanding its continuing challenges, there is great potential for the aerospace industry in Malaysia, which the Malaysian Government and aerospace industry players recognise, acknowledge, and want to leverage in making Malaysia an aerospace hub in Southeast Asia and a crucial player in the global aerospace supply chain by 2030 as per the Malaysian Aerospace Industry Blueprint 2030.

(Source: Malaysian Investment Performance Report 2024, Malaysian Investment Development Authority)

The mining sector turned around to record 0.1% growth in the first half of 2023. This was supported by improved performance of crude oil and condensate as well as other mining & quarrying and supporting services subsectors. Meanwhile, natural gas subsector was subdued following interruption of operations in Peninsular Malaysia and plant shutdown in Sarawak. The mining sector's performance is anticipated to contract by 1.7% in the second half of the year, owing to lower production of crude oil and condensate as well as natural gas. The decline in production is due to plant maintenance shutdown at several oil and gas fields as well as lower external demand for liquefied natural gas (LNG) amid challenging global environment. Against this backdrop, growth in the mining sector is projected to contract by 0.8% in 2023.

The mining sector is forecast to rebound by 2.7% in 2024 driven by remarkable performance in natural gas as well as crude oil and condensate subsectors. Anticipation of first natural gas production from new gas field development projects such as Gansar, Jerun and Kasawari as well as higher production from the existing gas fields are estimated to boost the growth of the natural gas subsector. In addition, the mining sector is also expected to benefit from higher production of crude oil and condensate, especially in Peninsular Malaysia and Sarawak. In terms of prices, the Brent crude oil is projected to average at USD85 per barrel on anticipation of higher demand given the positive global outlook for the year. However, changes in world production and consumption could significantly alter the oil prices forecast.

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

By 2030, Asia will see a 100% increase in demand for energy and meeting this challenge will be a daunting task. Dato' Seri Anwar Ibrahim, Prime Minister of Malaysia issued this caution in his keynote address at the Energy Asia Conference 2023 held in Kuala Lumpur. The conference themed "Charting Pathways for a Sustainable Asia" was attended by 3,000 delegates from 27 nations. He also announced two roadmaps that will guide Malaysia's energy transition goals during his speech. They are the National Energy Transition Roadmap (NETR) and the Hydrogen Economy and Technology Roadmap (HETR), targeted for rollout later this year.

Industry players believe there is an increasing demand for solar panel installations in Malaysia driven by consumer concerns over higher electricity bills, leading to a shift towards renewable energy (RE) and a reduction in installation costs. The Government is promoting solar energy usage through the Net Energy Metering (NEM) programme. Under this scheme, NEM users become 'prosumers' – producing and consuming energy at the same time. NEM, which allows excess PV-generated energy to be exported back to the grid on a "one-on-one" offset basis, has three categories, namely NEM Rakyat for domestic users, NEM GoME n for Government buildings and NEM Net Offset Virtual Aggregation (NOVA) for industrial and agricultural usage. Malaysia will launch an Energy Exchange to support the export of renewable energy (RE) to neighbouring countries, said Nik Nazmi Nik Ahmad, Minister of Natural Resources, Environment and Climate Change.

(Source: Energy Malaysia Volume 25, Energy Commission of Malaysia)

The transportation and storage subsector expanded by 15.2% in the first half of 2023, attributed to the increase in passenger traffic, particularly in land and air transport segments, as well as supporting activities related to airports and highway operations. The growth of the land and air transport segments was mainly driven by robust tourism-related activities following higher traffic volume in toll highways and airports, which increased by 7% to 456 million vehicles and 90.7% to 40.4 million passengers, respectively. In the second half of 2023, the subsector is expected to increase by 13.7%, supported by the land transport segment, particularly road and rail transports on the back of state elections, festivities, and school holidays. The performance of air cargo is anticipated to moderate due to softer performance in global trade, which is offset by the notable performance of air passenger traffic, in tandem with the additional number of flights to several main and new routes such as Istanbul, Okinawa, and Tashkent. The water transport segment is forecast to grow at a slower rate, however, it remains a significant contributor to the growth of the subsector. Overall, the subsector is projected to rise by 14.5% in 2023.

The transportation and storage subsector is forecast to grow by 7.4% in 2024, supported by all segments following the expansion in rail, highway, port, and airport activities, as well as buoyant external demand. The land transport segment is anticipated to increase propelled by the improvement in frequencies of rail services, as well as higher traffic volume at all main highways. Likewise, the air transport segment is projected to rise following higher passenger traffic induced by competitive airfares, as airlines increase their capacity and flight frequencies. Meanwhile, the water transport segment is expected to remain steady, backed by the expansion in cargo and container handling capacity. Furthermore, the commencement of the Malaysia Maritime Single Window, a unified digital platform by the end of 2023, is expected to enhance port's competitiveness and further facilitate shipping services. The platform serves as a one-stop portal for the single submission of documents related to maritime regulatory and port services.

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

4.3 Future prospects of the Group

Destini Group is an integrated engineering solutions provider with a diverse interest in the aviation & defence, energy, mobility and marine industries. The Group's business segments are as follows:-

- Aviation & defence** : Mainly involved in supplying safety and survival-related equipment, defence related aircrafts and components, providing MRO services for the Armed Forces, aircraft cylinder testing and calibration services as well as organising and conducting aircraft search, rescue and salvage missions with the Government
- Marine** : Mainly involved in manufacturing and supplying lifeboats, fast rescue boats, outboard and inboard diesel engines, davit systems and hooks for commercial shipping and oil and gas industry, manufacturing proprietary self-propelled hyperbaric lifeboats used in deep sea diving operations and providing MRO services relating to lifeboats, davit systems, load testing equipment, fire safety and other marine assets
- Mobility** : Mainly involved in manufacturing and supplying motor trolley, wagon and road rail vehicles for the rail sector and assembly, fabrication, refurbishment as well as MRO of train sets and rail systems
- Energy** : Mainly involved in engineering, procurement, construction, installation and commissioning of renewable energy systems, providing tubular running services for upstream onshore and offshore drilling programme, subsea well intervention, platform abandonment and field decommissioning services, subsea pipeline inspection, maintenance and repair services as well as supplying handling and drilling tools
- Others** : Mainly involved in providing telecommunication service

A summary of the segmental revenue of the Group for the past 3 financial years up to the financial year ended 31 December ("FYE") 2022 and the latest announced unaudited interim 18-month financial period ended 30 June ("FPE") 2024 is as follows:-

	<-----Audited FYE----->			<--Unaudited-->
	2020	2021	2022	18 month FPE
	RM'000	RM'000	RM'000	2024
	RM'000	RM'000	RM'000	RM'000
Revenue	190,126	173,866	186,170	160,851
Aviation & defence	85,379	81,336	83,521	60,714
Marine	86,846	61,560	63,603	57,835
Mobility	2,806	34	-	-
Energy	14,932	29,746	38,905	40,642
Others	163	1,190	141	1,659
PAT/ (LAT) attributable to owners of the Company	(190,642)	3,009	(30,155)	(136,756)

Based on the table above, the major segments that contribute to the Group's revenue are aviation & defence, marine and energy segments. In particular, the segment that shown consistent growth in revenue contribution is the energy segment, attributable to higher revenue from the rig activity. For the 18-month FPE 2024, the Group's revenue decreased by RM25.32 million or 13.60% to RM160.85 million (FYE 2022: RM186.17 million). For illustrative purposes, the annualised revenue of RM107.23 million for the FPE 2024 represents a decrease of RM78.94 million or 42.40% (FYE 2022: RM186.17 million). The decrease in revenue was mainly due to lower revenue from the aviation and defence segment, as there was no revenue recognised from the supply of reconnaissance helicopters to Ministry of Defence for the Royal Malaysian Army in FPE 2024, following the project's completion in FYE 2022.

As at the LPD, the Group's total outstanding orderbook stood at approximately RM846.00 million, primarily driven by the mobility segment, followed by the energy and aviation & defence segments. Destini's ongoing contracts with the Ministry of Transport Malaysia, totalling RM694 million, are expected to contribute to revenue recognition starting in the first quarter of FYE 2025, following the scheduled delivery and handover of trains to Keretapi Tanah Melayu Berhad.

In the energy segment, increased rig activities since the fourth quarter of FYE 2024 are projected to yield satisfactory performance in the upcoming quarter. In the aviation & defence sector, contracts secured from the Ministry of Defence Malaysia are anticipated to enhance Destini's earnings in FYE 2025, following the delivery of MRO services and the supply of equipment to the Royal Malaysian Air Force.

The marine segment is expected to improve in FYE 2025, contributed to the increased orderbook from the Group's marine manufacturing unit in China. Additionally, the Group has initiated a cost optimization program in the 'Others' segment to reduce losses arising from the segment.

To support the development of our aviation & defence, energy, mobility and marine segments, our Group will from time to time require more funding for our operations. As set out in **Section 2.6** of this announcement, the Group intends to utilise part of the proceeds for working capital requirements, specifically for the aviation & defence segment and energy segment. Additionally, the Group intends to utilise the remaining proceeds for the purchase of new TRS equipment to meet the operational requirements of future projects, which are expected to increase the revenue contribution from the energy segment. The Management opines that the purchase of new equipment will shift market sentiment towards the Group from a conventional TRS equipment provider into a high-tech equipment provider, allowing the Group to meet current customer expectations and maintain market competitiveness.

Premised on the above, and barring any unforeseen circumstances, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture to address the Group's financing needs. The Board is of the opinion that the Proposed Private Placement may enable the Group to widen its revenue streams and better equip it to navigate any possible market fluctuations and economic challenges, ensuring long-term sustainability, a more diversified revenue mix, and strengthening its outlook. Premised on the above, the Board remains optimistic of the future prospects of the Group.

(Source: Management of Destini)

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

5.1 Issued share capital

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Existing issued share capital as at the LPD	499,059,412	612,911,026	499,059,412	612,911,026
Assuming full exercise of the outstanding Warrants	-	-	166,353,160	89,830,706 ^{*1}
	499,059,412	612,911,026	665,412,572	702,741,732
No. of Shares to be issued pursuant to the Proposed Private Placement	49,905,941	12,276,861 ^{*2}	66,541,257	16,369,149 ^{*2}
Enlarged issued share capital	548,965,353	625,187,887	731,953,829	719,110,881

Notes:-

^{*1} Computed based on the exercise price of RM0.54 per Warrant

^{*2} Computed based on the illustrative issue price of RM0.2460 per Placement Share

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

Based on the latest audited consolidated statement of financial position of Destini Group as at 31 December 2022, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing level of the Group are set out as follows:-

Minimum Scenario

	Audited as at 31 December 2022 RM	Subsequent events up to the LPD ^{*1} RM	After the Proposed Private Placement RM
Share capital	479,828,496	612,911,026	625,187,887 ^{*2}
Reserves	(353,750,292)	(353,750,292)	(353,806,292) ^{*3}
Shareholders' funds/ NA	126,078,204	259,160,734	271,381,595
Number of Shares in issue	1,663,531,629	499,059,412	548,965,353
NA per Share (RM)	0.08	0.52	0.49
Total borrowings	16,815,984	16,815,984	16,815,984
Gearing level (times)	0.13	0.06	0.06

Notes:-

¹ From 1 January 2023 up until the LPD, the Company had on 28 August 2023, announced the Rights Issue with Warrants. On 13 March 2024, 3,327,063,258 Rights Shares were listed and quoted on the Main Market of Bursa Securities at the issue price of RM0.04 pursuant to the Rights Issue with Warrants and the Rights Issue with Warrants was completed on the even date

Further, the Company had on 27 March 2024, announced a consolidation of every existing Destini Shares into 1 Destini Share ("**Share Consolidation**"). On 12 June 2024, 499,059,412 consolidated Destini Shares were listed and quoted on the Main Market of Bursa Securities pursuant to the Share Consolidation and the Share Consolidation was completed on the even date

² Assuming 49,905,941 Placement Shares are issued at an illustrative price of RM0.2460 per Placement Share pursuant to the Proposed Private Placement under the Minimum Scenario

³ After deducting estimated expenses of RM56,000

Maximum Scenario

	Audited as at 31 December 2022 RM	Subsequent events up to the LPD ¹ RM	I After the full exercise of outstanding Warrants RM	II After I and the Proposed Private Placement RM
Share capital	479,828,496	612,911,026	702,741,732 ²	719,110,881 ³
Reserves	(353,750,292)	(353,750,292)	(353,750,292)	(353,806,292) ⁴
Shareholders' funds/ NA	126,078,204	259,160,734	348,991,440	365,304,589
Number of Shares in issue	1,663,531,629	499,059,412	665,412,572	731,953,829
NA per Share (RM)	0.08	0.52	0.52	0.50
Total borrowings	16,815,984	16,815,984	16,815,984	16,815,984
Gearing level (times)	0.13	0.06	0.05	0.05

Notes:-

¹ From 1 January 2023 up until the LPD, the Company had on 28 August 2023, announced the Rights Issue with Warrants. On 13 March 2024, 3,327,063,258 Rights Shares were listed and quoted on the Main Market of Bursa Securities at the issue price of RM0.04 pursuant to the Rights Issue with Warrants and the Rights Issue with Warrants was completed on the even date

Further, the Company had on 27 March 2024, announced the Share Consolidation. On 12 June 2024, 499,059,412 consolidated Destini Shares were listed and quoted on the Main Market of Bursa Securities pursuant to the Share Consolidation and the Share Consolidation was completed on the even date

² Assuming all the outstanding 166,353,160 Warrants are exercised at the exercise price of RM0.54 per Warrant

³ Assuming 66,541,257 Placement Shares are issued at an illustrative price of RM0.2460 per Placement Share pursuant to the Proposed Private Placement under the Maximum Scenario

⁴ After deducting estimated expenses of RM56,000

5.3 Earnings and earnings per share ("EPS")

The Proposed Private Placement is not expected to have any material impact on the earnings of Destini Group for the financial year ending 30 June 2025. However, the EPS of Destini Group is expected to be diluted upon completion of the Proposed Private Placement as a result of the increase in the number of Destini Shares in issue arising from the Proposed Private Placement.

5.4 Convertible securities

As at the LPD, save for the outstanding 166,353,160 Warrants, the Company does not have any outstanding convertible securities.

5.5 Substantial shareholding structure

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

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement ^{*1}			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}	No. of Shares	% ^{*3}	No. of Shares	% ^{*3}
Dato' Abd Aziz bin Haji Sheikh Fadzir	1,500,000	0.30	57,915,510 ^{*4}	11.60	1,500,000	0.27	57,915,510 ^{*4}	10.55
Kenanga Investors Berhad for Dayanine Equity Sdn Bhd	57,915,510	11.60	-	-	57,915,510	10.55	-	-
Datuk Lim Nyuk Sang @ Freddy Lim	35,575,286	7.13	750,000 ^{*5}	0.15	35,575,286	6.48	750,000 ^{*5}	0.14

Notes:-

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

^{*2} Based on the total issued Shares of 499,059,412

^{*3} Based on the enlarged issued Shares of 548,965,353 after the Proposed Private Placement

^{*4} Deemed interested under Section 8 of the Act by virtue of his shareholdings in Kenanga Investors Berhad for Dayanine Equity Sdn Bhd

^{*5} Deemed interested under Section 8 of the Act by virtue of his shareholdings in Santraprise Sdn Bhd

Maximum Scenario

	Shareholdings as at the LPD				I Assuming full exercise of Warrants			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}	No. of Shares	% ^{*3}	No. of Shares	% ^{*3}
Dato' Abd Aziz bin Haji Sheikh Fadzir	1,500,000	0.30	57,915,510 ^{*5}	11.60	3,450,000	0.52	82,173,265 ^{*5}	12.35
Kenanga Investors Berhad for Dayanine Equity Sdn Bhd	57,915,510	11.60	-	-	82,173,265	12.35	-	-
Datuk Lim Nyuk Sang @ Freddy Lim	35,575,286	7.13	750,000 ^{*6}	0.15	49,676,046	7.47	1,000,000 ^{*6}	0.15

	II After I and the Proposed Private Placement ^{*1}			
	<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ^{*4}	No. of Shares	% ^{*4}
Dato' Abd Aziz bin Haji Sheikh Fadzir	3,450,000	0.47	82,173,265 ^{*5}	11.23
Kenanga Investors Berhad for Dayanine Equity Sdn Bhd	82,173,265	11.23	-	-
Datuk Lim Nyuk Sang @ Freddy Lim	49,676,046	6.79	1,000,000 ^{*6}	0.14

Notes:-

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

^{*2} Based on total issued Shares of 499,059,412

^{*2} Based on enlarged issued Shares of 665,412,572, assuming all the outstanding 166,353,160 Warrants are exercised

^{*3} Based on enlarged issued Shares of 731,953,829 after the Proposed Private Placement

^{*4} Deemed interested under Section 8 of the Act by virtue of his shareholdings in Kenanga Investors Berhad for Dayanine Equity Sdn Bhd

^{*5} Deemed interested under Section 8 of the Act by virtue of his shareholdings in Santraprise Sdn Bhd

6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals:-

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

As set out in **Section 2** of this announcement, the General Mandate has been obtained by the Company from its shareholders at the AGM held on 20 June 2023. Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

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

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

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

8. DIRECTORS' STATEMENT

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

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed by the first quarter of 2025.

10. APPLICATION TO THE AUTHORITIES

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

11. ADVISER AND PLACEMENT AGENT

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

This announcement is dated 29 October 2024.

ADDITIONAL INFORMATION

1. Financial position of the Group

The audited financial information of Destini Group for the past 3 financial years up to the FYE 2022 and the latest unaudited results for the 18-month FPE 2024, is set out below:-

	←-----Audited----->			<--Unaudited-->
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	18-month FPE 2024 RM'000
Revenue	190,126	173,866	186,170	160,851
Gross profit	4,077	61,020	58,715	62,770
Profit/ (Loss) before tax ("PBT/ (LBT)")	(192,961)	5,265	(33,157)	(140,122)
Profit/ (Loss) after tax ("PAT/ (LAT)") attributable to owners of the Company	(190,185)	2,465	(32,830)	(136,756)
(Loss) per Share	(0.12)	neg*	(0.02)	(0.27)
Cash and cash equivalents	39,058	50,410	27,575	29,130
Total borrowings	126,356	106,621	18,859	22,236
Gearing ratio (times)	0.95	0.66	0.15	0.18
Current assets	368,588	298,691	138,533	209,365
Non-current assets	156,918	147,738	142,028	47,624
Current liabilities	356,725	271,867	137,386	132,872
Non-current liabilities	38,083	15,553	20,496	9,910
Current ratio (times)	1.03	1.10	1.01	1.58
Total equity/ NA	132,449	161,102	126,078	120,972
Number of Destini Shares in issue ('000)	1,525,276	1,663,531	1,663,531	499,059
NA per share (RM)	0.09	0.10	0.08	0.24

FYE 2020

For the FYE 2020, the Group's revenue decreased by RM107.61 million or 36.14% to RM190.13 million (FYE 2019: RM297.74 million). The decrease in revenue was mainly due to lower revenue from the marine segment, in which the fabrication of three Offshore Patrol Vessels ("OPV") for the Malaysian Maritime Enforcement Agency ("MMEA") ("OPV Project") saw a delay from not being able to receive construction materials on time as most of the ship's construction materials are shipped from China which went through a total lockdown in early FYE 2020. The inability to secure construction materials due to the lockdown disrupted the timing of the project delivery. In addition, revenue contribution from the New Generation Patrol Craft ("NGPC") project for the MMEA has reduced as the project is approaching completion. Furthermore, the decrease in revenue of energy segment was mainly attributed to project deferments from major oil companies due to budget constraints and uncertainties in the oil and gas business environment whereby most projects that were slated for execution on FYE 2020 were delayed to FYE 2021 instead.

The Group's LBT decreased by RM58.28 million or 23.20% to RM192.96 million in FYE 2020 (FYE 2019: RM251.24 million). The lower LBT for the FYE 2020 was mainly due to absence of write-off of receivables from the marine segment in FYE 2020.

ADDITIONAL INFORMATION

FYE 2021

For the FYE 2021, the Group's revenue decreased by RM16.26 million or 8.55% to RM173.87 million (FYE 2020: RM190.13 million). The decrease in revenue was mainly attributed to lower revenue from the marine segment due to the disposal of the Company's stake in THHE Destini Sdn Bhd which took on the fabrication of three OPV for MMEA, in which no revenue was recognised in FYE 2021 (FYE 2020: RM41.25 million). The decrease in revenue was partially offset by the increase in revenue from the energy segment mainly due to the revival of projects awarded by major oil companies that were deferred earlier as mentioned above.

The Group recorded PBT of RM5.27 million in FYE 2021 (FYE 2020: LBT of RM192.96 million). The PBT derived in FYE 2021 was mainly due to the following:-

- (i) gross profit of the Group increased to RM61.02 million in FYE 2021 (FYE 2020: RM4.08 million) mainly due to higher cost were incurred for the energy segment in FYE 2020 as project costs were incurred as a preparation for contract mobilization, while decision on deferment by customers were post contract acceptance. Besides, higher costs were incurred in order to comply with COVID-19 SOP requirements. Consequently, the Group embarked on a cost reduction exercise that included staff downsizing within the energy segment;
- (ii) administrative expenses decreased to RM69.30 million in FYE 2021 (FYE 2020: RM110.30 million) mainly due to the cost saving measures implemented by the Group pursuant to COVID-19 and the exit from the ship building business by the Group as part of the Group's rationalization exercise that includes divesting non-performing assets; and
- (iii) absence of impairment loss on intangible assets in FYE 2021 as compared to RM38.26 million incurred for the impairment loss on goodwill allocated to subsidiary namely Destini Shipbuilding and Engineering Sdn Bhd during FYE 2020 as a result of persistent losses incurred by the cash generating unit.

FYE 2022

For the FYE 2022, the Group's revenue increased by RM12.30 million or 7.07% to RM186.17 million (FYE 2021: RM173.87 million). The increase in revenue was mainly attributed to the higher revenue from energy segment mainly due to the recovery of the energy sector after the pandemic, driven by global demand and geopolitical developments and capital spending by major oil companies increased.

For the FYE 2022, the Group recorded LBT of RM33.16 million (FYE 2021: PBT of RM5.27 million). The LBT incurred for FYE 2022 was mainly due to write-off of receivables from the marine segment as a result of debtors facing significant financial difficulties and have defaulted on payments. Furthermore, the Group's other income reduced to RM8.58 million in FYE 2022 (FYE 2021: RM20.51) mainly due to a gain of RM15.32 million was recognised in FYE 2021 as a result of the disposal of Safeair Technical Sdn Bhd and AMS Marine Pte Ltd.

18-month FPE 30 June 2024

On 24 November 2023, the Company announced a change in its financial year from 31 December to 30 June. As such, the comparative figures for the 18-month FPE 2024 and the FYE 2022 may not be entirely comparable.

ADDITIONAL INFORMATION

For the 18-month FPE 2024, the Group's revenue decreased by RM25.32 million or 13.60% to RM160.85 million (FYE 2022: RM186.17 million). For illustrative purposes, the annualised revenue of RM107.23 million for the FPE 2024 represents a decrease of RM78.94 million or 42.40% as compared to the revenue of RM186.17 million for the FYE 2022. The decrease in revenue was mainly due to lower revenue from the aviation and defence segment, as there was no revenue recognised from the supply of reconnaissance helicopters to Ministry of Defence for the Royal Malaysian Army in FPE 2024, following the project's completion in FYE 2022.

For the 18-month FPE 2024, the Group's LBT increased by RM106.96 million or more than 100% to RM140.12 million (FYE 2022: RM33.16 million). For illustrative purposes, the annualised LBT for the 18-month FPE 2024 was RM93.41 million which represents an increase of RM60.25 million or more than 100% as compared to the LBT of RM33.16 million in the FYE 2022. The higher LBT incurred was mainly due to the following:-

- (i) net impairment gain on investment in subsidiaries amounting to RM22.05 million as a result of gain on "loss of control" in Destini Shipbuilding Sdn Bhd of RM54.10 million set off against the loss on closure of local and overseas businesses amounting to RM32.04 million;
- (ii) impairment of receivable from the aviation & defence segment amounting to RM61.62 million as a result of claim disputes and financial difficulties faced by the Group's customers; and
- (iii) impairment loss on intangible assets amounting to RM67.46 million for goodwill allocated to subsidiary, namely DOSSB as a result of persistent losses incurred and the absence of new contracts by the cash generating unit.

2. Value creation and impact of the Proposed Private Placement to the Group and its shareholders

As set out in **Section 2.6** of this announcement, the proceeds raised from the Proposed Private Placement will mainly finance the Group's working capital requirements in relation to the Royal Malaysian Air Force Project and IWK Projects up to RM10.31 million and the purchase of new equipment for the provision of TRS for upstream onshore and offshore drilling programmes up to RM6.00 million, without relying solely on internally generated funds and/ or bank borrowings, which will allow the Group flexibility in respect of financial allocations for its operational requirements. Such financial flexibility may allow the Group to carry out its operations in a more timely and efficient manner.

In addition, the Proposed Private Placement as compared to conventional bank borrowings as a form of fund raising will improve the Group's cash flow by preventing the Group from periodically servicing interest and repaying principal sums. Further, the Proposed Private Placement will provide an opportunity for the new investors to participate in the equity of the Company to broaden the shareholding base of the Company as well as strengthening the share capital of the Group upon completion of the Proposed Private Placement.

The Proposed Private Placement may allow the Group to raise the necessary funds in tranches through private placement, as when and required, as a means to manage the aforesaid funding requirements as well as to ease the cash flow concerns on business operations and cost structure of the Group. As set out in **Section 5.1 and 5.2** of this announcement, the Proposed Private Placement is expected to enlarge the issued share capital of the Group from approximately RM612.91 million up to RM719.11 million and may increase the total equity/ NA from approximately RM259.16 million up to RM271.38 million. Further details on the effects of the Proposed Private Placement on the Group's issued share capital, substantial shareholding structure, NA, gearing level and earnings and EPS are disclosed in **Section 5** of this announcement.

ADDITIONAL INFORMATION

Notwithstanding the above, although the Proposed Private Placement may potentially result in a dilution to the existing shareholders' shareholding, as a result of the issuance of new Shares to third party investor(s), the Proposed Private Placement serves as an expeditious means of raising funds from the capital market as opposed to other forms of fundraising such as rights issue on which there is no certainty that Destini is able to meet the fundraising objectives as the level of funds raised depends on the subscription rate by the entitled shareholders and/ or renouncee(s), unless underwriting arrangement is procured. Should underwriting be procured, the Group may incur additional costs in the form of underwriting fees. As such, the Board and management are of the opinion that the Proposed Private Placement represent a comparatively efficient avenue to raise the required quantum of funds over other larger scale equity fund raising exercises such as a rights issue at this juncture.

3. Adequacy of the Proposed Private Placement in addressing the Group's financial concerns and steps taken to improve the financial condition of the Group

At this juncture, the Board is of the view that the primary financial concerns of the Group comprise the funding requirements for the working capital of the existing projects of the Group as highlighted in **Section 2.6** of this announcement. Premised on **Section 2, Appendix I** above as well as the effects of the Proposed Private Placement as set out in **Section 5** of this announcement, the Board is of the view that the Proposed Private Placement is adequate to address the Group's financial requirements at this juncture.

To address the Group's financial concerns, the Group has embarked on a cost optimization exercise such as prudent cash flow management, optimisation of current human resources, recruitment of additional staff only when required and enhancement of management's expertise to refine its operational efficiency. Furthermore, as at the LPD, the Group's total outstanding order book stood at RM846.00 million, which provides earnings visibility for the next 3 years.

As set out in **Section 3** of this announcement, the management intends to preserve the Group's cash and bank balances and use it for the working capital requirements of the Group's existing projects. Further, the management is cautious in utilising further banking facilities or debt instruments for the Group's working capital requirements and its impact to the rising gearing ratio. In view of this, the Proposed Private Placement is an appropriate avenue for the Company to raise funds for purposes as set out in **Section 2.6** of this announcement. Though the quantum to be raised from the Proposed Private Placement may not be sufficient to fully fund the Group's working capital requirements, the management believes that the use of proceeds from the Proposed Private Placement would still improve the Group's operations, thereby is expected to have a positive impact on the earnings and financial position of the Group.

Premised on the above, and as part of the Group's objective to improve its overall financial performance moving forward, the Proposed Private Placement will, on an immediate basis, allow the Group to raise funds on an expeditious manner primarily to fund the Group's working capital requirements and conserving the Group's cash position. Barring any unforeseen circumstances, the Board is of the view that the Proposed Private Placement is expected to place the Group on a better financial footing and potentially generate positive returns to the Group, and it turn be adequate to improve the financial condition of the Group moving forward. In the long term, the Board will continue to assess the Group's funding requirements which may include the need to carry out other corporate proposals, after taking into consideration the Group's capital structure and cost of funds.

(Source: Management of Destini)