

COMINTEL CORPORATION BHD (“COMCORP” OR THE “COMPANY”)

PROPOSED VARIATION TO THE UTILISATION OF PROCEEDS RAISED FROM THE DISPOSAL OF 100% EQUITY INTEREST IN BCM ELECTRONICS CORPORATION SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF COMINTEL CORPORATION BHD TO AURELIUS HOLDINGS SDN BHD (“PROPOSED VARIATION”)

1. INTRODUCTION

On 20 October 2017, Hong Leong Investment Bank Berhad (“**HLIB**”) had, on behalf of the Company, announced that the Company had entered into a Share Sale Agreement (“**SSA**”) with Aurelius Holdings Sdn Bhd (“**Aurelius Holdings**”) on 19 October 2017 for the disposal of 100% equity interest in BCM Electronics Corporation Sdn Bhd, a wholly-owned subsidiary of Comcorp (“**BCM Electronics**”), to Aurelius Holdings for a cash consideration of RM123.8 million subject to the Settlement of Related Company Advances (as referred to and defined therein) (“**Disposal**”).

On 23 October 2017, HLIB had, on behalf of our Board of Directors (“**Board**”), announced clarifications to the salient terms of the SSA and percentage ratios disclosed in the Announcement.

The circular to shareholders dated 29 December 2017 in respect of the Disposal (“**Disposal Circular**”) received shareholders’ approval at the Extraordinary General Meeting of the Company convened on 15 January 2018. The Disposal was subsequently completed on 25 January 2018. At the same Extraordinary General Meeting, shareholders have also approved the following utilisation of the proceeds, namely:

Details of use	RM’000
(i) Development of our Company’s green waste management and waste-to-energy businesses	40,000
(ii) Working capital	8,156
(iii) Distribution to shareholders – Declared on 20 March 2018 and paid to shareholders on 19 April 2018	63,000
(iv) Estimated expenses in relation to the Disposal	1,166
Total	<u>112,322</u>

Following the completion of the Disposal, Comcorp is classified as an Affected Listed Issuer pursuant to paragraph 8.03A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”). Comcorp has a period of twelve months from 25 January 2018 to regularise its Affected Listed Issuer position.

The Board wishes to announce that for various reasons, the Company intends to undertake the Proposed Variation.

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

2. RATIONALE OF THE PROPOSED VARIATION

As stated in the Company's announcement made on 26 April 2018 in relation to the Regularisation Plan arising from the Company's position as an Affected Listed Issuer, the Company is currently focusing on the three core businesses of (1) system integration and maintenance services ("SIMS") business, (2) waste-to-energy business and (3) green waste management business.

The Management of Comcorp has been focusing on building up the abovementioned core businesses. However, the Company is currently experiencing challenges in these core businesses and efforts to develop and bolster them have to date not resulted in the desired outcome. The primary factors that have hampered our strategies to develop our core businesses to date are as follows:

(i) SIMS segment

a. Delay in procuring new projects

Due to the outcome of the 14th General Election and resulting the change in the Malaysian Federal Government, there have been delays in securing new projects pitched / tendered by Comcorp and its subsidiaries ("**Comcorp Group**") in its core businesses as the new Pakatan Harapan Government continue to reassess Government procurement policies and processes, which has given rise to additional working capital requirements for ongoing operating expenses and operational / business funding.

b. Persistent delays in receivables' collections

While we continue to pursue collection of receivables for long outstanding balances, the SIMS business is experiencing tight cash flow due to persisting delays in receivables' collections. This has resulted in a need for additional working capital funding requirements for the SIMS business.

c. Overseas operations in Jakarta, Indonesia

Our 80%-owned subsidiary, PT Intelcom Indonesia, together with our Indonesian local partner had successfully secured a project to build a 150KV sub-station for PT PLN (Persero), Indonesia with a project value of approximately RM4.8 million and the agreement between our subsidiary and the Indonesia local partner was signed on 19 March 2018. The working capital requirement of RM2.6 million to fund this project was not budgeted for in our initial plan for utilisation of proceeds as this project was not certain to crystallise at that point in time.

2. RATIONALE OF THE PROPOSED VARIATION (CONT'D)

(ii) Waste-to-energy business – Kuang IPP

As disclosed in the Disposal Circular, our initial target date for full commissioning of our maiden 2 megawatt waste-to-energy plant in Kuang, Selangor was by the fourth quarter of the financial year ended 31 January 2018. Unfortunately, there were unanticipated delays in the progress for start-up approvals required from the Sustainable Energy Development Authority of Malaysia (“**SEDA Malaysia**”) and final evaluation was only completed in April 2018. Accordingly, we only received the Information Result of Acceptance Test & Performance Assessment (Biogas) from SEDA Malaysia on 15 May 2018.

As we had announced on 19 June 2018, SEDA Malaysia had issued a Feed-in-Tariff confirmation letter for our Kuang IPP on 18 June 2018 to confirm that the actual Feed-in-Tariff Commencement Date (FiTCD) is 18 April 2018. All necessary approvals have now been obtained from the authorities for operations.

Comcorp is now preparing for full commencement of business operations of the Kuang IPP plant. Nevertheless, we would expect some teething problems during the initial phase of operations, as is fairly common for the start-up of any new IPP facility.

Based on the Feed-in-Tariff confirmation letter dated 18 June 2018 issued by SEDA Malaysia, the effective period for the Feed-in is from 18 April 2018 to 17 April 2034 (approval granted for 16 years).

(iii) Green waste management business

While we have plans to venture into the green waste management business as disclosed in the Disposal Circular, we have yet to secure any engineering, procurement and construction contracts at this juncture or identified any viable acquisitions or investments in green waste management business. In view of the headwinds that we have been facing in our other core businesses, we are cautious at this stage in allocating significant resources for the green waste management business.

Due to the above factors, additional working capital is required to support the existing business operations of the Comcorp Group and this has necessitate the Proposed Variation.

In view of the imminent working capital needs of the Comcorp Group, the Board intends to immediately re-allocate an amount of RM12.0 million which was initially budgeted for the development of green waste management and waste-to-energy businesses for working capital purposes. The re-allocation of the proceeds to working capital purposes is expected to help alleviate the pressing operating cash flow needs of the Comcorp Group so as to maintain the business and operations of the Comcorp Group as a going concern.

3. DETAILS OF PROPOSED VARIATION

The original proposed utilisation of proceeds, actual utilisation of proceeds and proposed revised utilisation of proceeds are set out as follows:

Purpose	Original proposed utilisation ¹ RM'000	Actual utilisation RM'000	Remaining unutilised balance RM'000	Proposed variation of the utilisation RM'000	Remaining unutilised balance after variation RM'000	Remaining timeframe for utilisation
Development of our Company's green waste management and waste-to-energy businesses	40,000	8,678	31,322	(12,000)	19,322	Within 12 months
Working capital	8,156	12,673	(4,517) ²	12,145 ³	7,628	Within 6 months
Distribution to shareholders	63,000	63,000	-	-	-	Fully utilised
Estimated expenses in relation to the Disposal	1,166	1,021	145 ⁴	(145)	-	Fully utilised
Total	112,322	85,372	26,950	-	26,950	

Notes:

¹ Original intended utilisation of proceeds from the Disposal as set out in section 4 of the Disposal Circular.

² Due to the factors stated in section 2 above, Comcorp Group has to date over-utilised funds allocated for working capital, including towards the working capital requirement of RM2.6 million to fund the project secured by our Indonesian subsidiary.

³ Further to Note 2 above, the balance of the additional working capital of RM9.5 million pursuant to the Proposed Variation shall be used to support our Group's day-to-day operations, including but not limited to staff salaries, payments to suppliers, contractors and consultants and other operational expenses.

⁴ In view of the actual expenses in relation to the Disposal being lower than estimated, the excess will be re-allocated and utilised for working capital purposes.

Pending utilisation of the proceeds, the unutilised proceeds have been placed in interest-bearing deposit accounts or investments in money market instruments as the Board deem fit.

4. APPROVALS REQUIRED

The Proposed Variation is subject to approvals being obtained from the following:

- (i) shareholders of the Company at an extraordinary general meeting to be convened; and
- (ii) any other relevant authorities and/or parties, if required.

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

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the directors or major shareholders of the Company and/or persons connected with them has any interest, direct or indirect, in the Proposed Variation.

6. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Variation including the rationale of the Proposed Variation, is of the opinion that the Proposed Variation is in the best interests of the Company.

This announcement is dated 17 August 2018.