PERTAMA DIGITAL BERHAD ("PERTAMA DIGITAL" OR THE "COMPANY")

PROPOSED PLACEMENT OF UP TO 43,000,000 NEW ORDINARY SHARES IN PERTAMA DIGITAL ("PROPOSED PLACEMENT")

Unless otherwise stated, all defined terms and abbreviations used in this announcement shall carry the same meaning as those previously defined in the Company's announcement dated 16 March 2023 and 14 April 2023 in respect of the Proposed Placement.

Reference is made to the Company's announcement dated 14 April 2023. On behalf of the Board, Mercury Securities wishes to announce the following additional information in relation to the Proposed Placement of Tranche 1 Shares.

1. UTILISATION OF PROCEEDS ALLOCATED TO DEFRAY THE GROUP'S WORKING CAPITAL REQUIREMENTS

As set out in Pertama Digital's announcement dated 14 April 2023, the Company had allocated approximately RM19.9 million of the gross proceeds to be raised from the Proposed Placement of Tranche 1 Shares to defray the Group's working capital requirements as follows:

	RM'000
Staff costs and Directors' fees	14,000
Administrative expenses (including office rental, utilities, audit fees and other general expenses)	5,882
Total	**19,882**

Whilst there is an increase of RM4.0 million that was allocated to the staff costs and Directors' fees (premised on the full subscription of the Placement Shares), the amount of proceeds allocated to defray the Group's staff costs and Directors' fees were determined after taking into consideration, amongst others, the Group's existing staff force and salaries for a period of 24 months.

The breakdown of allocated proceeds intended to defray the Group's staff costs for its existing 57 staff as well as the Company's Directors' fees over the next 24 months are as follows:

Description	**RM'000**
Staff costs	
- Salary	11,000
- Allowance	1,100
- Contributions to the Employees Provident Fund Board	1,400
- Contributions to the Social Security Organisation	100
Directors' fees	400
Total	**14,000**

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2. VALUE ACCRETION FROM THE PROPOSED PLACEMENT OF TRANCHE 1 SHARES

For information purposes, the Board has also considered the following aspects in relation to the Proposed Placement of Tranche 1 Shares:

(i) Impact and value creation to Pertama Digital and its shareholders

The Company is currently a 8.03A Company whereby it is required to undertake a regularisation plan which includes the introduction of a new business to the Group.

Despite the dilutive effect to shareholders' shareholding in the Company, shareholders should note that the Proposed Placement of Tranche 1 Shares will enable the Group to raise additional funds to finance, amongst others, the roll-out costs for its 'coin conversion project' as well as its staff costs and administrative expenses pending the implementation of its regularisation plan. Thus, the Proposed Placement of Tranche 1 Shares would allow the Company to continue its existing business without any interruption nor having to incur additional interest expense to finance its existing operations, thereby minimising any potential cash outflow in respect of interest servicing costs and preserving the Group's financial resources.

In addition, with the additional funds, the Company's management would be able to focus more on the formulation and implementation of its regularisation plan. When the Company is able to regularise its position and uplift its 8.03A Company status, it would be able to benefit from the new business to be injected into the Group.

(ii) Adequacy in addressing Pertama Digital's financial concerns

The Board is of the view that the Proposed Placement of Tranche 1 Shares is adequate to address the Group's immediate financial concerns after having considered the utilisation of proceeds as set out in Section 2 of the Company's announcement dated 14 April 2023, which in turn would enable the Group to have a larger capital base and stronger financial footing for its on-going business pending the implementation of its regularisation plan.

(iii) Steps and actions taken/will be taken to improve Pertama Digital's financial condition

Pertama Digital remained focused in operating its existing business of provision of mobile and digital solutions. As part of its on-going efforts to grow its business, the Group has been undertaking in-house research and development activities in order to constantly innovate and/or enhance the features of its existing mobile and digital solutions.

Further, the Group is also in the midst of rolling out a new project known as the 'coin conversion project' in order to create a new revenue stream moving forward. In addition, the Company is also in the midst of formulating its regularisation plan with the objective of timely regularising its 8.03A Company status. Over time, the Company expects that its continued efforts to improve the Group's business and financial condition would result in the Group having a stronger financial footing as well as emerging as a more prominent industry player in the information technology industry.

Based on the above, the Board is of the view that the Proposed Placement of Tranche 1 Shares is a value accretive proposal and thus, is in the best interest of Pertama Digital.

3. SUMMARY OF THE GROUP'S HISTORICAL FINANCIAL PERFORMANCE

Set out below is a summary of the Group's historical financial performance over the past 4 financial years/period:

	Audited			
	FYE 30 Jun 2019	**FYE 30 Jun 2020**	**18-month FPE 31 Dec 2021**	**FYE 31 Dec 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	16,236	8,651	8,277	8,779
Loss before tax ("**LBT**") from continued operations	(1,011)	(825)	(27,389)	(9,905)
(Loss after tax ("**LAT**"))/Profit after tax from:				
- Continued operations	(1,097)	(851)	(27,409)	(9,918)
- Discontinued operations(i)	(72,770)	2,924	13,937	(28,094)
NA	106,134	124,588	127,350	14,882
Borrowings	-	7,750	8,000	8,000
Current assets	141,129	144,476	181,829	153,556
Current liabilities	34,995	45,085	66,210	143,089
Basic loss per Share (sen)				
- Continued operations	(0.28)	(0.23)	(6.12)	(2.16)
- Discontinued operations(i)	(18.43)	0.73	3.22	(6.48)
NA per Share (RM)	0.27	0.29	0.29	0.03
Current ratio (times)	4.03	3.20	2.75	1.07
Gearing ratio (times)	-	0.06	0.06	0.54

Note:

(i) On 2 May 2019, the Company announced that it proposed to dispose its entire equity interest in Be Top Group Limited ("**Be Top Group**"), which was completed on 10 August 2022. Accordingly, the financial results of Be Top Group is presented as results from discontinued operations.

FYE 30 June 2019 vs FYE 30 June 2020

During FYE 30 June 2020, the Group recorded a lower revenue by RM7.6 million or 46.7% as compared to FYE 30 June 2019. The decrease in revenue was mainly due to lesser project management services and infrastructure construction projects being secured due to the adverse economic condition arising from the COVID-19 pandemic since early 2020.

Whilst the Group has undertaken various cost cutting measures to keep its operation costs low during the COVID-19 pandemic period, the Group was unable to breakeven due to the lower revenue achieved. This resulted in the Group recording a LBT of RM0.83 million from its continued operations during the FYE 30 June 2020.

FYE 30 June 2020 vs 18-month FPE 31 December 2021

During the 18-month FPE 31 December 2021, the Group recorded a lower annualised revenue of RM5.5 million or 36.2% as compared to FYE 30 June 2020. The decrease in revenue was mainly due to the cessation of the Group's project management services and infrastructure construction business following the disposal of its entire equity interest in Gorgeous Goldhill Sdn Bhd in October 2020.

Notwithstanding the above, in May 2020, the Group had acquired a 51% equity interest in Television Airtime Services Sdn Bhd ("**TAS**") in order to venture into the business of provision of mobile and digital solution services.

During the 18-month FPE 31 December 2021, the Group recorded a LBT of RM27.4 million from its continued operations. The loss was mainly due to:

(i) one-off impairment loss on goodwill of TAS amounting to RM20.4 million; and

(ii) higher annualised administrative and general expenses by RM4.1 million mainly due to:

   (a) professional fees incurred for the acquisition of TAS amounting to RM1.8 million; and

   (b) development costs incurred for the Group's mobile and digital solution services amounting to RM1.6 million following the acquisition of TAS.

18-month FPE 31 December 2021 vs FYE 31 December 2022

During FYE 31 December 2022, the Group recorded an increase in revenue by RM3.3 million or 59.1% as compared to its annualised revenue during the 18-month FPE 31 December 2021. The increase in revenue was mainly due to more e-government services projects being secured under its mobile and digital solutions business such as eJamin (an online bail payment system), MyPay (a mobile payment application), and MySMS (a short messaging system for the Malaysian Government to disseminate information to the public).

Notwithstanding the increase in revenue, the Group recorded a LBT of RM9.9 million during the FYE 31 December 2022. The LBT was mainly due to a one-off loss from disposal of Be Top Group amounting to RM4.6 million and an increase in administrative expenses by RM4.6 million which was mainly due to higher headcount during the year.

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