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BGMC International Limited

璋利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1693)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF KAS ENGINEERING

Financial Adviser



THE SHARE PURCHASE AGREEMENT

On 16 November 2020 (after trading hours), the Seller, being an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Purchaser, pursuant to which the Seller will sell the Sale Shares to the Purchaser at the consideration of RM93,787,000. The Sale Shares represents the entire issued share capital of KAS Engineering, which is an indirect wholly-owned subsidiary of the Company prior to the Disposal.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Purchaser, was held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25%. Tan Sri Barry Goh (a former Director who resigned on 7 October 2020) and Dato' Arifin (a current Director), indirectly held 48% and 7.88% issued shares in the Company respectively. Tan Sri Barry Goh also entered into the Concert Party Confirmation Deed with Dato' Michael Teh, an executive Director, who indirectly held 19.1% issued shares of the Company. Accordingly, the Purchaser is a connected person of the Company and the transactions under the Share Purchase Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules and is subject to announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

GENERAL

The Company will convene an EGM to approve the Share Purchase Agreement and the transactions contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the Share Purchase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed in due course in accordance with the Listing Rules to advise the Independent Board Committee and Independent Shareholders as to whether the Share Purchase Agreement is fair and reasonable.

A circular containing, among other things, information relating to the Share Purchase Agreement, further information on the Disposal and a notice of EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 December 2020, which is more than 15 business days after the date of this announcement as additional time will be required to prepare the circular.

Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement, including the approval of the Share Purchase Agreement and the Disposal contemplated thereunder by Independent Shareholders at EGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares of the Company.

THE SHARE PURCHASE AGREEMENT

The Board announces that on 16 November 2020 (after trading hours), the Seller, being an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Purchaser, pursuant to which the Seller will sell the Sale Shares to the Purchaser at the consideration of RM93,787,000.

Details of the Share Purchase Agreement are summarised as follows:

Date	:	16 November 2020 (after trading hours)
Seller	:	BGMC Corporation Sdn. Bhd. (an indirect wholly-owned subsidiary of the Company)
Purchaser	:	AB CONCESSION VENTURE SDN. BHD., which was held by Tan Sri Barry Goh as to 75% and Dato’ Arifin as to 25%

Sale Shares

The Sale Shares represents the entire issued share capital of KAS Engineering, which is an indirect wholly-owned subsidiary of the Company prior to the Disposal.

INFORMATION ON KAS ENGINEERING

In September 2015, BGMC Corporation, which held 25% issued shares in KAS Engineering, completed acquisition of KAS Engineering by acquiring 75% issued shares in KAS Engineering for a total consideration of RM3,600,000 from Dato' Arifin, Tan Sri Barry Goh and a company held by Dato' Arifin as to 50%.

KAS Engineering solely derived revenue from its entitlement under the UiTM Concession Agreement. KAS Engineering entered into the UiTM Concession Agreement with UiTM (a government-funded university in Malaysia) in May 2012, pursuant to which KAS Engineering was mandated to construct the UiTM Campus with its own financial resources. KAS Engineering was responsible for the construction of UiTM Campus during the initial 3 years since engagement in May 2012. Since the UiTM Campus was formally granted the certificate of acceptance in November 2015, KAS Engineering handed over the UiTM Campus to UiTM for use, while KAS Engineering also provided asset management services for the UiTM Campus, in return for which KAS Engineering was entitled to (1) Availability Charges of approximately RM48.1 million per year for the enjoyment of the availability of the UiTM Campus which was constructed by KAS Engineering over the initial 3 years of construction works, and (2) Maintenance Charges of approximately RM10.1 million per year for KAS Engineering's provision of maintenance works, during the concession period from November 2015 to November 2035 ("**Concession Period**"). Upon expiry of the concession period in November 2035, KAS Engineering will no longer be entitled to any further Availability Charges and Maintenance Charges, and is required to handover the facilities and infrastructure at no cost to UiTM in a well-maintained and operational condition.

KAS Engineering obtained the Term Loan of RM269,370,000 in November 2012 to finance its construction of the UiTM Campus. As at 30 June 2020, KAS Engineering was still indebted to repay the outstanding principal amount of approximately RM186.8 million and the aggregate expected finance cost of approximately RM49.9 million (based on the prevailing interest rate) up to the Term Loan's maturity in 2028.

Based on the audited financial information of KAS Engineering, the audited total asset value and net asset value of KAS Engineering as at 30 September 2019 (being the financial year end) were approximately RM307.5 million and RM78.5 million respectively.

For the year ended 30 September 2019, the audited net profits before and after taxation and extraordinary items of KAS Engineering were approximately RM24.5 million and RM17.3 million respectively. For the year ended 30 September 2018, the audited net profit before and after taxation and extraordinary items were approximately RM30.4 million and RM23.1 million respectively.

CONSIDERATION

The Consideration, being an amount of RM93,787,000, is to be payable in full by the Purchaser to the Seller upon Completion. As at the date of this announcement, the Purchaser has paid RM5 million to the Seller as deposit (“**Deposit**”).

BASIS OF CONSIDERATION AND THE PRELIMINARY VALUATION OF KAS ENGINEERING

The Board (excluding (1) the Independent non-executive Directors who will express their views after considering the independent financial advisor’s views, and (2) Dato’ Arifin who was directly interested in the Disposal, and (3) Dato’ Michael Teh who, together with Tan Sri Barry Goh, have entered into the Concert Party Confirmation Deed) is of the view that the Consideration and the terms of the Share Purchase Agreement are fair and reasonable, and are in the interest of the Independent Shareholders as a whole, on the following basis:

- (1) The Consideration of RM93,787,000 equals to the preliminary valuation of 100% equity interest in KAS Engineering, being RM93,787,000, based on the preliminary draft valuation report of KAS Engineering as of 30 June 2020 prepared by the Independent Valuer in accordance with the income approach. In preparing the preliminary draft valuation report of KAS Engineering, the Independent Valuer has applied the discounted cash flow method under income-based approach and under certain assumptions.

Details of the principal assumptions of the valuation

Details of the principal assumptions of the valuation of KAS Engineering are:

- (a) to the best effort of KAS Engineering, the key performance indicators in respect of the asset management and maintenance services as stipulated in the UiTM Concession Agreement will be achieved and the UiTM Concession Agreement will not be terminated before the expiry of the Concession Period;
- (b) KAS Engineering is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to KAS Engineering;
- (c) to continue as a going concern throughout the projection period, KAS Engineering will successfully carry out all necessary activities for the development of its business;
- (d) the contractual parties of the relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;
- (e) the availability of financing will not be a constraint on the forecast growth of KAS Engineering’s operations;

- (f) the audited/unaudited financial information of KAS Engineering as supplied to the Independent Valuer have been prepared in a manner which truly and accurately reflect the financial position of KAS Engineering as at the respective balance sheet dates;
- (g) market trends and conditions where KAS Engineering operates will not deviate significantly from the economic forecasts in general;
- (h) key management, competent personnel and technical staff will all be retained to support ongoing operations of KAS Engineering;
- (i) there will be no material changes in the business strategy of KAS Engineering and its expected operating structure;
- (j) interest rates and exchange rates in the localities for the operations of KAS Engineering will not differ materially from those presently prevailing;
- (k) all relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where KAS Engineering operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- (l) there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which KAS Engineering operates or intends to operate, which would adversely affect the revenues and profits attributable to KAS Engineering.

ZHONGHUI ANDA CPA Limited (“**ZHCPA**”), the auditor of the Company which has been engaged by the Company in reviewing the calculations of the discounted future cash flows of KAS Engineering (the “**Target Group Discounted Future Cash Flows**”) on which the Target Group Valuation prepared by the Independent Valuer were based, has reported as to whether, so far as the calculations are concerned, the Target Group Discounted Future Cash Flows have been properly compiled in all material aspects in accordance with the bases and assumptions as set out therein. The relevant assurance report from ZHCPA is included in Appendix I to this announcement for the purpose of Rule 14.62 of the Listing Rules.

Euto Capital Partners Limited (“**Euto**”), the financial advisor of the Company with respect of the Disposal, has reviewed the Target Group Valuation and has discussed with the respective management of the Company and the Target Company the principal assumptions upon which the Target Group Valuation were based. Euto has also considered the above assurance report from ZHCPA addressed solely to and for the sole benefit of the Directors regarding the calculations of the Target Group Discounted Future Cash Flows. On the basis of the foregoing, Euto has confirmed that it is satisfied that the Target Group Valuation has been made by the Directors after due and careful enquiry.

- (2) In considering the reasonableness of the Consideration, the factors as set out in the section headed “Reasons for and Benefits of the Disposal” were also taken into consideration by the management of the Group.

CONDITIONS PRECEDENT

Completion shall be conditional upon the following Conditions:

- (1) obtaining approval at the EGM as required under the Listing Rules to approve the transactions contemplated under the Share Purchase Agreement;
- (2) obtaining written approval of the Malaysian Government through UKAS for the Purchaser to acquire the Sale Shares and for the changes to the shareholders and the shareholding structure of KAS Engineering;
- (3) all representations, undertakings and warranties given by the Seller under the Share Purchase Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects up to the Completion Date.

As at the date of this announcement, none of the Conditions set out above has been fulfilled.

If the Conditions set out are not fulfilled or waived in writing by the Purchaser on or before the Long Stop Date, either party shall be entitled to terminate the Share Purchase Agreement by giving the other party a written notice, and the Seller shall refund the Deposit paid by the Purchaser within 14 days of receipt of such notice of termination, and the Share Purchase Agreement shall become null and void and ceased to be of any legal effect save as to return of the Deposit.

COMPLETION

Completion shall take place within one month upon the fulfillment or waiver (as the case may be) of all the above Conditions (or such other date as the Parties may agree).

INFORMATION ON THE PARTIES

The Group is a full-fledged, integrated solutions provider in the construction service sector and concession and maintenance sector. Construction service sector principally engaged in the provision of a wide range of construction services in Malaysia, such as building and structural construction works, mechanical and electrical installation works, earthwork and infrastructure construction works as well as energy infrastructure works. As for the concession and maintenance sector, the Group undertakes long-term concession projects and provides related asset management services.

The Purchaser is an investment holding company incorporated in Malaysia with limited liability and held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25%. Tan Sri Barry Goh resigned as director of the Company on 7 October 2020. Tan Sri Barry Goh indirectly held 48% shares of the Company and was deemed to be interested in 19.1% shares of the Company held by Dato' Michael Teh (an executive Director who entered into the Concert Party Confirmation Deed with Tan Sri Barry Goh), and was accordingly interested in an aggregate of 67.1% shares of the Company under SFO. Dato' Arifin was an executive Director who indirectly held and was deemed to be interested in 7.88% shares of the Company under SFO.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board (excluding (1) the Independent non-executive Directors who will express their views after considering the independent financial advisor's views, and (2) Dato' Arifin who was directly interested in the Disposal, and (3) Dato' Michael Teh who, together with Tan Sri Barry Goh, have entered into the Concert Party Confirmation Deed) considers that the Share Purchase Agreement is in the interest of the Company on the following basis:

- (1) The Group has been in financial difficulties as it recorded net loss of RM55.3 million during FY2019 and RM159.7 million during 1H2020. The unrestricted cash and cash equivalent of the Group was on a declining trend: RM136.6 million at the end of FY2017, RM88.7 million at the end of FY2018, RM16.8 million at the end of FY2019 and RM17.5 million at the end of 1H2020 (being 31 March 2020).
- (2) in particular, the Group is exposed to satisfying the following liabilities:
 - (a) Repayment of the Remaining Group's overdue/rescheduled overdue bank facilities with principal amounts of RM51.9 million, of which (i) on 4 November 2020, Seller, being a wholly-owned subsidiary of the Company, received a demand letter from the solicitors acting for a licensed bank in Malaysia (the "**Bank A**"), in which the Bank A demanded for the repayment of approximately RM11.8 million with accrued interest on or before 15 November 2020, as to which the Company has provided settlement proposal with the sale proceeds from the Disposal, (ii) as of the date of this announcement, the full settlement deadline of approximately RM9.9 million with accrued interest due to Bank B has been extended to between 2 November 2020 and 14 December 2020. The Group failed to repay approximately RM7.3 million since 2 November 2020 up to the date of this announcement. The Group is negotiating with Bank B to further extend the repayment deadline, and (iii) approximately RM30.2 million with accrued interest due to Bank C which were initially past due but subsequently rescheduled to be fully settled with instalment repayment by end of July 2021 on the condition that, among others, the sale proceeds from disposal of KAS Engineering shall be utilized to settle the above overdue amounts . As of 31 March 2020, the Group's unrestricted cash balance is approximately RM17.5 million which is not sufficient to settle these overdue bank facilities. As at the date of this announcement, the Group is negotiating with the banks to withhold legal action in view of the Group's proposed sale of KAS

Engineering to generate cash to settle the above overdue bank facilities. All the bank loan stated in items (i), (ii) and (iii) are recorded as overdue amount in the credit record with the Bank A, B and C. The Group may only obtain new facilities if (i), (ii) and (iii) are fully repaid. Upon obtaining new facilities, the Company will have funds to engage more sub-contractors to speed up the existing construction progress.

- (b) The above facilities set out in paragraph (a) were granted by three licensed banks in Malaysia which also provided overdraft and revolving facilities amounting to RM7.5 million as at the date of this announcement. Further, Bank D also provided revolving facilities of RM3 million. Those four banks (Bank A, B, C & D) might terminate all these overdraft facilities in the event of the continuing default of the overdue facilities and/or default of the rescheduled overdue facilities as set out in paragraph (a).
- (c) To the Directors' knowledge and belief, it would be impracticable for the Group to obtain further loan financing or contract financing if the above overdue/rescheduled overdue bank facilities are not settled in full because the Group would usually be required to settle all the overdue/rescheduled overdue bank facilities for better credit rating. After settlement of the overdue repayables, however, it is expected that the Group will be in a better position to make best endeavor to obtain additional bank facilities to engage more sub-contractors to speed up the construction projects, and also bid for new construction contracts.
- (d) In line with market practice, the Group as the subcontractor is usually required to provide a performance bond amounting to 5% of the contract value in favour of the customer, as security for the Group's satisfactory completion of the project on time. The performance bond is issued by commercial banks to whom the Group will usually be required to pay the necessary processing fee and to place instruments like a fixed deposit as security. However, as of the date of this announcement, the Group was exposed to potential liabilities of: (i) imminent settlement of one customer's threatened forfeiture of performance bonds, and (ii) requests from the issuing banks to further provide fixed deposit(s) of a significant amount for certain performance bonds. In particular, one former customer ("**Customer A**") threatened to forfeit two separate performance bonds arising out of 2 separate contracts relating to the same Project in the aggregate amount of RM25.8 million. As disclosed in the announcement dated 30 June 2020, a subsidiary of the Company, in the ordinary course of business, had disputes with Customer A who served notices of termination of the said contracts, alleging that the Group had delayed in completing the works under the contracts. Customer A had sought to forfeit the Group's performance bonds in the amount of approximately RM25.8 million. The Group has filed for an application for an injunction in the Court and has obtained an ad-interim injunction order against the forfeiture of the two performance bonds by the Customer, pending the disposal of the said application by the Court. The Group has also initiated arbitrations to dispute the validity of the terminations by Customer A and claim for losses of profit against Customer A. The Group's cash

balance as of 31 March 2020 was approximately RM17.5 million and accordingly, as a precaution, the Group would need to reserve cash resources as it would not have sufficient cash to compensate for the performance bonds. The Group was also exposed to a counterclaim in the amount of approximately RM125 million by Customer A.

- (3) After careful evaluation of other alternatives, the Board was of the view that sale of asset of long-term revenue potential such as KAS Engineering was the sensible approach to generate cash for the Group's settlement of imminent payables. In particular, KAS Engineering is only allowed in limited circumstances to declare dividend to its holding company (i.e. BGMC Corporation, a member of the Remaining Group) pursuant to the restrictive covenant of the Term Loan. Accordingly, KAS Engineering has never declared any dividend to the Remaining Group.
- (4) Pursuant to the UiTM Concession Agreement between KAS Engineering and UiTM (a public university in Malaysia), transfer of KAS Engineering's ownership is subject to obtaining written approval of the Malaysia government. Tan Sri Barry Goh and Dato' Arifin were the then majority shareholders of KAS Engineering which obtained the government approval for entering into the UiTM Concession Agreement with UiTM in 2012, and KAS Engineering was subsequently acquired by the Group in 2015. Accordingly, it is more likely that the Malaysia government will grant approval to the share transfer from the Group to Tan Sri Barry Goh and Dato' Arifin who were initially the direct shareholders of KAS Engineering and currently, through the shareholding in the Company, the indirect shareholders of KAS Engineering, while there is no certainty that the Malaysia government will grant approval to other party becoming new shareholder of KAS Engineering.
- (5) The Group has evaluated the following three alternative options to raise funds, but considered that those alternatives are not practicable for repayment of imminent repayables:
 - (a) **Loan Financing** – To the Directors' knowledge and belief, it would be impracticable for the Group to obtain further financing if the overdue/rescheduled overdue bank facilities are not settled in full because the Group would usually be required to settle all the overdue/rescheduled overdue bank facilities for better credit rating.
 - (b) **Sale of KAS Engineering through tender process** – As advised by the Malaysian Legal Advisor, the disclosure of information in respect of the UiTM Concession Agreement is prohibited without the consent of the counter-party to the agreement. During the initial public offering, it took approximately one year for the Company to obtain the requisite consent from the Government of Malaysia and Universiti Teknologi Mara to publish and disclose certain terms and conditions of or information in relation to the UiTM Concession Agreement in the Prospectus of the Company issued in connection with the initial public offering exercise. The Prospectus only contained a summary of the UiTM Concession Agreement while

the interested buyer would require a full text of the UiTM Concession Agreement. In light of the urgency of funding needs, it is impracticable for the Company to sell the shareholding interest in KAS Engineering through public tender as disclosure of and access to the full text of UiTM Concession Agreement will be required in connection with any public tender exercise.

- (c) The Company's share price dropped from IPO offer price of HK\$0.7 to HK\$0.031 on 13 November 2020, being the last trading date immediately preceding this announcement. The Group's gross loss of RM23.4 million (restated) in 1H2019 increased to RM130.9 million in 1H2020. In light of the recent poor share price performance and the poor financial performance, the Board is of the view that it would be impracticable to conduct equity financing to satisfy the Group's imminent financial need as set out above.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, KAS Engineering will cease to be a subsidiary of the Company and the financial results of KAS Engineering will no longer be consolidated to the Company and the Group's financial statements.

Based on, inter alia, the Consideration, the unaudited net assets as at 31 March 2020, and the related expenses for the Disposal, the Group currently expects to record a loss on the Disposal of approximately RM4.1 million upon Completion which is subject to review by the Group's auditors. Such loss is calculated by the Consideration of approximately RM93.8 million deducting the net tangible assets of approximately RM89.2 million, unamortised intangible assets of approximately RM7.4 million and professional fee incurred for the Disposal of approximately RM1.3 million. During the acquisition of KAS Engineering in year 2015, an intangible asset in relation to the right of KAS Engineering to receive management service income from a concession agreement to carry out the property management services on UiTM was recorded. The unamortised intangible assets amounted to RM7.4 million which arose upon de-consolidation and it does not result in cash outflows.

BUSINESS OF THE GROUP AFTER DISPOSAL

The Company is a provider of full-fledged, integrated solutions in two specialized business sectors, namely:

- (i) Construction Services (comprising the Building and Structure segment, Energy Infrastructure segment, Mechanical and Electrical segment, and Earthworks and Infrastructure segment), which undertakes primarily construction service contracts of length not exceeding five years;
- (ii) Concession and Maintenance, which undertakes Public Private Partnership contracts of duration more than 20 years.

The Company will continue to operate the above principal business segments.

Construction Services

As of 30 June 2020, the Company has orderbook of approximately RM700 million, of which the following four major construction projects will have a total orderbook of approximately RM600 million. Due to the liquidity difficulties that the Group has been encountering, the Group did not have sufficient cash to engage sub-contractors to speed up the construction works. With the sale proceeds of KAS, the Company will strive to engage more sub-contractors to expedite the remaining major construction works in FY2021 or 1H2022 so as to convert the remaining contract value into revenue.

Project Name and Description	Remaining Contract Value (RM'000)
The Sky Seputeh: Construction of two blocks of 37-storey towers comprising 290 units of apartments, car parks and other facilities at Taman Seputeh, Wilayah Persekutuan, Malaysia.	201,164
Bangsar 61: Construction and completion of earthworks, basement parking and associated works for a four-storey basement car park at Bangsar, Kuala Lumpur, Malaysia.	273,781 (note 1)
Setia Spice: Construction of a 26-storey building with a 19-storey hotel tower (453 rooms), a three-storey car park and four-storey hotel facilities, plus a two-storey basement car park at Setia Spice, Bayan Lepas, Penang, Malaysia.	85,256
TNB Worker's Quarters: Construction of one block of eight-storey executive quarters (24 units), three blocks of nine-storey non-executive quarters (160 units) and other facilities at Kuala Berang, Terengganu, Malaysia.	49,000
Total:	609,201

Note 1: As of June 2020, the customer has issued interim progress certificate which certifies that the Group will be entitled to a variation order (VO) in recognition of the additional works in the amount of RM59.7 million.

The Company expects to complete the above four major construction projects by end of March 2022.

Concession and Maintenance

Prior to the Disposal, the concession and maintenance segment includes the UiTM BLMT Project (i.e. the subject of the Disposal) and the concession to build a solar power plant, and generate power and sell the power generated by the plant to national utility companies for 21 years (“**Solar Power Plant Concession**”). After Completion, the Company will continue the operation of the concession and maintenance segment which, after the Disposal, will mainly comprise the Solar Power Plant Concession .

In FY2019, the Company expanded concession business and entered into the renewable energy industry and secured the right to develop, own and operate a 30 megawatt alternate current solar power plant, and also signed a 21-year power purchase agreement with a sole energy distributor in Peninsular Malaysia, Tenaga Nasional Berhad. Upon completion of the construction, the power plant will generate power and sell the power to Tenaga Nasional Berhad (“**TNB**”) which is the Malaysian multinational electricity company and is the only electric utility company in Peninsular Malaysia.

Pursuant to the contractual terms of Solar Power Plant Concession, the Group is entitled to revenue from sale of electricity, but the Group is not entitled to any income for building the solar power plant. During 1H2020, the Group recorded revenue of RM63.1 million in recognition of the solar power plant construction progress in accordance with the accounting treatment under IFRIC12. However, such revenue was only recognized based on accounting standard but was not a contractual entitlement. Accordingly, the Group would not be contractually entitled to collect the construction fee from TNB for completion of the solar power plant.

The solar power plant was initially expected to commence operation on 30 September 2020, however, the construction experienced delay due to COVID-19. TNB has granted a consent to an extension of 84 days to 24 December 2020 (“**Extended Timeline**”). The Group is actively negotiating with TNB for further extension for completing the construction of the solar power plant, however, there is no guarantee that TNB would grant such approval. There is no assurance that the Group would complete the construction of the solar power plant on or before the Extended Timeline, or whether further time extension would be granted by TNB. As such, there is no assurance that the Group would be able to generate sustainable income from the Solar Power Plant Concession.

USE OF PROCEEDS

The net proceeds of approximately RM92 million (after deducting the related expenses in relation to the Disposal) will be:

- (1) approximately RM52 million for repayment of overdue bank facilities/rescheduled overdue bank facilities;
- (2) approximately RM40 million to cater for imminent settlement of former customer’s threatened forfeiture of performance bond, as well as the bank’s request to provide fixed deposits as security for certain performance bonds for bidding new construction projects, and working capital purpose.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Purchaser, was held by Tan Sri Barry Goh as to 75% and Dato' Arifin as to 25%. Tan Sri Barry Goh (a former director who resigned on 7 October 2020) and Dato' Arifin (a current director), indirectly held 48% and 7.88% issued shares in the Company respectively. Tan Sri Barry Goh also entered into the Concert Party Confirmation Deed with Dato' Michael Teh, an executive Director, who indirectly held 19.1% issued shares of the Company. Accordingly, the Purchaser is a connected person of the Company and the transactions under the Share Purchase Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Dato' Arifin and Dato' Michael Teh have abstained from voting on the board's resolution to approve the Share Purchase Agreement.

As one or more of the applicable percentage ratios in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules and is subject to announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

BGMC Corporation is currently providing a corporate guarantee in favour of the Term Loan Bank over KAS Engineering's repayment obligation under the Term Loan. After completion of the Disposal, BGMC Corporation will no longer provide such corporate guarantee and no connected transaction is expected to occur between the Remaining Group and KAS Engineering.

GENERAL

The Company will convene an EGM to approve the Share Purchase Agreement and the transactions contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the Share Purchase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed in due course in accordance with the Listing Rules to advise the Independent Board Committee and Independent Shareholders as to whether the Share Purchase Agreement is fair and reasonable.

Prosper International Business Limited (wholly owned by Tan Sri Barry Goh), Kingdom Base Holdings Limited (wholly owned by Dato' Arifin) and Seeva International Limited (wholly owned by Dato' Michael Teh), which collectively hold 75% issued shares in the Company, will abstain from voting in the EGM.

A circular containing, among other things, information relating to the Share Purchase Agreement, further information on the Disposal and a notice of EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 December 2020, which is more than 15 business days after the date of this announcement as additional time will be required to prepare the circular.

Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement, including the approval of the Share Purchase Agreement and the Disposal contemplated thereunder by Independent Shareholders at EGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares of the Company.

EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions or advice in this announcement are as follows:

Name	Qualification
Valplus Consulting Limited	Independent professional valuer
ZHONGHUI ANDA CPA Limited	Certified Public Accountant
Euto Capital Partners Limited	a licensed corporation that is licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Mah-Kamariyah & Philip Koh	Malaysian Legal Advisor

As at the date of this announcement, (a) the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (b) did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 September 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the Independent Valuer, Malaysian Legal Advisor, ZHCPA and Euto has given their respective written consents to the publication of this announcement with the inclusion of their respective report and/or opinion and all references to their respective names in the form and context in which they are included.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“1H”	six months ended 31 March
“Availability Charges”	a term commonly used in concession projects for education facilities in Malaysia and as extracted from the UiTM Concession Agreement, which means the consideration payable to KAS Engineering for completing the construction works for the UiTM Campus and as described particularly in the section headed “Business – UiTM BLMT Project” in the Prospectus
“BGMC Corporation” or “Seller”	BGMC Corporation Sdn. Bhd., an indirect wholly-owned subsidiary of the Company
“Bank A” or “Bank B” or “Bank C”	a licensed bank in Malaysia
“BGMC Holdings”	BGMC Holdings Berhad (formerly known as BGMC Holdings Sdn. Bhd. and BGMC Builder Sdn. Bhd.), an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking services to the public
“Company”	BGMC International Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange (stock code: 1693)
“Completion Date”	the date of Completion, or such other date as the Company and the Purchaser may agree in writing
“Completion”	the completion of the Disposal and transactions contemplated under the Share Purchase Agreement in accordance with the terms therein

“Concert Party Confirmation Deed”	the concert party confirmatory deed dated 15 December 2016 entered into between Tan Sri Barry Goh and Dato’ Michael Teh to acknowledge and confirm that they are parties acting in concert
“Concession Period”	the concession period from November 2015 to November 2035 under the UiTM Concession Agreement
“Conditions”	the conditions precedent to the Completion as set out in the paragraph headed “Conditions Precedent” under the section headed “The Share Purchase Agreement” in this announcement
“connected person”	has the meaning given to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Dato’ Arifin”	Dato’ Mohd Arifin bin Mohd Arif, the Executive Director of the Company
“Dato’ Michael Teh”	Dato’ Teh Kok Lee, the Executive Director, Chief Executive Officer and Controlling Shareholder
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the terms and conditions of the Share Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Disposal and transactions contemplated under the Share Purchase Agreement
“FY”	financial year
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors established for the purpose of considering and advising the Independent Shareholders in respect of the Share Purchase Agreement and the Disposal

“Independent Shareholders”	Shareholder(s) other than those required to abstain from voting on the resolution(s) relating to the Disposal at the EGM under the Listing Rules
“Independent Valuer”	Valplus Consulting Limited
“KAS Engineering”	KAS Engineering Sdn. Bhd., a company incorporated in Malaysia under the Companies Act 1965 with limited liability on 17 November 1993, which is a direct wholly-owned subsidiary of BGMC Corporation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the day falling three months from the date of the Share Purchase Agreement, or any other date as may be agreed between the Seller and Purchaser in writing
“Management Charges”	the maintenance charges of RM0.80 per square foot per month, which form a part of the asset management services charges of the UiTM BLMT Project and as described particularly in the section headed “Business – UiTM BLMT Project” in the Prospectus
“percentage ratio”	has the meaning given to it under Rule 14.07 of the Listing Rules
“Prospectus”	the prospectus of the Company dated 31 July 2017
“Purchaser”	AB CONCESSION VENTURE SDN. BHD., a company incorporated in Malaysia which is wholly owned by Tan Sri Barry Goh and Dato’ Arifin
“Remaining Group”	the Group after Completion of the Disposal
“RM”	Malaysian ringgit, the lawful currency of Malaysia
“Sale Shares”	the entire issued share capital of KAS Engineering
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Purchase Agreement”	the share purchase agreement dated 16 November 2020 entered into between the Purchaser and the Seller in relation to the Disposal

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tan Sri Barry Goh”	Tan Sri Dato’ Sri Goh Ming Choon, the Controlling Shareholder of the Company who has resigned as director of the Company on 7 October 2020
“Target Group Valuation”	the valuation of KAS Engineering as at 30 June 2020 by the Independent Valuer by adopting the discounted cash flow method under the income-based approach as the valuation methodology
“Term Loan”	A term loan borrowed by KAS Engineering from the Term Loan Bank of RM269,370,000 in November 2012 to finance its construction of the UiTM Campus.
“Term Loan Bank”	A licensed bank in Malaysia which lent the Term Loan to KAS Engineering
“UiTM BLMT Project”	the PPP project for the construction of the UiTM Campus under the BLMT model
“UiTM Campus”	the Dengkil campus compound of UiTM
“UiTM Concession Agreement”	the concession agreement dated 14 March 2012 entered into among KAS Engineering, the Malaysian government and UiTM for the construction of the UiTM Campus
“UiTM”	Universiti Teknologi MARA, a university established under the Universiti Teknologi MARA Act 1976
“UKAS”	The Public Private Partnership Unit (Unit Kerjasama Awam Swasta) of the Prime Minister’s Department
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For illustration purposes only, amounts denominated in RM in this announcement have been translated into HK\$ at the rate of RM1 = HK\$1.8709, and amounts denominated in USD in this announcement have been translated into HK\$ at the rate of USD1 = HK\$7.78. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates or at all.

For and on behalf of
BGMC International Limited
Ching Hong Seng
Executive Director

Malaysia, 16 November 2020

As at the date of this announcement, the Board comprises Dato' Mohd Arifin bin Mohd Arif (Vice-chairman), Dato' Teh Kok Lee (Chief Executive Officer) and Ching Hong Seng as executive Directors; and Tan Sri Dato' Seri Kong Cho Ha, Kua Choh Leang and Datuk Kamalul Arifin Bin Othman (Chairman) as independent non-executive Directors.

APPENDIX I – INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF KAS ENGINEERING



INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF KAS ENGINEERING SDN. BHD.

The Board of Directors
BGMC International Limited

Dear Sirs,

We have examined the calculations of the discounted cash flow forecast (the “Forecast”) underlying the valuation (the “Valuation”) of KAS Engineering Sdn. Bhd. (the “Disposal Company”) performed by Valplus Consulting Limited (the “Valuer”) in respect of the appraisal of the fair value of the Disposal Company as at the reference date of 30 June 2020. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Directors’ Responsibilities

The directors of the Company are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the “Assumptions”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Forecast based on our procedures and to report our opinion solely to you, as a body, solely for the purpose in connection with the Valuation and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standards requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Forecast in accordance with the Assumptions adopted by the directors as set out in the Valuation. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Opinion

In our opinion, so far as calculations are concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the directors as set out in Valuation.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong

16 November 2020

APPENDIX II – LETTER FROM THE FINANCIAL ADVISER IN RELATION TO THE TARGET GROUP VALUATION



The Board of Directors
BGMC International Limited
Unit 2413A, 24/F,
Lippo Centre, Tower One,
89 Queensway, Admiralty
Hong Kong

16 November 2020

Dear Sirs,

We refer to the valuation report prepared by Valplus Consulting Limited (“Independent Professional Valuer”) in relation to the fair market value of 100% equity interests in KAS Engineering Sdn. Bhd. (“Target Company”) as at 30 June 2020 (“Valuation”). The principal assumptions upon which the Valuation is based are included in the announcement of BGMC International Limited (“Company”) dated 16 November 2020 (“Announcement”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

We note that the Valuation has been developed based on discounted cash flow analysis which is regarded as profit forecast (“Profit Forecast”) under Rule 14.61 of the Listing Rules. We have discussed with the management of the Company and the Independent Valuer regarding the bases and assumptions of the Profit Forecast to arrive at the Valuation and have reviewed the letter dated 16 November 2020 issued by ZHONGHUI ANDA CPA Limited, the reporting accountants of the Company, as set out in Appendix I to the Announcement in regard to their work performed on the Profit Forecast. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the Target Company may or may not achieve as expected and the variation may be material.

On the basis of the foregoing, we are of the opinion that the Profit Forecast underlying the Valuation, for which the Directors are solely responsible, has been made after due and careful enquiry. Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours faithfully,
For and on behalf of
Euto Capital Partners Limited
Manfred Shiu
Director