

## TELADAN SETIA GROUP BERHAD ("TELADAN" OR THE "COMPANY")

### PROPOSED BONUS ISSUE OF WARRANTS

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#### 1. INTRODUCTION

On behalf of the Board of Directors of Teladan ("**Board**"), M&A Securities Sdn Bhd ("**M&A Securities**") wishes to announce that Teladan proposes to undertake a proposed bonus issue of free warrants ("**Warrant(s)**") on the basis of 3 Warrants for every 10 existing ordinary shares in Teladan ("**Teladan Share(s)**" or "**Share(s)**") held by the entitled shareholders on an entitlement date to be determined and announced later ("**Entitled Shareholder(s)**") ("**Entitlement Date**") ("**Proposed Bonus Issue of Warrants**").

#### 2. DETAILS OF THE PROPOSED BONUS ISSUE OF WARRANTS

##### 2.1 Basis and number of Warrants to be issued

The Proposed Bonus Issue of Warrants will entail an issuance of up to 241,589,400 Warrants on the basis of 3 Warrants for every 10 existing Teladan Shares held by the Entitled Shareholders on the Entitlement Date.

As at 9 July 2021, being latest practicable date ("**LPD**") prior to the date of this announcement, Teladan has an issued share capital of RM399,427,802 comprising 805,298,002 Teladan Shares.

Fractional entitlements of the Warrants arising from the Proposed Bonus Issue of Warrants, if any, will be disregarded and dealt with in such a manner as the Board shall in their absolute discretion deem fit and expedient, and in the best interests of the Company.

The Entitlement Date will be determined and announced at a later date by the Board upon receipt of all relevant approvals. The Proposed Bonus Issue of Warrants will be implemented in a single tranche.

No reserves will be capitalised for the issuance of Warrants under the Proposed Bonus Issue of Warrants. As such, the requirement to ensure that the Company has sufficient reserves to cover for capitalisation of the bonus issue pursuant to Rule 6.31(2)(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") is not relevant for the Proposed Bonus Issue of Warrants.

##### 2.2 Basis of determining and justification for the exercise price of the Warrants

The Warrants will be issued at no cost to Entitled Shareholders.

The exercise price of the Warrants will be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration the following:

- (i) the historical price movement of Teladan Shares;
- (ii) the 5-day volume weighted average market price ("**5D-VWAMP**") of Teladan Shares and prevailing market condition; and
- (iii) the future funding requirements of Teladan and its subsidiaries ("**Teladan Group**" or "**Group**").

For illustrative purpose only, the indicative exercise price of the Warrants is assumed to be at RM0.50, which represents a discount of approximately 16.89% to the 5D-VWAMP of Teladan Shares up to and including LPD of RM0.6016 per Share.

The Board wishes to emphasise that the indicative exercise price of the Warrants of RM0.50 should not be taken as an indication of or reference to the actual exercise price of the Warrants, which will be determined and announced at the price-fixing date.

### **2.3 Ranking of the new Teladan Shares to be issued arising from the exercise of the Warrants**

The new Teladan Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing Teladan Shares, except for any entitlements given on an entitlement date prior to the date of allotment of the said Shares.

### **2.4 Listing of and quotation for the Warrants and new Teladan Shares to be issued arising from the exercise of Warrants**

An application will be made to Bursa Securities for:

- (a) the admission of the Warrants to the Official List of Bursa Securities; and
- (b) for the listing of and quotation for the Warrants and new Teladan Shares to be issued from the exercise of the Warrants on the ACE Market of Bursa Securities.

### **2.5 Indicative salient terms of the Warrants**

The indicative salient terms of the Warrants are set out as follows:

<b>Terms</b>	<b>Details</b>
Issue size	: Up to 241,589,400 Warrants
Form	: The Warrants will be issued in registered form and constituted by a deed poll to be executed by the Company and as may be supplemented from time to time (" <b>Deed Poll</b> ").
Tenure	: 5 years commencing from and inclusive of the Warrant issue date (" <b>Issue Date</b> ").
Exercise Rights	: Each Warrant shall entitle its holder (" <b>Warrant Holder(s)</b> ") to subscribe for 1 new Teladan Share at any time during the Exercise Period, subject to adjustments in accordance with the provisions of the Deed Poll
Exercise Price	: The exercise price of the Warrants shall be determined and fixed by the Board and announced at a later date, after obtaining the relevant approvals but before the announcement of the Entitlement Date.

Kindly refer to Section 2.2 of this announcement for the basis of determining the Exercise Price.

<b>Terms</b>	<b>Details</b>
Exercise Period	: The Warrants may be exercised any time during the Tenure of the Warrants including and commencing from the Issue Date and ending at 5.00 p.m. on the Expiry Date. Any Warrants which have not then been exercised will lapse and every Warrant not exercised by then will cease to be valid for any purpose.
Expiry Date	: A date which falls on the day before the 5 <sup>th</sup> anniversary of the Issue Date, provided that if such day falls on a day which is not a market day, then it shall be the market day immediately preceding the said non-market day.
Adjustment in the Exercise Price and/or the number of Warrants	: Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants held by each Warrant Holders shall be adjusted, calculated or determined by the Board in consultation with an approved adviser appointed by the Company and certification by the auditors of Teladan in the event of alteration to the share capital of the Company, capital distribution or issue of shares at any time during the Tenure in accordance with the provisions of the Deed Poll.
Ranking of the new Teladan Shares to be issued from the exercise of the Warrants	: The new Teladan Shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank equally in all respects with the then existing Teladan Shares, except for any entitlements given on an entitlement date prior to the date of allotment of the said Shares.
Modification of rights of Warrant Holders	: The Company may, from time to time, without the consent or sanction of the Warrant Holders but in accordance with the Deed Poll, modify the Deed Poll, if such modification made does not materially prejudice the interests of the Warrant Holders or is made to correct a manifest error or to comply with prevailing laws of Malaysia, Rules of the Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act, 1991 and/or ACE Market Listing Requirements of Bursa Securities.  Subject to the approval of Bursa Securities and/or other relevant authorities (if required), any modifications to the Deed Poll may be effected only by a deed poll, executed by the Company and expressed to be supplemental to the Deed Poll and comply with the requirements of the Deed Poll. The Company must notify the holders of the Warrant of any modification as soon as practicable after such modification is effected in accordance with the Deed Poll
Rights of Warrant Holders	: The Warrant Holders are not entitled to any voting rights in any general meeting of the Company or to participate in any rights, allotments, dividends and/or other distributions in the Company until and unless such Warrant Holders are issued with new Teladan Shares arising from their exercise of the Warrants.

<b>Terms</b>	<b>Details</b>
Rights in the event of winding up, liquidation or an event of default	<p>Where a resolution has been passed by the Company for a members' voluntary winding-up ("<b>Resolution</b>") or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies then:</p> <p>(a) for the purpose of such a winding-up, compromise or arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrants Holders or some persons designated by them for such purposes by special resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the registered Warrant Holders; and</p> <p>(b) in any other case, every Warrants Holder shall be entitled at any time within 6 weeks after the passing of such Resolution or 6 weeks after the granting of the court order approving the compromise or arrangement, by irrevocable surrender of his Warrants together with payment of the relevant Exercise Price monies, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the Exercise Rights represented by such Warrants, to the extent specified in the exercise notice and be entitled to receive out of the assets of the Company (which would be available in liquidation) if he had on such date been the holder of the Teladan Shares, to which he would have become entitled pursuant to such exercise; and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above 6 weeks, all Exercise Rights shall lapse and cease to be valid for any purpose.</p>
Board Lot	The Warrants are tradeable upon listing in board lots of 100 Warrants carrying the right to subscribe for 100 new Teladan Shares at any time during the Exercise Period or such other denomination as may be prescribed by Bursa Securities.
Listing	The Warrants will be listed on the ACE Market of Bursa Securities.
Transferability	The Warrants will only be transferable in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.
Governing law	Laws of Malaysia.

### 3. USE OF PROCEEDS

#### 3.1 Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants is not expected to raise immediate funds for Teladan as the Warrants will be issued at no cost to the Entitled Shareholders.

The eventual proceeds to be raised from the exercise of the Warrants (if any) is dependent on the number of Warrants exercised during the tenure of the Warrants as well as the exercise price of the Warrants, which will be determined and fixed at a later date. As such, the exact time frame for the utilisation of proceeds is not determinable at this juncture.

For illustrative purpose only, the gross proceeds to be raised upon full exercise of the Warrants based on the indicative exercise price of RM0.50 is approximately RM120.79 million. Such proceeds will be utilised as additional working capital for the Group. The proceeds may be utilised to finance, amongst others the Group's day-to-day operating cost.

Pending the utilisation of proceeds for the above purpose, such proceeds may be placed in deposits with financial institutions or short-term money market instruments. Interest derived from such deposits or gains from such money market instruments will be used as additional working capital for the Group.

#### 3.2 Details of equity fund-raising exercises undertaken in the past 12 months

Save as disclosed below, Teladan has not undertaken any equity fund-raising exercise in the past 12 months before the date of this announcement.

As at LPD, a total of 805,298,002 Teladan Shares was issued and listed on the ACE Market of Bursa Securities on 15 March 2021, pursuant to its initial public offering ("**IPO**"). The status of utilisation of proceeds raised from the IPO is as follows:

<b>Utilisation of proceeds</b>	<b>Actual proceeds raised</b>	<b>Actual utilisation</b>	<b>Unutilised amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Acquisition of land for development	35,000	23,889	11,111
Working capital for project development	33,109	5,000	28,109
Repayment of borrowings	4,000	4,000	-
Estimated listing expenses	5,200	5,200	-
<b>Total proceeds</b>	<b>77,309</b>	<b>38,089</b>	<b>39,220</b>

#### 4. RATIONALE FOR THE PROPOSED BONUS ISSUE OF WARRANTS

After due consideration, the Board is of the view that the Proposed Bonus Issue of Warrants is the most appropriate avenue of rewarding the existing shareholders of the Company as the Proposed Bonus Issue of Warrants will:

- (a) enable shareholders of the Company to participate in convertible securities of the Company, which are tradable on the ACE Market of Bursa Securities, without incurring any cost;
- (b) provide existing shareholders of the Company with an opportunity to increase their equity participation in the Company at a pre-determined price during the tenure of the Warrants, and to allow shareholders to further participate in the future growth of the Company when the Warrants are exercised;
- (c) allow existing shareholders of the Company to benefit from any potential capital appreciation of the Warrants; and
- (d) help to strengthen the Company's capital base and shareholders' funds as well as potentially provide additional working capital for the Group, as and when the Warrants are exercised.

#### 5. EFFECTS OF THE PROPOSED BONUS ISSUE OF WARRANTS

The effects of the Proposed Bonus Issue of Warrants on the issued share capital, the net assets ("NA"), gearing, earnings and earnings per Share ("EPS") and substantial shareholders' shareholdings of the Company, are set out below:

##### 5.1 Issued share capital

The pro forma effects of the Proposed Bonus Issue of Warrants on the issued share capital of Teladan are as follows:

	<b>No. of Shares</b>	<b>RM</b>
Issued share capital as at LPD	805,298,002	399,427,802
To be issued assuming full exercise of Warrants	241,589,400	<sup>(1)</sup> 120,794,700
<b>Enlarged issued share capital</b>	<b>1,046,887,402</b>	<b>520,222,502</b>

**Note:**

- (1) Calculated based on the indicative exercise price of the Warrants of RM0.50.

##### 5.2 Existing convertible securities

The Company does not have any convertible securities outstanding as at LPD.

### 5.3 NA and gearing

For illustration purpose, the pro forma effects of the Proposed Bonus Issue of Warrants on the NA and gearing of Teladan based on the latest audited combined statement of financial position of the Group as at 31 December 2020 are as follows:

		I	II	III
	<b>Audited As at 31 December 2020</b>	<b>(1) Unaudited as at 31 March 2021</b>	<b>After the Proposed Bonus Issue of Warrants</b>	<b>(4) After I and assuming full exercise of Warrants</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Share capital	3,750	(2)397,045	397,045	517,840
Merger deficit	-	(318,369)	(318,369)	(318,369)
Retained profits	365,935	373,200	(3)373,100	373,100
<b>Equity attributable to the owners of the Company</b>	<b>369,685</b>	<b>451,876</b>	<b>451,776</b>	<b>572,571</b>
No. of Shares ('000)	644,238	805,298	805,298	1,046,887
NA per Share (RM)	0.57	0.56	0.56	0.55
Borrowings ('000)	133,447	143,680	143,680	143,680
Gearing (times)	0.36	0.32	0.32	0.25

#### Notes:

- (1) Being the latest available consolidated financial statements of the Group, which have accounted for:
  - acquisition of the entire equity interest in Teladan Setia Sdn Bhd for a total consideration of RM322,119,000, satisfied by the issuance of 644,238,000 Teladan Shares at an issue price of RM0.50 each, which was completed on 20 January 2021;
  - public issue of 161,060,000 new Teladan Shares at the issue price of RM0.48 each, which was completed on 16 March 2021; and
  - utilisation of proceeds arising from the IPO of RM5.2 million for listing expenses.
- (2) After deducting expenses of RM2.38 million in relation to the IPO.
- (3) After deducting estimated expenses of RM100,000 for the Proposed Bonus Issue of Warrants.
- (4) Assuming full exercise of 241,589,400 Warrants into 241,589,400 new Teladan Shares at the indicative exercise price of RM0.50 per Warrant.

## 5.4 Earnings and EPS

The Proposed Bonus Issue of Warrants, which are expected to be implemented by the third quarter of 2021, are not expected to have any material effect on the earnings of Teladan Group for the financial year ending 31 December 2021. However, the EPS of the Teladan Group may be diluted as a result of the issuance of new Teladan Shares arising from the exercise of Warrants.

## 5.5 Substantial shareholders' shareholdings

The Proposed Bonus Issue of Warrants will not have any effect on the substantial shareholders' percentage of shareholding in the Company as the Warrants will be allotted on a pro-rated basis to all shareholders of the Company. However, the number of Teladan Shares held by each substantial shareholder will increase proportionately assuming full exercise of the Warrants.

The effects of the Proposed Bonus Issue of Warrants on the shareholdings of the substantial shareholders of the Company are set out below:

Substantial shareholders	Existing as at LPD				After full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Teo Lay Ban	335,003	41.6	-	-	435,505	41.6	-	-
Teo Lay Lee	89,478	11.1	-	-	116,321	11.1	-	-
Teo Siew May	89,478	11.1	-	-	116,321	11.1	-	-
Wan Lei Chin	89,478	11.1	-	-	116,321	11.1	-	-

## 6. PROSPECT AND OUTLOOK

### 6.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electrical and electronic ("E&E") products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order (MCO 2.0) and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector expenditure and strong exports. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

Despite the recent re-imposition of containment measures, the impact on growth is expected to be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related sub-sectors, as well as oil and gas facilities will provide a further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of



recovery will be uneven across economic sectors.

*(Source: Economic and Financial Developments in Malaysia, BNM Quarterly Bulletin, First Quarter (1Q) 2021, 11 May 2021, Bank Negara Malaysia)*

Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half.

Malaysia's gross domestic product ("GDP") contracted 3.4% for the fourth quarter of 2020 as compared to a decline of 2.6% in the third quarter. For overall year 2020, Malaysia's GDP contracted 5.6% as compared to 4.3% in 2019.

The performance of the fourth quarter of 2020 in terms of Malaysia's monthly GDP performance, the Malaysian economy recorded a contraction of 4.7% in October, declining slower in November (-4.0%) and December (-1.7%). For the quarter-on-quarter seasonally adjusted was recorded at negative growth 0.3% (Q3 2020: 18.2%) in the fourth quarter.

Thus, Malaysia's gross domestic product is expected to rebounding between 6.5% and 7.5% in 2021.

*(Source: Economic Outlook 2021, Ministry of Finance Malaysia and Malaysia Economic Performance Fourth Quarter 2020, Department of Statistics Malaysia)*

## **6.2 Overview and outlook of the property development industry in Malaysia**

The residential subsector is anticipated to improve, supported by various measures taken by the Government to address the property overhang situation. Among the measures include the extension of Home Ownership Campaign, exemption of real properties gain tax, the introduction of rent to own (RTO) scheme as well as reduction of foreign ownership threshold. The performance of the non-residential subsector is expected to recover marginally, supported by on-going commercial projects, including Bukit Bintang City Centre, Cyberjaya City Centre, Forest City and Malaysia Vision Valley 2.0.

*(Source: Macroeconomic Outlook, Economic Outlook 2021, Ministry of Finance Malaysia)*

The property market performance recorded a significant decline in 2020 compared to 2019. A total of 295,968 transactions worth RM119.08 billion were recorded, showing a decrease of 9.9% in volume and 15.8% in value compared to 2019, which recorded 328,647 transactions worth RM141.40 billion.

Volume of transactions across the sub-sectors contracted sharply in 2020. The residential, commercial, industrial, agriculture and development land sub-sectors recorded contraction of 8.6%, 21.0%, 24.0%, 10.7% and 2.6% respectively.

In terms of value of transactions, residential, commercial, industrial and development land sub-sectors recorded sharp decline of 9.0%, 32.6%, 14.0% and 34.0% respectively, whereas agriculture recorded otherwise, increased by 0.6%.

The residential sub-sector led the overall property market, with 64.7% contribution in volume. This was followed by agriculture (20.7%), commercial (6.8%), development land and others (6.2%) and industrial (1.6%). In terms of value, residential took the lead with 55.3% share, followed by commercial (16.4%), industrial (10.7%), agriculture (10.5%) and development land and others (7.1%).

*(Source: Annual Property Market Report 2020, JPPH Malaysia)*

The property market performance is expected to remain cautious and soft in 2021 with dependency on the country's economic and financial outlook. Incentives introduced under Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and Short-term Economic Recovery Plan (PENJANA) in 2020 as well as Budget 2021 would continue to support the property market. The availability and rolling out of COVID-19 vaccine throughout the country is seen as fundamental to deter any new wave of infection spread. This will help boost business confidence, household sentiments as well as the general economy, which will likely see a soft upturn in the property market in the second half of 2021.

*(Source: Press Release Malaysia Property Market 2020, 05 April 2021, JPPH Malaysia)*

## **7. APPROVALS REQUIRED FOR THE PROPOSED BONUS ISSUE OF WARRANTS**

The Proposed Bonus Issue of Warrants is subject to the following approvals:

- (a) Bursa Securities, for the listing of and quotation for the following:
  - (i) admission of the Warrants to the Official List of Bursa Securities;
  - (ii) listing of and quotation for the Warrants and new Shares to be issued from the exercise of the Warrants, on the ACE Market of Bursa Securities;
- (b) shareholders of Teladan at an extraordinary general meeting ("**EGM**") of the Company to be convened; and
- (c) any other relevant authority, if required.

The Proposed Bonus Issue of Warrants is not conditional upon any other proposals undertaken or to be undertaken by the Company.

The voting on the resolution for the Proposed Bonus Issue of Warrants at the EGM will be taken on a poll.

## **8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the directors, major shareholders of the Company and/or persons connected with them have any interest, direct and/or indirect, in the Proposed Bonus Issue of Warrants, other than their respective entitlements as shareholders of the Company, the rights of which are also available to all other existing shareholders of the Company as at the Entitlement Date.

## **9. DIRECTORS' STATEMENT**

Having considered all aspects of the Proposed Bonus Issue of Warrants, the Board is of the opinion that it is in the best interest of the Company.

## **10. ADVISER**

M&A Securities has been appointed as Adviser for the Proposed Bonus Issue of Warrants.

**11. APPLICATION TO THE AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the application to the relevant authorities for the Proposed Bonus Issue of Warrants shall be made within 2 months from the date of this announcement and the Proposed Bonus Issue of Warrants is expected to be completed by the third quarter of 2021.

This announcement is dated 12 July 2021.