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**QUARTERLY UPDATE ON PROGRESS OF RESUMPTION  
AND  
CONTINUED SUSPENSION OF TRADING**

This announcement is made by BGMC International Limited (the “**Company**” together with its subsidiaries, collectively the “**Group**”) pursuant to rule 13.09 and rule 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcement of the Company dated 29 January 2021 (the “**Announcement**”) with respect to, among others, the resumption guidance (“**Resumption Guidance**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

**BUSINESS UPDATE**

The Company is a holding company and the Group is a full-fledged, integrated solutions provider operating in two business sectors: construction services sector (comprising building and structures segment, energy infrastructure segment, mechanical and electrical segment, and earthworks and infrastructure segment) which undertakes primarily construction service contracts not exceeding five years, and the concession and maintenance sector which undertakes public private partnership contracts with a duration of around 20 years.

As disclosed in the annual report for the year ended 30 September 2020 (“**2020 Annual Report**”), the outbreak of COVID-19 in Malaysia has had a huge impact to the Group’s business. The Group’s construction sites need to be closed down due to the imposition of Movement Control Order (“**MCO**”) by the Malaysian Government. The situation has then worsened with the second wave of COVID-19 outbreak occurred in the month of January and February 2021. The MCO was reimposed on 11 January 2021 in the state of Selangor, Penang and the Federal Territory of Kuala Lumpur, where the Group’s office and construction sites are mainly located. This MCO ended on the 4 March 2021, followed by Conditional Movement Control Order (“**CMCO**”) which started from 5 March 2021 and is expected to be effective until 14 April 2021. Both the imposition of MCO and CMCO have affected the Group’s field works on construction sites greatly. The Group was required to adhere to all restrictions and comply fully to the standard of procedures imposed by the relevant authorities while operating both in the office and at the construction sites.

## PROPOSED DEBT RESTRUCTURING OF A SUBSIDIARY

As disclosed in the announcement dated 29 March 2021, BGMC Holdings Berhad, a subsidiary of the Company, has applied to the High Court of Malaya (“**Court**”) for an order (“**Order**”) which, among others, restrains creditors to take legal actions against BGMC Corporation Sdn. Bhd., a wholly-owned subsidiary of BGMC Holdings Berhad, and also the approval to convene creditors meeting through scheme of arrangement proposal under Companies Act 2016, laws of Malaysia. BGMC Holdings Berhad and BGMC Corporation Sdn. Bhd. are indirect wholly-owned subsidiaries of the Company. On 29 March 2021, the Court has granted the Order upon terms prayed for by BGMC Holdings Berhad, and the Court formally sealed the Order as at the date of this announcement. For further details, please refer to the announcement dated 29 March 2021.

## UPDATE ON RESUMPTION PROGRESS

As disclosed in the Announcement and the 2020 Annual Report, the auditors of the Company do not express an opinion on the consolidated financial statements of the Group (“**Disclaimer of Opinion**”), while the basis for the Disclaimer of Opinion are (a) material uncertainty related to going concern, (b) provision for legal and professional fee and disclosure of contingent liabilities, (c) provision for performance bonds and impairment loss on trade receivables and contract assets, and (d) the effect of provision for liquidated ascertained damages, the details of which are set out on pages 88 to 89 of the 2020 Annual Report.

As required under the Resumption Guidance, the Company shall (i) address the issues giving rise to the Disclaimer of Opinion, provide comfort that the Disclaimer of Opinion in respect of such issues would no longer be required and disclose sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 13.50A; and (ii) announce all material information for the Company’s shareholders and investors to appraise its position.

With respect to condition (i) of the Resumption Guidance (i.e. the Disclaimer of Opinion), the Company wishes to provide updates as follows:

- (a) As set out in the Company’s circular dated 11 December 2020, the Group’s proposed sale of KAS Engineering for approximately RM93.8 million is subject to fulfilment of conditions, which are (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 of the date of this announcement, condition (2) still remains outstanding. As disclosed in the announcement dated 16 February 2021, the long stop date for completion has been extended from 16 February 2021 to 16 May 2021. The Board is optimistic that the condition (2) will be fulfilled on or before 16 May 2021 and the Group will be able to receive the gross sale proceeds of RM93.8 million. The Board is also optimistic that, after utilizing part of the sale proceeds to settle the overdue amount, and the Group would be able to continue its businesses and operation as a going concern.
- (b) Upon publication of the 2020 Annual Report, the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the accuracy and completeness of provision for legal and professional fee and also interest of RM967,000 as at 30 September 2020. Since the publication of the 2020 Annual Report, the Group has closely monitored the said proceedings and engaged legal professionals to defend the cases and provide legal opinion and court document as audit evidence to support the accuracy and completeness of the aforesaid provision. The Group is in the process of determining and finalizing the legal and professional fee with the professionals involved. As to the amount of interest as provided, the Group is also in the midst of reviewing the accuracy and completeness of the provision.

- (c) Upon publication of the 2020 Annual Report, the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the accuracy and completeness of the provision for two performance bonds of approximately RM25,797,000 and provision for impairment loss on trade receivables and contract assets of approximately RM31,568,000 as at 30 September 2020. The background for the aforesaid is as follows:
- (i) As disclosed in the Company's announcement dated 30 June 2020, a subsidiary of the Company, in the ordinary course of business, had a dispute with a former customer ("**Customer A**") who served a notice to terminate construction contracts with the Group, alleging that the Group delayed in completing two construction projects. Customer A had sought to forfeit the performance bonds of approximately RM25,797,000 and the Group made an impairment loss on trade receivables and contract assets of approximately RM9,278,000 for the two construction projects. The Group has applied to the Court for an injunction to stop Customer A from cashing the performance bonds and the Group, pending decision from the Court on the Group's application against the proposed forfeiture. As such, the Group can only provide an accurate and clear audit evidence as to the amount of adverse judgment (if any) upon the decision from the Court. In this regard, pending the conclusion of legal proceedings, the Group has engaged legal professional to provide legal opinion to serve as sufficient audit evidence which is currently being reviewed by the Auditors.
  - (ii) Customer B and Customer C had been in financial difficulties and failed to settle the amount due to the Group, and the Group for prudence sake, had provided for an impairment loss on trade receivables and contract assets of approximately RM22,290,000 as at 30 September 2020. Although no legal actions have been taken, the Group considers it more cost-efficient to initiate legal actions after the COVID-19 pandemic situation improves and Customer B and Customer C would then be more probable to have financial resources to settle the amount due to the Group. The Group believes that such estimates of impairment losses are reasonable and will not further adversely affect the Group's operating activities. While monitoring the development closely, the Company has recently managed to collect approximately a sum of RM3,000,000 from one of the customers as of 31 March 2021. The said customer has also proposed a settlement scheme to settle the amount due, pending finalization with the Company. The Company is optimistic that the customer is able to repay the debt and the impairment loss on trade receivables will be written back.
- (d) Upon publication of the 2020 Annual Report, the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the effect of liquidated and ascertained damages ("**LAD**") of a project to the project contract sum, and project revenue for the year ended 30 September 2020 and contract assets as at 30 September 2020. The background for the aforesaid is that, a construction project was halted because the contracting party is not responsive to the Group's enquiry about construction implementation and progress payment, which is believed to be due to the reason that the said customer's holding company is in serious financial difficulties. Accordingly, the Group has stopped construction work and therefore is potentially liable to an estimated LAD as it falls behind schedule. However, since the Group stopped work due to the said customer's failure to give instructions, hence the Group is unlikely at fault for the exposure of estimated LAD. In this regard, the Group is in the course of seeking legal advice so that a more sufficient audit evidence can be obtained to prove the position above and the Group's entitlement to lawful termination. The Group has also written officially to the Contracting Party and other relevant parties involved in the project and has managed to attend a meeting with their top management in March 2021. In the meeting, the Contracting Party has requested the Group to submit a proposal and also the construction plan to continue with the project. As such, the Group is currently in the process of drawing up a reviving plan and target to submit to them in due course for their consideration. The plan will include the details of scope of works, cost variations, construction schedule and other relevant conditions for the Group to continue with the project.

With respect to condition (2) of the Resumption Guidance, the Company will continue to announce all material information for the Company's shareholders and investors to appraise its position.

The Board will make best endeavours to resolve all the issues pertaining to the Disclaimer of Opinion as soon as possible. However, since resolving all the issues pertaining to the Disclaimer of Opinion would require collective effort from the Company, auditors, and external professional parties, the Board is yet to determine the timeline for fulfillment of the requirements contained in the Resumption Guidance.

#### **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 4 January 2021 and will remain suspended until further notice.

**Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

For and on behalf of  
**BGMC International Limited**  
**Datuk Kamalul Arifin Bin Othman** *Chairman and*  
*Independent Non-Executive Director*

Malaysia, 1 April 2021

*As at the date of this announcement, the Board comprises Dato' Mohd Arifin Bin Mohd Arif (Vice-chairman) and Dato' Teh Kok Lee (Chief Executive Officer) 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.*