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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)

**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 announcements of the Company dated 29 January 2021 (the “**First Resumption Guidance Announcement**”) and dated 19 April 2022 (the “**Second Resumption Guidance Announcement**”) with respect to, among others, the resumption guidance (the “**Resumption Guidance**”), the quarterly update announcement of the Company dated 1 April 2021 (the “**First Quarterly Update Announcement**”), the quarterly update announcement of the Company dated 30 June 2021 (the “**Second Quarterly Update Announcement**”), the quarterly update announcement dated 30 September 2021 (the “**Third Quarterly Update Announcement**”), the quarterly update announcement of the Company dated 30 December 2021 (the “**Fourth Quarterly Update Announcement**”) and the quarterly update announcement of the Company dated 30 March 2022 (the “**Fifth Quarterly Update Announcement**”, all the quarterly update announcement as “**Quarterly Update Announcement**”). Reference is also made to the audited announcement for the period from 1 October 2020 to 31 March 2022 (the “**FPE2022 Results Announcement**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Quarterly Update Announcement unless the context otherwise requires.

BUSINESS UPDATE

The Company is a holding company and the Group is a full-fledged integrated construction service and construction 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 primarily Public Private Partnership contracts with a duration of around 20 years.

As disclosed in the FPE2022 Results Announcement for the period from 1 October 2020 to 31 March 2022 dated 30 June 2022 (“**FPE2022**”), loss attributable to the owners of the Company was RM56.5 million in FPE2022 as compared with a loss of RM193.5 million in the twelve months ended 30 September 2020 (“**FY2020**”).

On 24 March 2022, the Company has entered into agreements, pursuant to which the Company will, among others, dispose of the interest in 95% ordinary shares in BGMC Bras Power Sdn. Bhd. which operates large scale solar photovoltaic (“**LSSPV**”) power plant which constitutes a very substantial disposal (the “**VSD**”) of the Company. For more details, please refer to the announcements of the Company made on 24 March 2022 and 27 June 2022.

PROPOSED DEBT RESTRUCTURING OF A SUBSIDIARY

As disclosed in the announcements of the Company dated 29 March 2021, 25 May 2021 and 16 June 2021, BGMC Holdings Berhad, a subsidiary of the Company, has applied to the High Court of Malaya (the “**Court**”) for an order (the “**Order**”) which, among others, restrains creditors to take legal actions against BGMC Corporation Sdn. Bhd. (“**BGMC Corporation**”), 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 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.

The proposed scheme of arrangement (“**Debt Restructuring**”) of BGMC Corporation has been approved by the creditors at the creditors’ meeting held on 16 June 2021. On 20 January 2022, the Group announced that the Debt Restructuring has been duly approved by the Court. For further details, please refer to the announcements dated 29 March 2021, 25 May 2021, 16 June 2021 and 20 January 2022.

As at the date of this announcement, the Debt Restructuring has been implemented according to the terms set out in the announcement dated 25 May 2021. In May 2022, the 20% of the creditors’ compromised sum has been fully settled and in June 2022, BGMC Corporation has issued the redeemable secured loan stock to MTrustee Berhad (the “**Trustee**”), whereby the Trustee holds the redeemable secured loan stock on behalf of all scheme creditors.

UPDATE ON RESUMPTION PROGRESS

As disclosed in the First Resumption Guidance Announcement and the 2020 Annual Report, ZHONGHUI ANDA CPA LIMITED (“**ZH**”, being the then auditors of the Company who resigned with effect from 28 December 2021) do not express an opinion on the consolidated financial statements of the Group (the “**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 disclosed in the announcement of the Company dated 11 June 2021 and the Second Quarterly Update Announcement, the sale of KAS Engineering for approximately RM93.8 million has been completed and the sale proceeds had been duly received by the Group. Further, the Debt Restructuring has been approved by creditors and has been formally approved by Court in January 2022, the implementation of which would effectively lead to a debt reduction of the Company. With respect to the proposed

disposal of BGMC Bras Power as disclosed in the announcement dated 27 June 2022, RM47.8 million has been advanced from reNIKOLA Sdn. Bhd. to BGMC Group. For further details of updates on going concern issue, please refer to the FPE2022 Results Announcement dated 30 June 2022.

As disclosed on page 38 of FPE2022 Results Announcement, the Group incurred a loss of approximately RM59.3 million and net cash used in operating activities of approximately RM87.3 million during the period from 1 October 2020 to 31 March 2022. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding, Moore Stephens CPA Limited (the "**Auditors**", the auditors appointed with effect from 5 January 2022) had included a paragraph of material uncertainty related to going concern in the auditor's report but did not modify their opinion in respect of this matter.

- (b) Upon publication of the 2020 Annual Report, ZH 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 RM1.0 million for certain legal proceedings as at 30 September 2020. After the publication of the First Quarterly Update Announcement and as disclosed in the Second Quarterly Update Announcement, the Third Quarterly Update Announcement, the Fourth Quarterly Update Announcement and the Fifth Quarterly Update Announcement, the Group has continued to closely monitor the said proceedings and engage legal professionals to defend the cases. As the Debt Restructuring has been duly approved by the Court, all the legal proceedings against the Group for alleged debts and interest would be terminated/ withdrawn and/ or discontinued. In order to provide sufficient appropriate audit evidence as to the accuracy and completeness of provision for the legal and professional fees, as disclosed in the Third Quarterly Update Announcement, the Fourth Quarterly Update Announcement and the Fifth Quarterly Update Announcement, the Group has managed to negotiate and finalize them with the professional parties involved for the legal proceedings.

As to the cases disclosed in Note 45 to the financial statements for the year ended 30 September 2020, (a) and (b) have been settled; (c) relates to Customer A and the Group's counsel considered the Group has a stronger case to persuade the arbitrator to rule the facts in the Group's favour; and (d) the Group's counsel considered the Group has a valid defence against the litigation.

- (c) Upon publication of the 2020 Annual Report, ZH 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 RM25.8 million and provision for impairment loss on trade receivables and contract assets of approximately RM31.6 million as at 30 September 2020. The background for the aforesaid and the update of which are as follows:

(i) Provision for performance bond

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 notices to terminate construction engagement with the Group, alleging that the Group had delayed in completing the works under two contracts arising out of the same projects. Customer A had sought to forfeit the Group's two performance bonds in the amount of approximately RM25.8 million. On 27 May 2020, the Group has filed for an application for an injunction in the Court and has obtained an ad-interim injunction order dated 29 May 2020 against the forfeiture of the performance bonds by Customer A. On 16 April 2021, the High Court granted the Group the injunction order. The next case management date for the matter is 11 August 2022. The Group has also initiated an arbitration on 30 June 2020 (which was withdrawn and retained as two arbitrations on 26 October 2020) to dispute the validity of the terminations by Customer A and claim against Customer A for (i) losses of profit of approximately RM35.0 million (ii) return of retention sum of approximately RM4.4 million and (iii) return of the sums under the two performance bonds amounting to approximately RM25.8 million. On 17 August 2020, Customer A issued a counterclaim of approximately

RM126.4 million (which then became counterclaims of RM83.0 million in the two arbitrations) in the arbitration proceeding against the Group. The arbitration proceedings are still ongoing. The next preliminary meeting for the matter is 6 September 2022. The Group's legal counsel is in the opinion that the Group has a stronger case to persuade the arbitrator to rule the facts in the Group's favour.

The Group made a full provision for the performance bond of RM25.8 million during the year ended 30 September 2020.

(ii) Provision for impairment loss on trade receivables and contract assets

As disclosed in the First Quarterly Update Announcement, the Second Quarterly Update Announcement, the Third Quarterly Update Announcement, the Fourth Quarterly Update Announcement and the Fifth Quarterly Announcement, 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 RM22.3 million as at 30 September 2020.

During FPE2022, Customer B has settled approximately RM20.0 million of the outstanding trade receivables of approximately RM30.1 million as of 30 September 2020, of which RM4.5 million has been impaired as of 30 September 2020. The remaining outstanding balance of RM5.6 million has been fully impaired as of 31 March 2022. The Group also had contract assets in respect of projects with Customer B of RM33.2 million as of 30 September 2020, of which RM11.0 million has been impaired as of 30 September 2020. As of 31 March 2022, contract assets in respect of the same projects amounted to RM14.2 million and they have been fully impaired as of 31 March 2022.

The trade receivable from Customer C of approximately RM6.8 million as of 30 September 2020 has been fully impaired. The Company has received approximately a sum of RM0.5 million from Customer C as repayment during the period ended 31 March 2022. As of 31 March 2022, trade receivable from Customer C amounted to RM7.3 million has been fully impaired. The Group also had contract assets in respect of projects with Customer C of RM3.8 million as of 30 September 2020. As of 31 March 2022, they have been fully impaired.

As to the remaining of approximately RM9.3 million for the provision for impairment loss on trade receivables and contract assets as at 30 September 2020, the said provision was made in relation to Customer A. During the period, Customer A settled RM1.7 million of trade receivables. As at 31 March 2022, the Group had provided approximately RM8.2 million as an impairment loss on trade receivables and contract assets from Customer A.

- (d) Upon publication of the 2020 Annual Report, ZH were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the effect of liquidated and ascertained damages (the “**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 and was indecisive in confirming the detailed design of the works. Accordingly, the Group has stopped construction work and therefore is potentially liable to an estimated LAD as it falls behind schedule.

As disclosed in the Company's First Quarterly Update Announcement, the Second Quarterly Update Announcement the Third Quarterly Update Announcement and the Fourth Quarterly Update Announcement, 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 senior 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.

On 23 August 2021, the contracting party granted the Group an extension of time (the “EOT”), granting the Group 797 days of EOT. After assessment, the project team took the position that it is not viable to continue with the project, considering the current market condition. The Group has been in discussion with the contracting party to find an amicable solution to mutually terminate the contract. On 7 March 2022, the Group has written to the contracting party to terminate the project on mutual basis. This option was however not agreeable by the contracting party.

After a meeting between the Group and the top management of the contracting party, consensus was reached to carry out workshops with the objective of formulating workable completion plan for the project. Resulting from the workshops, the parties have agreed to continue working with the basis (i) to complete the project with the remaining contract price; (ii) to reduce and to optimize the scope of works; (iii) that an additional 12 months plus 2 weeks (for mobilization) will be granted for the completion of the project.

With respect to condition (i) of the Resumption Guidance (i.e. the Disclaimer of Opinion), the Group had worked with the Auditors to address the qualifications. As disclosed in the audited FPE2022 Results Announcement of the Group on 30 June 2022, the Auditors had performed an audit in accordance with Hong Kong Standards on Auditing and expressed a disclaimer of opinion in respect of the opening balances and comparative information. The consolidated financial statements of the Group for the year ended 30 September 2020 were reported upon by another firm of auditors (the “**Predecessor Auditor**”), whose report dated 31 December 2020 expressed a disclaimer of opinion due to various limitations in evidence available to the Predecessor Auditor. Any adjustments found to be necessary might have significant effects on the figures as at and for the year ended 30 September 2020 presented as comparative figures in these consolidated financial statements and hence affect the comparability of the current period’s and period end’s figures and the corresponding figures.

In addition, the closing balances as at 30 September 2020 of the assets and liabilities of the Group are brought forward as the opening balances as at 1 October 2020 and hence entered into the determination of the financial performance and cash flows of the Group for the current financial period ended 31 March 2022. Hence, any adjustments found to be necessary to the closing balances of the assets and liabilities as at 30 September 2020 in respect of the matters described in (b) to (d) above might have significant effects on the Group’s results and cash flows for the period from 1 October 2020 to 31 March 2022 and related disclosures in the notes to the consolidated financial statements of the Group for the period from 1 October 2020 to 31 March 2022. Accordingly, the Auditors were also unable to determine whether adjustments might have been necessary in respect of the performance and cash flows of the Group for the period from 1 October 2020 to 31 March 2022 reported in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

However, (b) to (d) above no longer have possible effects on the figures presented in the consolidated statement of financial position of the Group as at 31 March 2022.

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

With respect to the additional Resumption Guidance as stated in the Second Resumption Guidance Announcement, the Company has on 24 June 2022 re-complied with rule 3.10(1), rule 3.10A and rule 3.21 of the Listing Rules following the appointment of Datuk Kang Hua Keong as the independent non-executive Director of the Company.

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.

As disclosed in the announcement of the Company dated 29 January 2021, under Rule 6.01A(1), the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. Under Rule 13.50B, as a transitional arrangement for issuers whose securities have been suspended from trading under Rule 13.50A, the 18-month period referred to in Rule 6.01A(1) is extended to 24 months if the suspension during the 18-month period is only due to a disclaimer or adverse opinion on the issuer's financial statements for the financial years commencing between 1 September 2019 and 31 August 2021, both dates inclusive.

On 4 July 2022, the Stock Exchange confirmed that, based on the Company's confirmation, the transitional arrangement under Rule 13.50B of the Listing Rules applies, and the 18-month period under Rule 6.01A(1) of the Listing Rules would be extended to six months under Rule 13.50B of the Listing Rules to 4 January 2023.

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, 5 July 2022

As at the date of this announcement, the Board comprises Dato' Teh Kok Lee (Chief Executive Officer) as executive Director; and, Kua Choh Leang, Datuk Kamalul Arifin Bin Othman (Chairman) and Datuk Kang Hua Keong as independent non-executive Directors.