

E.A. TECHNIQUE (M) BERHAD (“EATECH” OR THE “COMPANY”)

PROPOSED REGULARISATION PLAN

This announcement is dated 11 April 2023.

Reference is made to the Company’s requisite announcement dated 13 March 2023 in relation to the Proposed Regularisation Plan (“**Requisite Announcement**”). Unless otherwise defined, definitions used throughout this announcement shall bear the same meaning as those defined in the Requisite Announcement.

1. INTRODUCTION

On 13 March 2023, on behalf of the Board, Malacca Securities announced that the Company’s Requisite Announcement pursuant Paragraph 4.2 of PN17, shall comprise of the following:-

- (i) Proposed Share Consolidation; and
- (ii) Proposed Shares Issuance.

Upon completion of the Proposed Shares Issuance, Tan Sri Rashid will emerge as an indirect controlling shareholder of EATECH via EOSSB as EOSSB will hold a total of 46,860,834 EATECH Shares, representing 53.0% of the total enlarged number of issued shares in EATECH. Accordingly, upon the Subscription Agreement with EOSSB becoming unconditional, EOSSB as the “Offeror” and Tan Sri Rashid as the “Ultimate Offeror” will be obliged to extend a MGO for the remaining EATECH Shares not owned by the Ultimate Offeror, Offeror and their PACs pursuant to Section 218(2) of the Capital Market Services Act, 2007 and Paragraph 4.01 of the Rules.

2. UPDATES ON THE PROPOSED REGULARISATION PLAN

On behalf of the Board, Malacca Securities wishes to announce that the Company proposes to undertake the following revisions to the Proposed Regularisation Plan:-

- (i) to include the impending MGO by EOSSB upon the completion of the Proposed Shares Issuance (“**Proposed MGO**”) as part of the Proposed Regularisation Plan; and
- (ii) upon completion of the Proposed MGO, if necessary, to undertake a proposed private placement of up to 22,000,000 new EATECH Shares (“**Placement Shares**”) to third party investors, representing approximately 19.9% of the enlarged number of EATECH Shares in issue after the Proposed Share Consolidation, Proposed Shares Issuance and the aforementioned placement (“**Proposed Private Placement**”).

The Proposed Private Placement is to address shortfall in the public shareholding spread arising from the Proposed MGO, if any. Accordingly, the Proposed Regularisation Plan is proposed to be undertaken in the following sequence:-

- (i) Proposed Shares Consolidation;
- (ii) Proposed Shares Issuance;
- (iii) Proposed MGO; and
- (iv) Proposed Private Placement.

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

3. PROPOSED PRIVATE PLACEMENT

3.1 Size of the issuance

The Proposed Private Placement entails the issuance of up to 22.0 million Placement Shares.

Based on the proforma number of shares in issue after the Proposed Shares Issuance of 88,416,667 EATECH Shares, the issuance of 22.0 million Placement Shares thus represents approximately 19.9% of the enlarged share capital after the Proposed Regularisation Plan.

In the event the Proposed MGO results in the public shareholding spread falling below the 25% threshold, it is the intention of EATECH to:-

- (i) request EOSSB to reduce its shareholding in EATECH Shares, such that EATECH complies with its shareholding spread requirements. In this respect, EATECH has obtained the undertaking from EOSSB;
- (ii) the Proposed Private Placement will be undertaken to up to the level required to maintain the shareholding spread requirement; or
- (iii) undertake a combination of the proposals in (i) and (ii) above.

For the avoidance of doubt, should there be no shortfall, in the public shareholding spread of EATECH, the Company may not proceed with the Proposed Private Placement. Thus, the actual number of the Placement Shares will depend on the total shortfall in shareholding spread after the completion of the Proposed MGO, if any.

3.2 Placement arrangement

The Placement Shares will be placed out to third party investor(s) to be identified later ("**Placee(s)**"). The Placee(s) shall also be party(ies) who qualify under Schedule 6 and Schedule 7 of the Capital Markets and Services Act 2007.

In addition, the Placement Shares are not intended to be placed out to the following persons/parties:-

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

Subject to market conditions and the timing of identification of the Placee(s), the Proposed Private Placement may be implemented in 1 or more tranches within 6 months from the date of the approval given by Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities. The implementation of the Proposed Private Placement in multiple tranches would accord flexibility to the Company to procure interested investors to subscribe for the Placement Shares from time to time. For the avoidance of doubt, the issue price for each tranche of the Placement Shares shall be determined separately.

Notwithstanding the above, if required, it is the intention of EATECH to undertake the Proposed Private Placement soonest possible to address any shortfall in shareholding spread.

3.3 Basis and justification of determining the issue price

The issue price of the Placement Shares shall be fixed at a date to be determined by the Board and announced by the Company later.

As the Proposed Private Placement may be implemented in several tranches, there could potentially be several price-fixing dates and issue prices. The Placement Shares will not be priced at more than 10% discount to the 5-day VWAP of EATECGH Shares immediately before the price fixing date.

For illustrative purposes, the reference issue price of the Placement Shares after the Proposed Shares Consolidation is assumed to be RM2.70, representing a discount of approximately 9.86% to the 5-day VWAP of EATECH Shares up to 10 April 2023, being the latest practicable date prior to the announcement of the Proposed Private Placement, of RM2.9955. For information, the 5-day VWAP of EATECH Shares up to 4 April 2023 is RM0.1997.

3.4 Ranking of the Placement Shares

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

3.5 Listing and quotation for the Placement Shares

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

3.6 Utilisation of proceeds

Assuming the issuance of 22.0 million Placement Shares at an illustrative issue price of RM2.70 each, the Proposed Private Placement will raise proceeds of RM58.2 million (net of RM1.2 million estimated expenses) which EATECH propose to be utilised for working capital purposes over a period of 24 months from the date the proceeds are received as follows:-

Working Capital	Percentage (%)
Staff costs which include staff salaries, Directors' remuneration and contributions to the Employees Provident Fund Board and the Social Security Organisation, and staff remuneration related benefits	30.0
Office related expenses such as rental, utilities, office maintenance, staff medical insurance, maintenance of property, vessel and equipment, printing, stationaries, postages, travelling or transportation, staff amenities, website maintenance, petty cash reimbursements and other office operating expenses	50.0
Compliance related expenses such as audit (internal & external), secretarial and share registrar related expenses, taxation, legal, listing and payments to corporate advisers	20.0
	<u>100.0</u>

Any deviation in the aforementioned allocation for each component of general working capital will be adjusted to/from other components.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the final issue price of the Placement Shares and the actual number of Placement Shares to be issued.

Pending use of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in deposits with a financial institution and/or short-term money market instruments as the Board may deem fit. The interest derived from the deposits with the financial institution and/or any gain arising from the short-term money market instruments will be used as working capital of the Group.

3.7 Rationale for the Proposed Private Placement

The primary purpose of the Proposed Private Placement is to facilitate EATECH's compliance with the shareholding spread requirement post-completion of the Proposed MGO, if required.

The Proposed Private Placement will also enable the Group to raise additional proceeds for working capital purposes.

4. UPDATED EFFECTS OF THE PROPOSED REGULARISATION PLAN

The proforma effects herein are presented purely for illustration purposes and should not be regarded as an indication of or reference to the final issue price of the Placement Shares in relation to the Proposed Private Placement.

4.1 Issued share capital

The Proposed MGO will not have any effect on the issued share capital of EATECH.

The proforma effects of the Proposed Shares Consolidation, Proposed Shares Issuance and Proposed Private Placement on the issued share capital of EATECH are as follows:-

	No. of shares ('000)	RM'000
As at LPD	530,500	179,755
After the Proposed Shares Consolidation	⁽ⁱ⁾ 35,367	179,755
Issuance of Subscription Shares pursuant to the Proposed Shares Issuance	53,050	⁽ⁱⁱ⁾ 60,000
	<u>88,417</u>	<u>239,755</u>
Issuance of Placement Shares pursuant to the Proposed Private Placement	22,000	⁽ⁱⁱⁱ⁾ 59,400
Enlarged issued share capital	<u>110,417</u>	<u>299,155</u>

Notes:-

- (i) Computed based on the consolidation of 530,500,000 EATECH Shares on the basis of 15 existing EATECH Share into 1 Consolidated Share.
- (ii) Computed based on the issuance of 53,050,000 new EATECH Shares at the Subscription Price of RM1.131 each.
- (iii) Assuming all 22.0 million Placement Shares are issued at the reference issue price of the Placement Shares after the Proposed Shares Consolidation is assumed to be RM2.70, representing a discount of approximately 9.86% to the 5-day VWAP of EATECH Shares up to LPD, of RM2.9955. For information, the 5-day VWAP of EATECH Shares up to LPD is RM0.1997.

4.2 Earnings and EPS

The Proposed Regularisation Plan is not expected to have any material impact on EATECH Group's earnings for the financial year ending 31 December 2023 as it is only expected to be completed in the 3rd quarter of 2023.

The Proposed MGO will not have any effect on the earnings and EPS of EATECH.

Barring any unforeseen circumstances, the settlement of the debts owed to scheme creditors under the SOA and to Sindora with the proceeds raised from the Asset Disposal Program and the Proposed Shares Issuance will allow the Group to recognise a one-off net income from the waiver of debt of approximately RM133.5 million and RM1.5 million respectively. Following the completion of the SOA and Asset Disposal Program, the Group should be in a better position to operate without its legacy debt and cashflow issues to impede on its business.

The Proposed Shares Issuance and Proposed Private Placement will result in a dilution of EATECH's consolidated EPS as a result of the increase in the number of EATECH Shares in issue upon completion of the Proposed Shares Issuance and Proposed Private Placement.

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4.3 NA, NA per Share and gearing

The Proposed MGO will not have any effect on the NA, NA per Share and gearing of EATECH Group.

For illustration purposes, based on the audited consolidated statements of financial position of EATECH as at 31 December 2022 and assuming that the Proposed Regularisation Plan was completed on 31 December 2022, the proforma effects of the Proposed Regularisation Plan on the consolidated NA per Share and the gearing of EATECH are as follows:-

	Audited	(I)	(II)	(III)	(IV)
	As at 31 December 2022	After Proposed Shares Consolidation	After (I) and Proposed Shares Issuance	After (II) and Proposed Private Placement	After (III) and completion of SOA*
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	179,755	179,755	(ii) 239,755	(iv) 299,155	299,155
Accumulated losses	(142,248)	(142,248)	(iii) (144,248)	(v) (145,448)	(vi) (7,058)
Total equity	37,507	37,507	95,507	153,707	292,097
No. of Shares in issue ('000)	530,500	(i) 35,367	(ii) 88,417	110,417	110,417
NA per Share (RM)	0.07	1.06	1.08	1.39	2.64
Total borrowings (including lease liabilities)	175,781	175,781	175,781	175,781	175,781
Gearing (times)	4.7	4.7	1.84	1.14	0.60

Notes:-

- * Inclusive of the one-off income from the waiver of debts owing to Sindora and completion of the Asset Disposal Program.
- (i) After the consolidation of 530,500,000 EATECH Shares on the basis of 15 existing EATECH Share into 1 Consolidated Share.
- (ii) After the issuance of 53,050,000 new EATECH Shares at the Subscription Price of RM1.131 each.
- (iii) After deducting estimated expenses of RM2.0 million for the Proposed Regularisation Plan.
- (iv) Assuming all 22.0 million Placement Shares are issued at the reference issue price of the Placement Shares after the Proposed Shares Consolidation is assumed to be RM2.70, representing a discount of approximately 9.86% to the 5-day VWAP of EATECH Shares up to LPD, of RM2.9955. For information, the 5-day VWAP of EATECH Shares up to LPD is RM0.1997.
- (v) After accounting for estimated expenses of RM1.2 million in relation to the Proposed Private Placement.
- (vi) After accounting for the estimated one-off net income of RM133.5 million from the waiver of debts by scheme creditors pursuant to the SOA, RM1.5 million from the waiver of debt owing to Sindora pursuant to the settlement agreement, and the gain on disposal from Nautica Muar of RM3.4 million.

4.4 Substantial shareholders' shareholdings

The Proposed Shares Consolidation will not have any effect on the Company's substantial shareholders' shareholding.

Assuming no Awards are granted to persons connected to substantial shareholders of EATECH, the proforma effects of the Proposed Regularisation Plan on the shareholdings of the substantial shareholders of EATECH based on the Register of Substantial Shareholders as at LPD are as follows:-

	As at LPD				After Proposed Shares Consolidation				After Proposed Shares Issuance			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Sindora	265,500,000	50.05	-	-	17,700,000	50.05	-	-	17,700,000	20.02	-	-
Kulim	12,884,300	2.43	265,500,000 ⁽ⁱ⁾	50.05	858,953	2.43	-	-	858,953	0.97	-	-
Johor Corporation	-	-	278,384,300 ⁽ⁱⁱ⁾	52.47	-	-	18,558,953	52.47	-	-	18,558,953	20.99
Dato' Ir. Abdul Hak bin Md. Amin	23,682,100	4.47	3,651,700 ⁽ⁱⁱⁱ⁾	0.69	1,578,806	4.47	243,446	0.69	1,578,806	1.79	243,446	0.27
EOSSB	-	-	-	-	-	-	-	-	46,860,834	53.00	-	-
	After Proposed MGO ^(iv)				After Proposed Private Placement ^(v)							
	Direct		Indirect		Direct		Indirect					
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%				
Sindora	17,700,000	20.02	-	-	17,700,000	16.03	-	-				
Kulim	858,953	0.97	-	-	858,953	0.78	-	-				
Johor Corporation	-	-	18,558,953	20.99	-	-	18,558,953	16.81				
Dato' Ir. Abdul Hak bin Md. Amin	-	-	-	-	-	-	-	-				
EOSSB	63,554,881	71.88	-	-	63,554,881	57.56	-	-				

Notes:-

- (i) Deemed interest by virtue of its shareholding in Sindora pursuant to Section 8 of the Act.
- (ii) Deemed interest by virtue of its shareholding in Kulim pursuant to Section 8 of the Act.
- (iii) Deemed interest by virtue of his spouse's shareholding pursuant to Section 8 of the Act.
- (iv) Assuming that save for parties who have given an undertaking not to accept the MGO, namely, Sindora, Kulim, Tan Sri Abdul Halim and Mr Khiruddin as well as Directors of EATECH who hold shares, all other shareholders accept the MGO.
- (v) Assuming the issuance of 22.0 million Placement Shares to address the shareholding spread of EATECH.

In the event, the shareholding spread is met through EOSSB reducing its shareholdings in EATECH after the Proposed MGO, the Proposed Private Placement will not be undertaken and there will be no changes to the substantial shareholders' shareholdings.

4.5 Convertible securities

As at LPD, EATECH does not have any convertible securities in issue.

4.6 Shareholding spread

The Proposed Shares Consolidation will not have any effect on the public shareholding spread of EATECH.

The public shareholding spread of EATECH based on the Record of Depositors maintained by Bursa Depository as at 28 February 2023 is approximately 42.01% held by 3,308 public shareholders, with at least 1,000 shareholders holding not less than 100 shares.

The Proposed Shares Issuance will result in EATECH's public shareholding spread to decline from 42.01% to 25.88%.

The Proposed MGO may result in EATECH's public shareholding spread falling below the required 25% threshold. Based on the illustration set out in Section 4.4 above, whereby assuming that save for the parties who have given an undertaking not to accept the MGO, namely, Sindora, Kulim, Tan Sri Abdul Halim and Mr Khiruddin as well as Directors of EATECH who hold shares, if all other shareholders accept the MGO, EATECH's public shareholding spread will reduce to 7%. The Proposed Private Placement will rectify EATECH's public shareholding spread to 25.53%.

Premised on the above, the Proposed Regularisation Plan is not expected to result in the Company breaching the public shareholding spread requirement under Paragraph 8.02(1) of the Listing Requirements.

5. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Regularisation Plan is subject to the following approvals being obtained:-

- (i) Bursa Securities on the following:-
 - (a) the Proposed Regularisation Plan;
 - (b) listing and quotation of Consolidated Shares;
 - (c) listing and quotation of the Subscription Shares; and
 - (d) listing and quotation of the Placement Shares,
- (ii) Shareholders of EATECH at an EGM to be convened for the Proposed Regularisation Plan; and
- (iii) the approval of any other relevant authorities and/or parties if required.

The Proposed MGO is a resultant of the Proposed Shares Issuance and does not require the approval of the shareholders of EATECH at a general meeting. For the avoidance of doubt, the Proposed MGO will still have to be undertaken in order for the Proposed Regularisation Plan to be completed. The proposals (save for the Proposed MGO) forming the Proposed Regularisation Plan are inter-conditional upon each other.

The Proposed Regularisation Plan is not conditional upon any other corporate proposals to be implemented by the Company.

5.1 Pre-emptive rights

Pursuant to Section 85 of the Act read together with Article 8.6 of the Constitution of the Company, the Shareholders have a statutory pre-emptive right to be offered any new EATECH Shares which rank equally to the existing EATECH Shares ("**Statutory Pre-Emptive Right**").

Should shareholders' vote in favour of the resolutions in relation to the Proposed Regularisation Plan at the forthcoming EGM shall mean that the shareholders will be waiving their Statutory Pre-Emptive Right. Accordingly, the resolutions in respect of the Proposed Regularisation Plan, if passed, will exclude the shareholders' statutory pre-emptive right to be offered new EATECH Shares to be issued by the Company pursuant to the Proposed Regularisation Plan (i.e. the Subscription Shares and Placement Shares, if any).

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders, chief executive and/or persons connected to them are interested in the Proposed Private Placement.

7. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Regularisation Plan (including but not limited to the rationale, financial effects, risk factors of the Proposed Regularisation Plan), is of the opinion that the Proposed Regularisation Plan is in the best interest of the Company.

8. APPLICATION TO THE RELEVANT AUTHORITIES

Pursuant to the revision to the proposals comprising the Proposed Regularisation Plan, EATECH will submit a revised application to Bursa Securities in respect of the Proposed Regularisation Plan and withdraw the regularisation plan application submitted to Bursa Securities on 17 March 2023.