

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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MUHIBBAH ENGINEERING (M) BHD

(Registration No. 197201001137 (12737-K))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 256,593,125 NEW ORDINARY SHARES IN MUHIBBAH ENGINEERING (M) BHD ("MEB" OR THE "COMPANY") ("MEB SHARES") ("RIGHTS SHARES") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING MEB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED RIGHTS ISSUE OF SHARES")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

RHB InvestmentBank

RHB Investment Bank Berhad

(Registration No. 197401002639 (19663-P))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of MEB ("**Company**") which will be conducted as a fully virtual meeting entirely through live streaming from the online meeting platform using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIH Online website at <https://tiih.online> on Monday, 7 March 2022 at 11.00 a.m. The Administrative Notes for the EGM and the Notice of the EGM together with the Proxy Form are enclosed in this Circular, which are also available at the Company's website at <http://muhibbah.com.my> or Bursa Malaysia Securities Berhad's website at <https://www.bursamalaysia.com>.

If you are unable to attend, participate, speak and vote remotely at the forthcoming EGM, you may appoint a proxy(ies) to do so on your behalf by completing and depositing the enclosed Proxy Form in accordance with the instructions therein at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the EGM. You can also lodge the Proxy Form electronically via the TIH Online website at <https://tiih.online> before the proxy appointment cut-off time as mentioned below. The lodging of the Proxy Form will not preclude you from attending, participating, speaking and voting remotely at the forthcoming EGM, should you subsequently wish to do so.

Last date and time for registration for remote participation and voting at the virtual EGM and for lodging of the Proxy Form : Saturday, 5 March 2022 at 11.00 a.m.

Date and time of the EGM : Monday, 7 March 2022 at 11.00 a.m.

This Circular is dated 16 February 2022

DEFINITIONS

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

"Act"	:	Companies Act, 2016
"AGM"	:	Annual General Meeting
"Board"	:	Board of Directors of MEB
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular dated 16 February 2022 in relation to the Proposed Rights Issue of Shares
"Directors"	:	The directors of MEB and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act, 2007
"EGM"	:	Extraordinary General Meeting
"Entitled Shareholders"	:	The shareholders of MEB whose names appear in the Record of Depositors of the Company on the Entitlement Date
"Entitlement Date"	:	The date as at the close of business at 5:00 p.m. to be determined by the Board and announced later by the Company at a later date, on which names of shareholders of MEB must appear in the Record of Depositors of the Company in order to be entitled to the Rights Shares
"EPS/LPS"	:	Earnings per Share/Loss per Share
"Foreign Addressed Shareholders"	:	Entitled Shareholders who have not provided an address in Malaysia for the service of documents to be issued for purposes of the Proposed Rights Issue of Shares
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ending, as the case may be
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	17 January 2022, being the latest practicable date prior to the date of this Circular
"Market Day"	:	A day on which the stock market of Bursa Securities is open for trading in securities
"MEB" or the "Company"	:	Muhibbah Engineering (M) Bhd
"MEB Group" or the "Group"	:	Collectively, MEB and its subsidiaries
"MEB Shares" or the "Shares"	:	Ordinary shares in MEB

DEFINITIONS (CONT'D)

- "Minimum Scenario" : Based on the assumptions that:
- (a) all the treasury shares as at the LPD are retained in the Company prior to the implementation of the Proposed Rights Issue of Shares;
 - (b) none of the outstanding Share Options as at the LPD are exercised prior to the implementation of the Proposed Rights Issue of Shares; and
 - (c) The Undertaking Shareholders subscribe in full based on their respective Undertakings and none of the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue of Shares
- "Maximum Scenario 1" : Based on the assumptions that:
- (a) all the treasury shares as at the LPD are retained in the Company prior to the implementation of the Proposed Rights Issue of Shares;
 - (b) none of the outstanding Share Options as at the LPD are exercised prior to the implementation of the Proposed Rights Issue of Shares; and
 - (c) The Undertaking Shareholders subscribe in full based on their respective Undertakings and all the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue of Shares
- "Maximum Scenario 2" : Based on the assumptions that:
- (a) all the treasury shares as at the LPD are resold in the open market at their respective acquisition prices prior to the implementation of the Proposed Rights Issue of Shares;
 - (b) all the outstanding Share Options as at the LPD are exercised prior to the implementation of the Proposed Rights Issue of Shares; and
 - (c) The Undertaking Shareholders subscribe in full based on their respective Undertakings and all the other Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue of Shares
- "Minimum Subscription Funds Level" : The minimum subscription level of Rights Shares by the Undertaking Shareholders to raise the minimum amount of RM25,132,621, which is the minimum level of funds that the Company intends to raise from the Proposed Rights Issue of Shares
- "NA" : Net assets
- "O&G" : Oil and gas
- "Proposed Rights Issue of Shares" : Proposed renounceable rights issue of up to 256,593,125 Rights Shares on the basis of 1 Rights Share for every 2 existing MEB Shares held on the Entitlement Date

DEFINITIONS (CONT'D)

"Record of Depositors"	:	A record of securities holders established and maintained by Bursa Depository under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991
"RHBIB" or the "Principal Adviser"	:	RHB Investment Bank Berhad
"Rights Shares"	:	Up to 256,593,125 new MEB Shares to be issued pursuant to the Proposed Rights Issue of Shares. For the avoidance of doubt, the aforementioned maximum number of Rights Shares which may be issued pursuant to the Proposed Rights Issue of Shares is less than the maximum number of 256,914,625 Rights Shares approved by Bursa Securities for the listing and quotation on the Main Market of Bursa Securities, arising from the forfeiture of 321,500 Share Options due to the retirement of directors of subsidiaries of the Group which resulted in the reduction of the number of outstanding Share Options to 27,958,000 Share Options as at the LPD as compared to 28,601,000 Share Options as at the date of the Company's application to Bursa Securities for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"Share Options"	:	27,958,000 outstanding options under the existing employees' share issuance scheme of the Company as at the LPD. Each Share Option carries the entitlement to subscribe for 1 new MEB Share at an exercise price of RM2.25 per Share Option during the 5-year exercise period up to 9 July 2022
"SBSR"	:	Shipbuilding and ship repair
"TERP"	:	Theoretical ex-rights price
"Undertaking Letter"	:	The irrevocable and unconditional undertaking letter dated 10 January 2022 from the Undertaking Shareholders for their respective Undertakings
"Undertakings"	:	The irrevocable and unconditional undertakings provided by the Undertaking Shareholders vide their Undertaking Letter dated 10 January 2022 to subscribe in full for their respective entitlements under the Proposed Rights Issue of Shares based on their shareholdings in MEB as at the Entitlement Date in order to meet the Minimum Subscription Funds Level
"Undertaking Shareholders"	:	Collectively, Mac Ngan Boon @ Mac Yin Boon, Ooi Sen Eng, Mac Chung Jin and Mac Chung Hui who have provided their irrevocable and unconditional Undertakings
"VWAP"	:	Volume weighted average share price

References to "our Company" in this Circular are to MEB and references to "our Group" are to our Company and our subsidiaries. References to "we", "us", "our" and "ourselves" in this Circular are to our Company and where the context otherwise requires, shall include our subsidiaries. All references to "you" in this Circular are to our shareholders.

DEFINITIONS (CONT'D)

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

Any reference in this Circular to the provisions of any statute, rules, regulation or rules of stock exchange shall (where the context admits) be construed as a reference to the provisions of such statute, rules, regulation or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statute, rules, regulation or rules of stock exchange for the time being in force.

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.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by the Company, such as in its quarterly results or annual reports, is due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company's and/or the Group's plans and objectives will be achieved.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Rights Issue of Shares in this Circular. You are advised to read and carefully consider the contents of this Circular and the appendices contained herein in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Rights Issue of Shares before voting at the forthcoming EGM.

Salient information	Description	Reference to Circular
Summary of the Proposed Rights Issue of Shares	MEB proposes to undertake a renounceable rights issue of up to 256,593,125 Rights Shares on the basis of 1 Rights Share for every 2 existing MEB Shares held on the Entitlement Date.	Section 2 of this Circular
Rationale and justification for the Proposed Rights Issue of Shares	<p>The Proposed Rights Issue of Shares:</p> <ol style="list-style-type: none">i. will enable the Group to raise the requisite funds without incurring additional interest expenses as compared to bank borrowings;ii. will strengthen the financial position and capital base of the Group by increasing its NA and at the same time improve the gearing level of the Group following the reduction in the borrowings and related interest costs of the Group, thus providing the Company with further debt headroom to fund its working capital requirements;iii. will enable the Group to have better flexibility and control over the Group's internally-generated funds which in turn can be channelled towards the purposes of expanding the products and services offered by the Group as well as capturing merger and acquisition opportunities in the future, if any;iv. will enable the issuance of new MEB Shares on a pro rata basis without diluting shareholders' equity interest, based on the assumption that all Entitled Shareholders including the Undertaking Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue of Shares; andv. will provide the Entitled Shareholders including the Undertaking Shareholders with an opportunity to participate in an equity offering in the Company on a pro rata basis and ultimately, participate in the prospects and future growth of the Group by subscribing to the Rights Shares.	Section 3 of this Circular

EXECUTIVE SUMMARY (CONT'D)

Salient information	Description	Reference to Circular																		
Minimum Subscription Funds Level and Undertakings	<ul style="list-style-type: none"> The Board has determined to undertake the Proposed Rights Issue of Shares on a Minimum Subscription Funds Level basis after taking into consideration the minimum intended gross proceeds of RM25,132,621 to be raised from the Proposed Rights Issue of Shares. Certain shareholders of MEB, i.e. Mac Ngan Boon @ Mac Yin Boon, Ooi Sen Eng, Mac Chung Jin and Mac Chung Hui have provided their irrevocable and unconditional undertaking to subscribe in full for their respective entitlements under the Proposed Rights Issue of Shares as at the Entitlement Date vide their Undertaking Letters dated 10 January 2022: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Undertaking Shareholders</th> <th style="text-align: right;">Undertakings No. of Shares</th> <th style="text-align: right;">Funding required^(a) RM</th> </tr> </thead> <tbody> <tr> <td>Mac Ngan Boon @ Mac Yin Boon</td> <td style="text-align: right;">37,100,708</td> <td style="text-align: right;">18,550,354</td> </tr> <tr> <td>Ooi Sen Eng</td> <td style="text-align: right;">6,982,033</td> <td style="text-align: right;">3,491,017</td> </tr> <tr> <td>Mac Chung Jin</td> <td style="text-align: right;">3,330,000</td> <td style="text-align: right;">1,665,000</td> </tr> <tr> <td>Mac Chung Hui</td> <td style="text-align: right;">2,852,500</td> <td style="text-align: right;">1,426,250</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">50,265,241</td> <td style="text-align: right;">25,132,621</td> </tr> </tbody> </table> <p><i>Note:</i></p> <p>(a) Based on the indicative issue price of RM0.50 per Rights Share.</p>	Undertaking Shareholders	Undertakings No. of Shares	Funding required ^(a) RM	Mac Ngan Boon @ Mac Yin Boon	37,100,708	18,550,354	Ooi Sen Eng	6,982,033	3,491,017	Mac Chung Jin	3,330,000	1,665,000	Mac Chung Hui	2,852,500	1,426,250	Total	50,265,241	25,132,621	Section 2.5 of this Circular
Undertaking Shareholders	Undertakings No. of Shares	Funding required ^(a) RM																		
Mac Ngan Boon @ Mac Yin Boon	37,100,708	18,550,354																		
Ooi Sen Eng	6,982,033	3,491,017																		
Mac Chung Jin	3,330,000	1,665,000																		
Mac Chung Hui	2,852,500	1,426,250																		
Total	50,265,241	25,132,621																		

Utilisation of proceeds	The gross proceeds to be raised from the Proposed Rights Issue of Shares will be utilised in the following manner:				Section 2.6 of this Circular
	Details of utilisation	Time frame for utilisation	Minimum Scenario RM'000	Maximum Scenario 1 RM'000	Maximum Scenario 2 RM'000
	Partial repayment of interest-bearing borrowings	Within 6 months	24,233	96,689	96,689
	General working capital requirements	Within 6 months	-	23,272	30,708
	Estimated expenses in relation to the Proposed Rights Issue of Shares	Immediate	900	900	900
	Total		25,133	120,861	128,297

EXECUTIVE SUMMARY (CONT'D)

Salient information	Description	Reference to Circular
Approvals required/obtained for the Proposed Rights Issue of Shares	<ul style="list-style-type: none">• The Proposed Rights Issue of Shares is subject to the following approvals being obtained:<ul style="list-style-type: none">i. Bursa Securities, had, vide its letter dated 27 January 2022, approved the listing and quotation of up to 256,914,625 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular;ii. the shareholders of MEB, for the Proposed Rights Issue of Shares at the forthcoming EGM by way of poll; andiii. any other relevant authorities and/or parties, if required.• The Proposed Rights Issue of Shares is not conditional upon any other proposals undertaken or to be undertaken by the Company.	Section 7 of this Circular
Interests of Directors, major shareholders, chief executive and/or persons connected	None of the Directors, major shareholder and/or chief executive of MEB and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Rights Issue of Shares, save from their respective entitlements, if any, as shareholders of MEB under the Proposed Rights Issue of Shares which are available to all Entitled Shareholders on a pro rata basis, including their right to subscribe for additional Rights Shares via the excess application, to which all shareholders of MEB are similarly entitled.	Section 8 of this Circular
Directors' statement and recommendation	<ul style="list-style-type: none">• The Board, having considered all aspects of the Proposed Rights Issue of Shares, including the rationale and justification for the Proposed Rights Issue of Shares, the pro forma effects of the Proposed Rights Issue of Shares as well as the proposed utilisation of proceeds to be raised from the Proposed Rights Issue of Shares, is of the opinion that the Proposed Rights Issue of Shares is in the best interests of the Company.• Accordingly, the Board recommends that you VOTE IN FAVOUR of the resolution pertaining to the Proposed Rights Issue of Shares to be tabled at the forthcoming EGM.	Section 11 of this Circular



MUHIBBAH ENGINEERING (M) BHD
(Registration No. 197201001137 (12737-K))
(Incorporated in Malaysia)

Registered Office

Lot 579 & 586, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan
Malaysia

16 February 2022

Board of Directors

Tan Sri Zakaria bin Abdul Hamid (*Chairman, Senior Independent Non-Executive Director*)
Mac Ngan Boon @ Mac Yin Boon (*Group Managing Director*)
Mac Chung Jin (*Executive Director/Deputy Chief Executive Officer*)
Ooi Sen Eng (*Executive Director*)
Lee Poh Kwee (*Group Finance Director*)
Mazlan bin Abdul Hamid (*Non-Independent Non-Executive Director*)
Dato' Mohamad Kamarudin bin Hassan (*Independent Non-Executive Director*)
Dato' Sri Khazali bin Haji Ahmad (*Independent Non-Executive Director*)
Sobri bin Abu (*Independent Non-Executive Director*)
Abd Hamid bin Ibrahim (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 256,593,125 RIGHTS SHARES ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING MEB SHARES HELD ON THE ENTITLEMENT DATE

1. INTRODUCTION

On 10 January 2022, RHBIB had, on behalf of the Board, announced that the Company proposes to undertake a renounceable rights issue of up to 256,593,125 Rights Shares on the basis of 1 Rights Share for every 2 existing MEB Shares held on the Entitlement Date.

On 28 January 2022, RHBIB had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 27 January 2022, approved the listing and quotation of up to 256,914,625 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular. For the avoidance of doubt, the maximum number of 256,593,125 Rights Shares which may be issued pursuant to the Proposed Rights Issue of Shares is less than the maximum number of 256,914,625 Rights Shares approved by Bursa Securities for the listing and quotation on the Main Market of Bursa Securities, arising from the forfeiture of 321,500 Share Options due to the retirement of directors of subsidiaries of the Group which resulted in the reduction of the number of outstanding Share Options to 27,958,000 Share Options as at the LPD as compared to 28,601,000 Share Options as at the date of the Company's application to Bursa Securities for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED RIGHTS ISSUE OF SHARES AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE OF SHARES TO BE TABLED AT THE FORTHCOMING EGM.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE OF SHARES TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE OF SHARES

2.1 Basis and number of Rights Shares to be issued

The Proposed Rights Issue of Shares will entail the issuance of up to 256,593,125 Rights Shares on the basis of 1 Rights Share for every 2 existing MEB Shares held by the Entitled Shareholders of MEB whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date.

As at the LPD, the Company has an issued share capital of RM306,601,781 comprising 485,228,250 MEB Shares (including 1,783,000 treasury shares).

For shareholders' information, the Board is authorised to purchase and/or hold up to 10% of the total number of issued shares of the Company as treasury shares at any point of time pursuant to the renewal of the Company's share buy-back authority obtained from the shareholders of the Company at the Company's 48th AGM convened on 29 June 2021. The Company's share buy-back authority shall continue to be in force until the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held, whichever is earlier. The Board has undertaken that the Company shall not undertake any share buy-back prior to the completion of the Proposed Rights Issue of Shares.

In addition, as at the LPD, the Company has a total of 27,958,000 outstanding Share Options under the existing employees' share issuance scheme of the Company ("**SIS**"). Each Share Option carries the entitlement to subscribe for 1 new MEB Share at an exercise price of RM2.25 per Share Option during the 5-year exercise period up to 9 July 2022. The Board has undertaken that the Company shall not grant any Share Options pursuant to the existing SIS of the Company prior to the completion of the Proposed Rights Issue of Shares.

Assuming all the 1,783,000 treasury shares as at the LPD are resold on the open market at their respective acquisition prices and all the 27,958,000 outstanding Share Options as at the LPD are exercised prior to the implementation of the Proposed Rights Issue of Shares, a total of up to 256,593,125 Rights Shares may be issued pursuant to the Proposed Rights Issue of Shares.

The actual number of Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares will depend on the total number of issued shares of the Company (excluding treasury shares) on the Entitlement Date which will be determined by the Board and announced by the Company at a later date upon receipt of all relevant approvals for the Proposed Rights Issue of Shares.

Fractional entitlements of the Rights Shares arising from the Proposed Rights Issue of Shares, if any, will be dealt with in such manner as the Board in its absolute discretion deems fit, expedient and in the best interest of the Company.

The entitlement basis for the Proposed Rights Issue of Shares was determined after taking into consideration the amount of proceeds which the Company would potentially raise from the issuance of the Rights Shares.

The Proposed Rights Issue of Shares is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. Any unsubscribed Rights Shares will be made available to other Entitled Shareholders and/or their renounee(s) via the excess Rights Shares application.

2.2 Basis and justification for determining the issue price of the Rights Shares

The final issue price of the Rights Shares will be determined and fixed by the Board and announced by the Company at a later date upon receipt of all relevant approvals for the Proposed Rights Issue of Shares before the announcement on the Entitlement Date, and after taking into consideration the following:

- i. the TERP of MEB Shares based on the 5-day VWAP of MEB Shares immediately preceding the price-fixing date;
- ii. the minimum intended gross proceeds of RM25,132,621 to be raised from the Proposed Rights Issue of Shares, which will be earmarked for the purposes as set out in Section 2.6 of this Circular;
- iii. the final issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders. In any event, the Board may fix the final issue price of the Rights Shares at a discount of not less than 12% to not more than 32% to the TERP of MEB Shares calculated based on the 5-day VWAP of MEB Shares immediately preceding the price-fixing date.

Notwithstanding that MEB intends to undertake the Proposed Rights Issue of Shares on the Minimum Subscription Funds Level, the Company also intends to raise the maximum proceeds possible. In addition, as set out in Section 2.5 of this Circular, the Company does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other Entitled Shareholders under the Proposed Rights issue of Shares as the Proposed Rights Issue of Shares will be undertaken by MEB on the Minimum Subscription Funds Level. Hence, the Company has determined that the issue price of the Rights Shares shall be fixed at an issue price at a discount within the aforementioned discount range that is deemed attractive enough to entice the Entitled Shareholders and/or their renounee(s) to subscribe for their Rights Shares based on their respective entitlement; and

- iv. the prevailing market conditions and historical trading prices of MEB Shares for the past 12 months.

For illustrative purposes only, the Rights Shares are assumed to be issued at an indicative issue price of RM0.50 per Rights Share, which represents a discount of approximately 15.68% to the TERP of MEB Shares of RM0.5930, calculated based on the 5-day VWAP of MEB Shares up to and including the LPD of RM0.6395 per MEB Share.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing MEB Shares, save and except that the Rights Shares shall 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 relevant date of allotment and issuance of the Rights Shares.

2.4 Listing and quotation for the Rights Shares

Bursa Securities had, vide its letter dated 27 January 2022, approved the listing and quotation of up to 256,914,625 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

For the avoidance of doubt, the maximum number of 256,593,125 Rights Shares which may be issued pursuant to the Proposed Rights Issue of Shares is less than the maximum number of 256,914,625 Rights Shares approved by Bursa Securities for the listing and quotation on the Main Market of Bursa Securities, arising from the forfeiture of 321,500 Share Options due to the retirement of directors of subsidiaries of the Group which resulted in the reduction of the number of outstanding Share Options to 27,958,000 Share Options as at the LPD as compared to 28,601,000 Share Options as at the date of the Company's application to Bursa Securities for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities.

2.5 Minimum Subscription Level, undertakings and underwriting arrangements for the Proposed Rights Issue of Shares

The Board has determined to undertake the Proposed Rights Issue of Shares on a minimum subscription level basis after taking into consideration the minimum intended gross proceeds of RM25,132,621 to be raised from the Proposed Rights Issue of Shares which will be channelled towards the proposed utilisation of proceeds as set out in Section 2.6 of this Circular.

In order to meet the Minimum Subscription Funds Level, the Company has obtained the undertaking letters from certain shareholders of MEB, i.e. Mac Ngan Boon @ Mac Yin Boon, Ooi Sen Eng, Mac Chung Jin and Mac Chung Hui to irrevocably and unconditionally undertake to subscribe in full for their respective entitlements under the Proposed Rights Issue of Shares as at the Entitlement Date. The Undertaking Shareholders have provided their irrevocable and unconditional Undertakings vide their Undertaking Letters dated 10 January 2022.

For illustrative purposes, a summary of the Undertakings under the Minimum Subscription Funds Level is set out below:

Undertaking Shareholders	Shareholding as at the LPD		Undertakings		Shareholding after the Proposed Rights Issue of Shares		Funding required ^(d) RM
	No. of Shares	% ^(a)	No. of Shares	% ^(b)	No. of Shares	% ^(c)	
Mac Ngan Boon @ Mac Yin Boon	74,201,416	15.35	37,100,708	73.81	111,302,124	20.85	18,550,354
Ooi Sen Eng	13,964,066	2.89	6,982,033	13.89	20,946,099	3.93	3,491,017
Mac Chung Jin	6,660,000	1.37	3,330,000	6.63	9,990,000	1.87	1,665,000
Mac Chung Hui	5,705,000	1.18	2,852,500	5.67	8,557,500	1.60	1,426,250
Total	100,530,482	20.79	50,265,241	100.00	150,795,723	28.25	25,132,621

Notes:

- (a) Calculated based on the total number of issued shares in MEB of 483,445,250 Shares (excluding 1,783,000 treasury shares) as at the LPD.
- (b) Calculated based on the 50,265,241 Rights Shares available to be issued pursuant to the Undertakings under the Minimum Scenario.
- (c) Calculated based on the enlarged total number of issued shares in MEB of 533,710,491 MEB Shares (excluding 1,783,000 treasury shares) after the Proposed Rights Issue of Shares under the Minimum Scenario.
- (d) Calculated based on the indicative issue price of RM0.50 per Rights Share.

The Undertaking Shareholders had respectively confirmed vide their respective Undertaking Letters dated 10 January 2022 that they have sufficient financial resources to fulfill their respective Undertakings. The said confirmations have been verified by RHBIB, being the Principal Adviser to the Company for the Proposed Rights Issue of Shares.

As the Proposed Rights Issue of Shares will be undertaken by MEB on the Minimum Subscription Funds Level, the Company does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other Entitled Shareholders under the Proposed Rights issue of Shares.

Pursuant to Paragraph 6.18(4) of the Listing Requirements, where the Minimum Subscription Funds Level is not achieved, the implementation of the Proposed Rights Issue of Shares must be terminated and all consideration received must be immediately returned to all subscribers. As such, in the event the Minimum Subscription Funds Level is not achieved by reason of the failure to fulfil the obligations under the Undertakings or for any other reason, MEB will not proceed with the implementation of the Proposed Rights Issue of Shares, and all subscription monies received pursuant to the Proposed Rights Issue of Shares will be returned without interest as soon as practicable to the Entitled Shareholders and/or their renouncee(s) who have subscribed for their entitlements.

After taking into consideration the Undertakings, the subscription of the Rights Shares by the Undertaking Shareholders will not give rise to any mandatory general offer obligation pursuant to the Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia.

Further, the public shareholding spread of MEB is not expected to fall below the minimum public shareholding spread of 25.00% of the enlarged issued share capital of the Company pursuant to Paragraph 8.02(1) of the Listing Requirements after the implementation of the Proposed Rights Issue of Shares. Based on the public shareholding spread of MEB as at the LPD of approximately 73.03% and the entitlement basis of 1 Rights Share for every 2 existing MEB Shares held, the public shareholding spread of the Company after the Proposed Rights Issue of Shares under the Minimum Scenario, Maximum Scenario 1 and Maximum Scenario 2 are 66.15%, 73.03% and 70.71% respectively.

2.6 Utilisation of proceeds

Based on the indicative issue price RM0.50 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue of Shares will be utilised in the following manner:

Details of utilisation	Time frame for utilisation*	Minimum Scenario RM'000	Maximum Scenario 1 RM'000	Maximum Scenario 2 RM'000
Partial repayment of interest-bearing borrowings ^(a)	Within 6 months	24,233	96,689	96,689
General working capital requirements ^(b)	Within 6 months	-	23,272	30,708
Estimated expenses in relation to the Proposed Rights Issue of Shares ^(c)	Immediate	900	900	900
Total		25,133	120,861	128,297

Notes:

* Time frame for utilisation shall be from the date of listing of the Rights Shares.

(a) Partial repayment of interest-bearing borrowings

MEB intends to allocate up to approximately RM96.69 million from the gross proceeds raised from the Proposed Rights Issue of Shares for the partial repayment of the revolving credit facilities of the Group (excluding the Company's 58.60%-owned subsidiary, Favelle Favco Berhad ("Favelle Favco") and its group of companies). As at the LPD, the Group's total interest-bearing borrowings amounted to approximately RM998.98 million, details of which are set out below:

Type of facility	Purpose of facility	Interest rate per annum	Amount outstanding RM'000
<u>Short-term borrowings</u>			
Bills payable	Working capital	2.31% - 2.83%	446,976
Term loans	Capital expenditure/ Working capital	2.21% - 4.59%	121,531
Bank overdrafts	Working capital	2.50%	12,712
Hire purchase payables	Capital expenditure	1.50% - 2.47%	3,700
Revolving credit	Working capital	2.57% - 3.94%	364,900
Insurance premium finance	Working capital	0.96%	2,987

(A) 952,806

Type of facility	Purpose of facility	Interest rate per annum	Amount outstanding RM'000
Long-term borrowings			
Term loans	Capital expenditure/ Working capital	2.25% - 4.59%	14,351
Hire purchase payables	Capital expenditure	1.50%	31,823
		(B)	46,174
Total (A+B)			998,980

For shareholders' information, the Group's total cash and bank balances as at the LPD is approximately RM412.70 million. Based on the aforementioned, the Group's net interest-bearing borrowings as at the LPD amounted to approximately RM586.28 million.

For illustrative purpose, the partial repayment of the Group's interest-bearing borrowings of up to approximately RM96.69 million is expected to result in an interest cost savings of up to approximately RM3.03 million per annum as set out below, which translates into an effective interest rate of approximately up to 3.13% per annum:

Type of facility	Minimum Scenario		Maximum Scenario 1		Maximum Scenario 2	
	Repayment amount RM'000	Interest cost savings per annum RM'000	Repayment amount RM'000	Interest cost savings per annum RM'000	Repayment amount RM'000	Interest cost savings per annum RM'000
Revolving credit	24,233	759	96,689	3,029	96,689	3,029
Effective interest rate per annum		3.13%		3.13%		3.13%

- (b) The Company intends to allocate up to approximately RM30.71 million from the gross proceeds raised from the Proposed Rights Issue of Shares under the Maximum Scenario 1 and Maximum Scenario 2 to part finance the general working capital requirements of the Group in the following manner:

	Minimum Scenario	Maximum Scenario 1 RM'000	Maximum Scenario 2 RM'000
Payment of staff salary, allowances, other emoluments and staff-related expenses (i.e. travelling and training). For information purpose, the Group's average yearly payment of staff salary, allowances, other emoluments and staff-related expenses was approximately RM60 million per annum	-	23,272	30,708

- (c) The Company intends to allocate RM0.90 million from the gross proceeds raised from the Proposed Rights Issue of Shares to defray the estimated expenses in relation to the Proposed Rights Issue of Shares in the following manner:

	RM'000
Professional fees (i.e. principal adviser, solicitors, reporting accountants, and other professional)	595
Regulatory fees	43
Other incidental expenses such as printing and advertising costs, virtual meeting costs, despatch costs and other ancillary expenses in relation to the Proposed Rights Issue of Shares	262
Total	900

In the event the actual expenses for the Proposed Rights Issue of Shares are higher than the estimate, the deficit will be funded from the general working capital requirements of the Group. However, if the actual expenses for the Proposed Rights Issue of Shares are lower than the estimate, the excess will be utilised for the general working capital requirements of the Group under the payment of staff salary, allowances, other emoluments and staff-related expenses.

In the event the actual gross proceeds to be raised from the Proposed Rights Issue of Shares is lower than the Maximum Scenario 1 but higher than the Minimum Scenario, the actual proceeds will be allocated in the following priority:

No. Purposes

- i. Partial repayment of interest-bearing borrowings;
- ii. General working capital requirements; and
- iii. Estimated expenses in relation to the Proposed Rights Issue of Shares.

Pending the utilisation of the proceeds to be raised from the Proposed Rights Issue of Shares, the proceeds will be placed in interest bearing deposit(s) with licensed financial institution(s) and/or short-term money market instrument(s). The interest derived from such deposit(s) and/or gain arising from such short-term money market instrument(s) will be utilised for the future general working capital requirements of the Group as mentioned above.

2.7 Other equity fund-raising exercises in the past 12 months

Save for the Proposed Rights Issue of Shares, MEB has not undertaken any other equity fund-raising exercises in the past 12 months prior to the date of this Circular.

2.8 Foreign Addressed Shareholders

The abridged prospectus together with the accompanying documents to be issued in connection with the Proposed Rights Issue of Shares have not been prepared to, and no step or action will be taken to, ensure that such documents comply with the laws of any countries or jurisdictions other than Malaysia, and have not been and will not be lodged, registered or approved under any applicable securities legislation of any countries or jurisdictions other than Malaysia. The Proposed Rights Issue of Shares will not be offered for purchase or subscription in any country or jurisdiction in which such offer would be unlawful prior to registration or qualification under the securities laws of such country or jurisdiction.

The abridged prospectus together with the accompanying documents will only be sent to Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in the Record of Depositors of the Company as at the Entitlement Date. Foreign Addressed Shareholders who wish to provide a Malaysian address should inform their respective stockbrokers to effect the change of address prior to the Entitlement Date. Alternatively, such Foreign Addressed Shareholders may collect the abridged prospectus from the Company's share registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the abridged prospectus together with the accompanying documents. The Company will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in its Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign Addressed Shareholders may only exercise their rights in respect of the Proposed Rights Issue of Shares to the extent that it would be lawful to do so, and the Company, its share registrar and/or its advisers, in connection with the Proposed Rights Issue of Shares, would not be in breach of the laws of any country or jurisdiction which the Foreign Addressed Shareholders and Proposed Rights Issue and/or their renouncee(s) might be subject to.

Foreign Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and the Company shall be entitled to be fully indemnified and held harmless by such Foreign Addressed Shareholders for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against the Company, its share registrar and/or its advisers in respect of their rights or entitlements under the Proposed Rights Issue of Shares. Such Foreign Addressed Shareholders should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue of Shares.

Foreign Addressed Shareholders shall be solely responsible to seek advice as to the laws of any country or jurisdiction to which they may be subject, and participation by the Foreign Addressed Shareholders in the Proposed Rights Issue of Shares shall be on the basis of a representation and warranty by them that they may lawfully so participate without the Company, its share registrar and/or its advisers being in breach of the laws of any country or jurisdiction.

None of the Company, its share registrar nor its advisers to the Proposed Rights Issue of Shares shall accept any responsibility or liability in the event that any acceptance of a Foreign Addressed Shareholder or his/her renouncee(s) of his/her entitlements in respect of the Proposed Rights Issue of Shares is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

The Company reserves the right in its absolute discretion to treat any acceptance as being invalid if it believes or has reason to believe that such acceptance may violate any applicable legal or regulatory requirements.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED RIGHTS ISSUE OF SHARES

After taking into consideration the various funding options available, the Board is of the view that the Proposed Rights Issue of Shares is the most appropriate avenue to raise the necessary funding for MEB Group as set out in Section 2.6 of this Circular after taking into consideration that the Proposed Rights Issue of Shares:

- i. will enable the Group to raise the requisite funds without incurring additional interest expenses as compared to bank borrowings;
- ii. will strengthen the financial position and capital base of the Group by increasing its NA and at the same time improve the gearing level of the Group following the reduction in the borrowings and related interest costs of the Group, thus providing the Company with further debt headroom to fund its working capital requirements;
- iii. will enable the Group to have better flexibility and control over the Group's internally-generated funds which in turn can be channelled towards the purposes of expanding the products and services offered by the Group as well as capturing merger and acquisition opportunities in the future, if any;

- iv. will enable the issuance of new MEB Shares on a pro rata basis without diluting shareholders' equity interest, based on the assumption that all Entitled Shareholders including the Undertaking Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue of Shares; and
- v. will provide the Entitled Shareholders including the Undertaking Shareholders with an opportunity to participate in an equity offering in the Company on a pro rata basis and ultimately, participate in the prospects and future growth of the Group by subscribing to the Rights Shares.

In addition, the Board has also considered the following factors before embarking on the Proposed Rights Issue of Shares:

i. Steps undertaken or to be undertaken by MEB Group to improve its financial position

Save for the FYE 31 December 2020, MEB Group has been recording profits for the past 3 years. The historical financial information and commentaries on the historical financial performance of the Group for the past 3 financial years up to the FYE 31 December 2020 and the 9-month FPE 30 September 2021 have been set out in Appendix I of this Circular.

In 2020, the Group's operation was disrupted by the unprecedented COVID-19 pandemic which saw imposition of global lockdowns by the respective government across the world and global travel restrictions as well as the suspension of certain business activities.

Since the COVID-19 pandemic outbreak in 2020, projects up for tender are low and at competitive pricing due to the COVID-19 pandemic. In addition, some O&G operators have deferred project orders in light of the uncertainty of oil prices. Overall, this slowdown of orders resulted in low order intake in the infrastructure construction segment, cranes and intelligent automation segment and marine SBSR segment of the Group. Notwithstanding that, the order intake in the cranes and intelligent automation segment has improved gradually in 2021.

The COVID-19 pandemic also had an unprecedented impact on the aviation industry where MEB's associate company operates in. The share of associates profit from the airport concession was affected by a fall in the demand for air travel as countries around the world imposed border controls and travel restrictions to prevent the spread of COVID-19.

In this regard, the Board has undertaken various steps to address the MEB Group's financial condition. The Group had implemented cost cutting measures including a voluntary separation scheme/staff restructuring exercise which incurred compensation costs of approximately RM13.10 million in 2020. Further, the Group has also implemented measures to trim staff operating overhead costs within the Group such as the implementation of salary reduction across all level of management. A number of operating units were merged to save overhead and improve efficiency.

In addition, the Group continued to improve and innovate its offerings in the cranes and intelligent automation segment. Some notable achievements include the delivery of one of its largest wharf cranes to a Malaysian shipyard. It has also secured an order for a special short tail version of its M900F-ST tower crane, completed its new MK380F tower crane and started designs on a new concept tower crane launched in 2021 which is more cost effective. The Group also focus more to generate more recurring income such as ship repair, cranes repair, selling of spare parts and rental income on cranes.

With the cost cutting measures and group restructuring exercise, the prospects of the Group as set out in Section 4.9 of this Circular, and the proposed utilisation of the gross proceeds to be raised from the Proposed Rights Issue of Shares as well as global recovery from the pandemic with high vaccination rates, the Board is cautiously optimistic that the MEB Group will be able to improve its financial performance in the near future. For shareholders' information, the Group recorded a profit before tax of approximately RM18.20 million for the 9-month FPE 30 September 2021 as compared a loss before tax of approximately RM24.09 million for 9-month FPE 30 September 2020.

ii. Adequacy of the Proposed Rights Issue of Shares in addressing the MEB Group's financial concern

In view of the financial position of the MEB Group resulting from decreasing trend in the profit in the FYE 31 December 2019 and loss recorded in the FYE 31 December 2020, the Board is of the view that the gross proceeds raised from the Proposed Rights Issue of Shares of up to RM128.30 million shall serve to meet the Group's immediate funding requirements in the short term. The Proposed Rights Issue of Shares will also assist the Group to reduce its reliance on external funding such as bank borrowings, which may put further pressure on the Group's cashflows arising from the repayment of principal and interest in the future.

Premised on the above, the Board believes that the Proposed Rights Issue of Shares is adequate to address MEB Group's current financial constraints. The proceeds raised from the Proposed Rights Issue of Shares will also serve to support the Company in improving its financial position by enabling the Group to allocate more cash for the purposes of expanding the products and services offered by the Group. In addition, the Board will also continue to assess and evaluate its long-term financial requirements against any funding options available to the Group, in the future, if any.

iii. Value creation to MEB Group and its shareholders

The Proposed Rights Issue of Shares provides an alternative to MEB Group to raise funds to meet its immediate funding requirements as well as an opportunity for MEB Group to strengthen its capital base, without having to rely on external funding such as bank borrowings which entails MEB Group incurring additional interest expenses and repayment of principals.

Accordingly, MEB Group will be able to have better flexibility and control over the Group's internally-generated funds which in turn can be channelled towards the purposes of expanding the products and services offered by the Group as well as capturing merger and acquisition opportunities in the future, if any.

Further, the Proposed Rights Issue of Shares provides an opportunity to all Entitled Shareholders to participate in an equity offering on a pro rata basis at a discount to the prevailing market price deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders as well as to enjoy the growth of MEB Group moving forward.

iv. Impact of the Proposed Rights Issue of Shares

As set out in Section 5 of this Circular, the Proposed Rights Issue of Shares shall enhance the MEB Group's overall financial position as it will increase its shareholders' equity and strengthen the capital base of the MEB Group as well as improving the Group's gearing arising from the partial repayment of interest-bearing borrowings. Further, the utilisation of proceeds from the Proposed Rights Issue of Shares may contribute positively to the future earnings of the Group.

The Proposed Rights Issue of Shares will be offered on a pro rata basis to all the Entitled Shareholders and there is no dilutive effects on the Entitled Shareholders' shareholdings in the event all Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue of Shares.

However, in the event none of the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue of Shares save for the Undertaking Shareholders based on their Undertakings, the Entitled Shareholders' (save for the Undertaking Shareholders) shareholdings in MEB will be diluted and the Undertaking Shareholders' shareholdings in MEB shall increase pursuant to their Undertakings.

4. INDUSTRY OVERVIEW AND OUTLOOK AND PROSPECTS OF MEB GROUP

4.1 Overview and outlook of the global economy

The global economy is projected to expand by 5.9% in 2021. Growth is anticipated to be underpinned by widespread vaccine rollouts, accommodative policy support, and rising commodity prices. Nevertheless, higher infection rates and new variants of the COVID-19 virus are expected to be the headwinds to economic improvement.

The gross domestic product ("**GDP**") in advanced economies is expected to grow by 5.2% in 2021, driven by the easing of pandemic restrictions, speedy vaccine rollouts and large-scale fiscal support. The United States ("**US**") economy is estimated to expand by 6%, where its economic recovery packages amounting approximately to US Dollar ("**USD**") 4 trillion that was passed by the US Senate are expected to strengthen the social safety net, deliver a strong boost to growth and provide sizable positive spillovers to its trading partners. The GDP in the euro area is expected to rise by 5% with firming external demand. Growth in Singapore is projected to turn around by 6%, backed by progressive relaxation of domestic and border restrictions as its vaccination rates continue to rise. The Republic of Korea's economy is expected to turn around by 4.3%, driven by strong exports and public investments. Similarly, GDP in Japan is estimated to rebound by 2.4%, reflecting a recovery in domestic economic activities alongside a robust external demand.

Growth in the emerging market and developing economies ("**EMDEs**") is projected to turn around by 6.4%, supported by elevated commodity prices and improved external demand. The People's Republic of China ("**PRC**") is expected to lead the recovery in the region with strong growth of 8% in 2021, bolstered by higher private consumption and exports. The GDP of the Association of Southeast Asian Nations ("**ASEAN**") is anticipated to turn around by 2.9% on account of robust domestic consumption, higher investment and a favourable trade environment. Indonesia's economy is projected to recover by 3.2%, driven by export-oriented and labour-intensive industries such as automotive, construction and mining.

The global economy is projected to expand by 4.9% in 2022, following the expected gradual improvement in both advanced economies as well as EMDEs. In 2022, GDP in the advanced economies is forecast to moderate to 4.5% but remain robust, led by the normalization of economic activities. Growth in the US is expected to record 5.2% due to reduced fiscal support and a slow recovery in the services sector. GDP in the euro area is anticipated to record 4.3%, as the demand for consumer goods continues to increase. Singapore's GDP is expected to grow by 3.2%, driven by a strong rebound in the manufacturing sector. The Republic of Korea's GDP is expected to moderate to 3.3% following a contraction in domestic demand. The GDP of Japan is projected to improve by 3.2%, following higher economic activities as the economy fully reopens.

Growth in the EMDEs is projected to moderate to 5.1% in 2022, owing to the gradual unwinding of fiscal support and subdued investment. Growth in the PRC is expected to be slower at 5.6% compared to 2021, reflecting reducing fiscal and monetary support as well as tighter property and macroprudential regulations. The GDP of ASEAN is anticipated to record 5.8%, supported by expected improvements in trade. Indonesia's economy is forecast to expand by 5.9% with growth in the construction industry, supported by major infrastructure projects such as the revitalisation of airports, toll roads, mass rapid transit as well as construction of new and upgrading existing ports.

(Source: *Economic Outlook 2022, Ministry of Finance*)

4.2 Overview and outlook of the Malaysian economy

The Malaysian economy registered a positive growth of 3.6% in the 4th quarter of 2021 ("4Q 2021"). Growth was supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan ("NRP"). The improvement also reflected recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth. On the supply side, all economic sectors recorded improvements in growth, led by the services and manufacturing sectors. On the demand side, growth was driven by higher consumption and trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered an increase of 6.6% in 4Q 2021.

All economic sectors recorded an improvement in 4Q 2021. The services sector turned around to expand by 3.2% in 4Q 2021. Consumer-related activities continued to recover amid the reopening of the economy. This was reflected in the higher spending observed within the retail and recreational subsectors. Growth in the information and communication subsector provided further support amid continued demand for data communications services, particularly for e-commerce and e-payment activities.

Growth in the manufacturing sector recorded a marked improvement of 9.1% in 4Q 2021. This was driven by continued strength in export-oriented industries such as E&E and primary-related clusters, and recovery in domestic-oriented industries such as consumer- and construction-related clusters. Robust demand for electrical and electronics ("E&E") products persisted throughout the quarter in line with the continued tech upcycle. Meanwhile, growth in the primary-related cluster was supported by continued demand for refined petroleum, chemical and plastic products. On the domestic front, the relaxation of containment measures and increased consumer confidence amid strong vaccination progress facilitated a recovery in demand for consumer products such as food, clothing and vehicles.

Growth in the construction sector improved with a smaller contraction of 12.2% in 4Q 2021. This was supported by higher construction activity, especially in the non-residential and special trade subsectors, following the reopening of the economy.

The mining sector contracted at a slower pace of 0.9% in 4Q 2021. Despite some facility closures for maintenance purposes during the quarter, growth was supported by higher production from oil and gas fields including the PETRONAS Floating Liquefied Natural Gas DUA (PFLNG2) facility located in offshore East Malaysia.

Domestic demand grew by 2.3% in 4Q 2021. This was driven by the improvement in private sector expenditure following the loosening of restrictions. On the external front, net exports expanded by 2.6% in 4Q 2021 due to higher export growth amid strong external demand. Private consumption growth turned around to register a positive growth of 3.7% in 4Q 2021. The turnaround was mainly supported by the relaxation of containment measures. In particular, spending on discretionary items such as restaurants and hotels as well as recreational services rebounded during the quarter. Labour market conditions also improved during the same period, as evidenced by stronger employment and wage growth. Furthermore, various policy measures provided additional support to consumer spending. Public consumption growth expanded at a slower pace of 4.3% in 4Q 2021, attributable to a moderate growth in supplies and services expenditure. However, government spending remained supported by COVID-related spending and small maintenance and repair works.

(Source: Economic and Financial Developments in the Malaysian Economy in 4Q 2021, Bank Negara Malaysia)

In 2022, the Malaysian economy is expected to strengthen between 5.5% and 6.5%, supported by significant improvement in global trade, stabilised commodity prices, containment of the pandemic, and gradual improvement in consumer and business sentiments.

(Source: Economic Outlook 2022, Ministry of Finance)

4.3 Overview and outlook of the O&G industry

The mining sector rebounded by 3.5% in the 1st half of 2021, supported by higher natural gas production and increased crude oil and condensates output, particularly during the 2nd quarter of 2021. It is projected to decline marginally by 0.7% in the 2nd half of 2021, weighed down by lower natural gas production. The reduction in output is also in line with heightened uncertainties in global O&G demand following concerns over the spread of the COVID-19 variants. Overall, the mining sector is expected to turn around by 1.5% in 2021.

The mining sector's performance will be mainly influenced by the duration of uncertainties surrounding the COVID-19 pandemic. The sector is forecast to decline marginally by 0.3% in 2022, attributed to lower crude oil and condensates production, following the scheduled shut down of O&G plants and facilities for maintenance. However, natural gas output is expected to increase, supported by the production from new gas fields in Sabah and motivated by high demand from major trading partners, especially China and Japan. In addition, the increase in global economic activities and reduction in COVID-19 infections are also anticipated to drive higher global energy consumption. Thus, the average Brent crude oil price is projected to increase to around USD66 per barrel in 2022, slightly lower than the expected price in 2021 at USD68 per barrel. However, the estimation is still subject to the global price movement, which is highly influenced by the level of oil production by the Organisation of the Petroleum Exporting Countries and its allies as well as the US oil stockpiles.

(Source: Economic Outlook 2022, Ministry of Finance)

4.4 Overview and outlook of the construction industry

The construction sector registered a strong growth of 8.3% in the 1st half of 2021, supported by an improvement in specialised construction activities, non-residential buildings and residential buildings subsectors. The better performance was also attributed to the low base effect following a significant drop in construction works during the corresponding period in 2020. However, the civil engineering subsector contracted due to the temporary suspension of infrastructure projects following stringent COVID-19 virus containment measures. In contrast, the sector is forecast to decline by 8.4% in the 2nd half of 2021, weighed down by civil engineering, non-residential buildings and residential building subsectors, despite the resumption of construction activities. Nevertheless, the decline is being cushioned by a rebound in the specialised construction activities subsector. Overall, the sector is expected to record a marginal contraction of 0.8% during 2021 compared to a double-digit decline in 2020.

The construction sector is projected to turn around by 11.5% in 2022 on account of better performance in all its subsectors. The civil engineering subsector is anticipated to regain its positive growth, following the continuation and acceleration of major infrastructure projects, such as Light Rail Transit Line 3, Mass Rail Transit Line 3, Johor-Singapore Rapid Transit System as well as the Pan Borneo highways in Sabah and Sarawak. Utility projects, including Baleh Hydroelectric, Sarawak Water Supply Grid Programme and Large-Scale Solar 3 plant, are also projected to spur growth.

(Source: Economic Outlook 2022, Ministry of Finance)

4.5 Overview and outlook of the machinery and equipment ("M&E") industry

Gross fixed capital formation registered a smaller contraction of 3.3% in 4Q 2021, reflecting an improvement in capital spending by both private and public sectors. By type of asset, growth of M&E investment increased further to 16.4% in 4Q 2021. Meanwhile, investments in structures and other assets declined by 15.5% and 3.1% respectively in 4Q 2021.

(Source: Economic and Financial Developments in the Malaysian Economy in 4Q 2021, Bank Negara Malaysia)

Private investment is projected to register a growth of 2.6% in 2022 in tandem with the Government's move to promote quality investment in high-technology, high value-added, knowledge-intensive and innovation-based industries. Among the high-impact industries are E&E, chemicals, M&E, aerospace and medical devices, which have strong linkages with other domestic industries. In line with the National 4th Industrial Revolution ("4IR") Policy to increase the adoption of smart manufacturing and digitalisation, the Government will continue to focus on investment in smart machinery, automation and robotics, automated guided vehicle, smart logistics, Internet-of-Things and cloud-based services.

(Source: Economic Outlook 2022, Ministry of Finance)

The growth strategy in the 12th Malaysia Plan 2021-2025 ("12MP") for the manufacturing sector will focus on producing high value-added and complex products, especially in the E&E, chemical and chemical products, M&E and aerospace. Meanwhile, avenues for growth along the value chain in the shipbuilding, pharmaceutical and medical devices will be explored. Intensification of high value-added activities in the automotive industry will be supported through the implementation of the NAP 2020. The manufacturing sector will also focus on developing and incorporating key technologies, including IoT, AI, sensor fusion as well as deep and machine learning into manufacturing products, in line with the implementation of the Industry4WRD: National Policy on Industry 4.0 ("Industry4WRD"). The sector also aims to increase the production of advanced critical parts and components locally to reduce imports, which includes using robotics application to cater for increasing demand.

Relevant policies and regulations will also be introduced and reviewed in line with the Industry4WRD framework to support growth in the manufacturing sector. The new Industrial Master Plan which is being formulated will chart the direction of industry, including reinvigorating private investment. Efforts will be undertaken to encourage more domestic direct investment as well as quality foreign direct investments. Additionally, policies and regulations will be instituted to cater to the development of emerging technologies and strengthen intellectual property management and protection. Relevant policies will be reviewed and roadmaps will be developed for the catalytic subsectors, namely E&E, chemical and chemical products, M&E, aerospace, shipbuilding, pharmaceutical and medical devices.

(Source: 12th Malaysia Plan 2021-2025, Economic Planning Unit, Prime Minister's Department)

4.6 Overview and outlook of the SBSR industry

The Malaysian SBSR sub-sector encompass companies that manufacture seagoing vessels and marine equipment, as well as providers of related services including ship repair, design, upgrade/conversion of vessels and maintenance, repair and overhaul.

The 12MP features 'transforming the logistics ecosystem for greater efficiency' as one of the game changers. Digitalisation across the maritime supply chain via integration of 4IR elements are among the strategies that can bring many benefits to the sector. A more efficient ecosystem could be achieved by streamlining operations and facilitating a faster and more accurate data exchange throughout the whole supply chain. There would be minimal need for human interaction, thus reducing human error. In the long term, the digital transition in this sector could lead to an increase in international trade growth.

The digitalisation of the maritime supply chain also comes at an opportune period as the e-commerce rise is at its peak due to in-person restrictions during the COVID-19 pandemic. In addition, port capacity needs to be expanded and improved to take advantage of the current situation to manage a larger container handling capacity. As an ever-growing transshipment base in ASEAN, Malaysia is reviewing strategic plans to expand and upgrade its ports to maintain its competitiveness in the region.

The Government recognises the role of industry players to grow the maritime transport segment towards a more inclusive and mutually beneficial business environment as the essential gateway to international trade, ports and transport services need to be digitalised further and elevated to accelerate Malaysia's global trade. Higher implementation of technologies translates to sustainable outcomes such as greener ports or terminals, consumption of low carbon fuels and predictive alerts that can reduce error and save time.

(Source: Maritime Transport: Accelerating International Trade, Malaysian Investment Development Authority)

4.7 Overview and outlook of the airport concession industry

The recovery in traffic has been slow in 2021 due to international travel restrictions. However, consumer confidence rebounded following the lockdown period in 2020 and accumulated income of consumers supported domestic travel recovery. Global revenue passenger kilometers ("RPKs") are estimated to improve by 18% in 2021, reaching 40% of pre-crisis levels. In 2022, the pace of vaccine rollout and government policies will determine the course of international traffic while domestic travel will remain strong. Global RPKs are forecast to improve by 51% in 2022 reaching 61% of pre-crisis levels. Although rising costs will put pressure on airline financials, real travel costs will be lower than pre-crisis as airlines will target to stimulate demand in re-opening markets. World trade is expected to remain strong in 2022, which will support air cargo volumes.

Industry expectations for both air passenger travel and cargo demand are optimistic based on the latest business confidence surveys. Cargo volumes, which are already above pre-crisis levels, are expected to increase further on the back of capacity improvements as passenger capacity picks up. However, there are still concerns about new COVID-19 waves and uncertainties regarding vaccine progress in some markets.

(Source: Economic Performance of the Airline Industry 2021 End-Year Report, International Air Transport Association)

4.8 Impact of COVID-19 on MEB Group

In 2020, the Group's operation was disrupted by the unprecedented COVID-19 pandemic which saw imposition of global lockdowns by the respective government across the world and global travel restrictions as well as the suspension of certain business activities. In this regard, the Group has undertaken various initiatives which include strict implementation of the Standard Operating Procedures imposed by the relevant authorities as well as MEB's COVID-19 Safe Operating Procedures, regular awareness and prevention circular, implementation of work from home or rotational work basis, regular sanitisation and disinfection and conduct of virtual meetings. The Group will continue to implement additional measures when necessary to help curb the spread of COVID-19 pandemic.

Since the COVID-19 pandemic outbreak in 2020, projects up for tender are low and at competitive pricing due to the COVID-19 pandemic. In addition, some O&G operators have deferred project orders in light of the uncertainty of oil prices. Overall, this slowdown of orders resulted in low order intake for the infrastructure construction segment, cranes and intelligent automation segment and marine SBSR segment of the Group. Notwithstanding that, the order intake in the cranes and intelligent automation segment has improved gradually in 2021.

The COVID-19 pandemic also had an unprecedented impact on the aviation industry where MEB's associate company operates in. The share of associate profit from the airport concession was affected by a fall in the demand for air travel as countries around the world imposed border controls and travel restrictions to prevent the spread of COVID-19.

In this regard, the Board has undertaken various cost cutting measures to address MEB Group's financial condition including a voluntary separation scheme/staff restructuring exercise and salary reduction across all level of management to trim staff operating overhead costs within the Group. In addition, a number of operating units were merged to save overhead and improve efficiency.

With the cost cutting measures and group restructuring exercise, the prospects of the Group as set out in Section 4.9 of this Circular, and the proposed utilisation of the gross proceeds to be raised from the Proposed Rights Issue of Shares as well as global recovery from the pandemic with high vaccination rates, the Board is cautiously optimistic that MEB Group will be able to improve its financial performance in the near future.

4.9 Prospects of MEB Group

MEB is principally engaged in the provision of O&G, marine, infrastructure, civil and structural engineering contract works. Its subsidiaries are involved in the design, manufacture, commission, repair, maintenance and customisation of cranes, offshore supply vessels and anchor handling tugboats for O&G industry. Its associates are mainly involved in international airport concessions in Cambodia and road maintenance concessions in Malaysia. The Group's operating segments are segregated into 4 business segments as summarised below:

Operating segment	Principal activities	Operating countries	Operating industries
Infrastructure construction	Construction of petroleum hub and bunkering facilities, O&G terminals, liquefied natural gas jetty works, marine ports, bridges and dams, airport terminals runway and facility support buildings, heavy concrete foundations and other similar construction works	Malaysia, Qatar and Cambodia	O&G and petrochemical facilities, construction, development and airline support equipment, manufacturing dams, airports terminal and runways, Mass Rapid Transit, Light Railway Transit, bridge and ports
Cranes and intelligent automation	Design, manufacture, supply, trading, leasing and service provider of offshore O&G pedestal cranes, tower cranes, shipyard cranes and other heavy lifting equipment cranes as well as the design, engineering and maintenance services for integrated automation solutions, process analysers and specialised equipment for various industries	Malaysia, Australia, US and Denmark	O&G, renewable energy, infrastructure, high rise buildings, ports, shipyard, multi-purpose cranes for any industry that need lifting solution and automation
Marine SBSR	Design, engineering and building of offshore support vessels including anchor handling tug boats, platform supply vessels, offshore accommodation vessels, utility vessels and other marine vessels to support the offshore O&G upstream activities such as exploration, development, production and abandonment works as well as ship building activities in the building of chemical tanker and oil product tanker for the O&G downstream activities	Malaysia	O&G, coastal transportation, merchant, cargo and bulk carrier, container, port operation, defence, government for geographical research, and fisheries and related industries
Concession	Privatisation of international airports in Cambodia and road maintenance concession in the central region of Peninsular Malaysia	The airport concession is managed in Cambodia and the road maintenance concession are carried out in the central region of Peninsular Malaysia	Airport concession and road maintenance concession

The breakdown of the revenue from MEB Group's operating segments for the past 3 financial years up to the FYE 31 December 2020 and the 9-month FPE 30 September 2021 are set out below:

	<-----Audited FYE 31 December----->						Unaudited 9-month FPE 30 September	
	2018		2019		2020		2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Infrastructure construction	967,344	61.38	818,563	53.24	613,677	51.16	274,783	39.17
Cranes and intelligent automation	530,438	33.65	687,630	44.73	549,811	45.83	408,186	58.19
Marine SBSR	78,314	4.97	31,213	2.03	36,071	3.01	18,538	2.64
Concession ^(a)	-	-	-	-	-	-	-	-
Total	1,576,096	100.00	1,537,406	100.00	1,199,559	100.00	701,507	100.00

Note:

(a) The concession segment of the Group is derived from the share of associates profit.

Based on the above, MEB Group derived more than 95% of its revenue from its infrastructure construction segment and its cranes and intelligent automation segment while its marine SBSR contributed less than 5% to the Group's revenue. For shareholders' information, MEB's cranes and intelligent automation segment is operated under Favelle Favco and its group of companies meanwhile its concession segment is operated by its associate companies. Further details on the prospects and/or future plans of MEB Group are set out below:

i. Infrastructure construction segment

The Group aims to replenish its order book for its infrastructure construction segment on the back of revival of Government projects to be rolled out, Government initiatives and economic stimulus packages for the construction industry. The Group will leverage on its capability, experience and expertise in, amongst others, construction services including building and infrastructure engineering. The growth of its infrastructure construction segment is expected to be supported by a recovery in economic conditions, coupled with improvement in investments in infrastructure, Mass Rapid Transit projects, Light Railway Transit projects, renewable energy or sustainable energy (i.e. hydrogen), new O&G platforms and marine infrastructure projects. On the domestic front, the country's economic and outlook is expected to improve as vaccination progresses, easing of restrictions under the National Recovery Plan and hopeful inclusion of increased public spending and stimulus for infrastructure developments.

As the world transitions to a low-carbon future, technologies to decarbonise fossil fuels and its byproducts will be in higher demand. Given the increasing complexity of extracting hydrocarbon resources and prevailing market volatility, O&G operators are pursuing innovative technologies to enable the monetisation of O&G resources with low or zero carbon emissions. The Malaysian government has climate change targets in place that a part of the country's electricity is to be generated by renewable sources whereby it will need the key players in the country to play a role in meeting that target. While fossil fuel remains core to the global energy mix, major O&G players are redefining their energy offerings by pushing for the increased use of natural gas as a cleaner source of fuel in the energy transition while building capabilities in renewable energy for the sustainability of energy supply.

The Group will continue to explore opportunities in renewable energy generation such as solar energy solutions provider. It will provide end-to-end solar solutions to commercial and industrial assets from the construction to the intelligent automation solutions.

As at the LPD, the Group's total outstanding secured order book in hand for the infrastructure construction segment is approximately RM238 million.

ii. **Cranes and intelligent automation segment**

The Group expects the global O&G demand to return to a decent level as the world slowly but steadily comes out of the COVID-19 pandemic mode. This shall give O&G customers enough visibility to start projects again. The same can be said of high rise construction. As people return to their offices, developers and contractors will have more confidence in investing in equipment.

The global crane market has shifted dramatically to the crane rental segment. With this encouraging growth, the Group continues to penetrate into the crane rental market. The Group expects to invest in its cranes rental fleet albeit at a slower pace to derive a stable revenue. Confidence is rising amongst the Group's customers as order intake continues to flow into its cranes division.

Whilst O&G is anticipated to continue to account for around 50% of global energy demand over the next 10 years, renewable energy, led by wind and solar power will be the fastest growing source of energy. O&G companies, including traditional O&G services and equipment players are now venturing into providing solutions in the renewable energy sector, in an effort to future-proof their portfolios to remain resilient in the low-carbon world.

With the growing trend towards cleaner air and more environmentally friendly industrial plants, Favelle Favco and its intelligent automation division comprising 4 companies, namely Exact Automation Sdn Bhd, Sedia Teguh Sdn Bhd, Exact Analytical Sdn Bhd and Exact Oil & Gas Sdn Bhd (collectively, the "**Exact Group**") are riding on this renewable energy wave with several notable projects. Exact Group has been installing several solar-wind-turbine hybrid solutions for offshore platforms, with the latest systems being installed in Indonesia and Malaysia. Furthermore, Favelle Favco has been involved with supplying tower cranes for onshore wind turbines as well as a recent large offshore crane for offshore wind turbine installation.

The current trend of connecting all devices and machines to the "internet of things" is being coined in industry as Industrial Revolution 4.0 ("**IR4.0**"). The Exact Group will be one of MEB's key pillars in penetrating into IR4.0 related projects with a good team to accelerate its growth in this new area.

These are in line with the Group's growth plan to penetrate into 2 new growth areas, IR4.0 and renewable energy. As such, MEB expects the Exact Group to continue to do reasonably well which largely focus on maintenance revenue and it helps to weather the decline in new projects during the COVID-19 pandemic.

As at the LPD, the Group's total outstanding secured order book in hand for the cranes and intelligent automation segment is approximately RM503 million.

iii. Marine SBSR segment

The recovery of global crude oil prices gives hope of better prospects for the O&G industry. Moving forward, the Group's marine SBSR segment is expected to ride on the renewed demand for new offshore support vessels ("**OSV**") for the O&G industry due to recovery of global crude oil prices and the replacement of ageing fleet of OSVs supporting O&G major operators' deep sea and marginal field platform. This will see a demand within the ship building industry and in turn spur the demand for the Group's OSVs.

As at the LPD, the Group's total outstanding secured order book in hand for the marine SBSR segment is approximately RM24 million.

iv. Concession segment

The airport concessions division operates 3 Cambodia international airports, namely Phnom Penh International Airport, Siem Reap International Airport and Sihanouk International Airport up to year 2040. The COVID-19 pandemic had an unprecedented impact on the aviation industry. The share of associates profit from the airport concession was affected by a fall in the demand for air travel as countries around the world imposed border controls and travel restrictions to prevent the spread of COVID-19. In response, MEB's associate companies had implemented various cost cutting measures to trim overhead costs.

By November 2021, Cambodia has eased its quarantine and travel measures for fully vaccinated arrivals. MEB expects tourism to revive in Cambodia and to see the increase in passenger arrivals and aircraft movements at its Cambodia international airports. The air cargo has been steady over the movement restriction period and it is expected to improve further with increase in air travel.

On the other hand, MEB's road maintenance concession includes routine maintenance, periodic maintenance and emergency works (based on actual work carried out) covering federal roads for the Central and Eastern Zone of Peninsular Malaysia and encompassing the states of Selangor, Pahang, Terengganu and Kelantan for a 10-year period commencing February 2016. It covers a total length of more than 7,263 km of federal road in the Central and Eastern Zone of Peninsular Malaysia.

Moving forward, the Group continues to take appropriate measures and actions in tandem with the economy development. The Group remains steadfast in exploring prospective projects in both the domestic and international markets during this period of uncertainty amid the COVID-19 pandemic and will continue to act aptly in responding to evolving market conditions.

(Source: Management of MEB)

5. EFFECTS OF THE PROPOSED RIGHTS ISSUE OF SHARES

5.1 Issued share capital

The pro forma effects of the Proposed Rights Issue of Shares on the issued share capital of MEB are set out below:

	Minimum Scenario No. of Shares	RM	Maximum Scenario 1 No. of Shares	RM	Maximum Scenario 2 No. of Shares	RM
Issued share capital as at the LPD	485,228,250	306,601,781	485,228,250	306,601,781	485,228,250	306,601,781
Less: Treasury shares, at cost	(1,783,000)	(5,561,528)	(1,783,000)	(5,561,528)	-	-
Assuming all the outstanding Share Options are exercised	-	-	-	-	27,958,000	80,108,761 ^(a)
	483,445,250	301,040,253	483,445,250	301,040,253	513,186,250	386,710,542
Shares to be issued pursuant to the Proposed Rights Issue of Shares	50,265,241	24,232,621 ^(b)	241,722,625	119,961,313 ^(b)	256,593,125 ^(c)	127,396,563 ^(b)
Enlarged issued share capital (excluding treasury shares)	533,710,491	325,272,874	725,167,875	421,001,566	769,779,375	514,107,105

Notes:

- (a) Calculated based on the exercise price of RM2.25 per Share Option and the transfer of the share options reserve of RM17.20 million to share capital assuming all the outstanding Share Options are exercised.
- (b) Calculated based on the indicative issue price of RM0.50 per Rights Share, which represents a discount of approximately 15.68% to the TERP of RM0.5930 calculated based on the 5-day VWAP of MEB Shares up to and including the LPD of RM0.6395, and after deducting estimated expenses of RM900,000 in relation to the Proposed Rights Issue of Shares.
- (c) For the avoidance of doubt, the aforementioned maximum number of Rights Shares which may be issued pursuant to the Proposed Rights Issue of Shares is less than the maximum number of 256,914,625 Rights Shares approved by Bursa Securities for the listing and quotation on the Main Market of Bursa Securities, arising from the forfeiture of 321,500 Share Options due to the retirement of directors of subsidiaries of the Group which resulted in the reduction of the number of outstanding Share Options to 27,958,000 Share Options as at the LPD as compared to 28,601,000 Share Options as at the date of the Company's application to Bursa Securities for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities.

5.2 NA per MEB Share and gearing

Based on the latest audited consolidated statements of financial position of MEB Group as at 31 December 2020, the pro forma effects of the Proposed Rights Issue of Shares on the NA per MEB Share and gearing of the Group are set out below:

Minimum Scenario

	Audited as at 31 December 2020 RM'000	After the Proposed Rights Issue of Shares RM'000
Share capital	306,602	330,834 ^(a)
Less: Treasury shares, at cost	(5,561)	(5,561)
Revaluation reserve	310,018	310,018
Capital reserve	5,237	5,237
Share options reserve	20,566	20,566
Translation reserve	61,317	61,317
Retained earnings	388,497	388,497
Shareholders' funds/NA	1,086,676	1,110,908
No. of Shares in issue (excluding treasury shares) ('000)	483,445	533,710
NA per Share (RM)	2.25	2.08
Gross interest-bearing borrowings (RM'000)	1,195,499	1,171,266 ^(b)
Gross gearing ratio (times)	1.10	1.05
Cash and bank balances (RM'000)	628,418	628,418
Net interest-bearing borrowings (RM'000)	567,081	542,848
Net gearing ratio (times)	0.52	0.49

Notes:

(a) After deducting estimated expenses of RM900,000 in relation to the Proposed Rights Issue of Shares.

(b) For illustrative purposes, assuming the proceeds earmarked for the partial repayment of interest-bearing borrowings amounting to RM24.23 million is utilised at this juncture.

Maximum Scenario 1

	Audited as at 31 December 2020 RM'000	After the Proposed Rights Issue of Shares RM'000
Share capital	306,602	426,563 ^(a)
Less: Treasury shares, at cost	(5,561)	(5,561)
Revaluation reserve	310,018	310,018
Capital reserve	5,237	5,237
Share options reserve	20,566	20,566
Translation reserve	61,317	61,317
Retained earnings	388,497	388,497
Shareholders' funds/NA	1,086,676	1,206,637
No. of Shares in issue (excluding treasury shares) ('000)	483,445	725,168
NA per Share (RM)	2.25	1.66
Gross interest-bearing borrowings (RM'000)	1,195,499	1,098,810 ^(b)
Gross gearing ratio (times)	1.10	0.91
Cash and bank balances (RM'000)	628,418	651,690 ^(c)
Net interest-bearing borrowings (RM'000)	567,081	447,120
Net gearing ratio (times)	0.52	0.37

Notes:

- (a) After deducting estimated expenses of RM900,000 in relation to the Proposed Rights Issue of Shares.
- (b) For illustrative purposes, assuming the proceeds earmarked for the partial repayment of interest-bearing borrowings amounting to RM96.69 million is utilised at this juncture.
- (c) For illustration purposes, assuming the proceeds earmarked for working capital requirements of RM23.27 million is pending utilisation at this juncture.

Maximum Scenario 2

	I	II
	Assuming all the treasury shares are resold and all the outstanding Share Options are exercised RM'000	After I and the Proposed Rights Issue of Shares RM'000
	Audited as at 31 December 2020 RM'000	
Share capital	306,602	514,108 ^(c)
Less: Treasury shares, at cost	(5,561)	-
Revaluation reserve	310,018	310,018
Capital reserve	5,237	5,237
Share options reserve	20,566	3,363
Translation reserve	61,317	61,317
Retained earnings	388,497	388,497
Shareholders' funds/NA	1,086,676	1,282,540
No. of Shares in issue (excluding treasury shares) ('000)	483,445	769,779
NA per Share (RM)	2.25	1.67
Gross interest-bearing borrowings (RM'000)	1,195,499	1,098,810 ^(d)
Gross gearing ratio (times)	1.10	0.86
Cash and bank balances (RM'000)	628,418	727,593 ^(e)
Net interest-bearing borrowings (RM'000)	567,081	371,217
Net gearing ratio (times)	0.52	0.29

Notes:

- (a) Assuming all the outstanding Share Options are exercised at the exercise price of RM2.25 per Share Option and the transfer of the share options reserve of RM17.20 million to share capital. For the avoidance of doubt, the balance share options reserve of RM3.36 million pertains to Favelle Favco's existing share issuance scheme.
- (b) After including the cash amount of approximately RM5.56 million assuming all the treasury shares are resold at the open market at their respective acquisition prices and the cash amount of approximately RM62.91 million assuming all the outstanding Share Options are exercised at the exercise price of RM2.25 per Share Option.
- (c) After deducting estimated expenses of RM900,000 in relation to the Proposed Rights Issue of Shares.
- (d) For illustrative purposes, assuming the proceeds earmarked for the partial repayment of interest-bearing borrowings amounting to RM96.69 million is utilised at this juncture.
- (e) For illustration purposes, assuming the proceeds earmarked for working capital requirements of RM30.71 million is pending utilisation at this juncture.

5.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Rights Issue of Shares on the substantial shareholders' shareholdings of MEB are set out below:

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD		After the Proposed Rights Issue of Shares	
	Direct No. of Shares	Indirect % No. of Shares	Direct No. of Shares	Indirect % No. of Shares
Mac Ngan Boon @ Mac Yin Boon	74,201,416	15.35	111,302,124	20.85
Pandanus Associates Inc.	-	-	42,649,900 ^(a)	8.82
FIL Limited	-	-	42,649,900 ^(b)	8.82
FIL Asia Holdings Pte. Limited	-	-	42,600,000 ^(b)	8.81
FIL Investment Management (Hong Kong) Limited	-	-	42,600,000 ^(c)	8.81
Fidelity Funds	32,318,100	6.68	32,318,100	6.06

Notes:

- (a) Deemed interest arising from the interest held by one or more funds managed by the subsidiaries of FIL Limited, by virtue of its shareholdings in FIL Limited.
- (b) Deemed interest arising from the interest held by one or more funds managed by its subsidiaries.
- (c) Deemed interest arising from the interest held by one or more funds managed by FIL Investment Management (Hong Kong) Limited.

Maximum Scenario 1

Substantial shareholders	Shareholdings as at the LPD		After the Proposed Rights Issue of Shares	
	Direct No. of Shares	Indirect % No. of Shares	Direct No. of Shares	Indirect % No. of Shares
Mac Ngan Boon @ Mac Yin Boon	74,201,416	15.35	111,302,124	15.35
Pandanus Associates Inc.	-	42,649,900 ^(a)	-	63,974,850 ^(a)
FIL Limited	-	42,649,900 ^(b)	-	63,974,850 ^(b)
FIL Asia Holdings Pte. Limited	-	42,600,000 ^(b)	-	63,900,000 ^(b)
FIL Investment Management (Hong Kong) Limited	-	42,600,000 ^(c)	-	63,900,000 ^(c)
Fidelity Funds	32,318,100	6.68	48,477,150	6.68

Notes:

- (a) Deemed interest arising from the interest held by one or more funds managed by the subsidiaries of FIL Limited, by virtue of its shareholdings in FIL Limited.
- (b) Deemed interest arising from the interest held by one or more funds managed by its subsidiaries.
- (c) Deemed interest arising from the interest held by one or more funds managed by FIL Investment Management (Hong Kong) Limited.

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Maximum Scenario 2

Substantial shareholders	I						II					
	Shareholdings as at the LPD			Assuming all the treasury shares are resold and all the outstanding Share Options are exercised			After I and the Proposed Rights Issue of Shares			After I and the Proposed Rights Issue of Shares		
	Direct	%	No. of Shares	Indirect	%	No. of Shares	Direct	%	No. of Shares	Indirect	%	No. of Shares
Mac Ngan Boon @ Mac Yin Boon	74,201,416	15.35	-	-	77,001,416 ^(d)	15.00	-	-	115,502,124	15.00	-	-
Pandanus Associates Inc.	-	-	42,649,900 ^(a)	8.82	-	42,649,900 ^(a)	8.31	-	-	-	63,974,850 ^(a)	8.31
FIL Limited	-	-	42,649,900 ^(b)	8.82	-	42,649,900 ^(b)	8.31	-	-	-	63,974,850 ^(b)	8.31
FIL Asia Holdings Pte. Limited	-	-	42,600,000 ^(b)	8.81	-	42,600,000 ^(b)	8.30	-	-	-	63,900,000 ^(b)	8.30
FIL Investment Management (Hong Kong) Limited	-	-	42,600,000 ^(c)	8.81	-	42,600,000 ^(c)	8.30	-	-	-	63,900,000 ^(c)	8.30
Fidelity Funds	32,318,100	6.68	-	-	32,318,100	6.30	-	-	48,477,150	6.30	-	-

Notes:

- Deemed interest arising from the interest held by one or more funds managed by the subsidiaries of FIL Limited, by virtue of its shareholdings in FIL Limited.
- Deemed interest arising from the interest held by one or more funds managed by its subsidiaries.
- Deemed interest arising from the interest held by one or more funds managed by FIL Investment Management (Hong Kong) Limited.
- Mac Ngan Boon @ Mac Yin Boon holds 2,800,000 Share Options as at the LPD. Pursuant to his Undertaking, he will subscribe for his additional entitlement in the event he exercises his Share Options into new MEB Shares prior to the Entitlement Date.

5.4 Earnings/loss per MEB Share

The Proposed Rights Issue of Shares is expected to be completed by the 2nd quarter of 2022 and it is not expected to have any material effect on the consolidated earnings of MEB Group (save for the interest cost savings arising from the partial repayment of interest-bearing borrowings) for the FYE 31 December 2022. However, the consolidated EPS/LPS of the Group may be diluted as a result of the increase in the number of MEB Shares pursuant to the issuance of the Rights Shares. Nevertheless, the utilisation of proceeds from the Proposed Rights Issue of Shares may contribute positively to the future earnings of the Group.

Based on the latest audited consolidated financial statements of MEB for the FYE 31 December 2020, the pro forma effects of the Proposed Rights Issue of Shares on the consolidated LPS of the Group assuming the Proposed Rights Issue of Shares had been completed at the beginning of the FYE 31 December 2020 are set out below:

Minimum Scenario

	Audited as at 31 December 2020 RM'000	I After the Proposed Rights Issue of Shares RM'000
Loss after tax attributable to owners of the Company (RM'000)	(123,000)	(122,241) ^(a)
Weighted average no. of MEB Shares in issue (excluding treasury shares) ('000)	483,443	533,708
Basic LPS (sen)	(25.44)	(22.90)

Note:

(a) After including the interest cost savings arising from the partial repayment of interest-bearing borrowings of approximately RM0.76 million.

Maximum Scenario 1

	Audited as at 31 December 2020 RM'000	I After the Proposed Rights Issue of Shares RM'000
Loss after tax attributable to owners of the Company (RM'000)	(123,000)	(119,971) ^(a)
Weighted average no. of MEB Shares in issue (excluding treasury shares) ('000)	483,443	725,166
Basic LPS (sen)	(25.44)	(16.54)

Note:

(a) After including the interest cost savings arising from the partial repayment of interest-bearing borrowings of approximately RM3.03 million.

Maximum Scenario 2

	Audited as at 31 December 2020 RM'000	I Assuming all the treasury shares are resold and all the outstanding Share Options are exercised RM'000	II After I and the Proposed Rights Issue of Shares RM'000
Loss after tax attributable to owners of the Company (RM'000)	(123,000)	(123,000)	(119,971) ^(a)
Weighted average no. of MEB Shares in issue (excluding treasury shares) ('000)	483,443	513,184	769,777
Basic LPS (sen)	(25.44)	(23.97)	(15.59)

Note:

(a) After including the interest cost savings arising from the partial repayment of interest-bearing borrowings of approximately RM3.03 million.

5.5 Convertible securities

As at the LPD, MEB does not have any convertible securities in issue.

The Proposed Rights Issue of Shares may give rise to adjustments to the exercise price and/or the number of new MEB Shares comprised in the outstanding Share Options held by each holder of the Share Options pursuant to the by-laws governing the existing employees' share issuance scheme of the Company ("**By-Laws**").

Any adjustment which is required will be made in accordance with the provisions of the By-Laws to mitigate any potential equity dilution resulting from the Proposed Rights Issue of Shares and to ensure that the status of the holders of the outstanding Share Options are not prejudiced after the completion of the Proposed Rights Issue of Shares. Any such adjustment will only be finalised on the Entitlement Date. In addition, a written notification will be despatched to the holders of the outstanding Share Options in the event of any such adjustment.

For illustration purposes, any adjustments to the exercise price and/or the number of new MEB Shares comprised in the outstanding Share Options held is based on the following formulas:

i) New exercise price of Share Options:

$$S \quad x \quad \frac{C - D^{(a)}}{C}$$

Note:

$$(a) \quad D \quad = \quad \frac{C - E}{F + 1}$$

- ii) Additional number of new MEB Shares comprised in the outstanding Share Options held:

$$T \times \frac{C}{C - D^{*(a)}} - T$$

Note:

$$(a) \quad D^* = \frac{C - E^*}{F^* + 1}$$

where:

S = Existing exercise price of Share Options

T = Existing number of Shares comprised in the Share Options held

C = 5-day VWAP up to and including the Market Day immediately preceding the announcement of the Proposed Rights Issue of Shares

*D/D** = Value of rights attributable to 1 Share

*E/E** = Issue price of Rights Shares

*F/F** = No. of Shares which is necessary to hold in order to subscribe for 1 additional Share

6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of MEB Shares as traded on Bursa Securities for the past 12 months from February 2021 to January 2022 are set out below:

	High RM	Low RM
2021		
February	0.985	0.800
March	1.210	0.895
April	1.120	1.000
May	1.030	0.880
June	1.070	0.925
July	0.945	0.890
August	0.950	0.870
September	0.995	0.880
October	1.030	0.885
November	0.955	0.810
December	0.850	0.800

2022

January	0.860	0.550
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Last transacted market price on 7 January 2022
(being the last trading day prior to the announcement of the Proposed Rights Issue of Shares on 10 January 2022) RM0.845

Last transacted market price on the LPD RM0.605

(Source: Bloomberg)

7. APPROVALS REQUIRED/OBTAINED FOR THE PROPOSED RIGHTS ISSUE OF SHARES

The Proposed Rights Issue of Shares is subject to the following approvals being obtained:

- i. Bursa Securities, for the listing and quotation of up to 256,914,625 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares on the Main Market of Bursa Securities which was obtained vide its letter dated 27 January 2022, subject to the following conditions:

No.	Condition	Status of compliance
(i)	MEB and RHBIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue of Shares;	Noted.
(ii)	MEB and RHBIB to inform Bursa Securities upon the completion of the Proposed Rights Issue of Shares;	To be complied.
(iii)	RHBIB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of Shares is completed; and	To be complied.
(iv)	RHBIB to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Rights Issue of Shares.	To be complied.

- ii. the shareholders of MEB, for the Proposed Rights Issue of Shares at the forthcoming EGM by way of poll; and

- iii. any other relevant authorities and/or parties, if required.

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

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

None of the Directors, major shareholder and/or chief executive of MEB and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Rights Issue of Shares, save from their respective entitlements, if any, as shareholders of MEB under the Proposed Rights Issue of Shares which are available to all Entitled Shareholders on a pro rata basis, including their right to subscribe for additional Rights Shares via the excess application, to which all shareholders of MEB are similarly entitled.

9. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals from the relevant authorities and parties being obtained, the Proposed Rights Issue of Shares is expected to be completed by the 2nd quarter of 2022.

The tentative timetable for the implementation of the Proposed Rights Issue of Shares is set out below:

Date/Month	Events
7 March 2022	<ul style="list-style-type: none">• Convening of EGM to obtain the approval from the shareholders of MEB for the Proposed Rights Issue of Shares
Mid March 2022	<ul style="list-style-type: none">• Announcement on the final issue price of the Rights Shares• Announcement on the Entitlement Date for the Rights Shares
End March 2022	<ul style="list-style-type: none">• Entitlement Date for the Rights Shares• Issuance of the abridged prospectus in relation to the Proposed Rights Issue of Shares
End April 2022	<ul style="list-style-type: none">• Listing and quotation of the Rights Shares on the Main Market of Bursa Securities• Completion of the Proposed Rights Issue of Shares

10. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Rights Issue of Shares, there is no corporate exercise which has been announced by the Company but not yet completed as at the date of this Circular.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Rights Issue of Shares, including the rationale and justification for the Proposed Rights Issue of Shares, the pro forma effects of the Proposed Rights Issue of Shares as well as the proposed utilisation of proceeds to be raised from the Proposed Rights Issue of Shares, is of the opinion that the Proposed Rights Issue of Shares is in the best interests of the Company.

Accordingly, the Board recommends that you **vote in favour** of the resolution pertaining to the Proposed Rights Issue of Shares to be tabled at the forthcoming EGM.

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted as a fully virtual meeting entirely through live streaming from the online meeting platform using the Remote Participation and Voting facilities provided by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd via the TIH Online website at <https://tiah.online> on Monday, 7 March 2022 at 11.00 a.m., for the purpose of considering and if thought fit, passing the resolution to give effect to the Proposed Rights Issue of Shares. Please refer to the Administrative Notes for the EGM available at the Company's website at <http://muhibbah.com.my> or Bursa Malaysia Securities Berhad's website at <https://www.bursamalaysia.com> on registration, participation, speaking and voting remotely at the EGM.

If you are unable to attend, participate, speak and vote remotely at the forthcoming EGM, you may appoint a proxy(ies) to do so by completing and depositing the enclosed Proxy Form in accordance with the instructions therein at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the EGM. You can also lodge the Proxy Form electronically via the TIIH Online website at <https://tiih.online>. The last day and time for lodging the Proxy Form is Saturday, 5 March 2022 at 11.00 a.m. The lodging of the Proxy Form will not preclude you from attending, participating, speaking and voting remotely at the forthcoming EGM, should you subsequently wish to do so.

13. ADDITIONAL INFORMATION

You are advised to refer to the attached appendices for additional information.

Yours faithfully,
For and on behalf of the Board
MUHIBBAH ENGINEERING (M) BHD

MAC NGAN BOON @ MAC YIN BOON
Group Managing Director

HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of MEB for the past 3 financial years up to the FYE December 2020 and the unaudited consolidated financial information of MEB for the 9-month FPE 30 September 2021 are set out below:

	<----Audited FYE 31 December---->			Unaudited 9-month	
	2018	2019	2020	FPE 30 September 2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,576,096	1,537,406	1,199,559	832,352	701,507
Segmental breakdown:					
- Infrastructure construction	967,344	818,563	613,677	439,055	274,783
- Cranes and intelligent automation	530,438	687,630	549,811	369,485	408,186
- Marine SBSR	78,314	31,213	36,071	23,815	18,538
- Concession ^(a)	-	-	-	-	-
Gross profit	281,710	183,489	167,246	101,580	122,350
Profit before tax ("PBT")/Loss before tax ("LBT")	273,829	156,021	(56,204)	(24,093)	18,201
Profit after tax/Loss after tax	231,549	116,860	(84,108)	(40,357)	8,316
Profit/Loss for the financial year/period attributable to:					
- Owners of the Company	144,800	34,884	(123,000)	(62,779)	7,770
- Non-controlling interests	86,749	81,976	38,892	22,422	546
Net profit/loss for the financial year/period	231,549	116,860	(84,108)	(40,357)	8,316
Weighted average no. of MEB Shares in issue (excluding treasury shares) ('000)					
- Basic	480,757	482,586	483,443	483,386	483,445
- Diluted	489,410	487,621	483,443	483,386	483,445
Earnings/Loss per Share (sen) ^(b)					
- Basic	30.12	7.23	(25.44)	(12.99)	1.61
- Diluted	29.59	7.15	(25.44)	(12.99)	1.61
Equity attributable to the owners of the Company/NA	1,120,435	1,113,001	1,086,676	1,051,739	1,113,586
No. of MEB Shares (excluding treasury shares) ('000)	481,669	483,385	483,445	483,445	483,445
NA per MEB Share (sen) ^(c)	2.33	2.30	2.25	2.18	2.30
Gross interest-bearing borrowings	1,038,755	1,240,554	1,195,499	1,127,469	1,006,183
Gross gearing ratio (times) ^(d)	0.93	1.11	1.10	1.07	0.90
Cash and bank balances	591,271	604,994	628,418	541,326	448,181
Net interest-bearing borrowings	447,484	635,560	567,081	586,143	558,002
Net gearing ratio (times) ^(d)	0.40	0.57	0.52	0.56	0.50

Notes:

- (a) The concession segment of the Group is derived from the share of associates profit.
- (b) Calculated based on the earnings/loss attributable to the owners of the Company over the weighted average number of MEB Shares in issue (excluding treasury shares) for the respective financial year/period.
- (c) Calculated based on the NA over the number of MEB Shares in issue (excluding treasury shares).
- (d) Calculated based on the interest-bearing borrowings over the NA.

HISTORICAL FINANCIAL INFORMATION (CONT'D)

i. Commentary of the financial performance for the FYE 31 December 2019

For the FYE 31 December 2019, MEB Group recorded a lower revenue of RM1,537.41 million, representing a decrease of RM38.69 million or 2.45% as compared to the FYE 31 December 2018 of RM1,576.10 million. The decrease in revenue for the FYE 31 December 2019 was mainly attributable to the following:

- (a) lower revenue contribution from the infrastructure construction segment which decreased by RM148.78 million or 15.38%, mainly due to lower order book secured during the FYE 31 December 2019;
- (b) offset by higher revenue contribution from the cranes and intelligent automation segment which increased by RM157.19 million or 29.63%, mainly due to higher revenue from the intelligent automation division of RM85.25 million and construction of cranes from overseas; and
- (c) lower revenue contribution from the marine SBSR segment which decreased by RM47.10 million or 60.14%, mainly due to lower order book secured during the FYE 31 December 2019.

MEB Group recorded a lower PBT of RM156.02 million for the FYE 31 December 2019 representing a decrease of RM117.81 million or 43.02% as compared to FYE 31 December 2018 of RM273.83 million. This is mainly attributable to the decrease in revenue by RM38.69 million and higher cost of sales for the FYE 31 December 2019 of RM59.53 million as compared to the FYE 31 December 2018. The increase in the cost of sales for the FYE 31 December 2019 was mainly attributable to additional costs incurred on a Middle East project that experienced unexpected adverse soil conditions and a RAPID construction project in Malaysia.

ii. Commentary of the financial performance for the FYE 31 December 2020

For the FYE 31 December 2020, MEB Group recorded a lower revenue of RM1,199.56 million, representing a decrease of RM337.85 million or 21.98% as compared to the FYE 31 December 2019 of RM1,537.41 million. The decrease in revenue for the FYE 31 December 2020 was mainly attributable to the following:

- (a) lower revenue contribution from the infrastructure construction segment which decreased by RM204.89 million or 25.03%, mainly due to lower order book secured during the COVID-19 pandemic;
- (b) lower revenue contribution from the cranes and intelligent automation segment which decreased by RM137.82 million or 20.04%, mainly due to lower revenue from construction of cranes during the Movement Control Order implemented during the COVID-19 pandemic; and
- (c) offset by higher revenue contribution from the marine SBSR segment which increased by RM4.86 million or 15.56%, mainly due to increase in ship repair works.

HISTORICAL FINANCIAL INFORMATION (CONT'D)

MEB Group recorded a LBT of RM56.20 million for the FYE 31 December 2020 as compared to the PBT of RM 156.02 million for the FYE 31 December 2019. This is mainly attributable to the following:

- (a) the sharp decline in contribution from the share of associates profit from MEB's Cambodia airport concession of RM14.30 million for the FYE 31 December 2020 as compared to the preceding financial year of RM164.38 million for the FYE 31 December 2019 mainly due to the unprecedented impact arising from COVID-19 pandemic on the aviation industry where MEB's 3 Cambodia airports faced the crisis of a sudden fall in the demand for air travel as countries around the world imposed border controls and travel restrictions to curb the spread of the COVID-19;
- (b) the decrease in gross profit by RM16.24 million, mainly due to the decrease in the revenue recorded by the Group for the FYE 31 December 2020 by RM337.85 million. The lower revenue is due to the progress of many projects and cranes manufacturing orders were slow down and affected by the Movement Control Order implemented during the COVID-19 pandemic in FYE 31 December 2020;
- (c) there was an one-off exceptional provision for impairment of the Group's vessels, plant and equipment of RM43.40 million and costs incurred for voluntary separation scheme/ staff restructuring exercise to streamline operational costs of RM13.10 million for the FYE 31 December 2020;
- (d) the increase in impairment of financial assets and contract assets by RM21.18 million under accounting standards to cater for slower collection of debts.

iii. Commentary of the financial performance for the 9-month FPE 30 September 2021

For the 9-month FPE 30 September 2021, MEB Group recorded a lower revenue of RM701.51 million, representing a decrease of RM130.85 million or 15.72% as compared to the 9-month FPE 30 September 2020 of RM832.35 million. The decrease in revenue for the 9-month FPE 30 September 2021 was mainly attributable to the following:

- (a) lower revenue contribution from the infrastructure construction segment which decreased by RM164.27 million or 37.41%, mainly due to substantial completion of project and lower order book secured during the COVID-19 pandemic;
- (b) offset by higher revenue contribution from the cranes and intelligent automation segment which increased by RM38.70 million or 10.47%, mainly due to higher order book secured. The cranes division has seen recovery in order book with global oil price return to above USD 60 per barrel as well as the opening up of economy in the western countries with high vaccination rate; and
- (c) lower revenue contribution from the marine SBSR segment which decreased by RM5.28 million or 22.16%, mainly due to lower turnover from boat charterer business.

MEB Group recorded a PBT of RM18.20 million for the 9-month FPE 30 September 2021 as compared to the LBT of RM24.09 million for the 9-month FPE 30 September 2020. This is mainly attributable to the following:

- (a) the increase in infrastructure construction segment profit contribution by RM70.51 million for the 9-month FPE 30 September 2021 due to improve in project profit margin with the finalisation of variation orders and claims for various projects as well as the increase in the net foreign exchange gain for trade transactions; coupled with lower expenses mainly the one off exceptional provision for staff voluntary separation scheme/ staff restructuring exercise of RM9.10 million in the 9-month FPE 30 September 2020;

HISTORICAL FINANCIAL INFORMATION (CONT'D)

- (b) the increase in PBT contribution from the cranes and intelligent automation segment to MEB Group by RM6.13 million for the 9-month FPE 30 September 2021 mainly due to higher order book secured, partially offset by the one off exceptional provision for staff voluntary separation scheme/ staff restructuring exercise of RM4.00 million in the 9-month FPE 30 September 2020;
- (c) offset by the increase in LBT contribution from the marine SBSR segment by RM6.96 million for the 9-month FPE 30 September 2021 mainly due to lower turnover from boat charterer business; and
- (d) offset by the increase of share of airport concession associates loss of by RM27.39 million to RM18.78 million for the 9-month FPE 30 September 2021 as compared to the share of airport concession associate profit of RM8.91 million for the 9-month FPE 30 September 2020, mainly due to share of associates loss from Cambodia Airport Concession associate in 2021 resulted from lower passengers' arrival due to travel ban and strict travelling measures during the 1st and 2nd quarters of 2021 in view of the surge of COVID-19 cases in Cambodia. The Cambodia government has since 15 November 2021 re-opened its border and the Cambodia Airports re-opened for international passengers.

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ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accepts full responsibility for the accuracy of the information given herein. The Board hereby confirms that, after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

RHBIB, being the Principal Adviser to MEB for the Proposed Rights Issue of Shares, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

RHBIB, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad ("**RHB Bank**"), and the subsidiaries and associated companies of RHB Bank ("**RHB Banking Group**") form a diversified financial group. RHB Banking Group may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for the Company and/or its affiliates, in addition to the role as set out in this Circular. RHB Banking Group, its directors and major shareholders may from time to time hold or deal in the securities of the Company and/or its affiliates for their own accounts or their proprietary accounts.

Furthermore, in the ordinary course of business, RHB Banking Group may at any time offer or provide its services or engage in any transactions (whether on its own account or otherwise) with the Company and/or affiliates and/or any other entity or person, hold long or short positions in the securities offered by the Company and/or its affiliates, make investments recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of the Company and/or its affiliates.

The business of RHB Banking Group generally act independently of each other, and accordingly, there may be situations where parts of RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the said regulations issued by the relevant authorities governing its advisory business, which require, amongst others, segregation between dealing and advisory activities and Chinese Wall between different business divisions.

As at the LPD, RHB Banking Group had extended credit facilities amounting to RM630.50 million ("**Credit Facilities**") (with an amount of approximately RM335.44 million outstanding) to MEB Group. The Credit Facilities represent approximately 2.33% of the audited consolidated NA of RHB Bank of approximately RM27.02 billion as at 31 December 2020.

ADDITIONAL INFORMATION (CONT'D)

Notwithstanding the above, RHBIB is of the opinion that concerns of any potential conflict of interest that exists or is likely to exist in relation to its capacity as the Principal Adviser to MEB for the Proposed Rights Issue of Shares is mitigated by the following:

- (a) RHBIB is a licensed investment bank and its appointment as the Principal Adviser to MEB for the Proposed Rights Issue of Shares is in the ordinary course of its business and RHBIB does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Principal Adviser to MEB for the Proposed Rights Issue of Shares;
- (b) the Credit Facilities were approved by RHB Banking Group's relevant credit committee and granted on an arm's length basis and is not material when compared to the audited consolidated NA of RHB Bank of approximately RM27.02 billion as at 31 December 2020;
- (c) the Corporate Finance division of RHBIB is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, amongst others, the establishment of Chinese Wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and
- (d) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and RHB Banking Group's own internal controls which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

As at the LPD, save as disclosed above, RHBIB confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to MEB for the Proposed Rights Issue of Shares.

3. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, there is no material commitment incurred or known to be incurred by the Group which may have a material impact on the financial results/position of the Group:

Capital commitments	RM'000
Contracted for:	
<ul style="list-style-type: none"> • Property, plant and equipment 	13,041

4. CONTINGENT LIABILITIES

As at the LPD, there is no contingent liability incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results/position of the Group.

ADDITIONAL INFORMATION (CONT'D)

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any 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 financial position or business of the Group:

A(i) MEB v Ketua Pengarah Hasil Dalam Negeri ("KPHDN")

MEB filed an application on 29 January 2020 for a judicial review to Kuala Lumpur High Court ("**KLHC**") for an order to quash the notices of assessment for the years of assessment 2015 and 2016 for an additional tax liability amounting to RM11,993,408.46 and the notification of non-chargeability for year of assessment 2017 raised by KPHDN ("**Judicial Review Application**"), whereby KPHDN disallowed deduction for project cost incurred and accrued by MEB at respective year end, and unilaterally added back those accrued cost to the total estimated projects profit and hence increased the overall profit margin of projects. This application was dismissed on 27 July 2020 by the KLHC.

MEB appealed to the Court of Appeal and the appeal and stay were allowed by the Court of Appeal on 19 July 2021. The matter was then remitted to the High Court for the substantive Judicial Review hearing which has been fixed on 12 April 2022.

On 18 August 2021, KPHDN filed a leave to appeal to the Federal Court and that leave hearing took place on 31 January 2022. The Federal Court allowed leave for the matter to go on to the substantive stage. The date for the substantive hearing at the Federal Court has not been fixed yet.

Concurrently, MEB had on 13 February 2020 filed an appeal under section 99 of the Income Tax Act 1967 to Special Commissioners of Income Tax ("**SCIT**") to quash these notices of assessment. The case management before the SCIT has been fixed on 9 March 2022.

The solicitors acting for MEB are of the view that there is a good chance that MEB's appeal will be allowed.

A(ii) Muhibbah Marine Engineering Sdn Bhd ("MMESB") v KPHDN

A wholly-owned subsidiary of MEB, MMESB's application on 29 January 2020 for a judicial review to KLHC for an order to quash the notices of assessment for the years of assessment 2015 and 2016 for an additional tax liability amounting to RM10,979,764.96 raised by KPHDN due to group tax relief being not allowed, was dismissed on 16 December 2020 by the KLHC ("**High Court Decision**").

MMESB then filed for a stay and appealed against the High Court Decision ("**Appeal**"). The Court of Appeal allowed the stay application and case management has been fixed on 8 March 2022 for the Appeal.

Concurrently, MMESB had on 13 February 2020 filed an appeal under Section 99 of the Income Tax Act 1967 to SCIT to quash these notices of assessment. The case management for the SCIT has been fixed on 21 February 2022.

The solicitors acting for MMESB are of the view that there is a good chance that MMESB's appeal will be allowed.

ADDITIONAL INFORMATION (CONT'D)

B(i) MEB v TTCL Malaysia Sdn Bhd ("TTML")

On 11 September 2019, MEB commenced arbitration proceedings against TTML in Kuala Lumpur for the total amount of approximately RM157.3 million (excluding interest) for amongst others, breach and wrongful termination of a contract dated 26 June 2015 to construct and complete the civil, concrete and building works for offsite areas for a project known as the Rapid Steam Cracker Complex Project in Pengerang, Johor ("**TTML Contract**").

TTML raised a counterclaim of approximately RM28 million for alleged overpayments, back-charges and loss and expenses due to MEB's alleged breaches under the TTML Contract.

MEB had on 9 November 2021 filed an amended reply to defence and defence to the counterclaim. Evidential hearing has been fixed to be held between August 2022 and November 2022.

The solicitors acting for MEB informed that they will be in a better position to advise on the probable financial outcome after having reviewed and analysed all the relevant documents which are still being exchanged at this stage.

B(ii) MEB v TTCL Public Company Limited ("TTCL")

Arising from the claim under item B(i) above, on 14 September 2020, MEB filed an action against TTML's parent company, TTCL in South Bangkok Civil Court to, amongst others, enforce the parent company guarantee ("**PCG**") dated 28 July 2015 issued in favour of MEB. The total claim amount is approximately RM172 million (including interest as at the date of filing of action on 14 September 2020).

TTCL filed their defence and also filed a petition to dismiss MEB's action. MEB is opposing the application and the hearing for the petition has been fixed on 18 February 2022.

The solicitors acting for MEB are of the view that MEB will be successful in objecting to TTCL's petition for dismissal.

C(i) Syrian Civil Aviation Authority ("SCAA") v MEB

On 7 February 2016, SCAA filed a suit against MEB for the sum of approximately EURO 33 million at the Administrative Jurisdiction Court of Syria ("**AJC**") alleging, amongst others, breach of a contract agreement dated 22 January 2008 entered into between MEB and SCAA ("**Contract**") wherein MEB was appointed by SCAA to execute the rehabilitation and upgrading of the existing passenger terminal building, road, car parks and parking apron at Damascus International Airport, Syrian Arab Republic ("**Work**") and outstanding payments for remaining rehabilitation Work undertaken by SCAA after the termination of the Contract.

On 14 December 2021, the AJC made a decision for an arbitration to be held in Damascus to resolve the parties' dispute ("**AJC Decision**").

On 1 February 2022, MEB filed an appeal against the AJC Decision at the Supreme Administrative Court. The next session of the appeal before the court has been fixed on 16 February 2022.

ADDITIONAL INFORMATION (CONT'D)

C(ii) MEB v Government of Syrian Arab Republic (represented by the Ministry of Transport, Syrian Arab Republic – The Syrian Civil Aviation Authority) ("SCAA")

On 19 September 2019, MEB issued a request for arbitration pursuant to Dubai International Arbitration Centre ("**DIAC**") Rules of Arbitration against SCAA in accordance with the terms of the contract. The dispute arises from the same subject matter as stated in item C(i) above. Under the request for arbitration, MEB is seeking for, amongst others, wrongful termination and payment for the sum of approximately EURO 25 million from SCAA.

A hearing was held on 9 November 2021 to resolve preliminary matters including the Respondent's objection to DIAC's jurisdiction. As at the LPD, the decision is pending.

The solicitors acting for MEB informed that it is too preliminary to form an opinion as the arbitration is at a preliminary stage.

D. Letter of Demand from Bakun Hydro Power Generation Sdn Bhd ("Bakun") to BEM1-C Contract Consortium members, of which MEB is a member

On 8 October 2021, Bakun had issued a letter of demand to BEM1-C Contract Consortium ("**Consortium**") of which MEB is a member together with South Asia Logistics Services Limited (formerly known as IMPSA Asia Ltd ("**SALSL**") and IMARTEK Sdn Bhd (formerly known as IMPSA Malaysia Sdn Bhd) ("**IMARTEK**") for a sum of approximately RM61.5 million for alleged defective runner blades designed, constructed, built and installed by the Consortium pursuant to a contract agreement dated 22 July 2008 and supplemental agreement dated 25 July 2008 entered into between Bakun and Consortium.

IMARTEK and MEB had on 22 November 2021 and on 3 December 2021 respectively responded to deny and dispute in its entirety all claims and allegations. As at the LPD, MEB has not received any further letters or claims from Bakun.

The solicitors acting for MEB informed that they are unable to express any opinion at the present stage.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's Registered Office at Lot 579 & 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- i. Constitution of MEB;
- ii. audited consolidated financial statements of MEB Group for the past 2 financial years up to the FYE 31 December 2020 and the latest unaudited consolidated financial statements of MEB Group for the 9-month FPE 30 September 2021;
- iii. Undertaking Letters;
- iv. letter of consent and declaration of conflict of interest referred to in Section 2 above; and
- v. cause papers in respect of the material litigation referred to in Section 5 above.



MUHIBBAH ENGINEERING (M) BHD

(Registration No. 197201001137 (12737-K))

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Muhibbah Engineering (M) Bhd ("**MEB**" or the "**Company**") will be held as a fully virtual meeting entirely through live streaming from the online meeting platform on Monday, 7 March 2022 at 11.00 a.m. using the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at <https://tiih.online>, for the purpose of considering and if thought fit, passing the following resolution:

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 256,593,125 NEW ORDINARY SHARES IN MEB ("MEB SHARES") ("RIGHTS SHARES") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING MEB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED RIGHTS ISSUE OF SHARES")

"**THAT** subject to the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") for the following:

- i. to provisionally issue and allot by way of a renounceable rights issue of up to 256,593,125 Rights Shares (with an issue price to be determined and announced at a later date) to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on an entitlement date to be determined by the Board and announced by the Company at a later date, on the basis of 1 Rights Share for every 2 existing MEB Shares held; and
- ii. to issue such Rights Shares as may be required to give effect to the Proposed Rights Issue of Shares, including any persons entitled on renunciation of the provisional allotments;

THAT any Rights Shares which are not taken up or validly taken up shall be made available for excess applications to the entitled shareholders and/or their renouncee(s) who have applied for the excess Rights Shares, and are intended to be allocated on a fair and equitable basis to be determined by the Board in its absolute discretion;

THAT the Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares will be listed on the Main Market of Bursa Malaysia Securities Berhad;

THAT fractional entitlements of the Rights Shares arising from the Proposed Rights Issue of Shares, if any, will be dealt with in such manner as the Board in its absolute discretion deems fit, expedient and in the best interest of the Company;

THAT the Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing MEB Shares, save and except that the Rights Shares shall 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 relevant date of allotment and issuance of the Rights Shares;

THAT the Board be and is hereby authorised to utilise the proceeds to be raised from the Proposed Rights Issue of Shares for such purposes and in such manner as set out in Section 2.6 of the Circular to shareholders of the Company dated 16 February 2022, and the Board be authorised with full powers to vary the manner and/or purpose of the utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities (where required) and in the best interest of the Company;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitations, the affixation of the Company's Common Seal) as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed Rights Issue of Shares with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company."

By Order of the Board

IRENE CHOE MEE KAM @ IRENE CHOW MEE KAM (SSM PC No. 202008003930) (MIA 16775)
TIA HWEI PING (SSM PC No. 202008001687) (MAICSA 7057636)
Company Secretaries

Selangor Darul Ehsan
16 February 2022

Notes:

1. *As part of the initiatives to curb the spread of COVID-19 and Government of Malaysia's official guidance on social distancing, the EGM of the Company will be conducted on a fully virtual basis where shareholders are only allowed to attend, participate, speak and vote remotely through live streaming from the online meeting platform using the RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at <https://tiih.online>. Please refer to the Administrative Notes for the EGM available at the Company's website at <http://muhibbah.com.my> or Bursa Malaysia Securities Berhad's website at <https://www.bursamalaysia.com> on registration, participation, speaking and voting remotely at the EGM.*
2. *The conduct of a fully virtual EGM is in line with the Guidance Note and Frequently Asked Questions ("**the Revised Guidance Note and FAQ**") by the Securities Commission of Malaysia on 16 July 2021.*
3. *In respect of deposited securities, only members whose names appear on the Record of Depositors as at 23 February 2022 shall be entitled to attend, participate, speak and vote or appoint proxy(ies) to attend, participate, speak and vote remotely on his behalf at the EGM.*
4. *A member entitled to attend, participate, speak and vote remotely at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote remotely in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.*
5. *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.*
6. *Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
7. *The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the EGM:*
 - i. *In hardcopy form*
The Proxy Form may be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

- ii. By electronic means
The Proxy Form can be electronically lodged with the Company's Share Registrar via the TIIH Online website at <https://tiih.online>. Please refer to the Administrative Notes for the EGM on the appointment and registration of proxy for the EGM.
- 8. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
- 9. *For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:*
 - i. *If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.*
 - ii. *If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.*
- 10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, resolution set out in this Notice will be put to vote by way of poll.*

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MUHIBBAH ENGINEERING (M) BHD

Registration No. 197201001137 (12737-K)
(Incorporated in Malaysia)

EXTRAORDINARY GENERAL MEETING ADMINISTRATIVE NOTES FOR SHAREHOLDERS

Date	:	Monday, 7 March 2022
Time	:	11.00 a.m.
Online Meeting Platform	:	TIIH Online website at https://tiih.online as provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor")

MODE OF MEETING

The Extraordinary General Meeting ("EGM") of Muhibbah Engineering (M) Bhd ("MEB" or the "Company") will be conducted on a fully virtual basis through live streaming and online remote participation and voting via Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor").

REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

1. Shareholders who wish to participate, speak and vote remotely at the EGM may do so using the RPV facilities provided by Tricor. Shareholders are required to register via Tricor's TIIH Online website at <https://tiih.online> prior to the EGM. For more details, please refer to the Procedures for RPV set out below.
2. Shareholders who appoint a proxy or up to 2 proxies to participate, speak and vote remotely via RPV in the EGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Saturday, 5 March 2022 at 11.00 a.m.**
3. Authorised representatives of corporate members must deposit their original certificate of appointment of authorised representative to Tricor no later than **Saturday, 5 March 2022 at 11.00 a.m.** to participate, speak and vote remotely via RPV in the EGM.
4. Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor no later than **Saturday, 5 March 2022 at 11.00 a.m.** to attend, participate, speak and vote remotely via RPV in the EGM.

PROCEDURES FOR RPV

Shareholders/proxies/authorised representatives/attorneys who wish to participate, speak and vote remotely in the EGM remotely using the RPV are to follow the requirements and procedures as summarised below:

Procedure	Action
BEFORE THE EGM DAY	
(a) Register as a user with TIIH Online	<ul style="list-style-type: none">• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services" select "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance.• Registration as a user will be approved within one (1) working day and you will be notified via e-mail.• If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.

MUHIBBAH ENGINEERING (M) BHD.
- ADMINISTRATIVE NOTES FOR EGM

Procedure	Action
BEFORE THE EGM DAY (cont'd)	
(b) Submit your request to attend, participate, speak and vote remotely at the EGM	<ul style="list-style-type: none"> • Registration is open from Wednesday, 16 February 2022 until the day of EGM on Monday, 7 March 2022. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the EGM to ascertain their eligibility to attend, participate, speak and vote remotely at the EGM using the RPV. • Login with your user ID and password and select the corporate event: "(REGISTRATION) MEB EGM". • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • The System will send an e-mail to notify that your registration for remote participation and voting is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors as at 23 February 2022, the system will send you an e-mail to approve or reject your registration for remote participation and voting. • <i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).</i>
ON THE DAY OF THE EGM	
(c) Login to TIIH Online	<ul style="list-style-type: none"> • Login with your user ID and password for remote participation and voting at the EGM at any time from 10.00 a.m. i.e. 1 hour before the commencement of the EGM on Monday, 7 March 2022 at 11.00 a.m.
(d) Participate through Live Streaming	<ul style="list-style-type: none"> • Select the corporate event: "(LIVE STREAMING MEETING) MEB EGM" to engage in the proceedings of the EGM remotely. • If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will endeavor to respond to questions submitted by remote participants during the EGM.
(e) Online Remote Voting	<ul style="list-style-type: none"> • Select the corporate event: "(REMOTE VOTING) MEB EGM". • Read and agree to the Terms & Conditions and confirm the Declaration. • Voting session commences from 11.00 a.m. on Monday, 7 March 2022 until a time when the Chairman announces the completion of the remote voting session of the EGM. • Select the Central Depository System (CDS) account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(f) End of remote participation and voting	<ul style="list-style-type: none"> • Upon the announcement by the Chairman on the closure of the EGM, the live streaming will end.

Note to users of the RPV:

1. Should your application to join the EGM be approved, we will make available to you the rights to join the live streamed EGM and to attend, participate, speak and vote remotely at the EGM. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual EGM.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed EGM or online participation and voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 or e-mail to tiih.online@my.tricorglobal.com for assistance.

GENERAL MEETING RECORD OF DEPOSITORS ("ROD")

Only members whose name appears in the ROD as at 23 February 2022 shall be entitled to attend, participate, speak and vote remotely at the EGM.

MUHIBBAH ENGINEERING (M) BHD.
- ADMINISTRATIVE NOTES FOR EGM

POLL VOTING

The voting at the EGM will be conducted by poll in accordance with Paragraph 8.29A(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting and Cooper Professional Scrutineers Sdn Bhd as Scrutineers to verify the poll results.

Shareholders may proceed to vote on the resolution from the commencement of the EGM on Monday, 7 March 2022 at 11.00 a.m. until the end of the voting session which will be announced by the Chairman of the meeting.

Upon completion of the voting session, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

PROXY

The appointment of a proxy or up to 2 proxies may be made in a hardcopy form or by electronic means as specified below and must be received by the Company no later than **Saturday, 5 March 2022 at 11.00 a.m.**

1. In hardcopy form

You may submit your Proxy Form to Tricor by fax at +603-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com. However, please ensure that the **Original Proxy Form** is deposited at Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or, alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than Saturday, 5 March 2022 at 11.00 a.m. otherwise the Proxy Form shall not be treated as valid.

2. By electronic form

The proxy form can be electronically lodged with Tricor via TIIH Online at <https://tiih.online>. Kindly refer to the "Procedure for Electronic Submission of Proxy Form" for steps to submit your electronic proxy form.

PROCEDURES FOR ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

Procedure	Action
i Steps for Individual Shareholders	
(a) Register as a User with TIIH Online	<ul style="list-style-type: none">• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance.• If you are already a user with TIIH Online, you are not required to register again.
(b) Proceed with submission of Proxy Form	<ul style="list-style-type: none">• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.• Select the corporate event: "MEB EGM - SUBMISSION OF PROXY FORM".• Read and agree to the Terms & Conditions and confirm the Declaration• Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.• Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy.• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.• Review and confirm your proxy(s) appointment.• Print proxy form for your record.

MUHIBBAH ENGINEERING (M) BHD.
- ADMINISTRATIVE NOTES FOR EGM

Procedure	Action
ii Steps for corporation or institutional shareholders	
a) Register as a User with TIIH Online	<ul style="list-style-type: none"> • Access TIIH Online at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects “Create Account by Representative of Corporate Holder”. • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. <p><i>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact Tricor if you need assistance on the user registration.)</i></p>
b) Proceed with submission of form of proxy	<ul style="list-style-type: none"> • Login to TIIH Online at https://tiih.online. • Select the corporate exercise name: “MEB EGM – SUBMISSION OF PROXY FORM”. • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Submit the proxy appointment file. • Login to TIIH Online, select corporate exercise name: “MEB EGM – SUBMISSION OF PROXY FORM”. • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the EGM via Tricor’s TIIH Online website at <https://tiih.online> by selecting "e-Services" to login, pose questions and submit electronically no later than **Saturday, 5 March 2022 at 11.00 a.m.** The Board will endeavour to answer the questions received at the EGM.

RECORDING OR PHOTOGRAPHY

Strictly **NO** unauthorised recording or photography of the proceedings of the EGM is allowed.

REFRESHMENTS AND NO DOOR GIFTS

There will be no distribution of refreshments and door gifts for the EGM of the Company.

ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line : +603-2783 9299 | Fax: +603-2783 9222 | Email : is.enquiry@my.tricorglobal.com

Contact persons: Ms. Lim Lay Kiow +603-2783 9232 (Lay.Kiow.Lim@my.tricorglobal.com)

Ms. Siti Zalina Osmin +603-2783 9247 (Siti.Zalina@my.tricorglobal.com)

Mr. Lim Jia Jin +603-2783 9246 (Jia.Jin.Lim@my.tricorglobal.com)



PROXY FORM

MUHIBBAH ENGINEERING (M) BHD
(Registration No. 197201001137 (12737-K))
(Incorporated in Malaysia)

Table with 2 columns: CDS Account No., No. of shares held

*I/*We _____ NRIC No. /Passport No. /Company No. _____
(Full name as per NRIC/Certificate of Incorporation in Capital Letters)

of _____ (Full address)

being a member/members of MUHIBBAH ENGINEERING (M) BHD, hereby appoint Mr/Ms _____

_____ NRIC No./Passport No. _____

of _____ (Full address)

with email address _____ Mobile No. _____

AND Mr/Ms _____

NRIC No. /Passport No. _____

of _____ (Full address)

with email address _____ Mobile No. _____

or failing whom, the Chairman of the Meeting as *my/our *proxy/proxies to participate, speak and to vote remotely for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company which will be held as a fully virtual meeting entirely through live streaming from the online meeting platform using Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at https://tiih.online on Monday, 7 March 2022 at 11.00 a.m., in the manner as indicated below:

The proportion of *my/*our holding to be represented by *my/*our proxies are as follows:

Table with 5 columns: Proxy 1, %, Proxy 2, %, 100%

*My/*Our proxy(ies) is/are to vote as indicated below:

Table with 3 columns: ORDINARY RESOLUTION, FOR, AGAINST. Row: PROPOSED RIGHTS ISSUE OF SHARES

(Please indicate with an "X" on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

(*Delete if not applicable)

Dated this _____ day of _____ 2022

Telephone No. during office hours:

Signature/Common Seal of shareholder(s)

Notes:

- 1. As part of the initiatives to curb the spread of COVID-19 and Government of Malaysia's official guidance on social distancing, the EGM of the Company will be conducted on a fully virtual basis where shareholders are only allowed to attend, participate, speak and vote remotely through live streaming from the online meeting platform using the RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at https://tiih.online. Please refer to the Administrative Notes for the EGM available at the Company's website at http://muhibbah.com.my or Bursa Malaysia Securities Berhad's website at https://www.bursamalaysia.com on registration, participation, speaking and voting remotely at the EGM.
2. The conduct of a fully virtual EGM is in line with the Guidance Note and Frequently Asked Questions ("the Revised Guidance Note and FAQ") by the Securities Commission of Malaysia on 16 July 2021.
3. In respect of deposited securities, only members whose names appear on the Record of Depositors as at 23 February 2022 shall be entitled to attend, participate, speak and vote or appoint proxy(ies) to attend, participate, speak and vote remotely on his behalf at the EGM.
4. A member entitled to attend, participate, speak and vote remotely at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote remotely in his/her stead. Each proxy appointed, shall represent a minimum of one hundred (100) shares. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
5. 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.
6. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. The appointment of proxy may be made in a hard copy form or by electronic means in the following manner and must reach the Company's Share Registrar at least forty-eight (48) hours before the time appointed for holding the EGM:
i. In hardcopy form

The Proxy Form may be deposited at the Company's Share Registrar's office at Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01 Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.



Notes (cont'd):

ii. By electronic means

The Proxy Form can be electronically lodged with the Company's Share Registrar via the TIH Online website at <https://tiah.online>. Please refer to the Administrative Notes for the EGM on the appointment and registration of proxy for the EGM.

8. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
9. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
 - i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by: (a) at least two (2) authorised officers, of whom one shall be a director; or, (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, resolution set out in this Notice will be put to vote by way of poll.

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AFFIX
STAMP

The Share Registrar
MUHIBBAH ENGINEERING (M) BHD
(Registration No. 197201001137 (12737-K))
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

2nd Fold Here

Fold This Flap For Sealing
