

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

VARIATION TO THE UTILISATION OF PROCEEDS RAISED FROM THE DISPOSAL OF 100% EQUITY INTEREST IN BCM ELECTRONICS CORPORATION SDN BHD, A FORMER WHOLLY-OWNED SUBSIDIARY OF COMCORP TO AURELIUS HOLDINGS SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM123.80 MILLION (“DISPOSAL”) (“VARIATION”)

1. INTRODUCTION

Reference is made to the Company’s announcements dated 17 August 2018, 15 October 2018, 21 November 2018, 5 December 2018 and 6 December 2018 in relation to the variation to the utilisation of proceeds raised from the disposal of 100% equity interest in BCM Electronics Corporation Sdn Bhd (“Disposal Proceeds”).

On 5 December 2018, the Company’s shareholders had approved the variation to the utilisation of the Disposal Proceeds, whereby RM17.00 million that was originally earmarked for the development of the Company’s green waste management and waste-to-energy businesses was varied and utilised for the Company’s working capital. As at the date of this announcement, a total of approximately RM12.96 million which was allocated for the development of the Company’s green waste management and waste-to-energy businesses has yet to be utilised. As such, the Board of Directors of the Company (“Board”) had on 12 October 2020, resolved to further vary the utilisation of the Disposal Proceeds.

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

2. DETAILS OF THE VARIATION

The details of the Variation are as follows:

Details of utilisation	Approved revised utilisation ^(a) RM’000	Actual utilisation as at 31 July 2020 RM’000	Unutilised proceeds as at 31 July 2020 RM’000	Variation of the utilisation RM’000	Balance unutilised after variation as at 31 July 2020 RM’000	Revised timeframe for utilisation (from the date of Board approval)
Development of the Company’s green waste management and waste-to-energy businesses	23,000	10,042	12,958	(12,958)	-	Fully utilised
Working capital	25,301	27,446	(2,145)	12,958 ^(b)	10,813	3 months
Distribution to shareholders	63,000	63,000	-	-	-	Fully utilised
Estimated expenses in relation to the Disposal	1,021	1,021	-	-	-	Fully utilised
Total	112,322	101,509	10,813	-	10,813	

Notes:

- (a) Extracted based on the approved variation of proceeds as set out in the circular of the Company dated 21 November 2018.
- (b) The unutilised proceeds to be varied to working capital shall be used for the following purposes:

<i>Purpose</i>	<i>Approved revised utilisation^(a)</i> <i>RM'000</i>	<i>Actual utilisation as at 31 July 2020</i> <i>RM'000</i>	<i>Unutilised proceeds as at 31 July 2020</i> <i>RM'000</i>	<i>Variation of the utilisation</i> <i>RM'000</i>	<i>Balance unutilised after variation as at 31 July 2020</i> <i>RM'000</i>
<i>Staff salaries and benefits</i>	9,416	13,839	(4,423)	6,660	2,237
<i>Advances to Comintel Green Technologies Sdn Bhd ("CGT") (including general administrative and other operating expenses for CGT's waste-to-energy business)</i>	7,852	9,786	(1,934)	2,334	400
<i>General administrative and other operating expenses for the Company's local system integration and maintenance services segment</i>	1,433	2,393	(960)	2,556	1,596
<i>Advances to PT. Intelcom Indonesia for funding of additional working capital arising from new project(s)</i>	6,600	1,428	5,172	(5,172)	-
<i>Early settlement of outstanding loan with Malaysia Debt Ventures Berhad</i>	-	-	-	6,580	6,580
Total	25,301	27,446	(2,145)	12,958	10,813

Note:

- (a) Extracted based on the variation of proceeds as set out in the circular of the Company dated 21 November 2018.

3. RATIONALE FOR THE VARIATION

On 22 July 2020, the Company announced its proposed regularisation plan which comprised proposed disposal of certain subsidiaries, proposed reduction of the Company's issued share capital, proposed private placement and proposed acceptance of the award of contract. The Variation was due mainly to the decision of the Group to dispose of its green waste management and waste-to-energy businesses via the proposed disposal. The Board is of the opinion that the Variation is in the best interest of the Company as the Company has temporarily halted the operations of the waste-to-energy plant at Kuang, Rawang due to the disruption of waste supply and does not intend to continue investing in the green waste management and waste-to-energy businesses.

Further, the Variation will allow the Company to fully settle its borrowings with Malaysia Debt Ventures Berhad which was previously obtained to finance the operations of the waste-to-energy plant. The Company expects to achieve interest savings of approximately RM1.1 million with the settlement of the outstanding loan with Malaysia Debt Ventures Berhad of RM6.6 million via the Variation. The re-allocation of the Disposal Proceeds to working capital will also allow the Group to maintain sufficient level of capital for its day-to-day operations as a going concern whilst the Group is in the midst of preparing the proposed regularisation plan for submission to the relevant authorities.

4. EFFECTS OF THE VARIATION

The Variation will not have any adverse effect on the financial performance of the Group and the Board is of the opinion that the Variation is in line with the Group's proposed regularisation plan that serves to regularise the Group's financial condition.

5. APPROVALS REQUIRED

The Variation is not subject to approval from any regulatory authorities or shareholders of the Company. Nevertheless, the Board shall continue to be vigilant and prudent in managing the Disposal Proceeds and will continue to disclose the status of the utilisation of the proceeds in the quarterly reports and annual report until it is fully utilised.

This announcement is dated 12 October 2020.