

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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Johan Holdings Berhad

Registration No. 192001000038 (314-K)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED PRIVATE PLACEMENT OF UP TO 218,031,900 NEW ORDINARY SHARES OF JOHAN HOLDINGS BERHAD ("JOHAN SHARE(S)") ("PLACEMENT SHARE(S")), REPRESENTING UP TO APPROXIMATELY 35% OF THE TOTAL NUMBER OF JOHAN SHARES, TO THE FOLLOWING PARTIES:-

- I. MUSTIKA MANIS SDN BHD OF UP TO 81,460,487 PLACEMENT SHARES AND KURNIA MENANG SDN BHD OF UP TO 74,276,613 PLACEMENT SHARES, AT AN ISSUE PRICE OF RM0.063 PER PLACEMENT SHARE; AND**
- II. THIRD-PARTY PLACEE(S), WHO QUALIFY UNDER SCHEDULES 6 AND 7 OF THE CAPITAL MARKETS AND SERVICES ACT 2007, TO BE IDENTIFIED AT A LATER STAGE OF UP TO 62,294,800 PLACEMENT SHARES, AT AN ISSUE PRICE TO BE DETERMINED LATER**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

Registration No.: 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of Johan ("**EGM**"), which is scheduled to be held at George Kent Technology Centre, 1115 Jalan Puchong, Taman Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan on Tuesday, 15 September 2020 at 10.00 a.m. or at any adjournment thereof, and the Form of Proxy are enclosed herein.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies (but not more than 2) to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy must be lodged at the registered office of Johan at 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur, not less than 48 hours before the time stipulated for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Sunday, 13 September 2020 at 10.00 a.m.

Date and time of the EGM : Tuesday, 15 September 2020 at 10.00 a.m.

This Circular is dated 28 August 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016
"Board"	:	The Board of Directors of Johan
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular dated 28 August 2020
"CMSA"	:	Capital Markets and Services Act 2007
"Director(s)"	:	A natural person who holds directorship in the Company and shall have the meaning given in Section 2(1) of the CMSA and includes:- <ol style="list-style-type: none">i. in the case of an issuer of structured warrants, a director of the issuer of the structured warrants; orii. in the case of an applicant or listed issuer, which is a collective investment scheme, a director of a management company; oriii. in the case of an applicant or listed issuer, which is a business trust, a director of the trustee-manager
"EGM"	:	The forthcoming extraordinary general meeting of the Company
"EPS"	:	Earnings per share
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"GDP"	:	Gross domestic product
"Identified Placees"	:	MMSB and KMSB, collectively
"Interested Directors"	:	Tan Sri Tan and Puan Sri Tan, collectively
"Interested Major Shareholders"	:	Tan Sri Tan, Puan Sri Tan, MMSB and Sky Wealth Ventures Limited, collectively
Issue Price I	:	The issue price of RM0.063 per Placement Share for the issue of 155,737,100 Placement Shares to the Identified Placees
Issue Price II	:	The issue price to be determined later for the issue of 62,294,800 Placement Shares to the Third-Party Placee(s)
"Johan" or the "Company"	:	Johan Holdings Berhad
"Johan Group" or the "Group"	:	Johan and its subsidiaries, collectively
"Johan Share(s)" or the "Share(s)"	:	Ordinary share(s) in Johan
"KMSB"	:	Kurnia Menang Sdn Bhd

DEFINITIONS (CONT'D)

"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	14 August 2020, being the latest practicable date prior to the printing and despatch of this Circular
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days), which is not a public holiday and on which Bursa Securities is open for trading of securities
"Maximum Scenario"	:	Assuming the maximum of 218,031,900 Placement Shares are issued to the Identified Placees and the Third-Party Placee(s) in their respective portions and at Issue Price I and Issue Price II, respectively, pursuant to the Proposed Private Placement
"Minimum Scenario"	:	Assuming only up to 155,737,100 Placement Shares are issued to the Identified Placees at Issue Price I pursuant to the Proposed Private Placement and assuming the Company is unable to identify any Third-Party Placee(s) for the remaining 62,294,800 Placement Shares
"MMSB"	:	Mustika Manis Sdn Bhd
"NA"	:	Net assets attributable to the owners of the Company
"PBT/ LBT"	:	Profit before taxation/ Loss before taxation
"PAT/ LAT"	:	Profit after taxation/ Loss after taxation
"Placees"	:	MMSB, KMSB and the Third-Party Placee(s), collectively
"Placement Share(s)"	:	Up to 218,031,900 new Johan Shares to be issued pursuant to the Proposed Private Placement to the following parties:- <ol style="list-style-type: none">i. MMSB of up to 81,460,487 new Johan Shares and KMSB of up to 74,276,613 new Johan Shares; andii. Third-Party Placee(s) of up to 62,294,800 new Johan Shares.
"Proposed Private Placement"	:	Proposed private placement of up to 218,031,900 Placement Shares, representing up to approximately 35% of the total number of Johan Shares, to the following parties:- <ol style="list-style-type: none">i. MMSB of up to 81,460,487 Placement Shares and KMSB of up to 74,276,613 Placement Shares at Issue Price I; andii. the Third-Party Placee(s) of up to 62,294,800 Placement Shares at Issue Price II.
"Puan Sri Tan"	:	Puan Sri Datin Tan Swee Bee
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Tan Sri Tan"	:	Tan Sri Dato' Tan Kay Hock

DEFINITIONS (CONT'D)

"Third-Party Placee(s)" : Third-party investor(s), who qualify under Schedules 6 and 7 of the CMSA to be identified at a later stage. For clarification, such third-party investor(s) will not include the following parties:-

- a. Any Director, major shareholder, chief executive of Johan or a holding company of Johan, or a person connected with the Director, the major shareholder or the chief executive of Johan; and
- b. Nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

"UOB Kay Hian" or the "Adviser" or the "Placement Agent" : UOB Kay Hian Securities (M) Sdn Bhd

"VWAP" : Volume weighted average market price

All references to "you" in this Circular are made to our shareholders who are entitled to attend, participate, speak and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Private Placement. The shareholders of Johan are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Private Placement before voting at the EGM.

Key information	Description	Reference to Circular												
Summary of the corporate proposal	<p>Johan proposes to undertake a private placement of up to 218,031,900 Placement Shares, representing up to approximately 35% of the total number of Johan Shares, to the following parties:-</p> <ol style="list-style-type: none"> MMSB of up to 81,460,487 Placement Shares and KMSB of up to 74,276,613 Placement Shares, at an issue price of RM0.063 per Placement Share; and Third-party investor(s), who qualify under Schedules 6 and 7 of the CMSA, to be identified at a later stage of up to 62,294,800 Placement Shares, at an issue price to be determined later. <p>For avoidance of doubt, Tan Sri Tan and Puan Sri Tan are the controlling shareholders and the directors of MMSB and KMSB. In addition, MMSB is a major shareholder of Johan as at the LPD.</p>	Sections 1 and 2												
Implementation of the Proposed Private Placement	<p>MMSB and KMSB have provided their irrevocable undertakings, that should all relevant approvals for the Proposed Private Placement, be obtained, MMSB and KMSB will subscribe for up to 81,460,487 and 74,276,613 Placement Shares, respectively, at Issue Price I.</p> <p>In addition, the Identified Placees have undertaken that, the payments for the subscribed Placement Shares will be made by them within 5 markets days from the date of the EGM, upon obtaining the approval of Johan's shareholders at the EGM.</p> <p>On the other hand, the remaining Placement Shares to Third-Party Placee(s) may be implemented in tranches within 6 months from the approval date of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.</p>	Section 2.2												
Utilisation of proceeds	<p>Subject to the number of Placement Shares to be issued and the issue price of the Placement Shares, the proceeds arising from the Proposed Private Placement will be utilised by the Group in the following manner:</p> <table border="1"> <thead> <tr> <th>Details of utilisation</th> <th>Minimum Scenario RM'000</th> <th>Maximum Scenario RM'000</th> </tr> </thead> <tbody> <tr> <td>Business/ investment opportunities</td> <td>9,651</td> <td>20,989</td> </tr> <tr> <td>Estimated expenses</td> <td>160</td> <td>160</td> </tr> <tr> <td>Total</td> <td>9,811</td> <td>21,149</td> </tr> </tbody> </table>	Details of utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000	Business/ investment opportunities	9,651	20,989	Estimated expenses	160	160	Total	9,811	21,149	Section 2.6
Details of utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000												
Business/ investment opportunities	9,651	20,989												
Estimated expenses	160	160												
Total	9,811	21,149												
Rationale of the Proposed Private Placement	<ol style="list-style-type: none"> To raise funds for business/ investment opportunities without relying solely on internally generated funds and/ or bank borrowings, which will allow the Group flexibility in respect of financial allocations for its operational requirements. The Board is of the view that the Proposed Private Placement is the most appropriate avenue of fundraising as the Proposed Private Placement enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings. In addition, the Proposed Private Placement serves as an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as rights issue, as the placement funds from the Proposed Private Placement will be paid within 5 market days from the relevant price-fixing date. 	Section 3												

EXECUTIVE SUMMARY

Key information	Description	Reference to Circular
	<p>iii. With respect to the irrevocable undertakings provided by the Identified Placees, the Board (save for the Interested Directors) considers the undertakings to subscribe for their respective Placement Shares will provide greater certainty that the Group will raise necessary funds from the Proposed Private Placement.</p>	
Interested parties and any conflict of interest from the Proposed Private Placement	<p>Save for the Interested Directors and Interested Major Shareholders, none of our Directors or Major Shareholder and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.</p> <p>Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberation and voting on the Proposed Private Placement at all Board meetings. In addition, the Interested Major Shareholders will also abstain from voting and will also ensure that the persons connected with them, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, on the resolutions pertaining to the Proposed Private Placement to be tabled at the EGM.</p> <p>UOB Kay Hian is an independent party, which has no conflict of interest or potential conflict of interest arising from its roles as the Adviser and the Placement Agent for the Proposed Private Placement.</p>	Section 8 and Sections 2 and 3 of Appendix I
Approvals required	<p>The Proposed Private Placement is subject to the following approvals being obtained:</p> <p>i. Bursa Securities for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities;</p> <p>ii. Our shareholders at the EGM; and</p> <p>iii. Any other relevant authority and/ or third parties, if required.</p>	Section 7
Board's recommendation	<p>The Board (save for the Interested Directors) recommends that you vote FOR the resolutions pertaining to the Proposed Private Placement, which will be tabled at the EGM, the details of which are set out in the cover page of this Circular and the Notice of EGM as enclosed.</p>	Section 11

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Johan Holdings Berhad

Registration No. 192001000038 (314-K)
(Incorporated in Malaysia)

Registered Office

11th Floor, Wisma E&C
No. 2 Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur

28 August 2020

Board of Directors

Tan Sri Dato' Tan Kay Hock (*Chairman & Chief Executive*)
Puan Sri Datin Tan Swee Bee (*Group Managing Director*)
Tan Sri Dato' Sri Dr Ting Chew Peh (*Non-Independent Non-Executive Director*)
Dato' Ahmad Khairummuzammil Bin Mohd Yusoff (*Independent Non-Executive Director*)
Ooi Teng Chew (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/ Madam,

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 6 July 2020, UOB Kay Hian had, on behalf of our Board, announced that the Company proposed to undertake a private placement of up to 218,031,900 Placement Shares, representing up to approximately 35% of the total number of Johan Shares, to the following parties:-

- i. MMSB of up to 81,460,487 Placement Shares and KMSB of up to 74,276,613 Placement Shares, at an issue price of RM0.063 per Placement Share; and
- ii. Third-party investor(s), who qualify under Schedules 6 and 7 of the CMSA, to be identified at a later stage of up to 62,294,800 Placement Shares, at an issue price to be determined later.

For avoidance of doubt, Tan Sri Tan, being the Chairman, Chief Executive and a major shareholder of Johan, and Puan Sri Tan, being the Group Managing Director and a major shareholder of Johan, are the controlling shareholders and the directors of the Identified Placees. Further information on the Identified Placees are set out in Sections 2.2.1 and 2.2.2 of this Circular.

Premised on the above, Tan Sri Tan and Puan Sri Tan are deemed interested Directors and interested major shareholders in the Proposed Private Placement, by virtue of them being the controlling shareholders and the directors of the Identified Placees.

In addition, MMSB and Sky Wealth Ventures Limited, which are the major shareholders of Johan as at the LPD, are deemed interested in the Proposed Private Placement by virtue of MMSB and Sky Wealth Ventures Limited being the entities controlled by the Interested Directors. Further details on their respective interests and shareholdings in Johan are set out in Sections 4.4 and 8 of this Circular.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberation and voting on the Proposed Private Placement at all Board meetings. In addition, the Interested Major Shareholders will also abstain from voting and will also ensure that the persons connected with them, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, on the resolutions pertaining to the Proposed Private Placement to be tabled at a general meeting of the Company to be convened.

On 17 August 2020, UOB Kay Hian had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 14 August 2020, resolved to approve the listing and quotation for up to 218,031,900 Placement Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED PRIVATE PLACEMENT AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

The Proposed Private Placement involves an issuance of up to 218,031,900 Placement Shares, representing up to approximately 35% of the total number of Johan Shares.

As at the LPD, the total number of Johan Shares was 622,948,527. Assuming the maximum of 218,031,900 Placement Shares are issued pursuant to the Proposed Private Placement, after receipt of all relevant approvals for the Proposed Private Placement as set out in Section 7 of this Circular, the enlarged number of Johan Shares will be 840,980,427.

The maximum number of 218,031,900 Placement Shares was arrived at, after taking into consideration, the estimated funds required for the intended utilisation as set out in Section 2.6 of this Circular.

For avoidance of doubt, as at the LPD, Johan does not have any existing convertible securities and does not retain any treasury shares.

2.2 Allocation of the Placement Shares

As set out in Section 1 of this Circular, the Placement Shares will be placed out to the following parties:-

- i. MMSB of up to 81,460,487 Placement Shares and KMSB of up to 74,276,613 Placement Shares; and
- ii. Third-Party Placee(s), who qualify under Schedules 6 and 7 of the CMSA, to be identified at a later stage, of up to 62,294,800 Placement Shares.

For clarification, Third-Party Placee(s) will not include the following parties:-

- a. Any Director, major shareholder, chief executive of Johan or a holding company of Johan, or a person connected with the Director, the major shareholder or the chief executive of Johan; and
- b. Nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Should the Board decide to place any of the 62,294,800 Placement Shares to parties mentioned in item (ii) (a) and/ or (b) above, the Board shall seek shareholders' approval and ensure compliance with the provisions of the Listing Requirements.

For illustrative purpose, the pro forma public shareholding spread of the Company upon completion of the Proposed Private Placement under the Minimum and Maximum Scenarios is set out below:-

	As at the LPD		After the Proposed Private Placement			
	No. of Shares	%	Minimum Scenario		Maximum Scenario	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Non-public shareholding	316,955,957	50.88	472,693,057	60.70	472,693,057	56.21
Public shareholding	305,992,570	49.12	305,992,570	39.30	368,287,370	43.79
Total	622,948,527	100.0	778,685,627	100.0	840,980,427	100.0

Based on the above, the Company is in compliance with Paragraph 8.02 of the Listing Requirements as the public shareholding spread of the Company is not expected to fall below 25% of the Company's enlarged issued Shares upon completion of the Proposed Private Placement under both the Minimum and Maximum Scenarios.

2.2.1 Information on MMSB

i. Incorporation and business activity

MMSB was incorporated in Malaysia on 11 July 2017 as a private company limited by shares under the Act and having its registered office at 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur. As at the LPD, MMSB is principally involved in investment holding activities and is a major shareholder of Johan holding 152,144,940 Johan Shares, representing approximately 24.4% equity interest in Johan. Upon the completion of the Proposed Private Placement, MMSB's shareholding in Johan will increase to 233,605,427 Johan Shares, representing approximately 30.0% and 27.8% equity interest in Johan under the Minimum Scenario and Maximum Scenario, respectively.

ii. Share capital

As at the LPD, MMSB has an issued share capital of RM30,500,000 comprising 3,500,000 ordinary shares of MMSB ("MMSB Share(s)").

iii. Directors and substantial shareholders

As at the LPD, the board of directors of MMSB comprises Tan Sri Tan and Puan Sri Tan, who jointly hold 100.0% equity interest in Sky Wealth Ventures Limited, which in turn holds 100.0% equity interest in MMSB.

2.2.2 Information on KMSB

i. Incorporation and business activity

KMSB was incorporated in Malaysia on 22 June 2020 as a private company limited by shares under the Act and having its registered office at 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur. As at the LPD, KMSB is principally involved in investment holding activities and holds no Johan Shares. Upon the completion of the Proposed Private Placement, KMSB's shareholding in Johan will increase to 74,276,613 Johan Shares, representing approximately 9.5% and 8.8% equity interest in Johan under the Minimum Scenario and Maximum Scenario, respectively.

ii. Share capital

As at the LPD, KMSB has an issued share capital of RM2 comprising 2 ordinary shares of KMSB ("**KMSB Share(s)**").

iii. Directors and substantial shareholders

As at the LPD, the board of directors of KMSB comprises Tan Sri Tan and Puan Sri Tan, who each hold 1 ordinary share of KMSB, representing 100% equity interest in KMSB, collectively.

Under the Proposed Private Placement, MMSB and KMSB have provided their irrevocable undertakings, vide their letters dated 6 July 2020, that should all relevant approvals for the Proposed Private Placement, as set out in Section 7 of this Circular, be obtained, MMSB and KMSB will subscribe for up to 81,460,487 and 74,276,613 Placement Shares, respectively, at Issue Price I. Save for obtaining all relevant approvals for the Proposed Private Placement, as set out in Section 7 of this Circular, the undertakings provided by the Identified Placees are not subject to any other conditions.

In addition, the Identified Placees have undertaken that, subject to all approvals being obtained for the Proposed Private Placement, the payments for the subscribed Placement Shares will be made by them within 5 markets days from the date of the EGM for the Proposed Private Placement.

MMSB and KMSB have confirmed, vide their letters dated 6 July 2020, that they have sufficient financial resources to subscribe for up to 81,460,487 and 74,276,613 Placement Shares, respectively, and such confirmations have been verified by UOB Kay Hian, being the Adviser and Placement Agent for the Proposed Private Placement.

On the other hand, the Proposed Private Placement for the remaining Placement Shares to Third-Party Placee(s) may be implemented in tranches within 6 months from the approval date of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities. Such arrangement will allow the Company to identify Third-Party Placee(s) for the remaining Placement Shares within the permitted timeframe under the Listing Requirements.

In the event the maximum of 218,031,900 Placement Shares are issued to the Placees under the Maximum Scenario, MMSB's direct shareholding in Johan will increase from 152,144,940 Johan Shares, representing approximately 24.4% equity interest in Johan, to 233,605,427 Johan Shares, representing approximately 27.8% equity interest in Johan, whilst KMSB's direct shareholding in Johan is expected to increase from nil to 74,276,613 Johan Shares, representing approximately 8.8% equity interest in Johan.

As at the LPD, Tan Sri Tan, Puan Sri Tan and the persons connected with them, namely Sky Wealth Ventures Limited, Kin Fai International Limited, Star Wealth Investment Limited, MMSB, Kwok Heng Holdings Limited, Suncrown Holdings Limited and KMSB collectively hold 316,713,957 Johan Shares, representing approximately 50.8% equity interest in Johan (Sky Wealth Ventures Limited, Kin Fai International Limited, Star Wealth Investment Limited, MMSB, Kwok Heng Holdings Limited, Suncrown Holdings Limited and KMSB are collectively referred to as the "PACs"), as set out below:-

	Direct shareholdings as at the LPD		Indirect shareholdings as at the LPD	
	No. of Shares	% ^{*1}	No. of Shares	% ^{*1}
Tan Sri Tan	-	-	316,713,957 ^{*2}	50.8
Puan Sri Tan	-	-	316,713,957 ^{*2}	50.8
Sky Wealth Ventures Limited	-	-	316,713,957 ^{*2}	50.8
Star Wealth Investment Limited	71,277,017	11.4	-	-
Kin Fai International Limited	37,423,000	6.0	-	-
MMSB	152,144,940	24.4	-	-
KMSB	-	-	-	-
Kwok Heng Holdings Limited	25,194,000	4.1	-	-
Suncrown Holdings Limited	30,675,000	4.9	-	-
Total	316,713,957	50.8		

Notes:-

^{*1} Based on the total issued shares of 622,948,527 in Johan.

^{*2} Deemed interested by virtue of Tan Sri Tan and Puan Sri Tan are jointly holding 100.0% equity interest in Sky Wealth Ventures Limited, which in turn holds 100.0% equity interest in Kin Fai International Limited, Kwok Heng Holdings Limited, Suncrown Holdings Limited, Star Wealth Investment Limited and MMSB. In addition, Tan Sri Tan and Puan Sri Tan each hold 50.0% direct equity interest in KMSB, which as at the LPD, holds no Johan Shares.

Should the maximum of 218,031,900 Placement Shares be subscribed by all the Placees, of which 155,737,100 Placement Shares will be allocated to the Identified Placees, under the Maximum Scenario, Tan Sri Tan, Puan Sri Tan and the PACs' collective shareholdings in Johan will increase from 50.8% to 56.2% comprising 472,451,057 Johan Shares. The potential effects of the Proposed Private Placement on the PACs' direct shareholdings in Johan are further set out below:-

	Number of Placement Shares to be subscribed units	Direct shareholding in Johan as at the LPD		Minimum Scenario		Maximum Scenario	
		units	% ^{*2}	units	% ^{*3}	units	% ^{*4}
MMSB	81,460,487	152,144,940	24.4	233,605,427	30.0	233,605,427	27.8
KMSB	74,276,613	-	-	74,276,613	9.5	74,276,613	8.8
Tan Sri Tan, Puan Sri Tan and the PACs, collectively	155,737,100^{*1}	316,713,957	50.8	472,451,057	60.7	472,451,057	56.2

Notes:-

^{*1} Representing approximately 71.43% of the total 218,031,900 Placement Shares to be issued pursuant to the Proposed Private Placement.

^{*2} Based on the total issued shares of 622,948,527 in Johan.

³ Based on the total issued shares of 778,685,627 in Johan.

⁴ Based on the total issued shares of 840,980,427 in Johan.

Based on the above, upon the completion of the Proposed Private Placement, the Identified Placees will neither individually nor collectively with the PACs, trigger the obligation to undertake a mandatory take-over offer for all the remaining Johan Shares not already owned by them in accordance with the Rules of Take-overs, Mergers and Compulsory Acquisitions as issued by Securities Commission Malaysia.

2.3 Basis of and justification for the issue prices of the Placement Shares

2.3.1 Issue Price I

Issue Price I (RM0.063 per Placement Share) was determined by the Board (save for the Interested Directors) based on the 5-day VWAP of Johan Shares up to and including 3 July 2020, being the last trading date immediately preceding the date of the announcement in relation to the Proposed Private Placement, of RM0.063 per Johan Share. Further, the Board (save for the Interested Directors) had also taken into consideration the following historical market prices of Johan Shares up to and including 3 July 2020:-

	Share price RM	Premium/ (Discount) RM	%
Last transacted price as at 3 July 2020	0.065	(0.002)	(3.1)
5-day VWAP of Johan Shares up to and including 3 July 2020	0.063	-	-
1-month VWAP of Johan Shares up to and including 3 July 2020	0.065	(0.002)	(3.1)
3-month VWAP of Johan Shares up to and including 3 July 2020	0.067	(0.004)	(6.0)
6-month VWAP of Johan Shares up to and including 3 July 2020	0.066	(0.003)	(4.5)

Based on the above, Issue Price I represents a discount ranging from approximately 3.1% to 6.0% to the 1-month, 3-month and 6-month VWAP and the last transacted market price as at 3 July 2020, whilst it represents the 5-day VWAP.

Despite that Issue Price I represents a discount to the abovementioned historical market prices of Johan Shares, the Board (save for the Interested Directors) took into consideration the following justifications in arriving at Issue Price I:-

- i. the prevailing market conditions and market sentiments, especially the unprecedented COVID-19 pandemic, which has caused significant economic repercussions on the Malaysian economy. Based on the available data as at 3 July 2020, Bank Negara Malaysia had then projected Malaysia's GDP growth to be between -2.0 and 0.5% in 2020 mainly due to the COVID-19 pandemic (on 14 August 2020, Bank Negara Malaysia had revised its projection for Malaysia's GDP growth in 2020 to be between -3.5% and -5.5% primarily due to the duration of the Movement Control Order);
- ii. its intention to fully place out the 155,737,100 Placement Shares to Identified Placees at a price deemed attractive as well as acceptable to the Company to meet the funding objectives of the Group as set out in Section 2.6 of this Circular;

- iii. the Issue Price I, which is based on the 5-day VWAP of Johan Shares up to and including 3 July 2020, provides greater certainty that the Group will raise necessary funds for the intended purposes as set out in Section 2.6 of this Circular; and
- iv. the Group had recorded LAT for the past 3 audited financial years up to the FYE 31 January 2020.

Premised on the above, the Board (save for the Interested Directors) considers Issue Price I to be fair and reasonable.

2.3.2 Issue Price II

Issue Price II will be determined and fixed by the Board (save for the Interested Directors) at a later date after receipt of all relevant approvals for the Proposed Private Placement.

Issue Price II will be priced at an issue price of not more than 10% discount to the 5-day VWAP of Johan Shares immediately preceding the price-fixing date.

The Board (save for the Interested Directors) will also take into consideration the following justifications in determining Issue Price II:-

- i. the prevailing market conditions and market sentiments; and
- ii. its intention to fully place out the 62,294,800 Placement Shares at a price deemed attractive as well as acceptable to the Company and Third-Party Placee(s) and also to meet the funding objectives of Johan Group as set out in Section 2.6 of this Circular.

The Board (save for the Interested Directors) had decided to fix Issue Price I upfront after taking into consideration, amongst others, the prevailing 5-day VWAP of Johan Shares and the intended amount to be raised for the utilisation purposes as set out in Section 2.6 of this Circular. On the other hand, Issue Price II shall only be fixed at a later date, subject to the Company identifying Third-Party Placee(s). The Placement Shares to be issued to Third-Party Placee(s) may be implemented in tranches and hence, Issue Price II will be fixed for each tranche, if any, based on the prevailing market conditions and market sentiments at the time of price-fixing. As such, the Board (save for the Interested Directors) set out the basis that Issue Price II is subject to a maximum discount of up to 10% to the 5-day VWAP of Johan Shares, which will allow necessary flexibility to accommodate potential fluctuations in market conditions when issuing Placement Shares to Third-Party Placee(s).

For illustrative purpose only, Issue Price II is assumed at RM0.182 per Placement Share, which represents a discount of approximately 9.90% to the 5-day VWAP of Johan Shares up to and including the LPD of RM0.202 per Johan Share.

As mentioned above, in the event the Placement Shares to Third-Party Placee(s) are to be issued in tranches, there will be a price-fixing announcement for each tranche and the Company will ensure payment for the Placement Shares by the Third-Party Placee(s) is received within 5 Market Days from the price-fixing date of each tranche of the Proposed Private Placement.

2.4 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally and carry the same rights with the existing Johan Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

2.5 Listing and quotation for the Placement Shares

The Placement Shares to be issued will be listed and quoted on the Main Market of Bursa Securities. Approval for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities has been obtained via Bursa Securities' approval letter dated 14 August 2020.

2.6 Utilisation of proceeds

As set out in Sections 2.2 and 2.3 of this Circular, the issue price of the Placement Shares issued to the Identified Placees has been fixed at Issue Price I, raising gross proceeds of approximately RM9.81 million, whilst Issue Price II will be determined and fixed by the Board (save for the Interested Directors) at a later date at a discount of not more than 10% to the 5-day VWAP of Johan Shares immediately preceding the price-fixing date. Furthermore, the Proposed Private Placement for the remaining Placement Shares to be placed out to Third-Party Placee(s) may be implemented in tranches within 6 months from the date of approval of Bursa Securities and hence, the receipt of placement funds may be received in different timeframes or tranches by the Company.

Notwithstanding the above, based on Issue Price I and the indicative Issue Price II of RM0.182 per Placement Share, the Proposed Private Placement is expected to raise total gross proceeds of up to approximately RM21.15 million. The proceeds are intended to be utilised by the Group in the manner set out below:-

		<-----Amount of proceeds----->	
		Minimum Scenario	Maximum Scenario
Details of utilisation	Timeframe for utilisation	RM'000	RM'000
Business/ investment opportunities ^{*1}	Within 12 months from the receipt of placement funds	9,651	20,989
Estimated expenses ^{*2}	Upon receipt of placement funds	160	160
Total gross proceeds		9,811	21,149

Notes:-

^{*1} In August 2017, the Group had ceased its tile manufacturing business operations, following which, the Group has solely relied on the contributions of its hospitality and card services segment. As such, the Group has been seeking for business/ investment opportunities in businesses complementary to the Group's existing business and/ or in different businesses to the Group's existing business for the intention of mitigating the reliance of the Group's earnings on a single segment and to grow the Group's earnings. The Group is considering several business/ investment opportunities, which include trading and distribution of health & wellbeing products, in which the Group has experience and knowledge through its previous ownership of Nature's Farm Pte Ltd, and distribution of foods products, for its new venture purpose.

At this juncture, the Board has received several investment proposals and is currently contemplating said proposals and negotiating with the respective counter-parties. In this regard, the Group has earmarked up to RM20.99 million from the proceeds to be raised from the Proposed Private Placement for business/ investment opportunities that may increase the Group's earnings. In the event such investment opportunities is/ are not within the existing business of the Group, the Board will ensure compliance with the provisions of the Listing Requirements, specifically Paragraph 10.13 of the Listing Requirements.

The Group shall make the requisite announcements and/ or shall seek shareholders' approval in accordance with the Listing Requirements as and when new investment(s) are identified and the terms of negotiations are finalised. However, in the event the Group is unable to identify any suitable and viable investment opportunities within the permitted timeframe, the proceeds earmarked for business/ investment opportunities will continue to be placed as deposits with licensed financial institutions or short-term money market instruments, until such time when the management is able to identify a suitable and viable investment opportunity. Any interest income earned from such deposits or instruments will be used to fund the working capital of the Group.

² The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised as set out below:-

	RM'000
Professional fees (i.e. adviser and placement agent)	85
Regulatory fees	35
Other incidental expenses in relation to the Proposed Private Placement	40
Total	160

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for business/ investment opportunities of the Group

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for business/ investment opportunities of the Group.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be used to fund the working capital of the Group.

2.7 Other fund raising exercises in the past 12 months

Save for the Proposed Private Placement, the Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement was undertaken by the Company to raise funds for business/ investment opportunities as set out in Section 2.6 of this Circular, without relying solely on internally generated funds and/ or bank borrowings, which will allow the Group flexibility in respect of financial allocations for its operational requirements.

In addition, the Proposed Private Placement serves as an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as rights issue, as the placement funds from the Proposed Private Placement will be paid within 5 market days from the relevant price-fixing date.

Notwithstanding the availability of various fund raising methods, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings, which may affect the Group's bottom line.

Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen the financial position of the Company and improve the gearing ratio of the Group.

In addition, the Board (save for the Interested Directors) consider the Identified Placees' irrevocable undertakings to subscribe for their respective Placement Shares will provide greater certainty that the Group will raise necessary funds from the Proposed Private Placement for the intended purposes as set out in Section 2.6 of this Circular.

4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

4.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM'000	No. of Shares	RM'000
Issued share capital as at the LPD	622,948,527	380,889	622,948,527	380,889
Placement Shares to be issued pursuant to the Proposed Private Placement	155,737,100	9,811	218,031,900	21,149 ^{*1}
Enlarged issued share capital	778,685,627	390,700	840,980,427	402,038

Note:-

^{*1} Assuming 155,737,100 Placement Shares are issued at Issue Price I and the remaining 62,294,800 Placement Shares are issued at the indicative Issue Price II of RM0.182 per Placement Share.

4.2 NA per Share and gearing ratio

Based on our latest audited consolidated statements of financial position as at 31 January 2020, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing ratio of the Group are set out as follows:-

Minimum Scenario

	Audited as at 31 January 2020	After the Proposed Private Placement
	RM'000	RM'000
Share capital	380,889	390,700 ^{*1}
Reserves	109,587	109,587
Accumulated losses	(429,172)	(429,332) ^{*2}
Shareholders' fund/ NA	61,304	70,955
No. of Shares in issue ('000)	622,949	778,686
NA per Share (RM)	0.10	0.09
Total borrowings (RM)	529,246	529,246
Gearing ratio (times)	8.63	7.46

Maximum Scenario

	Audited as at 31 January 2020	After the Proposed Private Placement
	RM'000	RM'000
Share capital	380,889	402,038 ^{*3}
Reserves	109,587	109,587
Accumulated losses	(429,172)	(429,332) ^{*2}
Shareholders' fund/ NA	61,304	82,293
No. of Shares in issue ('000)	622,949	840,980
NA per Share (RM)	0.10	0.10
Total borrowings (RM)	529,246	529,246
Gearing ratio (times)	8.63	6.43

Notes:-

- *1 *Assuming only 155,737,100 Placement Shares are issued at Issue Price I.*
- *2 *After deducting estimated expenses of RM160,000 in relation to the Proposed Private Placement.*
- *3 *Assuming 155,737,100 Placement Shares are issued at Issue Price I and the remaining 62,294,800 Placement Shares are issued at the indicative Issue Price II of RM0.182 per Placement Share.*

4.3 Earnings and EPS

The Proposed Private Placement, which is expected to be completed in the first quarter of 2021, is not expected to have any material effect on the earnings and EPS of Johan Group for the FYE 31 January 2021. However, there will be a dilution in the EPS of the Group for the FYE 31 January 2021 due to the increase in the number of Johan Shares in issue arising from the Proposed Private Placement, as and when implemented.

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4.4 Substantial shareholders' shareholding structure

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD			After the Proposed Private Placement			
	Direct No. of Shares	% ^{*1}	Indirect No. of Shares	Direct No. of Shares	% ^{*3}	Indirect No. of Shares	% ^{*3}
Tan Sri Tan	-	-	316,713,957 ²	-	-	472,451,057 ²	60.7
Puan Sri Tan	-	-	316,713,957 ²	-	-	472,451,057 ²	60.7
Star Wealth Investment Limited	71,277,017	11.4	-	71,277,017	9.2	-	-
Kin Fai International Limited	37,423,000	6.0	-	37,423,000	4.8	-	-
MMSB	152,144,940	24.4	-	233,605,427	30.0	-	-
Sky Wealth Ventures Limited	-	-	316,713,957 ²	-	-	398,174,444 ²	51.1
KMSB	-	-	-	74,276,613	9.5	-	-

Maximum Scenario

Substantial shareholders	Shareholdings as at the LPD			After the Proposed Private Placement ^{*4}			
	Direct No. of Shares	% ^{*1}	Indirect No. of Shares	Direct No. of Shares	% ^{*5}	Indirect No. of Shares	% ^{*5}
Tan Sri Tan	-	-	316,713,957 ²	-	-	472,451,057 ²	56.2
Puan Sri Tan	-	-	316,713,957 ²	-	-	472,451,057 ²	56.2
Star Wealth Investment Limited	71,277,017	11.4	-	71,277,017	8.5	-	-
Kin Fai International Limited	37,423,000	6.0	-	37,423,000	4.4	-	-
MMSB	152,144,940	24.4	-	233,605,427	27.8	-	-
Sky Wealth Ventures Limited	-	-	316,713,957 ²	-	-	398,174,444 ²	47.3
KMSB	-	-	-	74,276,613	8.8	-	-

Notes:-

^{*1} Based on the total issued shares of 622,948,527 in Johan.

^{*2} Deemed interested by virtue of Tan Sri Tan and Puan Sri Tan jointly holding 100.0% equity interest in Sky Wealth Ventures Limited, which in turn holds 100.0% equity interest in Kin Fai International Limited, Kwok Heng Holdings Limited, Suncrown Holdings Limited, Star Wealth Investment Limited and MMSB. For information purpose, as at the LPD, Suncrown Holdings Limited holds 30,675,000 Johan Shares and Kwok Heng Holding Limited holds 25,194,000 Johan Shares, representing approximately 4.9% and 4.1% equity interest in Johan, respectively. In addition, Tan Sri Tan and Puan Sri Tan each hold 50.0% direct equity interest in KMSB, which as at the LPD holds no Johan Shares.

^{*3} Based on the total issued shares of 778,685,627 in Johan.

^{*4} Assuming the issue of up to 62,294,800 Placement Shares to Third-Party Placee(s) does not give rise to the emergence of any substantial shareholder(s).

^{*5} Based on the total issued shares of 840,980,427 in Johan.

4.5 Convertible securities

As at the LPD, the Company does not have any existing convertible securities.

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5. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS OF THE GROUP

5.1 Overview and outlook for the Malaysian economy

Economic growth thus expanded by 4.3% in 2019 (2018: 4.7%), driven by private sector spending.

(Source: Annual Report 2019, Bank Negara Malaysia)

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 3Q 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%).

Weak growth was recorded across most economic sectors amid the imposition of the Movement Control Order ("**MCO**"), followed by the Conditional and Recovery MCO, during 2Q 2020.

Domestic demand declined by 18.7% in 2Q 2020 (1Q 2020: 3.7%), due mainly to weaker private sector expenditure. Spending by the private sector was impacted by lower income, movement restrictions and subdued consumer and business sentiments. While net exports continued to decline, the contribution of the external sector to the economy improved due mainly to the larger contraction in imports vis-a-vis the previous quarter.

Private consumption growth declined by 18.5% in 2Q 2020 (1Q 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amid weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued. During this challenging period, stimulus measures such as the disbursement of Bantuan Prihatin Nasional cash transfers, Employees Provident Fund i-Lestari withdrawals and the implementation of the loan moratorium helped to cushion consumption spending. Public consumption continued to expand, albeit at a more moderate pace of 2.3% (1Q 2020: 5.0%). Growth was supported by continued increase in emoluments amid lower spending on supplies and services. Public consumption continued to expand, albeit at a more moderate pace of 2.3% (1Q 2020: 5.0%). Growth was supported by continued increase in emoluments amid lower spending on supplies and services.

Gross fixed capital formation registered a sharper contraction of 28.9% (1Q 2020: -4.6%), weighed by significantly lower capital spending by both public and private sectors. By type of asset, both investment in structures and machinery & equipment ("**M&E**") declined by 41.2% (1Q 2020: -4.0%) and 11.1% (1Q 2020: -6.2%), respectively. Private investment declined by 26.4% (1Q 2020: -2.3%), due mainly to the COVID-19 containment measures and heightened uncertainty which affected business sentiments and investment intentions. During the quarter, investment was affected by mobility restrictions, which temporarily halted the implementation of projects. Despite the gradual relaxation of the MCO, firms maintained a cautious approach to capital expenditure amid slower production and disruptions to global value chains. Furthermore, businesses also faced challenges in the delivery and installation of M&E amid border closures. Public investment also recorded a larger decline of 38.7% (1Q 2020: -11.3%). This was due to a contraction in capital spending by both general government and public corporations due mainly to the movement restrictions.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)

Against a highly challenging global economic outlook, Malaysia's GDP growth is projected to be between -2.0 to 0.5% in 2020. The domestic economy will be impacted by the necessary global and domestic actions taken to contain the COVID-19 outbreak. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. The implementation and subsequent extension of the MCO, while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms. Beyond the MCO period, reduced social and recreational activities until the pandemic is fully controlled globally and domestically will continue to dampen consumption and investment activity. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavourable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas.

Given the significant headwinds to growth arising from COVID-19, the Government and Bank Negara Malaysia ("**BNM**") have introduced large countercyclical policy measures to mitigate the economic impact of the pandemic. Two economic stimulus packages amounting to RM250 billion were introduced to provide immediate relief to affected households and businesses. These packages also include loan guarantees and an automatic 6-month moratorium on loan repayments for individuals and small and medium enterprises. The economic stimulus measures were complemented by two consecutive Overnight Policy Rate reductions early this year and measures to provide additional liquidity in the banking system.

Private consumption is expected to be dampened by weak labour market conditions, mobility restrictions and subdued sentiments. Nonetheless, policy measures introduced in the two economic stimulus packages, including cash transfers to vulnerable households, flexibility to withdraw from Employees Provident Fund savings and the moratorium on loan repayments will increase disposable income and improve cash flow for households. In addition to supporting household spending, these broad-based measures will facilitate a gradual recovery in private consumption as labour market conditions eventually stabilise following the projected improvement in global and domestic economic activities.

Domestic growth prospects are expected to improve towards the end of the year, in line with the projected recovery in global demand and amid continued support from policy measures. Recovering external demand will lift growth in the export-oriented sectors. Consumer sentiments are also expected to gradually improve following the easing of travel restrictions and resumption of tourism activities as risks from the pandemic subside. In addition, the anticipated recovery from supply disruptions in the commodities sector and higher public sector expenditure will support the gradual improvement in the Malaysian economy in the latter part of the year. Public sector spending will be underpinned by the continuation of large-scale transport-related projects by public corporations and the implementation of more small-scale projects worth RM4 billion by the Federal Government.

Overall risks to the domestic growth outlook are tilted to the downside, mainly due to the risk of a prolonged and wider spread of COVID-19 and its effects on the global and domestic economy. Domestic growth also remains susceptible to a recurrence of commodities supply shocks and continued low commodity prices which could pose additional risks to production in the commodities sector, exports and income growth. In addition, heightened financial market volatility due to ongoing external uncertainties may lead to tighter domestic financial market conditions. The baseline growth projection could, however, be lifted by a stronger-than-expected impact from the various stimulus measures by the Federal Government and additional measures implemented by several state governments.

(Source: Executive Summary, Economic and Monetary Review 2019, Bank Negara Malaysia)

5.2 Overview and outlook for the credit card industry in Singapore

The growth in credit card debt is in check and its credit quality has improved. The ratio of outstanding credit card balances to GDP has stabilised at 2.3% as of Q3 2019 and the ratio of rollover balances to GDP has remained low at about 1.3%. This is despite an increase in the number of credit card holders.

The credit quality of credit card debt has improved. While the number of credit card holders who have not paid off their balances in full was unchanged, their share as a proportion of all cardholders has fallen from 35% in Q1 2015 to about 27% in Q3 2019. Further, the credit card charge-off rate has remained largely stable at 6% since Q3 2017.

(Source: Singapore Household Sector, Financial Stability Review 2019, Monetary Authority of Singapore)

Growth in activities auxiliary to financial services—comprising mainly credit card network players—also slowed, after expanding rapidly over the past two years. Credit card companies' cross-border business has taken a significant hit with overseas travel coming to a standstill. Although online grocery purchases have surged, as have e-commerce sales of daily necessities, the virus has blighted purchases of big-ticket items such as luxury goods, clothing and furniture.

In addition, the precipitous fall in private consumption expenditure will weigh heavily on credit card network players that earn commissions from payment transactions processed through their network. That said, the current enforcement of social distancing measures and lockdowns globally will hasten the pace at which consumers and businesses transit towards cashless modes of payment. This will bode well for credit card network players when the pandemic ends, as more payments are likely to move permanently to the digital space.

(Source: The Singapore Economy, Macroeconomic Review Volume XIX Issue 1, April 2020, Monetary Authority of Singapore)

5.3 Overview and outlook for the tourism and hospitality industry in Malaysia

The services sector contracted by 16.2% (1Q 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to Conditional MCO in May and Recovery MCO in June provided some relief to businesses in the sector. The lockdown had substantially affected consumer spending and tourism activity, as shown by the significant declines in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors. The transport and storage sub-sector was impacted by a sudden stop in tourist arrivals due to travel restrictions imposed domestically as well as the international border closures.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)

The COVID-19 pandemic and the measures taken to contain it are causing simultaneous supply and demand shocks to the domestic economy. The pandemic is adversely impacting tourism-related and manufacturing sectors. Broad-based restrictions and aversion to travel activities will have a sizeable impact on Malaysia's tourism sector, which accounts for 11.8% of Malaysia's GDP. Airport passenger traffic declined by 8.2% in the first two months of 2020 (compared to the same period last year), just as COVID-19 started to escalate and some economies began to take precautionary measures, such as travel bans and quarantines. These measures have since become more widespread and a sharp decline in tourist arrivals is expected. This will significantly impact spending in the tourism-related sectors, particularly hotels, retail trade, food and beverage and transport services.

Nonetheless, the Malaysian economy is expected to benefit from the projected improvement in global demand towards the end of the year, which will aid to lift growth in the export-oriented sectors. As risks from the pandemic subside, consumer sentiments can also be expected to gradually improve when travel restrictions are eased and tourism activities resume.

(Source: Outlook and Policy in 2020, Economic and Monetary Review 2019, Bank Negara Malaysia)

5.4 Prospects of the Group

5.4.1 Current financial performance and position of the Group

As at the LPD, the Group's principal activities are as franchise operator for Diners Club charge and credit cards, travel and tours, resorts and hotels, which falls under the single operating segment of hospitality and card services.

The financial summary of the Group based on the audited consolidated results for the past 3 financial years up to the FYE 31 January 2020 and the latest unaudited quarterly results for the 3-month FPE 30 April 2020, is set out below:-

	<-----Audited----->			<-----Unaudited----->	
	FYE 31 January 2018 RM'000	FYE 31 January 2019 RM'000	FYE 31 January 2020 RM'000	3-month FPE 30 April 2019 RM'000	3-month FPE 30 April 2020 RM'000
Revenue	122,485	105,880	97,023	25,722	19,231
PBT/ (LBT) from continuing operations	25,747	(104,667)	(13,199)	7,971	(16,019)
Profit/ (Loss) from continuing operations	21,965	(99,267)	(13,348)	5,915	(16,019)
Profit/ (Loss) from discontinued operations	(45,189)	(3,470)	(3,946)	(247)	2,011
PAT/ (LAT) (attributable to owners of the Company)	(22,388)	(101,690)	(18,887)	5,759	(13,765)
Earnings/ (Loss) per Share (sen)	(3.59)	(16.33)	(3.03)	0.92	(2.21)
Total interest-bearing borrowings	559,731	614,088	529,246	619,115	605,018
Total fixed deposits, cash and bank balances	76,576	68,625	63,826	97,071	100,424
Shareholders' funds/ NA	176,917	79,787	61,304	97,165	49,791
Total equity	179,153	80,976	64,086	99,259	52,330
Weighted average no. of Shares outstanding ('000)	622,949	622,949	622,949	622,949	622,949
NA per Share (RM)	0.28	0.13	0.10	0.16	0.08
Gearing ratio (times)	3.16	7.70	8.63	6.37	12.15

FYE 31 January 2018

For the FYE 31 January 2018, the Group recorded revenue of RM122.49 million, which represents a decrease of RM6.28 million or approximately 4.88% as compared to the preceding financial year of RM128.77 million. The decrease in revenue is mainly attributable to lower revenue recorded by Diners World Travel Pte Ltd due to loss of a significant corporate customer, and lower service charges income earned by Diners Club (Singapore) Pte Ltd.

The Group's continuing operations recorded PBT of RM25.75 million as compared to the preceding financial year LBT of RM15.19 million. The PBT recorded during the FYE 31 January 2018 is mainly attributable to the Group recording a higher fair value gain on investment securities (namely investment in listed and quoted shares of George Kent (Malaysia) Berhad) of RM42.46 million during the financial year under review, which represents an increase of RM14.81 million or approximately 53.56%, as compared to the preceding financial year of RM27.65 million.

The Group has discontinued operations from its wholly-owned subsidiary, namely Prestige Ceramics Sdn Bhd ("**PCSB**"), which had ceased its ceramic tiles manufacturing operations during the financial year under review and recorded a loss of RM45.19 million for the FYE 31 January 2018. This has resulted in the Group recording LAT of RM22.39 million during the financial year under review against the LAT of RM37.22 million for the preceding financial year.

For the FYE 31 January 2018, the Group recorded NA of RM176.92 million, which represents a decrease of RM20.53 million against the NA of RM197.45 million recorded for the FYE 31 January 2017. The decrease in NA was mainly due to the LAT of RM22.39 million recorded during the financial year under review.

For the FYE 31 January 2018, the Group recorded total borrowings of RM559.73 million, which represents a decrease of RM70.52 million against the total borrowings of RM630.25 million for the FYE 31 January 2017. The decrease in total borrowings was mainly attributable to lower bank overdrafts drawn down for the FYE 31 January 2018.

FYE 31 January 2019

For the FYE 31 January 2019, the Group recorded revenue of RM105.88 million, which represents a decrease of RM16.61 million or approximately 13.56% as compared to the preceding financial year of RM122.49 million. The decrease in revenue is mainly attributable to Diners Club (Singapore) Pte Ltd recording lower membership renewal fees and lower service charge income on lower cards receivables base due to regulatory compliance for unsecured consumers' exposure.

The Group's continuing operations recorded LBT of RM104.67 million for the FYE 31 January 2019 as compared to the preceding financial year PBT of RM25.75 million. The LBT recorded during the FYE 31 January 2019 is mainly attributable to the Group recording a fair value loss on investment securities of approximately RM64.63 million during the financial year under review as compared to the preceding financial year fair value gain on investment securities of RM42.46 million.

The Group recorded LAT of RM101.69 million for the FYE 31 January 2019, primarily due to the LBT from continuing operations of RM104.67 million, the loss incurred from discontinued operations of RM3.47 million and the income tax credit recognised of RM5.40 million during the financial year under review.

For the FYE 31 January 2019, the Group recorded NA of RM79.79 million, which represents a decrease of RM97.13 million against the NA of RM176.92 million recorded for the FYE 31 January 2018. The decrease in NA was mainly due to the LAT of RM101.69 million recorded during the financial year under review.

For the FYE 31 January 2019, the Group recorded total borrowings of RM614.09 million, which represents an increase of RM54.36 million against the total borrowings of RM559.73 million for the FYE 31 January 2018. The increase in total borrowings was mainly attributable to an increase in investor certificates, which is funding from investors in relation to the securitised trade receivables of the Group, during the financial year under review.

FYE 31 January 2020

For the FYE 31 January 2020, the Group recorded revenue of RM97.02 million, which represents a decrease of RM8.86 million or approximately 8.37%, as compared to the preceding financial year of RM105.88 million. The decrease in revenue is mainly attributable to lower contribution from Diners Club (Singapore) Pte Ltd's charge and credit cards operations of RM84.44 million, which represents a decrease of RM7.40 million or approximately 8.06% as compared to the preceding financial year of RM91.84 million, primarily due to lower service charge income on lower cards receivables base due to regulatory compliance for unsecured consumers' exposure.

The Group's continuing operations recorded LBT of RM13.20 million for the FYE 31 January 2020, which represents an improvement of RM91.47 million or approximately 87.39% as compared to the preceding financial year of RM104.67 million. The improvement in LBT is mainly attributable to the Group recording other income of RM2.53 million (arising from the reversal of impairment loss on bad debts), income from a lawsuit judgement sum of RM12.60 million, net fair value gain on revaluation of investment properties of RM15.27 million and net foreign exchange gain of RM2.19 million. In addition, the Group recorded a lower fair value loss on investment securities of RM4.95 million during the financial year under review, which represents an improvement of RM59.68 million or approximately 92.34%, as compared to the preceding financial year of RM64.63 million.

The Group recorded LAT of RM18.89 million for the FYE 31 January 2020, primarily due to the LBT from continuing operations of RM13.20 million and the loss incurred from discontinued operations of RM3.95 million, which mainly consisted of a loss of RM3.36 million in respect of the write-off for factories disposed by PCSB, during the financial year under review.

For the FYE 31 January 2020, the Group recorded NA of RM61.30 million, which represents a decrease of RM18.49 million against the NA of RM79.79 million recorded for the FYE 31 January 2019. The decrease in NA was mainly due to the LAT of approximately RM18.89 million recorded during the financial year under review.

For the FYE 31 January 2020, the Group recorded total borrowings of RM529.25 million, which represents a decrease of RM84.84 million against the total borrowings of RM614.09 million for the FYE 31 January 2019. The decrease in total borrowings was mainly attributable to lower bank overdrafts drawn down for the FYE 31 January 2020.

3-month FPE 30 April 2020

For the 3-month FPE 30 April 2020, the Group recorded revenue of RM19.23 million, which represents a decrease of RM6.49 million or approximately 25.23% as compared to the preceding financial year corresponding period of RM25.72 million. The decrease in revenue is mainly attributable to lower sales and commission income from the Group's hospitality and card services segment primarily as a result of the Circuit Breaker lockdown in Singapore and Movement Control Order in Malaysia imposed by the respective governments in response to the COVID-19 pandemic during the financial period under review.

The Group recorded LBT of RM16.02 million for the 3-month FPE 30 April 2020 as compared to the preceding financial year corresponding period PBT of RM7.97 million. The LBT recorded during the 3-month FPE 30 April 2020 is mainly attributable to the following:-

- i. the Group recorded a fair value loss on investment securities of RM4.25 million during the financial period under review as compared to the preceding financial year corresponding period fair value gain on investment securities of RM4.25 million;
- ii. the Group recorded higher net foreign exchange loss of RM5.75 million during the financial period under review, which represents an increase of RM5.73 million, as compared to the preceding financial year corresponding period of RM0.02 million. The higher net foreign exchange loss is primarily due to translation loss of intercompany balances denominated in Singapore dollar;
- iii. the Group recorded lower other income of RM2.53 million (arising from the reversal of impairment loss on bad debts) during the financial period under review, which represents a decrease of RM12.25 million, as compared to the preceding financial year corresponding period of RM14.78 million; and
- iv. the Group recorded lower administrative expenses of RM11.69 million during the financial period under review, which represents a decrease of RM7.04 million, as compared to the preceding financial year corresponding period of RM18.73 million.

5.4.2 Impact and value creation of the Proposed Private Placement to the Group and its shareholders

The effects of the Proposed Private Placement on our issued share capital, substantial shareholding structure, the NA and gearing ratio, and earnings and EPS, are disclosed in Section 4 of this Circular.

Based on Issue Price I and the indicative Issue Price II of RM0.182 per Placement Share, the Proposed Private Placement is expected to raise total gross proceeds of up to RM21.15 million. The Proposed Private Placement is expected to result in the following effects:-

		Audited as at 31 January 2020 RM'000	Pro forma I ^{*1}	
			Minimum Scenario ^{*2} RM'000	Maximum Scenario ^{*3} RM'000
Issued	share	380,889	390,700	402,038
	capital			
No. of	shares	622,949	778,686	840,980
	('000)			
Current	assets	768,312	777,963	789,301
Current	liabilities	576,850	576,850	576,850
Current	ratio	1.33	1.35	1.37
	(times)			
NA		61,304	70,955	82,293
NA	per Share	0.10	0.09	0.10
	(RM)			

		Pro forma I ^{*1}		
		Audited as at 31 January 2020 RM'000	Minimum Scenario ^{*2} RM'000	Maximum Scenario ^{*3} RM'000
Gearing	ratio	8.63	7.46	6.43
(times)				
Public		49.12	39.30	43.79
shareholding				
spread (%)				

Notes:-

^{*1} Figures shown are upon receipt of placement funds, i.e. after deducting the estimated expenses in relation to the Proposed Private Placement and before the other utilisation of proceeds of the Proposed Private Placement.

^{*2} Assuming only 155,737,100 Placement Shares are issued to the Identified Placees at Issue Price I.

^{*3} Assuming 155,737,100 Placement Shares are issued to the Identified Placees at Issue Price I and the remaining 62,294,800 Placement Shares are issued to the Third-Party Placee(s) at the indicative Issue Price II of RM0.182 per Placement Share.

As set out in Section 2.6 of this Circular, the Board intends to utilise the proceeds to be raised from the Proposed Private Placement to fund any new business/ investment opportunities in business(es) complementary to the Group's existing business and/ or in different business(es) to the Group's existing business that may diversify and increase the Group's earnings, which in turn may improve shareholders' value.

In view of the challenging economic conditions as a result of the COVID-19 pandemic, the Proposed Private Placement allows the Group to conserve its existing cash for its ongoing operational requirements. As compared to conventional bank borrowings, the Proposed Private Placement allows the Group to raise funds without increasing the Group's gearing ratio. As such, the Company views equity fund raising as the most appropriate avenue for fund raising at this juncture. In addition, the Proposed Private Placement as compared to conventional bank borrowings is expected to reduce the Group's requirement to periodically service interest and repay principal sums. The Proposed Private Placement will allow the Group to raise proceeds of up to RM21.15 million without incurring additional interest expense as compared to conventional bank borrowings. For illustrative purpose only, assuming RM21.15 million was raised from conventional bank borrowings and assuming an effective interest of 8.25% per annum (as at the FYE 31 January 2020), the Group would incur additional interest cost of RM1.74 million per annum.

Further, as compared to other forms of equity fund raising, such as rights issue, the Board considers the Proposed Private Placement as a more expeditious and cost-effective fund raising method given that the placement funds of Identified Placees and Third-Party Placee(s) will be paid within 5 market days from the date of the EGM for the Proposed Private Placement and the relevant price-fixing date, respectively. In addition, the irrevocable undertakings of the Identified Placees under the Proposed Private Placement ensure that part of the proceeds are raised from the controlling shareholders and Directors of Johan, namely Tan Sri Tan and Puan Sri Tan, which provides greater certainty in raising the required funding as compared to other forms of equity fund raising involving a pro-rata issuance of securities, such as a rights issue, which require funding from all existing shareholders.

The Proposed Private Placement, which is expected to be completed in the first quarter of 2021, is not expected to have any material effect on the earnings and EPS of the Group for the FYE 31 January 2021. However, there will be a dilutive effect on the EPS of the Group for the FYE 31 January 2021 due to the increase in the number of Johan Shares arising from the Proposed Private Placement, as and when implemented. Further, the Proposed Private Placement may have a dilutive effect on the Company's existing shareholders' shareholdings.

Notwithstanding the above, the Proposed Private Placement is expected to have a positive impact on the Group's financial position when the benefits of the utilisation of proceeds are realised and to enlarge the share capital of the Company, increase its shareholders' funds and improve its gearing ratio.

5.4.3 Adequacy of the Proposed Private Placement in addressing the financial concerns of the Group and steps taken to improve the financial condition of the Group

Since the cessation of the Group's tile manufacturing business operations in August 2017, the Group's financial performance has solely relied on the contributions of its hospitality and card services segment. While the Board considers it prudent to mitigate the Group's reliance on a single operating segment, the Board remains committed to its hospitality and card services operations as it is of the view that the long-term industry outlook for hospitality and card services is positive due to supportive Government policies and expected long-term growth in demand, as set out in Sections 5.2 and 5.3 of this Circular.

In view of the above and to grow its existing hospitality and card services business, during the FYE 31 January 2020, the Group had carried out promotional campaigns for its card services under its Diners Club franchise and had introduced new technologies to enhance its card services, including e-wallet and quick response (QR) code functionalities. In addition, the Group has made efforts to improving the quality of the food and beverages as well as room facilities of its The Orient Star Resort Hotel in Lumut (a town within the district of Manjung, Perak) with the intention of capturing growing demand arising from the recovery of oil and gas commercial activity in Manjung, Perak.

In November 2019, Johan undertook a disposal of a piece of freehold land measuring approximately 112,396 square metres ("**Disposal**"), which was a non-core asset of the Group and the Disposal enabled the Group to realise a non-core asset at its prevailing market value. Further details of the Disposal are set out in Section 10 of this Circular. From the Disposal, the Group had allocated proceeds of RM26.0 million for investment/ business opportunities, which may be similar or complementary to the existing business of the Group. The Board is of the view that such proceeds raised from the Disposal in addition to the proceeds to be raised from the Proposed Private Placement as set out in Section 2.6 of this Circular, will strengthen the Group's financial resources and enable the Group to execute suitable and viable business/ investment opportunities on a timely basis without financial constraints. As at the LPD, the Group has yet to utilise the allocated proceeds of RM26.0 million for investment/ business opportunities from the Disposal, as the Group has yet to receive said proceeds.

For shareholders information, the payment terms and timing of the proceeds to be received from the Disposal are as follows:-

Payment terms	Timing	RM'000
<u>Cash consideration</u>		
First tranche cash payment consisting of:-		
i. Balance deposit	27 November 2019 (i.e. the date of the sale and purchase agreement in relation to the Disposal ("SPA")) ¹	8,890
ii. Retention sum	27 November 2019 ¹	3,810
iii. Balance first tranche cash payment	On or before the expiry of the first tranche payment period ² or the extended first tranche payment period ³ , as the case may be	50,300
Deferred cash payment consisting of:-		
i. First instalment	On or before the expiry of 36-months from 27 November 2019	15,000
ii. Second instalment	On or before the expiry of 48-months from 27 November 2019	15,000
iii. Third instalment	On or before the expiry of 60-months from 27 November 2019	15,000
<u>Payments in kind</u>	On or before the date of the full payment of the first tranche cash payment	19,000
	Total	<u><u>127,000</u></u>

Notes:-

¹ The balance deposit had been paid to the Company upon the execution of the SPA, while the retention sum was paid to the Inland Revenue Board in accordance with Section 21(b) of the Real Property Gain Tax Act.

² A time period of (a) 4 months from the date of SPA, or (b) 30 days commencing from 13 May 2020 (being the date on which the conditions precedent of the SPA were satisfied or fulfilled), whichever later.

³ A time period of one month commencing from the day immediately following the expiry of the first tranche payment period.

At this juncture, the Company has received several investment proposals and is contemplating said proposals and negotiating with the respective counterparties. However, the Company has yet to finalise any terms in regard to the investment proposals as mentioned above. Notwithstanding the above, the Group shall make the requisite announcements and/ or shall seek shareholders' approval in accordance with the Listing Requirements as and when new investment(s) are identified and the terms of negotiations are finalised.

Barring any unforeseen circumstances and based on the above, our Board after having considered all other relevant aspects, including the economy prospects and the industry outlook as set out in Sections 5.1, 5.2 and 5.3 of this Circular and the rationale of the Proposed Private Placement as set out in Section 3 of this Circular, is of the opinion that the Proposed Private Placement is expected to improve the future financial condition of the Group.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Johan Shares traded on Bursa Securities for the past 12 months from August 2019 to July 2020 are set out below:-

	High RM	Low RM
2019		
August	0.085	0.075
September	0.085	0.070
October	0.075	0.065
November	0.085	0.070
December	0.080	0.070
2020		
January	0.085	0.065
February	0.085	0.065
March	0.090	0.030
April	0.070	0.040
May	0.085	0.060
June	0.080	0.060
July	0.095	0.060

Last transacted market price of Johan Shares as at 3 July 2020
(being the latest trading day prior to the announcement on the Proposed Private Placement) RM0.065

Last transacted market price on 14 August 2020 RM0.135

(Source: Bloomberg)

7. APPROVALS REQUIRED/ OBTAINED

The Proposed Private Placement is subject to the following approvals being obtained:-

- i. Bursa Securities, for which the approval for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities was obtained vide its letter dated 14 August 2020, subject to the following conditions:-

Conditions	Status of compliance
a. Johan and UOB Kay Hian must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;	To be complied
b. Johan and UOB Kay Hian to inform Bursa Securities upon the completion of the Proposed Private Placement;	To be complied
c. Johan and UOB Kay Hian to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed; and	To be complied
d. Johan to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed Private Placement.	To be complied

- ii. the approval of our shareholders at the EGM; and

- iii. any other relevant authority, if required.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

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

Save for the below, none of the Directors and/ or major shareholders of Johan and/ or persons connected with them has any interest, whether direct or indirect, in the Proposed Private Placement:-

- i. Tan Sri Tan, being the Chairman, Chief Executive and a major shareholder of the Company, jointly with Puan Sri Tan hold 100% equity interest in Sky Wealth Ventures Limited, which in turn holds 100% equity interest in MMSB. In addition, Tan Sri Tan is a director of the Identified Placees as well as a holder of 50% equity interest in KMSB;
- ii. Puan Sri Tan, being the Group Managing Director and a major shareholder of the Company, jointly with Tan Sri Tan hold 100% equity interest in Sky Wealth Ventures Limited, which in turn holds 100% equity interest in MMSB. In addition, Puan Sri Tan is a director of the Identified Placees as well as a holder of 50% equity interest in KMSB;
- iii. Sky Wealth Ventures Limited, being a major shareholder of the Company, holds 100% equity interest in MMSB; and
- iv. MMSB, being a major shareholder of the Company and one of the Identified Placees, has provided its irrevocable undertaking to subscribe for up to 81,460,487 Placement Shares pursuant to the Proposed Private Placement.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberation and voting on the Proposed Private Placement at all Board meetings. In addition, the Interested Major Shareholders will also abstain from voting and will also ensure that the persons connected with them (as set out in Section 2.2 of this Circular), will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, on the resolutions pertaining to the Proposed Private Placement to be tabled at a general meeting of the Company to be convened.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Private Placement is expected to be completed in the first quarter of 2021.

10. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save as below, the Board, save for the Interested Directors, is not aware of any other outstanding proposals which have been announced but not yet completed as at the LPD:-

- i. On 27 November 2019, PCSB, a wholly-owned subsidiary of Johan, had entered into the SPA with Aspect Potential Sdn Bhd for the disposal of a piece of freehold land measuring approximately 112,396 square metres, held under GRN 150651, Lot No. 1115, Batu 15, Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan for a total disposal consideration of RM127,000,000 to be satisfied via a combination of cash and payments in kind (referred to as the Disposal).

On 13 May 2020, the Company had obtained the approval from its shareholders for the Disposal and on even date, the SPA became unconditional; and

- ii. The Proposed Private Placement (which is the subject matter of this Circular).

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, save for the Interested Directors, having considered all aspects of the Proposed Private Placement, including the rationale and justification, the effects of the Proposed Private Placement and the future prospects of the Group, are of the opinion that the Proposed Private Placement is in the best interest of the Company and is not detrimental to the interests of the minority shareholders of Johan. Accordingly, the Board, save for the Interested Directors, recommends that you vote in favour of the resolutions pertaining to the Proposed Private Placement at the EGM.

12. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at George Kent Technology Centre, 1115 Jalan Puchong, Taman Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan on Tuesday, 15 September at 10.00 a.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposed Private Placement.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the registered office of Johan at 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur, not less than 48 hours before the time appointed for holding the EGM. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
JOHAN HOLDINGS BERHAD

DATO' AHMAD KHAIRUMMUZAMMIL BIN MOHD YUSOFF
Independent Non-Executive Director

APPENDIX I - FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, save for the Interested Directors, and the non-Interested Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOB Kay Hian, being the Adviser for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOB Kay Hian has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to Johan for the Proposed Private Placement.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the Group's financial position or business.

5. MATERIAL COMMITMENTS

Save as disclosed below, the Board is not aware of any material commitments incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on our Group's financial results/ position:-

Material commitments of the Group as at 30 April 2020	RM'000
Approved and contracted for	157

6. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the Group's financial results/ position.

APPENDIX I - FURTHER INFORMATION

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 11th Floor, Wisma E&C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- i. Constitution of Johan;
- ii. Audited consolidated financial statements of the Group for the past 2 financial years up to the FYE 31 January 2020 and the latest unaudited quarterly report of the Group for the 3-month FPE 30 April 2020; and
- iii. The letter of consent and declaration of conflict of interests referred to in Sections 2 and 3 of Appendix I above, respectively.

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Johan Holdings Berhad

Registration No. 192001000038 (314-K)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Johan Holdings Berhad ("**Johan**" or the "**Company**") ("**EGM**") will be held at George Kent Technology Centre, 1115 Jalan Puchong, Taman Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan on Tuesday, 15 September 2020 at 10.00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 218,031,900 NEW ORDINARY SHARES OF JOHAN ("JOHAN SHARE(S)" OR "SHARE(S)") ("PLACEMENT SHARE(S)"), REPRESENTING UP TO APPROXIMATELY 35% OF THE TOTAL NUMBER OF JOHAN SHARES, TO THE FOLLOWING PARTIES:-

- I. MUSTIKA MANIS SDN BHD OF UP TO 81,460,487 PLACEMENT SHARES AND KURNIA MENANG SDN BHD OF UP TO 74,276,613 PLACEMENT SHARES, AT AN ISSUE PRICE OF RM0.063 PER PLACEMENT SHARE; AND**
- II. THIRD-PARTY PLACEE(S), WHO QUALIFY UNDER SCHEDULES 6 AND 7 OF THE CAPITAL MARKETS AND SERVICES ACT 2007, TO BE IDENTIFIED AT A LATER STAGE OF UP TO 62,294,800 PLACEMENT SHARES, AT AN ISSUE PRICE TO BE DETERMINED LATER.**

("PROPOSED PRIVATE PLACEMENT")

"THAT subject to the passing of the Ordinary Resolution 2, and the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to allot and issue up to 218,031,900 Placement Shares, representing up to approximately 35% of the total number of Johan Shares, to the following parties:-

- i. Mustika Manis Sdn Bhd of up to 81,460,487 Placement Shares and Kurnia Menang Sdn Bhd of up to 74,276,613 Placement Shares, at an issue price of RM0.063 per Placement Share; and
- ii. Third-party placee(s), who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007, to be identified at a later stage of up to 62,294,800 Placement Shares, at an issue price to be determined later.

THAT the Placement Shares will, upon allotment and issuance, rank equally and carry the same rights with the existing Johan Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

THAT the proceeds of the Proposed Private Placement be utilised for the purpose as set out in the circular to shareholders dated 28 August 2020 ("**Circular**"), and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board deems fit, necessary and/ or expedient or in the best interest of the Company, subject (where required) to the approval of the relevant authorities. Pursuant to Paragraph 9.19(32) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the Company will make an immediate announcement to Bursa Securities should there be any deviation by 5% or more from the original utilisation of proceeds as set out in the Circular. Further, pursuant to Paragraph 8.22 of the Listing Requirements, in the event that the deviation from the original utilisation of proceeds is deemed as a material variation, the Company will seek its shareholders' approval for the variation at an extraordinary general meeting to be convened.

THAT the Placement Shares shall be listed on the Main Market of Bursa Securities.

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Private Placement with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED PLACEMENT OF 81,460,487 PLACEMENT SHARES TO MUSTIKA MANIS SDN BHD AND PROPOSED PLACEMENT OF 74,276,613 PLACEMENT SHARES TO KURNIA MENANG SDN BHD

"THAT, subject to the passing of the Ordinary Resolution 1, and the approvals of the relevant authorities for the Proposed Private Placement, including the approval from Bursa Securities for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities, having been obtained, approval be and is hereby given to the Board for the following:-

- i. to place out 81,460,487 Placement Shares to Mustika Manis Sdn Bhd; and
- ii. to place out 74,276,613 Placement Shares to Kurnia Menang Sdn Bhd,

provided always that the interested Directors, namely Tan Sri Dato' Tan Kay Hock and Puan Sri Datin Tan Swee Bee (collectively, the **"Interested Directors"**), have abstained and will continue to abstain from all deliberation and voting on the Proposed Private Placement at all Board meetings. In addition, the interested major shareholders, namely the Interested Directors, Mustika Manis Sdn Bhd and Sky Wealth Ventures Limited, will also abstain from voting and will also ensure that the persons connected with them, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, on the resolutions pertaining to the Proposed Private Placement to be tabled at the EGM."

By Order of the Board

TEH YONG FAH

Group Secretary

SSM PC No.: 201908003410

MACS 00400

Kuala Lumpur

28 August 2020

Notes:

1. *A member of the Company entitled to attend, participate, speak and vote is entitled to appoint not more than two proxies to attend, participate, speak and vote instead of him. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. The instrument appointing proxy/proxies shall be in writing under the hand of the appointer or his attorney or if such an appointer is a corporation under its Common Seal or the hands of its attorney. A proxy need not be a member of the Company.*
2. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*
3. *The instrument appointing proxy/proxies and the power of attorney (if any) under which it is signed or an office copy or notarially certified copy thereof shall be deposited at the registered office of the Company at 11th Floor, Wisma E&C, No. 2 Lorong Dungun Kiri, Damansara Heights 50490 Kuala Lumpur not less than 48 hours before the time stipulated for holding the meeting or adjourned meeting (as the case may be).*
4. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 7 September 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

FORM OF PROXY

JOHAN HOLDINGS BERHAD
Registration No. 192001000038 (314-K)

CDS Account No.	
No. of Shares Held	

I/We, _____ NRIC/Passport No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

being a member/ members of **Johan Holdings Berhad ("Company")** hereby appoint the person(s) below as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company ("**EGM**") which is scheduled to be held at George Kent Technology Centre, 1115 Jalan Puchong, Taman Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan on Tuesday, 15 September 2020 at 10.00 a.m. or at any adjournment thereof.

Full Name (in capital letters):	NRIC/Passport No.:
Full Address (in capital letters):	Proportion of Shareholding (%):

and/or*

Full Name (in capital letters):	NRIC/Passport No.:
Full Address (in capital letters):	Proportion of Shareholding (%):

or failing him/her, the CHAIRMAN OF THIS EGM as my/our proxy to vote for me/us and on my/our behalf at the EGM. I/We direct my/our proxy to vote for or against the resolutions to be proposed at the EGM as indicated hereunder:-

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	PROPOSED PRIVATE PLACEMENT		
2.	PROPOSED PLACEMENT OF 81,460,487 PLACEMENT SHARES TO MUSTIKA MANIS SDN BHD AND PROPOSED PLACEMENT OF 74,276,613 PLACEMENT SHARES TO KURNIA MENANG SDN BHD		

(Please indicate with a cross ("X") in the appropriate box against each Resolution how you wish your proxy(ies) to vote. If this proxy form is returned without any indication as to how your proxy(ies) shall vote, your proxy(ies) will vote or abstain as he(they) thinks fit.)

Dated this.....day of.....2020.

Signature/ common seal of shareholder

**Strike out whichever is not relevant*

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
JOHAN HOLDINGS BERHAD
Registration No. 192001000038 (314-K)
11th Floor, Wisma E&C
No. 2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur

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