

FSBM HOLDINGS BERHAD ("FSBM" OR THE "COMPANY")

PROPOSED REGULARISATION PLAN

This announcement is dated 15 November 2022 ("**Announcement**").

Reference is made to the following announcements made by FSBM:

- (a) first announcement dated 16 October 2019 in relation to the Company being classified as an affected listed issuer pursuant to Paragraph 8.03A(2)(b) of the Listing Requirements;
- (b) first announcement dated 30 December 2019 in relation to the Company being classified as a PN17 Company pursuant to PN 17 of the Listing Requirements; and
- (c) the subsequent announcements dated 1 November 2019, 2 December 2019, 2 January 2020, 3 February 2020, 2 March 2020, 1 April 2020, 4 May 2020, 1 June 2020, 1 July 2020, 3 August 2020, 1 September 2020, 1 October 2020, 2 November 2020, 1 December 2020, 4 January 2021, 2 February 2021, 1 March 2021, 1 April 2021, 3 May 2021, 1 June 2021, 1 July 2021, 2 August 2021, 23 August 2021, 1 September 2021, 23 September 2021, 1 October 2021, 15 October 2021, 1 November 2021, 8 November 2021, 9 November 2021, 1 December 2021, 3 January 2022, 3 February 2022, 1 March 2022, 1 April 2022, 15 April 2022, 21 April 2022, 26 April 2022, 5 May 2022, 19 May 2022, 1 June 2022, 1 July 2022, 1 August 2022, 1 September 2022, 3 October 2022, 12 October 2022 and 1 November 2022; and
- (d) the requisite announcement which sets out the Company's proposed regularisation plan dated 15 October 2021 ("**Requisite Announcement**").

Unless stated otherwise, abbreviations and definitions used throughout this announcement shall bear the same meaning as those defined in the Requisite Announcement.

1. BACKGROUND

On 15 October 2021, Malacca Securities had on behalf of the Board, announced the Proposed Regularisation Plan comprising the following:-

- (a) proposed shares issuance of 60.0 million Subscription Shares representing approximately 30% of FSBM's enlarged issued shares after the shares issuance to the Subscribers;
- (b) proposed disposal of the following subsidiaries:-
 - (i) CTech, a wholly-owned subsidiary of FSBM; and
 - (ii) Unos, a wholly-owned subsidiary of FSBM,for a total cash consideration of RM2.0 million;
- (c) proposed renounceable rights issue of up to 250,006,290 Rights Shares on the basis of 1 Rights Share for every 1 existing FSBM Share held, together with up to 125,003,145 free detachable Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on an entitlement date to be determined and announced later; and
- (d) proposed capital reduction exercise to be carried out by the Company, pursuant to Section 116 of the Act to reduce the share capital of the Company.

On 15 April 2022, Malacca Securities had on behalf of the Board, announced that the Company and Dato' Tan had on 15 April 2022 via an exchange of letter agreed to vary the condition precedent of the CSSA set out in Clause 3.1.3 as follows:

<u>Existing</u>	<u>New</u>
the special audit for the financial period ending 30 September 2021 to be conducted by the auditors of each Disposal Company, the results of which are to the satisfaction of the parties.	the audit for the financial year ended 31 December 2021 to be conducted by the auditors of each Disposal Company, the results of which are to the satisfaction of the parties

On 12 October 2022, Malacca Securities had on behalf of the Board, announced, amongst others, that the Company and Dato' Tan had on 12 October 2022 via an exchange of letter, agreed for an extension of cut-off date for the fulfilment of the conditions precedent of the CSSA from 14 October 2022 to 14 January 2023.

2. INTRODUCTION

On behalf of the Board, Malacca Securities wishes to announce the following:

- (a) FSBM and Dato' Tan had on 15 November 2022 vide an exchange of letter, agreed to mutually terminate the CSSA in relation to the Proposed Disposals ("**CSSA Termination**"); and
- (b) FSBM proposes to increase the amount of the Proposed Capital Reduction from RM10,800,000 to RM14,292,450 ("**Increase in Capital Reduction**").

In view thereof, the Proposed Regularisation Plan has been revised to comprise the following:-

- (a) a proposed shares issuance of 60.0 million Subscription Shares to the Subscribers;
- (b) a proposed renounceable rights issue of up to 236,659,300 Rights Shares on the basis of 1 Rights Share for every 1 existing FSBM Share held, together with up to 118,329,650 free detachable Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on an entitlement date to be determined and announced later. For information, the maximum number of Rights Shares and Warrants to be issued had been revised from 250,006,290 to 236,659,300 Rights Shares and 125,003,145 to 118,329,650 Warrants respectively, after taking into consideration the actual number of new FSBM Shares which were issued pursuant to the exercise of Warrants 2012/2022, which had expired on 16 May 2022; and
- (c) a proposed capital reduction exercise to be carried out by the Company, pursuant to Section 116 of the Act to reduce the share capital of the Company,

collectively referred to as the "**Revised Proposed Regularisation Plan**".

3. DETAILS OF THE CSSA TERMINATION

On 15 November 2022, the Company and Dato' Tan have mutually agreed to terminate the CSSA without liabilities to any party.

3.1 RATIONALE OF THE CSSA TERMINATION

In view of the recent development in relation to the disputes involving CTech (being amongst the subject of the Proposed Disposals) in connection with the works undertaken by CTech and/or the Company for Technitium Sdn Bhd including the disputes with its directors Professor Emeritus Dr Azman Bin Awang and Haliza Binti Bidin and other disputes in relation thereto (the "**TSB Dispute**"), the Company and Dato' Tan had mutually agreed to terminate the CSSA after taking into consideration, amongst others, the following:

- (a) the Proposed Disposals were undertaken on the basis of amongst others, the potential recoverable amount from the TSB Dispute. The TSB Dispute had since been resolved whereby the Court of Appeal had made an order that the directors of TSB to pay RM1,948,330.45 together with interest accrued thereon, to TSB and RM120,000 costs to FSBM and CTech. All sums received by TSB will first be utilised to settle the professional expenses relating to the liquidation and the balance to creditors (including FSBM and CTech).

As at 14 November 2022, being the latest practicable date prior to this Announcement ("**LPD**"), the liquidators of TSB had informed that TSB has yet to receive the RM1,948,330.45 and the interest accrued thereon from the directors of TSB. FSBM and CTech has also yet to receive the RM120,000 from the directors of TSB. Based on aforementioned and that the TSB Dispute had commenced since 14 April 2010, the Board is of the opinion that the likelihood to recover any sum from TSB/directors of TSB to be low. Nevertheless, FSBM and CTech intend to continue to pursue to recover the sum from TSB/directors of TSB;

- (b) the legal proceeding brought against FSBM and CTech had been set aside via the decision of the Court of Appeal on 22 February 2022;
- (c) save for the payment to the solicitors for the TSB Dispute amounting to approximately RM0.5 million and amount owing to FSBM amounting to RM0.3 million, CTech and Unos do not have any other liabilities; and
- (d) CTech and Unos have unabsorbed business losses of RM28.9 million and RM4.1 million respectively as at LPD, which may be utilised by the Group for tax purposes, for future financial years.

The Proposed Disposals were supposed to result in a gain on disposal of RM2.9 million based on the unaudited combined proforma NL position of the Disposal Companies of RM0.9 million. In view of the termination, the Group will cease to recognise the gain on disposal of RM2.9 million. However, the Disposal Companies will continue to be subsidiaries of the Group moving forward.

4. DETAILS OF THE INCREASE IN CAPITAL REDUCTION

In view of the CSSA Termination, FSBM intends to revise the Proposed Capital Reduction to eliminate the accumulated losses of the Group based on the latest audited financial statements of the Group for the 6-month FPE 30 June 2022. Accordingly, the Proposed Capital Reduction entails the elimination of accumulated losses amounting to RM14,292,450.

For illustrative purpose, the proforma effects of the Proposed Capital Reduction on the accumulated losses of the Company and Group based on the latest audited financial statements of the Group for the 6-month FPE 30 June 2022 and unaudited financial statements for the 9-month FPE 30 September 2022 are set out below:

	Audited		Unaudited	
	6-months		9-months	
	FPE 30 June 2022		FPE 30 September 2022	
	Company	Group	Company	Group
	RM'000	RM'000		
Accumulated losses	(25,573)	(14,292)	(25,972)	(13,347)
Credit arising from the Proposed Capital Reduction	14,292	14,292	14,292	14,292
Proforma accumulated losses	(11,281)	-	(11,680)	945

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5. UTILISATION OF PROCEEDS

In view of the CSSA Termination, the Group will cease to receive any proceeds from the Proposed Disposals. For information, the Proposed Disposals were to provide the Group with cash proceeds of RM2.0 million.

The Proposed Shares Issuance and Proposed Rights Issue with Warrants are expected to raise proceeds of up to RM11.9 million which the Group proposes to utilise as follows:-

Details of utilisation	Notes	Proceeds received from						Estimated timeframe for date of receipt of proceeds
		Minimum Scenario			Maximum Scenario			
		Proposed Shares Issuance RM'000	Proposed Rights Issue with Warrants RM'000	Total proceeds RM'000	Proposed Shares Issuance RM'000	Proposed Rights Issue with Warrants RM'000	Total proceeds RM'000	
Expansion of IT services business	(a)	-	4,840	4,840	-	5,889	5,889	Within 36 months
General working capital	(b)	3,933	27	3,960	4,011	-	4,011	Within 36 months
Defray estimated expenses	(c)	867	1,133	2,000	789	1,211	2,000	Within 12 months
Total proceeds		4,800	6,000	10,800	4,800	7,100	11,900	

The summary of the changes in the utilisation of proceeds is as follows:

Details of utilisation	Minimum Scenario			Maximum Scenario		
	Prior to CSSA Termination RM'000	Subsequent to CSSA Termination RM'000	Difference RM'000	Prior to CSSA Termination RM'000	Subsequent to CSSA Termination RM'000	Difference RM'000
Expansion of IT services business	4,840	4,840	-	5,940	5,889	(51)
General working capital	5,960	3,960	(2,000)	5,960	4,011	(1,949)
Defray estimated expenses	2,000	2,000	-	2,000	2,000	-
Total proceeds	12,800	10,800	(2,000)	13,900	11,900	(2,000)

The Board has decided to primarily reduce the amount of proceeds to be utilised for the Group's working capital, after considering the RM10.9 million proceeds raised from the exercise of Warrants 2012/2022 during the 6-months FPE 30 June 2022 which had been/could be utilised as working capital of the Group. As at 30 September 2022, the Group had an unaudited cash and cash equivalents of RM3.7 million.

6. FINANCIAL EFFECTS OF THE REVISED PROPOSED REGULARISATION PLAN

6.1 Share capital

The proforma effects of the Revised Proposed Regularisation Plan on the Company's issued share capital are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of FSBM Shares ('000)	RM'000	No. of FSBM Shares ('000)	RM'000
As at LPD ^(a)	176,659	23,602	176,659	23,602
Proposed Shares Issuance	60,000	^(b) 3,933	60,000	^(c) 4,011
After Proposed Shares Issuance	236,659	27,535	236,659	27,613
Proposed Rights Issue with Warrants	200,000	^(d) 4,867	236,659	^(e) 5,889
After Proposed Rights Issue with Warrants	436,659	32,402	473,318	33,502
Proposed Capital Reduction ^(f)	-	(14,292)	-	(14,292)
After Proposed Capital Reduction	436,659	18,110	473,318	19,210
Assuming full exercise of Warrants	100,000	^(g) 5,000	118,330	^(h) 5,916
Enlarged share capital	536,659	23,110	591,648	25,126

Notes:-

- (a) Net of treasury shares
- (b) Assuming the issuance of 60.0 million Subscription Shares at the Subscription Price of RM0.08 each pursuant to the Proposed Shares Issuance and after accounting for estimated expenses of RM0.9 million pursuant to the Proposed Shares Issuance.
- (c) Assuming the issuance of 60.0 million Subscription Shares at the Subscription Price of RM0.08 each pursuant to the Proposed Shares Issuance and after accounting for estimated expenses of RM0.8 million pursuant to the Proposed Shares Issuance.
- (d) Assuming the issuance of 200.0 million Rights Shares at the Issue Price of RM0.03 each and after accounting for estimated expenses of RM1.1 million pursuant to the Proposed Rights Issue with Warrants.

- (e) Assuming the issuance of 236.7 million Rights Shares at the Issue Price of RM0.03 each and after accounting for estimated expenses of RM1.2 million pursuant to the Proposed Rights Issue with Warrants.
- (f) After cancellation of RM14.3 million of the Company's capital pursuant to the Proposed Capital Reduction.
- (g) Assuming the issuance of 100.0 million FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each.
- (h) Assuming the issuance of 118.3 million FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each.

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6.2 NA and gearing

The proforma effects of the Revised Proposed Regularisation Plan on the NA, NA per share and gearing position of the Group, based on its consolidated audited statement of financial position as at 30 June 2022 and assuming that the Revised Proposed Regularisation Plan had been effected as at 30 June 2022 are as follows:-

Minimum Scenario

		(I)	(II)	(III)	(IV)
	Audited as at 30 June 2022	After Proposed Shares Issuance	After (I) and Proposed Rights Issue with Warrants	After (II) and Proposed Capital Reduction	After (III) and assuming exercise of all Warrants
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Share capital	24,314	^(a) 28,247	^(b) 33,114	^(d) 18,822	^(e) 23,822
Treasury shares	(712)	(712)	(712)	(712)	(712)
Other reserve	-	-	^(c) (9,500)	(9,500)	-
Warrants reserve	-	-	^(c) 9,500	9,500	-
Accumulated losses	(14,292)	(14,292)	(14,292)	^(d) -	-
NA	9,310	13,243	18,110	18,110	23,110
Non-controlling interest	(2,090)	(2,090)	(2,090)	(2,090)	(2,090)
Total equity	7,220	11,153	16,020	16,020	21,020
No of FSBM Shares ('000)	176,659	236,659	436,659	436,659	536,659
(NL)/NA per FSBM Share (RM)	0.05	0.06	0.04	0.04	0.04
Borrowings (RM'000)	-	-	-	-	-
Gearing (times)	n/a	n/a	n/a	n/a	n/a

Notes:-

- (a) Assuming the issuance of 60.0 million Subscription Shares at the Subscription Price of RM0.08 each and after accounting for estimated expenses of RM0.9 million pursuant to the Proposed Shares Issuance.
- (b) Assuming the issuance of 200.0 million Rights Shares at the Issue Price of RM0.03 each and after accounting for estimated expenses of RM1.1 million pursuant to the Proposed Rights Issue with Warrants.
- (c) Creation of other reserve account and warrants reserve account to capture the issuance of Warrants pursuant to the Proposed Rights Issue with Warrants at a fair value of RM0.0950 per Warrant computed based on the Trinomial model as extracted from Bloomberg.
- (d) After cancellation of RM14.3 million of the Company's capital pursuant to the Proposed Capital Reduction.
- (e) Assuming the issuance of 100.0 million FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each.

Maximum Scenario

		(I)	(II)	(III)	(IV)
	Audited as at 30 June 2022	After Proposed Shares Issuance	After (I) and Proposed Rights Issue with Warrants	After (II) and Proposed Capital Reduction	After (III) and assuming exercise of all Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	24,314	(a) 28,325	(b) 34,214	(d) 19,922	(e) 25,838
Treasury shares	(712)	(712)	(712)	(712)	(712)
Other reserve	-	-	(c) (11,241)	(11,241)	-
Warrants reserve	-	-	(c) 11,241	11,241	-
Accumulated losses	(14,292)	(14,292)	(14,292)	(d) -	-
NA	9,310	13,321	19,210	19,210	25,126
Non-controlling interest	(2,090)	(2,090)	(2,090)	(2,090)	(2,090)
Total equity	7,220	11,231	17,120	17,120	23,036

	(I)	(II)	(III)	(IV)	
	Audited as at 30 June 2022	After Proposed Shares Issuance	After (I) and Proposed Rights Issue with Warrants	After (II) and Proposed Capital Reduction	After (III) and assuming exercise of all Warrants
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
No of FSBM Shares ('000)	176,659	236,659	473,318	473,318	591,648
(NL)/NA per FSBM Share (RM)	0.05	0.06	0.04	0.04	0.04
Borrowings (RM'000)	-	-	-	-	-
Gearing (times)	n/a	n/a	n/a	n/a	n/a

Notes:-

- (a) Assuming the issuance of 60.0 million Subscription Shares at the Subscription Price of RM0.08 each and after accounting for estimated expenses of RM0.8 million pursuant to the Proposed Shares Issuance.
- (b) Assuming the issuance of 236.7 million Rights Shares at the Issue Price of RM0.03 each and after accounting for estimated expenses of RM1.2 million pursuant to the Proposed Rights Issue with Warrants.
- (c) Creation of other reserve account and warrants reserve account to capture the issuance of Warrants pursuant to the Proposed Rights Issue with Warrants at a fair value of RM0.0950 per Warrant computed based on the Trinomial model as extracted from Bloomberg.
- (d) After cancellation of RM14.3 million of the Company's capital pursuant to the Proposed Capital Reduction.
- (e) Assuming the issuance of 118.3 million FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each.

6.3 Substantial shareholder' shareholdings

The CSSA Termination and Increase in Capital Reduction will not have any effect on the Company's substantial shareholders' shareholdings.

6.4 Earnings and EPS

The Increase in Capital Reduction is not expected to have any material impact on the earnings and EPS of the Group.

The CSSA Termination will result in the Group not being able to recognise the potential gain on disposal of RM2.9 million, which was arrived at based on the Disposal Consideration of RM2.0 million and the combined net liabilities of the Disposal Companies of RM0.9 million as at 30 June 2022.

7. APPROVALS REQUIRED AND CONDITIONALITY

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

- (a) Bursa Securities:-
 - (i) for the Revised Proposed Regularisation Plan;
 - (ii) for admission to the Official List and listing and quotation of the Warrants to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities;
 - (iii) for listing and quotation of the following:-
 - the Subscription Shares to be issued pursuant to the Proposed Shares Issuance; and
 - the new FSBM Shares to be issued pursuant to the Proposed Rights Issue with Warrants and from the exercise of the Warrants;
- (b) approvals of the FSBM's shareholders for the Revised Proposed Regularisation Plan at the forthcoming EGM. For information, in accordance with Section 85 of the Act and Clause 8.2 and Clause 54 of the Company's Constitution, FSBM Shareholders have pre-emptive rights to be offered the Subscription Shares to be issued pursuant to the Proposed Shares Issuance. In the event the resolutions for the Revised Proposed Regularisation Plan are approved by shareholders of the Company at the forthcoming EGM, shareholders will be waiving their pre-emptive rights under Section 85 of the Act as well as Clause 8.2 and Clause 54 of the Constitution of the Company;
- (c) confirmation of the High Court of Malaya for the Proposed Capital Reduction; and
- (d) approval of any other relevant authorities and/or parties if required.

The proposals comprising the Revised Proposed Regularisation Plan are inter-conditional upon each other. For avoidance of doubt, the inter-conditionality of all the proposals within the Revised Proposed Regularisation Plan will only apply in terms of the approvals required as set out above and shall not apply to the manner and sequence of the implementation of the Revised Proposed Regularisation Plan.

For information, the proposals within the Revised Proposed Regularisation Plan are intended to be undertaken in the following sequence:

- (a) Proposed Shares Issuance;
- (b) Proposed Rights Issue with Warrants; and
- (c) Proposed Capital Reduction.

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

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

8.1 CSSA Termination

Dato' Tan, the Non-Independent Non-Executive Director of FSBM, being a party to the Proposed Disposals, is interested in the CSSA Termination. Tan Wan Yen, is the Executive Director of FSBM and daughter to Dato' Tan and is thus also deemed interested in the CSSA Termination.

Dato' Tan and Tan Wan Yen have abstained and will continue to abstain from all deliberations and voting in respect of CSSA Termination at the relevant Board meetings of the Company.

8.2 Revised Proposed Regulation Plan

Following the CSSA Termination, Dato' Tan and Tan Wan Yen will no longer be interested in the Revised Proposed Regularisation Plan, and thus will not be required to abstain from all deliberations and voting in respect of the Revised Proposed Regularisation Plan at the relevant Board meetings of the Company moving forward.

Dato' Tan and Tan Wan Yen will also not be required to abstain from voting in respect of their direct and/or indirect shareholdings (if any) in FSBM on the resolutions pertaining to the Revised Proposed Regularisation Plan at the Company's EGM.

Save as disclosed below, none of the directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Revised Proposed Regularisation Plan.

Mr Pang, an Executive Director of FSBM is a Subscriber for the Proposed Shares Issuance and is thus interested in the Proposed Shares Issuance ("**Interested Director**"). As at LPD, the direct and indirect shareholdings of Mr Pang in FSBM are set out below:

	As at LPD			
	Direct		Indirect	
	Number of Shares	%	Number of Shares	%
Mr Pang	2,790,000	1.58	-	-

As the Proposed Shares Issuance is inter-conditional upon the rest of the proposals comprising the Revised Proposed Regularisation Plan, Mr Pang has abstained and will continue to abstain from all deliberations and voting in respect of the Revised Proposed Regularisation Plan at the relevant Board meetings of the Company.

Mr Pang will also abstain from voting and have undertaken to ensure that any persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in FSBM on the resolutions pertaining to the Revised Proposed Regularisation Plan at the Company's EGM.

(collectively, Dato' Tan, Tan Wan Yen and Mr Pang are referred to as the "**Interested Directors**").

9. DIRECTORS' STATEMENTS

The Board (save for the Interested Directors), having considered all aspects of the CSSA Termination and Increase in Capital Reduction, is of the opinion that the CSSA Termination and Increase in Capital Reduction are in the best interest of the Company.

10. APPLICATION TO THE RELEVANT AUTHORITIES

Malacca Securities, being the Principal Adviser of the Revised Proposed Regularisation Plan will submit the revised application in relation to the Revised Proposed Regularisation Plan to Bursa Securities within 1 month from this announcement.