

PRESTARIANG BERHAD ("PRESTARIANG" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ISSUED SHARES OF PRESTARIANG ("PROPOSED PRIVATE PLACEMENT")

1. INTRODUCTION

On behalf of the Board of Directors of Prestariang ("**Board**"), M&A Securities Sdn Bhd ("**M&A Securities**") wishes to announce that the Company proposes to undertake a private placement of up to 10% of the issued shares of Prestariang ("**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 last Annual General Meeting ("**AGM**") convened on 27 November 2019 which authorised the Board to allot and issue new ordinary shares in Prestariang ("**Prestariang Shares**" or "**Shares**") not exceeding 10% of the issued shares of the Company ("**Shareholders Mandate**"). Unless revoked or varied by the Company at a general meeting, the Shareholders Mandate shall 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 below.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

As at 17 January 2020, being the last practicable date preceding the date of this announcement ("**LPD**"), Prestariang has:

- (a) an issued share capital of RM116,334,000 (excluding Treasury Shares) comprising of 482,301,500 Prestariang Shares; and
- (b) 1,698,500 ordinary shares held as treasury shares ("**Treasury Shares**").

The Proposed Private Placement will entail the issuance of up to 48,230,100 new Prestariang shares ("**Placement Shares**") representing not more than 10% of the issued shares of the Company as at the LPD at an issue price to be determined and announced at a later date.

The actual number of Prestariang Shares to be issued pursuant to the Proposed Private Placement will be determined at a later date, after obtaining the relevant regulatory 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 by 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, until the conclusion of the next AGM of the Company and provided that the Company must not issue the Placement Shares if the Placement Shares when aggregated with the nominal value of Prestariang Shares or convertible securities issued during the preceding 12 months, exceeds 10% of issued share capital of Prestariang. As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation.

2.1 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 Paragraph 6.04(a) of the Main Market Listing Requirements

of Bursa Securities ("MMLR"), in determining the issue price of the Placement Shares at a discount of not more than 10% to the volume weighted average market price ("VWAMP") of Prestariang Shares for the 5 market days immediately preceding the price fixing date(s).

For illustrative purposes, assuming the Placement Shares are issued at an indicative issue price of RM0.40 per Placement Share ("Indicative Issue Price") based on an approximate 6.67% discount to the VWAMP of Prestariang Shares for the 5 market days up to 20 January 2020 of RM0.4286, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM19,292,040.

The mechanism to determine the issue price of the Placement Shares is in accordance with market-based principles.

2.2 Placement arrangement

The Placement Shares are to be placed out to independent investor(s) to be identified at a later date. In accordance with Paragraph 6.04(c) of the MMLR of Bursa Securities, the Placement Shares will not be placed to the following persons:-

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

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

2.3 Ranking of Placement Shares

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Prestariang Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividend, rights, allotment and/or other forms of distributions that may be declared, made or paid prior to the shareholders of the Company, for which the relevant entitlement date precedes the date of issuance of the Placement Shares.

2.4 Listing of and Quotation for the Placement Shares

Prestariang shall make an application to Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities.

3. UTILISATION OF PROCEEDS

For illustration purposes, based on the proposed placement size of up to 48,230,100 Placement Shares and assuming the Placement Shares are issued at an indicative issue price of RM0.40 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM19,292,040. The proceeds raised are expected to be utilised in the following manner:-

Details	RM'000	Notes	Expected time frame for utilisation of proceeds
General working capital	12,662	(a)	Within 12 months
Repayment of bank borrowings	6,000	(b)	Within 6 months
Defrayment of expenses related to the Proposed Private Placement	630	(c)	Within 1 month
Total estimated proceeds	<u>19,292</u>		

Notes:

- (a) The proceeds earmarked for general working capital of Prestariang and its subsidiaries ("**Prestariang Group**" or "**Group**") are intended to be utilised as follows:-

	(RM'000)
(i) Payment of trade creditors for the Group's information and communications technology services and distribution (" ICT Services and Distribution ") business	8,398
(ii) Staff costs which include permanent staffs payroll, protégés allowances, wages for contract trainers/facilitators and outsourced consultancy services, and contributions to the Employees Provident Fund Board and the Social Security Organisation	3,000
(iii) Office related expenses such as rental of offices and campus, utilities and maintenance of property, plant and equipment	1,264
	<u>12,662</u>

- (b) As at 31 October 2019, the total borrowings of the Group are approximately RM70.13 million. The Company proposes to use RM6.00 million of the proceeds to repay the principal of its overdraft facility with an effective interest rate of 7.95% per annum. The repayment is expected to enable the Group to derive gross interest savings of approximately RM0.48 million per annum.

- (c) This includes payment of fees to the relevant authorities, advisory and placement fees. If the actual expenses are higher than the amount budgeted, the deficit will be funded out of the working capital. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for the general working capital. The breakdown of the estimated expenses for the Proposed Private Placement is as follows:-

	RM'000
Advisory and placement fees	600
Others (fees to relevant authorities and miscellaneous)	30
	<u>630</u>

The actual proceeds to be raised from the Proposed Private Placement are dependent on the issue price of the Placement Shares and the actual number of Placement Shares issued. Any excess or shortfall of the actual proceeds raised will be adjusted against the utilisation for the general working capital requirements and/or business expansion of the Prestariang Group.

Pending the full utilisation of the proceeds raised from the Proposed Private Placement, the Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the Group.

4. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

4.1 Background information

SKIN project

On 18 July 2017, Prestariang announced that Prestariang SKIN Sdn Bhd ("**PSKIN**"), a subsidiary of Prestariang, had entered into a concession agreement ("**CA**") with the Government of Malaysia as represented by the Ministry of Home Affairs in relation to the implementation of an integrated and comprehensive core immigration system known as 'Sistem Kawalan Imigresen Nasional' ("**SKIN**"). On 10 April 2018, PSKIN received a letter from the Ministry of Home Affairs confirming that PSKIN had fulfilled all the condition precedent in the CA, and accordingly declared 11 April 2018 as the effective date of the CA. The concession was for a period of 15 years from the effective date of the CA or the date of commencement of the development works, whichever is later and expires on the 15th anniversary of that date, as may be extended or earlier determined in accordance with the terms of the CA.

The SKIN project is based on the Public Private Partnership (PPP) model, where PSKIN would finance, build, operate, maintain and ultimately, transfer the system to the Government of Malaysia after 15 years. Under this model, the Government was not required to make any payment to PSKIN during the first 3 years of development execution. PSKIN would undertake the entire funding and execution of the SKIN project. The completion and execution risks were to be fully borne by PSKIN with a fixed contract value for the entire 15-year concession which included any fluctuations in interest rates, foreign currency exchange, and information technology (IT) hardware and software prices. Charges would only be payable by the Government of Malaysia after the SKIN Solution was successfully implemented at all immigration sites in Malaysia and abroad.

For information, the Group had reported revenue of approximately RM175.5 million for the SKIN project since its inception and up to the financial year ended ("**FYE**") 30 June 2019.

On 12 December 2018, Prestariang announced that PSKIN had received a letter from the Ministry of Home Affairs dated 11 December 2018, confirming the decision to terminate the SKIN project by way of expropriation.

Prestariang had on 22 January 2019 announced that in accordance with the terms of the CA, PSKIN is entitled to compensation in accordance with the formula set out in the CA as PSKIN is not in default of the CA. However, both parties have not been able to reach an agreement. Hence, PSKIN had on 15 April 2019 commenced legal proceedings against the Government of Malaysia in relation to the termination of the CA. Please refer to the announcements by the Company on the website of Bursa Securities for further updates on the legal proceedings.

Material uncertainty related to going concern

As stated in the Report on the Audit of Prestariang's audited financial statements for the FYE 30 June 2019, the following events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and whether the Group and the Company have sufficient cash flows to meet their obligations as and when they fall due:-

- (a) The termination of the SKIN project, resulting in the Group undertaking legal proceedings against the Government of Malaysia to recover sums due under the SKIN project;
- (b) During the 18-months FYE 30 June 2019, the Group and the Company recorded:-
 - (i) negative operating cash flows of RM72.3 million and RM12.4 million respectively; and
 - (ii) loss after taxation of RM9.0 million and RM53.3 million respectively; and
- (c) the Group has accepted advances of RM1.5 million and RM5.0 million from a director and a former director of the Company respectively for working capital purposes.

Steps or actions which have been taken/will be taken to improve the financial condition of the Group

Historically, the Group's profitability had been mainly contributed by its ICT Services and Distribution business. Save for the FYE 30 June 2019 whereby the ICT Services and Distribution business has recognized amongst others, impairment losses and tax penalty, this segment had been recording profitability for the previous financial years.

The Board recognises the material uncertainty raised in the Report on the Audit of Prestariang, and had announced their response on 12 November 2019. The material uncertainty on the Group's ability to continue as a going concern and whether the Group and the Company have sufficient cash flows to meet their obligations arise primarily as a result of the termination of the SKIN project. Based on the action plans proposed, which include the Proposed Private Placement, divestment of assets, cost cutting measures and rationalization of the Group's businesses, the Board is confident that the Group and the Company should have sufficient working capital to finance the Group's existing operations and meet its financial obligations as and when they fall due. The Group is also currently actively working to monetize its assets to enable the Group to reduce its bank borrowings and/or further capitalize its working capital. The relevant announcements will be made once such disposal(s) has been finalised.

In addition, the Group had commenced legal proceedings against the Government of Malaysia and is seeking for compensation.

4.2 Adequacy of the Proposed Private Placement in addressing the Group's financial concerns

The Proposed Private Placement is intended to capitalize the Group's ICT Services and Distribution business and strengthen its financial position to facilitate its expansion. The Board believes that, based on the premises set out in Section 4.1 above, the Group should have the sufficient working capital to finance the Group's existing operations and meet its financial obligations as and when they fall due.

4.3 Value creation and impact of the Proposed Private Placement to the Company and its shareholders

The Board, after due consideration of the various fund raising methods, is of the view that the Proposed Private Placement is the most appropriate avenue for raising funds after considering the following:-

- (a) the Proposed Private Placement will enable Prestariang to raise funds to primarily capitalize its ICT Services and Distribution business and strengthen its financial position to facilitate its expansion;
- (b) the Proposed Private Placement will allow Prestariang to raise funds without incurring additional interest costs or having to service principal repayments as opposed to bank borrowings; and
- (c) the Proposed Private Placement will strengthen the financial position of the Group by increasing the capital base of the Company.

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

For illustration purpose only, the proforma effects below have assumed an indicative issue price per Placement Share of RM0.40, representing approximately 6.67% discount to the 5-day VWAMP of Prestariang Shares up to and including the LPD of RM0.4286.

5.1 Share Capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company (excluding treasury shares) are as follows:-

	No. of Shares '000	RM'000
Existing as at the LPD	482,302	116,344
To be issued pursuant to the Proposed Private Placement	48,230	(a)19,292
Issued and paid-up share capital	530,532	135,636

Note:

- (a) Based on Indicative Issue Price.

5.2 Net assets ("NA"), NA per Share and Gearing

The pro forma effects of the Proposed Private Placement on the NA per Prestariang Share and gearing position of the Group based on the latest audited consolidated financial statements of Prestariang as at 30 June 2019 and assuming Indicative Issue Price, are as follows:-

	Audited as at 30 June 2019 RM'000	After Proposed Private Placement RM'000
Share capital (excluding Treasury Shares)	116,344	(a)135,636
Merger deficit	(10,800)	(10,800)
Fair value reserve	(7,630)	(7,630)

	Audited as at 30 June 2019 RM'000	After Proposed Private Placement RM'000
Retained profits	10,534	^(b) 9,904
Shareholder's equity/ NA	108,448	127,110
No. of Shares ('000)	482,302	530,532
NA per Share (sen)	0.22	0.24
Total borrowings	63,521	^(c) 57,521
Gearing (times)	0.59	0.45

Notes:

- (a) Based on the Indicative Issue Price
- (b) After deducting the estimated expenses for the Proposed Private Placement amounting to approximately RM0.63 million
- (c) After repayment of principal of RM6.00 million in bank borrowings as part of the utilisation of the proceeds to be raised from the Proposed Private Placement.

5.3 Earnings and Earnings Per Share ("EPS")

The Proposed Private Placement is not expected to have a material effect on the earnings of the Company for the financial year ending 30 June 2020. The Proposed Private Placement is expected to contribute positively to the earnings of the Prestariang Group for the future years as and when the benefits of the utilisation of proceeds are realised.

However, the EPS of the Prestariang Group may initially be reduced correspondingly as a result of the increase in the number of Prestariang Shares in issue arising from the Proposed Private Placement.

5.4 Dividends

The Proposed Private Placement will not have any effect on the dividend policy of the Company, if any. 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 Prestariang Group, after taking into consideration the working capital requirements, capital expenditures need for future growth and business expansion.

5.5 Convertible securities

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

5.6 Substantial Shareholders' Shareholdings

The pro forma effects of the Proposed Private Placement on the shareholding of the substantial shareholders of Prestariang based on the Company's records as at the LPD are set out in the table below:-

Substantial shareholders	As at the LPD ^(a)				After the Proposed Private Placement and resale of Treasury Shares ^(b)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Maybank Trustees Berhad Areca Dynamic Growth Fund	77,196,400	16.00	-	-	77,196,400	14.55	-	-
CIMB Islamic Trustee Berhad – Affin Hwang Multi-Asset Fund	40,000,000	8.29	-	-	40,000,000	7.54	-	-
Kumpulan Wang Persaraan (Diperbadankan)	25,437,100	5.27	^(c) 1,550,000	0.32	25,437,100	4.79	^(c) 1,550,000	0.29

Notes:

- (a) Based on 482,301,500 Shares in issue (excluding 1,698,500 treasury Shares).
- (b) Based on 530,531,600 Shares in issue.
- (c) Deemed interested by virtue of the interest of Kumpulan Wang Persaraan (Diperbadankan)'s Fund Managers pursuant to Section 8 of the Act.

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6. APPROVALS REQUIRED

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

- (a) Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities; and
- (b) any other relevant authorities/parties, if required.

Approval has been obtained from the shareholders of Prestariang at its 9th AGM convened on 27 November 2019 authorising the Board to allot and issue new Prestariang Shares not exceeding 10% of the issued shares in 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 Prestariang. Therefore, the Proposed Private Placement does not require another specific approval from the shareholders of Prestariang.

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

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or substantial shareholders of Prestariang and/or persons connected with them have any interest, direct or indirect, in the Proposed Private Placement.

8. DIRECTORS' STATEMENT

The Board after having considered all aspects of the Proposed Private Placement (including but not limited to the rationale as set out in Section 4 and the financial effects as set out in Section 5 of this announcement), is of the opinion that the Proposed Private Placement is in the best interest of the Prestariang Group and its shareholders.

9. ADVISER AND PLACEMENT AGENT

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

10. ESTIMATED TIME FRAME FOR COMPLETION

Barring any 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 2nd quarter of 2020.

This announcement is dated 21 January 2020.