

**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 advisers immediately.

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Bursa Securities has perused Part B of this Circular on a limited review basis prior to the issuance of this Circular pursuant to Paragraph 4.1(c) of Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

You should rely on your own evaluation to assess the merits and risks of the Proposals and Proposed New Shareholders' Mandate (as defined herein).



**Meta Bright**

—正源 Group 集团—

**META BRIGHT GROUP BERHAD**

Registration No.: 200001013359 (515965-A)

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:**

**PART A**

- (I) **PROPOSED SUBSCRIPTION AND ACQUISITION OF 2,520,000 ORDINARY SHARES IN EXPOGAYA SDN. BHD. ("EXPO"), REPRESENTING 70.0% OF THE ENLARGED ISSUED SHARES OF EXPO FOR A TOTAL CONSIDERATION OF RM28,040,000, TO BE SATISFIED VIA CASH CONSIDERATION OF RM5,000,000 AND ISSUANCE OF 98,461,536 ORDINARY SHARES IN META BRIGHT GROUP BERHAD ("MBGB") AT AN ISSUE PRICE OF RM0.234 EACH ("PROPOSED ACQUISITION"); AND**
- (II) **PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF MBGB AND ITS SUBSIDIARIES TO INCLUDE MANUFACTURING, TRADING AND SUPPLY OF BUILDING MATERIALS INCLUDING CEMENT, READY-MIXED CONCRETE AND ITS RELATED PRODUCTS AS WELL AS PROVISION OF RELATED SERVICES INCLUDING TRANSPORTATION SERVICES AND EQUIPMENT RENTAL, IN CONJUNCTION WITH THE PROPOSED ACQUISITION ("PROPOSED DIVERSIFICATION")**

(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")

**PART B**

**PROPOSED NEW SHAREHOLDERS' MANDATE FOR THE RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE")**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*



Building Wealth Together

**MALACCA SECURITIES SDN. BHD.**

Registration No: 197301002760 (16121-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of MBGB will be held at Merbok Room, Level 6, The Grand Renai Hotel, Kota Sri Mutiara, Jalan Sultan Yahya Petra, 15150 Kota Bharu, Kelantan, Malaysia, on Monday, 15 January 2024, or at any adjournment thereof. The Notice of EGM together with the Form of Proxy are enclosed herewith in this Circular.

A member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf.

The Form of Proxy should be completed and lodged at the office of the Share Registrar of the Company at Boardroom Share Registrars Sdn. Bhd., at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time set for holding the EGM, as indicated below, or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Saturday, 13 January 2024 at 3.00 p.m.

Date and time of the EGM : Monday, 15 January 2024 at 3.00 p.m. or any adjournment thereof

This Circular is dated 28 December 2023

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## DEFINITIONS

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For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply throughout this Circular.

<b>Act</b>	:	Companies Act, 2016 of Malaysia, as amended from time to time including any re-enactment thereof
<b>Announcement</b>	:	The announcements dated 27 October 2023 in relation to the Proposals and Proposed New Shareholders' Mandate
<b>BCTSB</b>	:	Beton Chemical Technology Sdn. Bhd., an existing shareholder of EXPO and one of the Vendors for the Sale Shares
<b>BKRSB</b>	:	Borneo Kemuncak Riang Sdn. Bhd., a company related to LCK
<b>Board</b>	:	Board of Directors of MBGB
<b>Bursa Depository</b>	:	Bursa Malaysia Depository Sdn. Bhd.
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad
<b>CDS Account(s)</b>	:	Securities account established by Bursa Depository for a depositor for the recording of deposits securities and dealings in such securities by the depositor
<b>Circular</b>	:	This circular dated 28 December 2023 in relation to the Proposals and Proposed New Shareholders' Mandate
<b>CKK</b>	:	Chang Ket Keong, an existing shareholder and director of EXPO as well as one of the Vendors for the Sale Shares
<b>Concrete Business</b>	:	Business of manufacturing, trading and supply of building materials including cement, ready-mixed concrete and its related products as well as provision of related services including transportation services and equipment rental
<b>Consideration Shares</b>	:	98,461,536 new MBGB Shares (equivalent to RM23,040,000 in value) to be issued to the Vendors as consideration for the acquisition of the Sale Shares
<b>COVID-19</b>	:	Coronavirus disease
<b>CSSA</b>	:	The conditional share sale agreement dated 27 October 2023 entered into between MBGB and the Vendors in relation to the acquisition of the Sale Shares
<b>CSY</b>	:	Chin Swee Yen, an existing shareholder and director of EXPO as well as one of the Vendors for the Sale Shares
<b>Dato' Lee</b>	:	Dato' Lee Wai Mun, DIMP., JMK., JP., an Executive Director and the Major Shareholder (via LVSB) of the Company
<b>Director(s)</b>	:	A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, 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, and includes any person who is or was within the preceding 6 months of the date on which the terms of the Subscription Agreement, CSSA and Shareholders Agreement as well as RRPTs stated in Section 2.3 of Part B of this Circular were agreed upon, a director or chief executive officer of MBGB, its subsidiaries or holding company

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**DEFINITIONS (CONT'D)**

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<b>EGM</b>	:	Extraordinary general meeting
<b>Energy Business</b>	<b>Related</b> :	Renewable energy (which refers to energy that cannot run out and is sustainable) and energy efficiency (which refers to using less energy to provide the same amount of useful output) related technology and businesses which may include amongst others, solar, wind, biomass, hydropower and energy efficiency
<b>EPS</b>	:	Earnings per share
<b>EXPO</b>	:	Expogaya Sdn. Bhd.
<b>EXPO Group</b>	:	EXPO and its subsidiaries
<b>EXPO Shares</b>	:	Ordinary shares in EXPO
<b>FBO Land</b>	:	FBO Land (Setapak) Sdn. Bhd., a wholly-owned subsidiary of the Group
<b>FCF</b>	:	Fung Chun Fatt, an existing shareholder and director of EXPO as well as one of the Vendors for the Sale Shares
<b>FPE</b>	:	Financial period ended/ending, as the case may be
<b>FYE</b>	:	Financial year ended/ending, as the case may be
<b>GE Mining</b>	:	G.E. Mining Sdn. Bhd., a company related to Dato' Lee and Dato' Wang Ruihui
<b>Homesign Network</b>	:	Homesign Network Sdn. Bhd., a company related to LCK
<b>Issue Price</b>	:	Issue price of RM0.234 per Consideration Share
<b>IWSB</b>	:	Inland World Sdn. Bhd.
<b>LAT</b>	:	Loss after tax
<b>LBT</b>	:	Loss before tax
<b>LCK</b>	:	Lee Chee Kiang, the Managing Director and a 3.9% shareholder of the Company
<b>Leasing Business</b>	:	The business of leasing of machineries and equipment (including short term rental), as well as hire purchase
<b>Listing Requirements</b>	:	The Main Market Listing Requirements of Bursa Securities
<b>LPD</b>	:	30 November 2023, being the latest practicable date prior to the printing of this Circular
<b>LPS</b>	:	Loss per share
<b>LTD</b>	:	26 October 2023, being the last trading day prior to the Announcement
<b>LVSb</b>	:	Leading Ventures Sdn. Bhd., the Major Shareholder of MBGB

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**DEFINITIONS (CONT'D)**

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<b>Major Shareholder</b>	:	A person who has an interest or interests in one or more voting shares in MBGB and the aggregate number of those shares, is:-  (i) 10% or more of the total number of voting shares in MBGB; or  (ii) 5% or more of the total number of voting shares in MBGB where such person is the largest shareholder of MBGB.  For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act and a major shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the Subscription Agreement, CSSA and Shareholders Agreement as well as RRPT as stated in Section 2.3 of Part B of this Circular were agreed upon, a major shareholder of MBGB or any other corporation which is its subsidiaries or holding company.
<b>Malacca Securities or Principal Adviser</b>	:	Malacca Securities Sdn. Bhd.
<b>MBGB or Company</b>	:	Meta Bright Group Berhad
<b>MBGB Group or Group</b>	:	MBGB and its subsidiaries
<b>MBGB Shares or Shares</b>	:	Ordinary shares in MBGB
<b>NA</b>	:	Net assets
<b>P/B</b>	:	Price-to-book
<b>P/E</b>	:	Price-to-earnings
<b>PAT</b>	:	Profit after tax
<b>PBT</b>	:	Profit before tax
<b>Pledged Shares</b>	:	25,641,026 MBGB Shares (equivalent to RM6.0 million in value) to be placed in the Securities Account, as the security for the performance of the Profit Guarantee
<b>Profit Guarantee</b>	:	Aggregate consolidated PAT of EXPO Group for the Profit Guarantee Period of not less than RM30,000,000, being agreed, undertaken and guaranteed by CKK
<b>Profit Guarantee Period</b>	:	Collectively, FYE 30 June 2024, FYE 30 June 2025, FYE 30 June 2026, FYE 30 June 2027 and FYE 30 June 2028, being the periods for EXPO Group to achieve the Profit Guarantee
<b>Proposals</b>	:	Collectively, Proposed Acquisition and Proposed Diversification
<b>Proposed Acquisition</b>	:	Collectively, the subscription of the Subscription Shares by MBGB for the Subscription Consideration and the acquisition of the Sale Shares by MBGB from the Vendors for the Purchase Consideration
<b>Proposed Concrete Business RRPT</b>	:	Proposed new shareholders’ mandate for the RRPTs in relation to the Concrete Business, in conjunction with the Proposed Acquisition
<b>Proposed Diversification</b>	:	Proposed diversification of the existing principal activities of MBGB Group to include the Concrete Business

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**DEFINITIONS (CONT'D)**

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<b>Proposed Energy Business RRPT</b>	:	Proposed new shareholders' mandate for the RRPT in relation to the Energy Related Business
<b>Proposed Shareholders' Mandate</b>	:	Collectively, the Proposed Concrete Business RRPT and Proposed Energy Business RRPT
<b>Purchase Consideration</b>	:	Total consideration of RM23,040,000 in relation to the acquisition of Sale Shares from the Vendors by MBGB, to be settled via issuance of 98,461,536 Consideration Shares
<b>PV</b>	:	Photovoltaic
<b>Related Party(ies)</b>	:	A Director, a Major Shareholder and/or a person connected with such Director and/or Major Shareholder
<b>RM and sen</b>	:	Ringgit Malaysia and sen, respectively
<b>RRPT(s)</b>	:	Recurrent related party transaction(s)
<b>Sale Shares</b>	:	2,020,000 EXPO Shares, representing approximately 56.1% of the enlarged issued shares of EXPO, to be acquired by MBGB from the Vendors pursuant to the CSSA, for the Purchase Consideration
<b>Securities Account</b>	:	The securities account to be maintained by the Security Stakeholder for the Pledged Shares
<b>Security Stakeholder</b>	:	The security stakeholder to be appointed at a later stage (but prior to the completion of the Proposed Acquisition) to hold the Pledged Shares in trust and maintain the Securities Account for the Pledged Shares
<b>Shareholders Agreement</b>	:	The shareholders agreement dated 27 October 2023 entered into between MBGB, CKK and EXPO to regulate the affairs of EXPO and their relationship inter se as shareholders of EXPO, which shall be effective upon completion of the Proposed Acquisition
<b>STL&amp;T</b>	:	S.T. Logistics & Transportation Sdn. Bhd., a 65.0%-owned subsidiary of EXPO
<b>Subscription Agreement</b>	:	The conditional subscription agreement dated 27 October 2023 entered into between, MBGB, EXPO and CKK in relation to the subscription of the Subscription Shares
<b>Subscription Consideration</b>	:	Total consideration of RM5,000,000 in relation to the subscription of the Subscription Shares by MBGB, to be settled fully in cash
<b>Subscription Shares</b>	:	500,000 EXPO Shares, approximately 13.9% of the enlarged issued shares of EXPO, to be subscribed by MBGB pursuant to the Subscription Agreement, for the Subscription Consideration
<b>SUDC</b>	:	Sabah Urban Development Corporation Sdn. Bhd.
<b>Vendors</b>	:	Collectively, CKK, BCTSB, FCF and CSY, the vendors in relation to the Sale Shares
<b>VWAP</b>	:	Volume weighted average market price

In this Circular, any reference to "we", "us", "our" and "ourselves" are to the Company, and where the context otherwise requires, our subsidiaries. All references to "you" are to the shareholders of the Company.

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**DEFINITIONS (CONT'D)**

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Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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## EXECUTIVE SUMMARY

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The Executive Summary highlights only the salient information of the Proposals and the Proposed New Shareholders' Mandate. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposals and the Proposed New Shareholders' Mandate before voting at the Company's forthcoming EGM.

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### PROPOSALS

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<b>Key information</b>	<b>Description</b>
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<b>Details of the Proposals</b>	<b><u>Proposed Acquisition</u></b>
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(Section 2 of Part A of this Circular)

The Proposed Acquisition entails the following:

- (i) subscription of 500,000 Subscription Shares, representing approximately 13.9% of the enlarged issued shares of EXPO, pursuant to the Subscription Agreement entered into between MBGB (as the Subscriber), EXPO and CKK (as Promoter) for the Subscription Consideration of RM5,000,000 to be settled via cash, subject to the terms and conditions of the Subscription Agreement; and
- (ii) acquisition of 2,020,000 Sale Shares, representing approximately 56.1% of the enlarged issued shares of EXPO, pursuant to the CSSA entered into between MBGB (as the Purchaser) and the Vendors, for the Purchase Consideration of RM23,040,000 which shall be satisfied via the issuance of 98,461,536 Consideration Shares at an issue price of RM0.234 each.

Upon completion of the Proposed Acquisition, EXPO will become a 70.0%-owned subsidiary of MBGB.

#### **Proposed Diversification**

MBGB proposes to undertake a proposed diversification of the existing principal activities of the Group to include the Concrete Business.

<b>Basis and justification for the Subscription Consideration and Purchase Consideration</b>	<b><u>Proposed Acquisition</u></b>
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(Section 2.4 of Part A of this Circular)

The Subscription Consideration and Purchase Consideration aggregating RM28,040,000 was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration, amongst others, the following:-

- (i) the audited consolidated NA of EXPO Group (excluding the consolidation of STL&T) as at 30 June 2022 of RM22.4 million, unaudited consolidated NA of EXPO Group (including the consolidation of STL&T) as at 30 June 2022 of RM22.3 million and the unaudited consolidated NA of EXPO Group of RM26.5 million as at 30 June 2023;
- (ii) the Subscription Consideration of RM5.0 million which shall accrue to EXPO Group, which will be a 70.0%-owned subsidiary of MBGB Group upon completion of the Proposed Acquisition;
- (iii) the Profit Guarantee of RM30.0 million for the Profit Guarantee Period; and
- (iv) the rationale and potential benefits to be accrued by the Group through the Proposed Acquisition, including the Proposed Diversification into the Concrete Business to enhance the Group's revenue stream.

<b>Rationale for the Proposals</b>	<b><u>Proposed Acquisition</u></b>
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(Section 5 of Part A of this Circular)

The Proposed Acquisition is expected to diversify MBGB Group's earnings base to include additional income stream from the Concrete Business to enhance the Group's profitability and shareholders' value.

<b>PROPOSALS</b>
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<b>Key information</b>	<b>Description</b>
	<p>The Group also expects the Proposed Acquisition to provide synergistic benefits to its property development business through vertical integration in the property development supply chain, which will enable the Group to position itself as an integrated property developer, achieving higher cost efficiency and uninterrupted material supply.</p>
	<p><b><u>Proposed Diversification</u></b></p> <p>The Proposed Diversification is to facilitate the Proposed Acquisition.</p>
<p><b>Risk factors</b> (Section 7 of Part A of this Circular)</p>	<p><b><u>Proposed Acquisition</u></b></p> <p>The Proposed Acquisition will be subject to, amongst others, completion risk that the Proposed Acquisition cannot be completed in time, risk of non-compliance on the requirements of operating licenses, permits and certificate facilities of EXPO Group being withdrawn due to breach of covenants, acquisition risk that the anticipated benefits of the Proposed Acquisition will not be realised, risk of Profit Guarantee is not achieve and impairment risk on the goodwill arising from the Proposed Acquisition.</p> <p><b><u>Proposed Diversification and risks in relation to Concrete Business</u></b></p> <p>The Proposed Diversification will be subject to, amongst others, business diversification risk as the Group does not have any prior experience in the Concrete Business, dependence on Sabah's property development/construction industry, competitions from the existing and new players in Concrete Business, risk of plant and equipment not functioning, delay in the delivery of concrete, fluctuation in raw material price, dependent on key management personnel of EXPO Group and financing risk to acquire/build new plant.</p>
<p><b>Approvals required and conditionality</b> (Section 10 of Part A of this Circular)</p>	<p>The Proposals are subject to the following approvals being obtained:-</p> <ul style="list-style-type: none"><li>(i) the approval of Bursa Securities for the listing and quotation of the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities;</li><li>(ii) the approvals of the shareholders of the Company for the Proposals at the Company's forthcoming EGM; and</li><li>(iii) the approval of any other relevant authorities and/or parties, if any.</li></ul> <p>The Proposed Acquisition and Proposed Diversification are inter-conditional.</p> <p>The Proposals are not conditional upon the Proposed New Shareholders' Mandate and vice versa.</p>
<p><b>Interests of Directors, major shareholders and/or persons connected</b> (Section 11 of Part A of this Circular)</p>	<p>None of the Directors, Major Shareholders, chief executive and/or persons connected with them has any interest, direct or indirect in the Proposals.</p>

**PROPOSALS**

<b>Key information</b>	<b>Description</b>
<p><b>Directors' statement and recommendation</b> (Section 14 of Part A of this Circular)</p>	<p>The Board after having considered all aspects of the Proposals, including the terms and conditions of the Subscription Agreement and CSSA for the Proposed Acquisition, rationale, financial effects and risk factors for the Proposals, is of the opinion that the Proposals are in the best interests of the Company.</p> <p>Accordingly, the Board recommends that shareholders of the Company vote in favour of the resolutions pertaining to the Proposals to be tabled at the Company's forthcoming EGM.</p>

**PROPOSED NEW SHAREHOLDERS' MANDATE**

<b>Key information</b>	<b>Description</b>
<p><b>Details of the Proposed New Shareholders' Mandate</b> (Section 2 of Part B of this Circular)</p>	<p>MBGB to seek its shareholders' approval for the Proposed New Shareholders' Mandate to enable the Group to enter into the RRPTs pursuant to Paragraph 10.09(2) and Practice Note 12 of the Listing Requirements.</p>
<p><b>Rationale and benefits for the Proposed New Shareholders' Mandate</b> (Section 3 of Part B of this Circular)</p>	<p>The Proposed New Shareholders' Mandate:</p> <ul style="list-style-type: none"> <li>(i) will allow the Group to enter into transactions within the ordinary course of its Energy Related Business as well as Concrete Business upon completion of the Proposed Acquisition, with the Related Parties;</li> <li>(ii) will eliminate the need to announce and convene separate general meetings of MBGB from time to time to seek shareholders' approval on each occasion pursuant to the requirements of Paragraph 10.09(2) of the Listing Requirements; and</li> <li>(iii) is expected to contribute positively to the Group's earnings moving forward.</li> </ul>
<p><b>Approvals required and conditionality</b> (Section 5 of Part B of this Circular)</p>	<p>The Proposed New Shareholders' Mandate is subject to the approvals of the shareholders of the Company at the Company's forthcoming EGM.</p> <p>The Proposed Concrete Business RRPT is conditional upon the Proposals but not vice versa.</p> <p>The Proposed Energy Business RRPT is not conditional upon the Proposals and vice versa.</p> <p>The Proposed Concrete Business RRPT is not conditional upon the Proposed Energy Business RRPT and vice versa.</p>
<p><b>Audit and Risk Management Committee's statement</b> (Section 2.5 of Part B of this Circular)</p>	<p>The Audit and Risk Management Committee is satisfied that the review procedures for RRPTs as set out in Section 2.4 of Part B of this Circular are sufficient and appropriate to ensure that such RRPT(s) will be undertaken at arm's length and are on normal commercial terms consistent with the industry norms not more favourable to the Related Party than those generally available to the public and that such terms will not be detrimental to the interests of the minority shareholders or disadvantageous to the Group.</p>

PROPOSED NEW SHAREHOLDERS' MANDATE

Key information	Description
<p><b>Interests of Directors, major shareholders and/or persons connected</b> (Section 6 of Part B of this Circular)</p>	<p>(i) LCK, being the Managing Director and 3.9% shareholder of MBGB is deemed interested in the Proposed Concrete Business RRPT by virtue of his directorship and shareholdings in Homesign Network and BKRSB (as detailed in Section 2.3 of Part B of this Circular);</p> <p>(ii) Dato' Lee, being the Executive Director and 54.4% Major Shareholder (via LVSB) of MBGB, is deemed interested in the Proposed Energy Business RRPT by virtue of his directorship and shareholdings in GE Mining (as detailed in Section 2.3 of Part B of this Circular);</p> <p>(iii) Dato' Wang Ruihui, is deemed a person connected to Dato' Lee by virtue of him being a business partner with Dato' Lee in several companies. Dato' Wang Ruihui is also a 3.3% shareholder of MBGB. Dato' Wang Ruihui is deemed interested in the Proposed Energy Business RRPT by virtue of him being a person connected to Dato' Lee and his directorship and shareholdings in GE Mining (as detailed in Section 2.3 of Part B of this Circular); and</p> <p>(iv) LVSB, being the Major Shareholder of MBGB is deemed interested in Proposed Energy Business RRPT by virtue of it being a person connected to Dato' Lee. Dato' Lee is the sole director and sole shareholder of LVSB.</p> <p>(LCK and Dato' Lee, shall collectively be referred to as the <b>"Interested Directors"</b>).</p> <p>The aforementioned Interested Directors had abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed New Shareholders' Mandate.</p> <p>LCK will abstain from voting and have undertaken to ensure that any persons connected to him will abstain from voting, deliberating or approving (in respect of their direct and/or indirect shareholdings (if any) in MBGB) all resolution pertaining to the Proposed Concrete Business RRPT at the Company's forthcoming EGM.</p> <p>Dato' Lee, Dato' Wang Ruihui and LVSB will abstain from voting and have undertaken to ensure that any persons connected to them will abstain from voting, deliberating or approving (in respect of their direct and/or indirect shareholdings (if any) in MBGB) all resolution pertaining to the Proposed Energy Business RRPT at the Company's forthcoming EGM.</p>
<p><b>Directors' statement and recommendation</b> (Section 7 of Part B of this Circular)</p>	<p>The Board (save for the Interested Director (as defined above) for the Proposed New Shareholders' Mandate), having considered all aspects of the Proposed New Shareholders' Mandate, is of the opinion that the Proposed New Shareholders' Mandate is in the best interest of the Company.</p> <p>Accordingly, the Board (save for the Interested Director for the Proposed New Shareholders' Mandate), recommends that MBGB's shareholders vote in favour of the resolutions pertaining to the Proposed New Shareholders' Mandate to be tabled at the Company's forthcoming EGM.</p>

**PART A**

**LETTER FROM THE BOARD TO THE SHAREHOLDERS OF  
MBGB IN RELATION TO THE PROPOSALS**



**Meta Bright**

—正源 Group 集团—

**META BRIGHT GROUP BERHAD**

Registration No.: 200001013359 (515965-A)  
(Incorporated in Malaysia)

**Registered Office:**

12th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

28 December 2023

**Board of Directors:**

Mohamed Akwal Bin Sultan Mohamad (*Chairman and Independent Non-Executive Director*)  
Lee Chee Kiang (*Managing Director*)  
Dato' Lee Wai Mun, DIMP., JMK., JP. (*Executive Director*)  
Phang Kiew Lim (*Executive Director*)  
Tan Chin Hong (*Executive Director*)  
Masleena Binti Zaid (*Independent Non-Executive Director*)  
Ong Lu Yuan (*Independent Non-Executive Director*)

**To: The MBGB's shareholders**

Dear Sir/Madam,

- (I) **PROPOSED ACQUISITION; AND**
- (II) **PROPOSED DIVERSIFICATION**

**(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")**

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**1. INTRODUCTION**

On 27 October 2023, Malacca Securities had on behalf of the Board, announced that the Company proposes to undertake the following:-

- (i) proposed subscription and acquisition of 2,520,000 EXPO Shares, representing 70.0% of the enlarged issued shares of EXPO, via the following:
  - (a) subscription of 500,000 Subscription Shares, representing approximately 13.9% of the enlarged issued shares of EXPO, pursuant to the Subscription Agreement entered into between MBGB (as the Subscriber), EXPO and CKK (as the Promoter) on 27 October 2023, for the Subscription Consideration of RM5,000,000 to be settled via cash, subject to the terms and conditions of the Subscription Agreement;
  - (b) acquisition of 2,020,000 Sale Shares, representing approximately 56.1% of the enlarged issued shares of EXPO, pursuant to the CSSA entered into between MBGB (as the Purchaser) and the Vendors, for the Purchase Consideration of RM23,040,000 which shall be satisfied via the issuance of 98,461,536 Consideration Shares at the Issue Price of RM0.234 each, subject to the terms and conditions of the CSSA; and

- (ii) proposed diversification of the existing business of MBGB Group to include manufacturing, trading and supply of building materials including cement, ready-mixed concrete and its related products as well as provision of related services including transportation services and equipment rental, in conjunction with the Proposed Acquisition.

**THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE SHAREHOLDERS WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK SHAREHOLDERS' APPROVAL FOR THE RESOLUTIONS ON THE PROPOSALS TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.**

**SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.**

## **2. PROPOSED ACQUISITION**

As at LPD, EXPO has an issued share capital of RM4,600,000 comprising 3,100,000 EXPO Shares. EXPO's issued share capital will increase to RM9,600,000 comprising 3,600,000 EXPO Shares pursuant to the subscription of Subscription Shares by MBGB.

The Proposed Acquisition entails the following:

- (i) subscription of 500,000 Subscription Shares, representing approximately 13.9% of the enlarged issued shares of EXPO, at RM10.00 per Subscription Share pursuant to the Subscription Agreement entered into between MBGB (as the Subscriber), EXPO and CKK (as Promoter) for the Subscription Consideration of RM5,000,000 to be settled via cash, subject to the terms and conditions of the Subscription Agreement. For clarification, the subscription price of the Subscription Shares was determined based on the total consideration to be paid by MBGB for the Sale Shares as well as the Subscription Shares, of RM28,040,000 for 70% of the enlarged issued shares of EXPO. The basis and justification for the Purchase Consideration and the Subscription Consideration are set out in Section 2.4 of Part A of this Circular.

The Subscription Shares shall, upon allotment and issuance, rank equally in all respects with the existing EXPO Shares, save and except that the Subscription Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Subscription Shares.

The Subscription Shares to be issued and allotted to MBGB shall be free from all interest of any person, mortgages, charges, liens and encumbrances and with full legal and beneficial title and all rights attaching thereto (including all bonuses, rights, dividends and distributions declared, made and paid, in respect thereof) as from the date of allotment and issuance of the Subscription Shares.

The salient terms of the Subscription Agreement are set out in **Appendix I** of this Circular.

- (ii) acquisition of 2,020,000 Sale Shares, representing approximately 56.1% of the enlarged issued shares of EXPO, pursuant to the CSSA entered into between MBGB (as the Purchaser) and the following Vendors, for the Purchase Consideration of RM23,040,000 which shall be satisfied via the issuance of 98,461,536 Consideration Shares at an issue price of RM0.234 each, subject to the terms and conditions of the CSSA:

<u>Name of Vendors</u>	<u>Number of Sale Shares</u>	<u>Percentage of Sale Shares over total issued shares of EXPO as at LPD</u> %	<u>Percentage of Sale Shares over enlarged issued shares of EXPO</u> %	<u>Value of Consideration Shares<sup>(a)</sup></u> RM	<u>Number of Consideration Shares</u>
CKK	844,000	27.3	23.4	9,626,614	41,139,376
BCTSB	500,000	16.1	13.9	5,702,970	24,371,666
FCF	338,000	10.9	9.4	3,855,208	16,475,247
CSY	338,000	10.9	9.4	3,855,208	16,475,247
	<b>2,020,000</b>	<b>65.2</b>	<b>56.1</b>	<b>23,040,000</b>	<b>98,461,536</b>

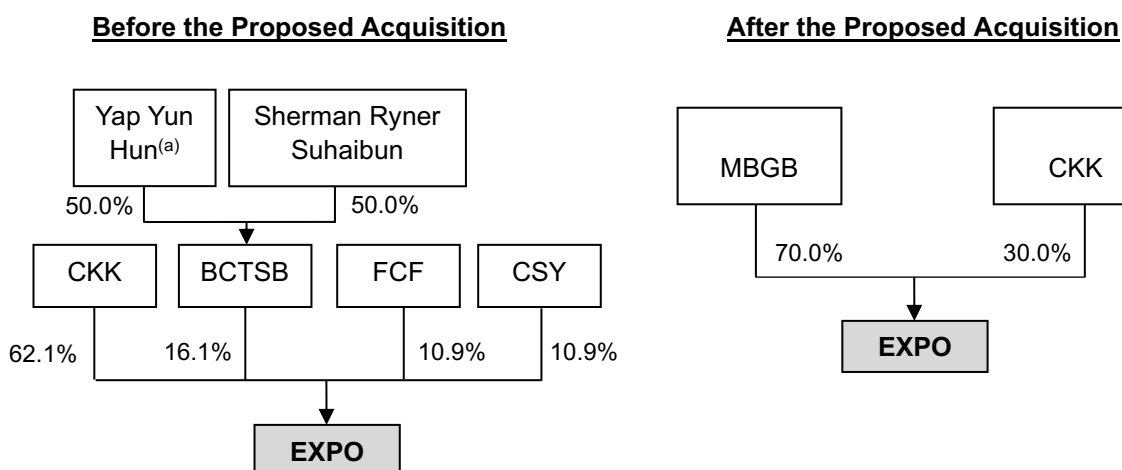
**Note:-**

- (a) The purchase price of the Sale Shares is approximately RM11.41 per Sale Share. For clarification, the purchase price of the Sale Shares was determined based on the total consideration to be paid by MBGB for the Sale Shares as well as the Subscription Shares, of RM28,040,000 for 70% of the enlarged issued shares of EXPO. The basis and justification for the Purchase Consideration and the Subscription Consideration are set out in Section 2.4 of Part A of this Circular.

The Sale Shares to be acquired shall be free from all interest of any person, mortgages, charges, liens, and encumbrances and with full legal and beneficial title and all rights attaching thereto (including all bonuses, rights, dividends and distributions declared, made and paid, in respect thereof) as from the date of completion of the CSSA.

The salient terms of the CSSA are set out in **Appendix II** of this Circular.

The shareholdings structure before and after the Proposed Acquisition is depicted below:-





**Note:-**

- (a) On 26 October 2023, CKK had transferred his 50,000 ordinary shares in BCTSB (representing 50.0% equity interest in BCTSB) to his cousin, Yap Yun Hun. As at LPD, CKK is no longer a director of BCTSB.

CKK's disposal of BCTSB to Yap Yun Hun is to divest his investment in BCTSB, which is principally involved in supplying industrial chemicals (i.e. non-Concrete Business) and redirect his focus to EXPO Group.

Upon completion of the Proposed Acquisition, EXPO will become a 70.0%-owned subsidiary of MBGB. Further details on EXPO are set out in Section 2.3 of Part A of this Circular.

## **2.1 Profit Guarantee**

In consideration of MBGB acquiring the Sale Shares, CKK agrees, undertakes and guarantees that the aggregate consolidated PAT of EXPO Group for the Profit Guarantee Period (i.e. for the 5 FYE 30 June 2024 to FYE 30 June 2028) shall not be less than RM30.0 million. CKK is deemed to have fulfilled the Profit Guarantee in the event the Profit Guarantee is achieved prior to the expiry of the Profit Guarantee Period. For information, the Profit Guarantee attributable to the 70.0% equity interest in EXPO amounts to RM21.0 million for the Profit Guarantee Period.

As security for the performance of the Profit Guarantee, CKK and MBGB agree that the 25,641,026 Pledged Shares (equivalent to RM6.0 million in value) shall be placed with the Security Stakeholder in the Securities Account. For information, the Pledged Shares represents approximately 62.3% of the value of Consideration Shares to be received by CKK.

The Board is of the view that the RM6.0 million worth of Pledged Shares is sufficient despite the Profit Guarantee attributable to the 70.0% equity interest in EXPO amounting to RM21.0 million after taking into consideration, amongst others, the following:

- (i) the PAT of EXPO Group (excluding STL&T) of RM4.0 million for the FYE 30 June 2022 and the unaudited PAT of EXPO Group of RM4.0 million for the FYE 30 June 2023;
- (ii) EXPO Group's order book of RM330.0 million as at LTD, which is expected to be recognised over the next 3 years; and
- (iii) the aggregate of the unaudited NA of EXPO Group of RM26.5 million as at 30 June 2023 and the RM5.0 million Subscription Consideration of RM31.5 million.

Based on the above, 70.0% of the said RM31.5 million i.e. RM22.1 million is approximately the net consideration paid by MBGB in the event the Profit Guarantee is not achieved (i.e. RM28.0 million - RM6.0 million = RM22.0 million) and the Final Shortfall To Purchaser (as defined below) is more than RM6.0 million.

Upon issuance of the audited consolidated financial statements of EXPO Group for the FYE 30 June 2028, MBGB shall notify CKK in writing ("**Final Notice**") of the following:

- (i) the aggregate amount of PAT for the Profit Guarantee Period based on the audited consolidated financial statements of EXPO Group for the FYEs 30 June 2024 to 30 June 2028;
- (ii) whether there is a shortfall between the cumulative PAT for Profit Guarantee Period and the Profit Guarantee of RM30.0 million ("**Final Shortfall**");
- (iii) if there is a Final Shortfall, the Final Shortfall amount; and

- (iv) the Final Shortfall amount attributable to MBGB (it being 70% of the Final Shortfall amount) (“**Final Shortfall To Purchaser**”);

with a copy of the Final Notice being furnished to the Security Stakeholder.

In the event the aggregate amount of PAT for the Profit Guarantee Period based on the audited consolidated financial statements of EXPO Group for the FYEs 30 June 2024 to 30 June 2028 is equivalent to or more than RM30.0 million, upon receipt of the Final Notice from MBGB, the Security Stakeholder shall release all security interest over all Pledged Shares and where applicable, transfer the said Pledged Shares into the CDS Account(s) of CKK (details of such CDS Account(s) as informed in writing by CKK to the Security Stakeholder) within 14 business days from the receipt of the said Final Notice by the Security Stakeholder.

In the event the Profit Guarantee is achieved prior to the expiry of Profit Guarantee Period, the above shall apply for such number of years based on the respective audited consolidated financial statements for the said financial years in determining the fulfilment of CKK’s obligation on the Profit Guarantee. For illustration purpose only, assuming EXPO Group achieves an aggregate PAT for the FYEs 30 June 2024, 30 June 2025 and 30 June 2026 of RM35.0 million, then the Profit Guarantee is deemed fulfilled based on the audited consolidated financial statements of the EXPO Group for FYEs 30 June 2024, 30 June 2025 and 30 June 2026 only (notwithstanding that the Profit Guarantee Period is up to FYE 30 June 2028). Accordingly, upon receipt of the Final Notice from MBGB, the Security Stakeholder shall release all security interest over all Pledged Shares and where applicable, transfer the said Pledged Shares into the CDS Account(s) of CKK (details of such CDS Account(s) as informed in writing by CKK to the Security Stakeholder) within 14 business days from the receipt of the said Final Notice by the Security Stakeholder.

In the event there is a Final Shortfall To Purchaser:

- (i) CKK shall be liable to MBGB to fully pay the Final Shortfall To Purchaser in cash within 14 business days from the date of the Final Notice; and
- (ii) Upon payment of the Final Shortfall To Purchaser in full and any other monies outstanding and payable to MBGB, MBGB shall inform the Security Stakeholder in writing confirming that the Final Shortfall To Purchaser and all monies outstanding and payable to MBGB have been paid, whereupon the Security Stakeholder shall release all security interest over the Pledged Shares held and where applicable transfer the Pledged Shares into the CDS Account(s) of CKK (details of such CDS Account(s) as informed in writing by CKK to the Security Stakeholder) within 14 business days of the Security Stakeholder receiving such written confirmation.

In the event that CKK fails to pay MBGB the Final Shortfall To Purchaser in full within the said 14 business days, MBGB shall be entitled (but without prejudice to any other rights and remedies that MBGB may have) and CKK hereby authorise MBGB to issue a written notice to the Security Stakeholder stating the same and the amount of the Final Shortfall To Purchaser that remains unpaid (“**Default Notice**”), whereupon the Security Stakeholder is authorised to and shall within 3 months from the Default Notice sell all or part of the Pledged Shares sufficient to cover the amount stated in the said Default Notice and all commissions and costs for the sale in any manner and on any terms of the Security Stakeholder, in its sole and absolute discretion deems appropriate upon receipt of the said notice. The Security Stakeholder shall then apply the proceeds of the sale as follows:

- (i) firstly, payment of all cost, expenses and fees arising from the sale or disposal of the Pledged Shares;
- (ii) secondly, all monies due to the Security Stakeholder pursuant to the CSSA (if any); and

(iii) thirdly, payment of the Final Shortfall To Purchaser or any part thereof to MBGB,

after which the Security Stakeholder shall release all securities interest over the remaining Pledged Shares and cash balance or such part thereof (if any) and where applicable shall transfer or caused to be transferred to CKK such remaining Pledged Shares and cash balance.

In the event the proceeds of the sale and moneys in the Securities Account are insufficient to pay all of the Final Shortfall To Purchaser, the Security Stakeholder shall inform CKK and MBGB in writing of the same and CKK shall be liable to pay MBGB such differential amounts indicated in the said notice within 14 days of the said notice. Failing to do so, CKK will be deemed to breach his obligations under the CSSA and MBGB shall be entitled to claim for specific performance in addition to any other remedies as may be available to MBGB under law and/or equity and CKK shall indemnify and hold MBGB harmless against all costs, charges and expenses incurred or suffered by MBGB arising from such breach.

For information, the 3 months period for the Security Stakeholder to sell the Pledged Shares is provided, after taking into consideration that disposal of such a large quantum of MBGB Shares over a short period of time may negatively affect the market price of MBGB Shares and to allow the Security Stakeholder some flexibility to monitor the market price of MBGB Shares over a period of time in order to maximise the recoverability of the Final Shortfall to Purchaser.

In view of the Proposed Acquisition, MBGB, CKK and EXPO have on even date also entered into the Shareholders Agreement which shall be effective on the completion of the Proposed Acquisition. The purpose of the Shareholders Agreement is to regulate the affairs of EXPO and their relationship inter se as shareholders of EXPO. The salient terms of the Shareholders Agreement are set out in **Appendix III** of this Circular.

The Board is of the view that the Profit Guarantee is reasonable and realistic after taking into consideration, amongst others, the following:

- (i) the PAT of EXPO Group (excluding STL&T) of RM4.0 million for the FYE 30 June 2022 and the unaudited PAT of EXPO Group of RM4.0 million for the FYE 30 June 2023; and
- (ii) future prospects of EXPO Group (as detailed in Section 6.5 of Part A of this Circular) as well as the Budget 2024 announced by the Government of Malaysia (as detailed in Section 6.4 of Part A of this Circular).

For information, STL&T, a 65.0%-owned subsidiary of EXPO, was excluded from the consolidated financial statements of EXPO for the FYE 30 June 2022, as the directors of STL&T intend to change the financial year end of STL&T prior to include the financial statements of STL&T in the consolidation of EXPO Group. Hence, the Board's view as aforementioned was based on the latest available accounts provided by EXPO Group prior to the date of the CSSA.

## **2.2 Information on the Vendors**

### **(i) CKK**

CKK, Malaysian, aged 51, is a director and shareholder of EXPO.

As at LPD, he holds 62.1% equity interest in EXPO.

Kindly refer to Section 3.1(i) of Part A of this Circular for CKK's profile.

**(ii) BCTSB**

BCTSB was incorporated in Malaysia on 22 September 2011 as a private limited company under the Companies Act 1965 and deemed registered under the Act with its registered office at Lot 17 & 18, 2<sup>nd</sup> Floor, Block C, HS Commercial Centre, Jalan Penampang, Penampang, 89500 Kota Kinabalu, Sabah. Its principal office is at Lot No. C-01-17, Block C, 1<sup>st</sup> Floor, HS Commercial Centre, Jalan Penampang, Penampang, 89500 Kota Kinabalu, Sabah.

As at LPD, BCTSB is principally involved in supplying industrial chemical (including admixtures).

As at LPD, BCTSB has an issued share capital of RM100,000 comprising 100,000 ordinary shares.

As at LPD, the directors of BCTSB are Yap Yun Hun and Sherman Ryner Suhaibun. Both of the directors are Malaysian.

As at LPD, shareholders of BCTSB are as follows:

<b>Name</b>	<b>Nationality</b>	<b>Direct interest</b>	
		<b>Number of shares</b>	<b>%</b>
Yap Yun Hun	Malaysian	50,000	50.0
Sherman Ryner Suhaibun	Malaysian	50,000	50.0
		<b>100,000</b>	<b>100.0</b>

As at LPD, BCTSB holds 16.1% equity interest (direct interest) in EXPO.

**(iii) FCF**

FCF, Malaysian, aged 56, is a director and shareholder of EXPO.

As at LPD, he holds 10.9% equity interest (direct interest) in EXPO.

**(iv) CSY**

CSY, Malaysian, aged 59, is a director and shareholder of EXPO.

As at LPD, he holds 10.9% equity interest (direct interest) in EXPO.

**2.3 Information on EXPO**

EXPO was incorporated in Malaysia on 2 April 2002 as a private limited company under the Companies Act 1965 and deemed registered under the Act with its registered office and principal office at Lot 18-02, Block C, HS Commercial Centre, Jalan Penampang, 89500 Kota Kinabalu, Sabah, Malaysia.

Prior to year 2006, EXPO was dormant under the name of Sundariarasu Silk Boutique Sdn. Bhd. Subsequently, the company changed its name to EXPO on 7 March 2005 and commenced its operation in year 2006. It is principally involved in manufacturing of ready-mixed concrete.

As at LPD, the directors of EXPO are CKK, FCF and CSY.

As at LPD, EXPO has an issued share capital of RM4,600,000 comprising 3,100,000 ordinary shares. As at LPD, the shareholders of EXPO are as follows:-

Shareholders	Nationality / Country of incorporation	Direct interest		Indirect interest	
		Number of EXPO Shares	%	Number of EXPO Shares	%
CKK	Malaysian	1,924,000	62.1	-	-
FCF	Malaysian	338,000	10.9	-	-
CSY	Malaysian	338,000	10.9	-	-
BCTSB	Malaysia	500,000	16.1	-	-
Sherman Ryner Suhaibun	Malaysian	-	-	(a)500,000	16.1
Yap Yun Hun	Malaysian	-	-	(a)500,000	16.1
		<b>3,100,000</b>	<b>100.0</b>		

**Note:-**

(a) Deemed interest by virtue of his interest in BCTSB pursuant to Section 8 of the Act.

Kindly refer to **Appendix IV** of this Circular for further information on EXPO Group.

## 2.4 Basis and justification for the Subscription Consideration and Purchase Consideration

The Subscription Consideration and Purchase Consideration aggregating RM28,040,000 was arrived at on a “willing-buyer willing-seller” basis, after taking into consideration, amongst others, the following:-

- (i) the audited consolidated NA of EXPO Group (excluding the consolidation of STL&T) as at 30 June 2022 of RM22.4 million, unaudited consolidated NA of EXPO Group (including the consolidation of STL&T) as at 30 June 2022 of RM22.3 million<sup>(a)</sup> and the unaudited consolidated NA of EXPO Group of RM26.5 million as at 30 June 2023;
- (ii) the Subscription Consideration of RM5.0 million which shall accrue to EXPO Group, which will be a 70.0%-owned subsidiary of MBGB Group upon completion of the Proposed Acquisition;
- (iii) the Profit Guarantee of RM30.0 million for the Profit Guarantee Period, as detailed in Section 2.1 of Part A of this Circular; and
- (iv) the rationale and potential benefits to be accrued by the Group through the Proposed Acquisition, including the Proposed Diversification into the Concrete Business to enhance the Group’s revenue stream.

**Note:-**

- (a) The unaudited consolidated NA of EXPO Group (including the consolidation of STL&T) had been prepared by the management of EXPO Group using the audited consolidated financial statements of EXPO Group (excluding the consolidation of STL&T) for the FYE 30 June 2022 (1 July 2021 to 30 June 2022) and the audited financial statements of STL&T for the FYE 31 December 2022 (1 January 2022 to 31 December 2022).

The Subscription Consideration and Purchase Consideration aggregating RM28,040,000 represent a premium to the NA of EXPO Group as follows:

	<b>NA</b>	<b>NA attributable to 70% equity interest</b>	<b>Premium over NA attributable to 70% equity interest</b>	
	RM'000	RM'000	RM'000	%
Audited consolidated NA for the FYE 30 June 2022 (excluding the consolidation of STL&T)	22,395	15,677	12,363	78.9
Unaudited consolidated NA for the FYE 30 June 2022 (including the consolidation of STL&T)	22,305	15,614	12,426	79.6
Unaudited consolidated NA for the FYE 30 June 2023 (including the consolidation of STL&T)	26,476	18,533	9,507	51.3

The Board is of the view that the premium over the NA of EXPO Group is reasonable after taking into consideration the Profit Guarantee of RM30.0 million provided by CKK for the Profit Guarantee Period and the potential benefits to MBGB Group subsequent to the completion of the Proposed Acquisition, which is envisaged to increase MBGB shareholders' value in near future.

The Board had not taken into consideration the marketability of EXPO Shares in determining the Subscription Consideration and Purchase Consideration in view that the Group has no intention of generating income from the trading of EXPO Shares, but instead expects the Proposed Acquisition to contribute to the financial performance of the MBGB Group through the Profit Guarantee as well as the potential benefits from the Proposed Acquisition.

Based on the Subscription Consideration and Purchase Consideration aggregating RM28,040,000 for 70% equity interest of EXPO Group, the proforma equity value for 100% of EXPO Group is RM40,057,143. In comparing the 100% proforma equity value of EXPO Group against the PAT of EXPO Group, profit guarantee of RM6.0 million for the FYE 30 June 2024 (assuming the Profit Guarantee is spread evenly over 5 financial years) and the NA of EXPO Group, the aggregate of Subscription Consideration and Purchase Consideration represents:

- (i) a P/E multiple of 9.9 times (RM40,057,143 / RM4,046,182) based on the audited consolidated PAT of EXPO Group (excluding the consolidation of STL&T) for the FYE 30 June 2022;
- (ii) a P/E multiple of 10.0 times (RM40,057,143 / RM4,023,368) based on the unaudited consolidated PAT of EXPO Group for the FYE 30 June 2023;
- (iii) an implied P/E multiple of 6.7 times (RM40,057,143 / RM6,000,000), assuming a PAT of RM6.0 million per annum (i.e. the Profit Guarantee of RM30.0 million is spread evenly over 5 financial years); and
- (iv) an implied P/B multiple of 1.3 times (RM40,057,143 / RM31,475,974) based on the aggregate of the unaudited consolidated NA of EXPO Group as at 30 June 2023 of RM26,475,974 and the RM5.0 million Subscription Consideration.

The above P/E multiple for the Proposed Acquisition based on the aggregate of Subscription Consideration and Purchase Consideration is lower than the range of adjusted P/E multiples of the Acquisition Comparable Companies as set out below.

The above P/B multiple for the Proposed Acquisition based on the aggregate of Subscription Consideration and Purchase Consideration is within the range of P/B multiples of the Acquisition Comparable Companies.

The Acquisition Comparable Companies have been arrived at based on the following parameters:-

- (i) public listed companies in Malaysia with market capitalisation of up to RM200.0 million;
- (ii) principally involved in manufacturing and/or supply of building materials in Malaysia; and
- (iii) profitable based on its 12-month trailing results up to 30 June 2023 (up to 31 May 2023 for Concrete Engineering Products Berhad), being the latest publicly available financial results of the Acquisition Comparable Companies as at LTD.

The Acquisition Comparable Companies were selected based on their principal activities in the building materials industry i.e. manufacturing of concrete related products and market capitalisation of less than RM200.0 million, which may be broadly comparable to EXPO Group, and have been identified on a best effort basis based on the prescribed parameters. The market capitalisation of up to RM200.0 million has been determined in view that EXPO Group is valued less than RM200.0 million. The larger players i.e. Cahya Mata Sarawak Berhad, Hume Cement Industries Berhad and Malayan Cement Berhad may not be comparable to EXPO Group in view of the scale of their business operations. Accordingly, the Group is of the view that the Acquisition Comparable Companies selected reflect the trading multiples of the industry where EXPO Group is currently being positioned based on its scale of operations.

However, it should be noted that the Acquisition Comparable Companies have been selected for comparison purposes only and is not exhaustive. Please note that the Acquisition Comparable Companies may not be directly comparable to EXPO due to differences in various factors which include, amongst others, composition of business activities, asset base, accounting and tax policies, risk profile, track record, future prospects, competitive environment, financial position, capital structure, etc.

The P/E multiple valuation methodology which illustrates the ratio of the market value of a company's shares relative to its historical profit after tax has been used to assess the aggregate of Subscription Consideration and Purchase Consideration as CKK (one of the Vendors) had provided Profit Guarantee based on the consolidated PAT of EXPO Group for the FYEs 30 June 2024 to 30 June 2028 for the Proposed Acquisition.

The P/B multiple valuation methodology which illustrates the ratio of the market value of a company's shares relative to its book value i.e. net assets has also been used to assess the aggregate of Subscription Consideration and Purchase Consideration as MBGB is paying a premium over the NA of EXPO Group.

The details of Acquisition Comparable Companies and their P/E multiples are set out below:-

<b>Comparable Companies</b>	<b>Principal activities</b>	<b>Market capitalisation as at LTD (RM'mil)</b>	<b>Trailing 12-month PAT (RM'mil)</b>	<b>P/E (times)</b>	<b>NA (RM'mil)</b>	<b>P/B (times)</b>
OKA Corporation Bhd	OKA Corporation Bhd is an investment holding company while its subsidiaries are involved in: <ul style="list-style-type: none"> <li>(a) Manufacturing and sale of pre-cast concrete products;</li> <li>(b) Trading of ready-mixed concrete;</li> <li>(c) Manufacture of hard drawn wires, fabrication of mould and trading of prestressed concrete piles;</li> </ul>	171.8	6.7	25.6	187.8 <sup>(a)</sup>	0.9

<b>Comparable Companies</b>	<b>Principal activities</b>	<b>Market capitalisation as at LTD (RM'mil)</b>	<b>Trailing 12-month PAT (RM'mil)</b>	<b>P/E (times)</b>	<b>NA (RM'mil)</b>	<b>P/B (times)</b>
	(d) Provision of transportation and other related services;					
	(e) Supply of manual labour to perform contracted jobs and other related services; and					
	(f) Manufacture of steel products, hard drawn wire, straight bars, and wire mesh.					
Concrete Engineering Products Berhad	Concrete Engineering Products Berhad is involved in manufacturing and distribution of prestressed spun concrete piles and poles. Its subsidiaries are dormant.	80.6	1.5	55.4	57.7 <sup>(b)</sup>	1.4
<b>EXPO Group</b>		<b>40.1</b>	<b>4.0<sup>(c)</sup></b>	<b>9.9<sup>(c)</sup></b>	<b>31.5<sup>(f)</sup></b>	<b>1.3</b>
<b>EXPO Group</b>		<b>40.1</b>	<b>4.0<sup>(d)</sup></b>	<b>10.0<sup>(d)</sup></b>	<b>31.5<sup>(f)</sup></b>	<b>1.3</b>
<b>EXPO Group</b>		<b>40.1</b>	<b>6.0<sup>(e)</sup></b>	<b>6.7<sup>(e)</sup></b>	<b>31.5<sup>(f)</sup></b>	<b>1.3</b>

(Source: Bloomberg, Annual Reports 2022/2023 and latest quarterly results available for respective companies up to LTD)

**Notes:-**

- (a) Based on unaudited consolidated NA of OKA Corporation Bhd as at 30 June 2023.
- (b) Based on unaudited consolidated NA of Concrete Engineering Products Berhad as at 31 May 2023.
- (c) Based on the audited consolidated PAT of EXPO Group (excluding the consolidation of STL&T) for the FYE 30 June 2022.
- (d) Based on the unaudited consolidated PAT of EXPO Group for the FYE 30 June 2023.
- (e) Assuming a PAT of RM6.0 million per annum (i.e. Profit Guarantee of RM30.0 million is spread evenly over 5 financial years)
- (f) Aggregate of the unaudited consolidated NA of EXPO Group as at 30 June 2023 of RM26,475,974 and the RM5.0 million Subscription Consideration.

**2.5 Basis and justification for the Issue Price of the Consideration Shares**

The Issue Price of RM0.234 per Consideration Share was determined by the Board after taking into consideration, amongst others, the following:-

- (i) the historical trading prices of MBGB Shares for the past 12 months up to LTD, of RM0.095 to RM0.265; and



- (ii) a discount of approximately 9.9% to the 5-day VWAP of MBGB Shares up to LTD of RM0.2598. For information, the historical VWAP of MBGB Shares up to LTD and 26 December 2023 are as follow:-

<u>Up to LTD</u>	<u>VWAP</u>	<u>(Discount) / Premium of Issue Price over VWAP</u>
- 5-day	RM0.2598	(9.9%)
- 1-month	RM0.2462	(5.0%)
- 3-month	RM0.2266	3.3%
- 6-month	RM0.2084	12.3%
- 12-month	RM0.1904	22.9%

<u>Up to 26 December 2023</u>	<u>VWAP</u>	<u>(Discount) / Premium of Issue Price over VWAP</u>
- 5-day	RM0.2060	13.6%
- 1-month	RM0.1989	17.6%
- 3-month	RM0.2378	(1.6%)
- 6-month	RM0.2255	3.8%
- 12-month	RM0.2013	16.2%

In view that the Purchase Consideration will be fully settled via issuance of MBGB Shares, whereby the market price of MBGB Shares may continue to fluctuate based on the prevailing market conditions, the Issue Price had been fixed at a discount to the 5-day VWAP up to LTD, to provide buffer for such price fluctuations.

The 9.9% discount to the 5-day VWAP was arrived at after taking into consideration the following:

- (a) the 10% discount permitted for a placement exercise undertaken via a general mandate under the Listing Requirements which would be the case if MBGB to undertake a private placement exercise to raise equity funding to fund the Proposed Acquisition; and
- (b) the audited net assets of MBGB Group of RM0.10 as at 30 June 2023, which is lower than the 5-day VWAP of MBGB Share up to LTD of RM0.2598.

## 2.6 Put option

In consideration of MBGB acquiring the Sale Shares, CKK agrees, confirms and undertakes within a period of 2 years from the completion date of the CSSA (or such other extension of time as may be agreed in writing by MBGB) to ensure that the necessary licences, consents and permits relevant to the then operations of the business of EXPO Group and associated companies are obtained and complied with to the satisfaction of MBGB.

In the event CKK fails to fulfil the abovementioned obligations and such failure results in EXPO Group's operations to be adversely affected, CKK unconditionally and irrevocably grants to MBGB the right to require CKK to acquire from MBGB the Sale Shares, Subscription Shares and all such other shares in EXPO to be subscribed, allotted to or purchased by MBGB all held by MBGB at the time of exercise of the option ("**Option Shares**") at any time for a period of 3 years after the completion date of the CSSA, at the price as determined based on the following formula ("**Option Price**"):

$$\text{Option Price} = (A + B + C)$$

where:

A = The total amount of the Subscription Consideration

B = The total amount of the Purchase Consideration

C = All such other price paid by MBGB for the additional shares held by MBGB in EXPO (from the date of completion of the CSSA to the date of exercise of the option)

The Option Price was determined based on the total consideration to be/will be paid by MBGB to obtain the ownership of the ordinary shares in EXPO.

## 2.7 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the existing MBGB Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Consideration Shares.

## 2.8 Listing and quotation of the Consideration Shares

Bursa Securities had vide its letter dated 15 December 2023, approved the listing and quotation of 98,461,536 Consideration Shares to be issued pursuant to the Proposed Acquisition as set out in Section 10 of Part A of this Circular, subject to the conditions as set out therein.

## 2.9 Source of funding

The Subscription Consideration of RM5.0 million is expected to be funded via the following:

	<b>RM'000</b>
Internally generated funds	3,000
Cash and bank balances	2,000
	<hr/> <b>5,000</b> <hr/>

For information, MBGB Group has unaudited cash and cash equivalents of RM23.4 million as at 30 September 2023.

## 2.10 Liabilities to be assumed by MBGB

Save for the obligations and liabilities of MBGB arising from or in connection with the Subscription Agreement and CSSA, i.e. payment of the Subscription Consideration and Purchase Consideration as detailed in Section 2 of Part A of this Circular, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by MBGB pursuant to the Proposed Acquisition.

For avoidance of doubt, the liabilities stated in EXPO Group's consolidated statements of financial position, will be consolidated into the financial statements of the Group following the completion of the Proposed Acquisition. Existing liabilities of EXPO Group will be settled by EXPO Group in its ordinary course of business.

For information, the contingent liabilities of EXPO Group as at LPD are as follows:-

	<hr/> <b>RM'000</b>
Bank guarantees provided by EXPO Group in favour of the suppliers	1,419

The above bank guarantees provided by EXPO Group are necessary to facilitate the ordinary course of business of EXPO Group and will be in compliance with Paragraph 8.23 of the Listing Requirements.

### **2.11 Additional financial commitments**

Upon completion of the Proposed Acquisition, there will be no additional financial commitments to be incurred by MBGB Group to put the business of EXPO Group on-stream, in view that it is already in operation and is generating income and cash flow.

As at LPD, the Subscription Consideration of RM5.0 million is intended to be utilised to repay the facilities of EXPO Group. The repayment of the bank borrowings of EXPO Group will also reduce the gearing ratio of EXPO Group as at 30 June 2023, from 2.1 times to 1.6 times, upon completion of the Proposed Acquisition.

EXPO Group has the intention to expand its service region to Putatan and Sandakan as well as expand its Lok Kawi batching plant in next 2 years. Such expansion is expected to cost EXPO Group RM7.5 million (for purchase of plant and equipment), which is intended to be financed via bank borrowings, internally-generated fund and/or cash and bank balances.

## **3. PROPOSED DIVERSIFICATION**

The Group is proposing to diversify its existing business to include the Concrete Business which comprise the manufacturing, trading and supply of building materials including cement and ready-mixed concrete and its related products as well as provision of related services including transportation services and equipment rental. For clarification, the Concrete Business comprise the existing business activities of EXPO Group.

Notwithstanding the Group's operations mainly in West Malaysia, the Group's initiative to venture into the Concrete Business in East Malaysia is due to its active project i.e. Damai project which is located in Sabah, as well as possible new property development projects in Sabah being explored by the Group.

As at LPD, the principal activity of MBGB is investment holding. Through its subsidiaries, the Group is principally involved in hotel operations, property investment, property development, Energy Related Business, money lending as well as Leasing Business.

As at LPD, the Group's operations can be segregated into 5 primary business segments as follows:-

### **(i) Hospitality segment**

For the hospitality segment, the Group operates The Grand Renai Hotel, a 4-star hotel located along Jalan Sultan Yahya Petra, Kota Bharu, Kelantan which commenced operations in year 2000. The 20-storey hotel has 298 rooms, 7 functions rooms (comprising 2,405 sqm of function space and a grand ballroom with a size of 1,066 sqm), recreational facilities such as gym and fitness centre, tennis court, squash courts, swimming pool, 2 restaurants and a lobby lounge.

Presently, the hotel mainly attracts customers travelling for business. The average occupancy rate of the hotel from 1 July 2023 up to LPD is approximately 52.6% (FYE 30 June 2023: 60.0% and FYE 30 June 2022: 64.6%).

**(ii) Investment properties segment**

The Group owns the Kota Sri Mutiara Shopping Complex in Kota Bharu and Jengka properties (90 commercial units comprising the ground and first floors within 46 stratified 2-storey shop/offices located at Bandar Tun Razak Business Park, 26400 Bandar Tun Abdul Razak Jengka, Maran, Pahang Darul Makmur).

The occupancy rate of the Kota Sri Mutiara Shopping Complex from 1 July 2023 up to LPD is approximately 76.3% (FYE 30 June 2023: 76.3% and FYE 30 June 2022: 76.6%).

For the Jengka properties, the Group had on 13 July 2022 entered into a lease agreement whereby the Group will receive a guaranteed rental return of RM1,240,000 per annum for a 5-year period, from 8 August 2022 to 7 August 2027. For information, MBGB Group had on 4 September 2023 completed the sale of 2 units of the Jengka Properties at RM1.3 million, which generated a gain on disposal of RM0.2 million. Accordingly, the guaranteed rental return decreased from RM1,240,000 per annum to RM1,198,892 per annum.

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**(iii) Property development segment**

The Group has 2 ongoing property development projects namely Bandar Tasek Raja project (commercial property development in Pasir Mas, Kelantan) and Damai project (mixed development project in Damai, Kota Kinabalu).

Bandar Tasek Raja Project will be developed in 2 phases, comprising shop lots, a market, a supermarket, a bus station and taxi terminal, and other ancillary buildings. As at LPD, phase 1 comprising 112 units of shop lots, a market, a supermarket, a bus station and taxi terminal had been completed in 2016 and phase 2a comprising 14 units of shop lots had been completed in October 2022 and pending the Certificate of Completion and Compliance. The Group had decided to put the further development of the remaining phase 2 of Bandar Tasek Raja project comprising 140 units shop lots on hold, in view of the soft property market condition in that area.

Presently, the Group's property development segment will be driven by the Damai project whereby the Group had on 21 October 2021 completed the acquisition of development right for the project ("**Acquisition of Development Rights**"). Development works on the project had commenced in the 4<sup>th</sup> quarter of calendar year 2022. The Damai project is a mixed development project which will be developed in a single phase as follows:-

Components	Gross development value ("GDV") RM'000	Gross development cost ("GDC")(a) RM'000	Expected funding from		Expected completion date	Percentage of completion as at LPD
			Internally generated funds RM'000	Bank Borrowings RM'000		
2-storey shop lots (14 units shop lots and 4 kiosks)	(b)43,137	13,315	2,711	10,604	4 <sup>th</sup> quarter of calendar year 2025	(b)
8-storey commercial units (256 units commercial suites)	97,663	75,141	75,141	-	4 <sup>th</sup> quarter of calendar year 2025	(b)
5-storey carpark (215 units car park bays)	-	19,609	16,013	3,596	4 <sup>th</sup> quarter of calendar year 2025	(b)
Public facilities	-	9,485	9,485	-	4 <sup>th</sup> quarter of calendar year 2025	(b)
<b>Total</b>	<b>140,800</b>	<b>117,550</b>	<b>103,350</b>	<b>14,200</b>		

**Notes:-**

- (a) The GDC comprises the cost of the 8 units of shop lots and 2 kiosks which shall be delivered to Dewan Bandaraya Kota Kinabalu as its entitlement under the joint venture agreement dated 18 September 2018 between SUDC and IWSB, which was novated on 18 October 2021 by IWSB to FBO Land (“**JVA**”) pursuant to the Acquisition of the Development Rights. The cost of the 10 units shop lots had been apportioned to each component under the Damai project based on the net area in view that it is deemed as the cost for the Acquisition of Development Rights.
- (b) The GDV comprises the 8 units of shop lots and 2 kiosks which shall be delivered to Dewan Bandaraya Kota Kinabalu as its entitlement under the JVA pursuant to the Acquisition of the Development Rights. The 8 units of shop lots and 2 kiosks which shall be delivered to Dewan Bandaraya Kota Kinabalu is deemed as sales in accordance with Malaysian Financial Reporting Standards.
- (c) As at LPD, the enabling work (i.e. the preparation of the site in readiness for the first stage of development) and piling work on the Damai project had been completed. The Group had commenced the work for below ground level and foundation of the buildings. Barring any unforeseen circumstance, the Damai project is expected to be completed by the 4<sup>th</sup> quarter of calendar year 2025.

**(iv) Energy Related Business**

As at LPD, the Energy Related Business segment comprises 12 solar projects with a combined contract value of RM43.1 million and 2 energy efficiency contracts.

The Energy Related Business began contributing towards the Group's revenue and earnings in the 4<sup>th</sup> quarter of FYE 30 June 2023 following the commissioning of its 1<sup>st</sup> solar project in June 2023. The details and the status of the Group's solar projects as at LPD are as follows:-

<b>No.</b>	<b>Client and business entity</b>	<b>Location</b>	<b>Description of the project</b>	<b>Estimated capacity (kWp)</b>	<b>Contract value (RM' 000)</b>	<b>Status</b>
aa.	Perabut Makmur Sdn. Bhd., (Furniture manufacturer)	Selangor	Development of solar photovoltaic (“ <b>PV</b> ”) generating facilities at a factory in Shah Alam, Selangor.	120.32	1,284	The installation has commenced in fourth quarter of calendar year 2023 and is expected to complete by first quarter of calendar year 2024.
bb.	Stone Empire Manufacturing Sdn. Bhd., (Stone products manufacturer)	Selangor	Development of solar PV generating facilities at a factory in Rawang, Selangor.	35.04	543	This solar project was commissioned in June 2023 and generated RM5,338 up to LPD.
cc.	Stone Empire Manufacturing Sdn. Bhd., (Stone products manufacturer)	Selangor	Development of solar PV generating facilities at a commercial building in Rawang, Selangor.	60.06	807	This solar project was commissioned in June 2023 and generated RM12,718 up to LPD.

<b>No.</b>	<b>Client and business entity</b>	<b>Location</b>	<b>Description of the project</b>	<b>Estimated capacity (kWp)</b>	<b>Contract value (RM' 000)</b>	<b>Status</b>
dd.	Mars Global Sdn. Bhd. (Wholesale of livestock, agriculture, agro-culture land development & property management)	Johor	Development of solar PV generating facilities at a factory in Kulai, Johor	228.90	3,505	This solar project was commissioned in November 2023 and generated RM9,909 up to 1 December 2023.
ee.	Sinergi Perdana Sdn. Bhd. (Provide agriculture inputs and investment holding)	Selangor	Development of solar PV generating facilities at a factory in Pelabuhan Klang, Selangor	401.76	4,047	The installation has commenced in third quarter of calendar year 2023 and is expected to complete by first quarter of calendar year 2024.
ff.	Revillon Metal Sdn. Bhd. (Manufacture of metal products and contractor for metal installation works)	Selangor	Development of solar PV generating facilities at a factory in Sungai Buloh, Selangor	90.68	1,301	The installation is expected to commence by first quarter of calendar year 2024 and complete by first quarter of calendar year 2024.
gg.	Persatuan Kanak-Kanak Spastik Selangor & Wilayah Persekutuan (Care of children with Cerebral Palsy)	Selangor	Development of solar PV generating facilities at a building in Petaling Jaya, Selangor	72.54	1,166	The installation has commenced in fourth quarter of calendar year 2023 and complete by first quarter of calendar year 2024.
hh.	GE Mining (mining of iron ore, tin, gold and other natural resources)	Pahang	Development of solar farm in Jerantut, Pahang.	2,152.80	27,151	Application to Suruhanjaya Tenaga for Suruhanjaya Tenaga License is in progress.  The installation is expected to commence by first quarter of calendar year 2024 and complete by second quarter of calendar year 2025.
ii.	4 Mosques in Pahang	Pahang	Development of solar PV generating facilities at the mosques.	236.22	3,256	The installation is expected to commence by first quarter of calendar year 2024 and complete by second quarter of calendar year 2024.
				<b>Total</b>	<b>43,060</b>	

In addition to the above, the Group's 2 energy efficiency contracts had started generating revenue since May 2023 and June 2023 respectively. Up to the LPD, these contracts had contributed total revenue of RM0.4 million to the Group.

**(v) Leasing and financing**

The leasing and financing segment comprises the Group's money lending business and the Leasing Business.

The Group possesses a money lending license to run a money lending business. As at LPD, the Group had lent out loans totalling RM12.5 million with tenures ranging between 1 month to 24 months to borrowers. As at LPD, the Group has RM6.6 million outstanding loans to be repaid by borrowers over the next 12 months.

For the Leasing Business, the Group has 3 on-going leasing contracts as at LPD:

<b>No.</b>	<b>Lessee</b>	<b>Principal activities</b>	<b>Machineries / Equipment leased</b>	<b>Date of agreement</b>	<b>Commencement date / (expiry date)</b>	<b>Monthly rental</b>
aa.	Serantau Emas Sdn. Bhd., a company incorporated in Malaysia	(i) Activities of providing infrastructure for hosting data processing services and related activities;  (ii) Information communication technology system security; and  (iii) Computer programming activities	1 excavator	15 May 2023	29 May 2023 / (28 May 2024)	RM9,690
bb.	Mt Cuthbert Resources Pty Ltd, a company incorporated in Australia	Involved in copper mining business activity in Queensland, Australia	1 crane and 1 excavator	1 June 2023 (supplemented via letter of variation dated 3 August 2023)	Crane – 2 October 2023; and Excavator – 12 October 2023 / (31 May 2024)	AUD44,842 (equivalent to RM138,400 <sup>(a)</sup> )
cc.	Mt Cuthbert Resources Pty Ltd, a company incorporated in Australia	Involved in copper mining business activity in Queensland, Australia	2 buses, 1 crane, 1 diesel generator, 6 diesel pumps, 1 diesel welder, 1 electric pump, 1 excavator, 1 floor sweeper, 4 loaders, 1 mining pump, 2 service vehicle, 1 sump pump and 3 trucks	18 August 2023	One loader – 3 October 2023; One truck – 3 October 2023; One excavator – 1 November 2023; One diesel generator – 3 November 2023;	AUD192,585 (equivalent to RM594,394 <sup>(a)</sup> )



<u>No.</u>	<u>Lessee</u>	<u>Principal activities</u>	<u>Machineries / Equipment leased</u>	<u>Date of agreement</u>	<u>Commencement date / (expiry date)</u>	<u>Monthly rental</u>
					One loader – 3 November 2023;	
					One truck – 3 November 2023;	
					One bus – 9 November 2023;	
					One bus – 14 November 2023;	
					One service vehicle – 17 November 2023; and	
					One floor sweeper – 17 November 2023.	
					The commencement date for the other equipment will be determined at a later date.	
					The contract will continue until mutual termination of the agreement by both parties, there is no specified expiration date.	

**Note:-**

- (a) Based on RM/AUD exchange rate of 3.0864 as at LPD (source: Bank Negara Malaysia website)

The revenue and (LAT)/PAT of the Group based on the audited consolidated financial statements for the 18-month FPE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 and unaudited consolidated financial statements for the 3-month FPE 30 September 2023 are as follows:-

**Revenue**

<b>Segments</b>	<b>Audited</b>			<b>Unaudited</b>
	<b>18-month FPE 30 June 2021</b>	<b>FYE 30 June 2022</b>	<b>FYE 30 June 2023</b>	<b>3-month FPE 30 September 2023</b>
	RM'000	RM'000	RM'000	RM'000
Hospitality	13,236	22,638	25,956	6,320
Investment properties	4,236	2,820	2,931	715
Property development	3,415	246	4,682	2,854
Energy Related Business	-	-	79	226
Leasing and financing	*	1	419	316
Others	13	-	-	-
	<b>20,900</b>	<b>25,705</b>	<b>34,067</b>	<b>10,431</b>

**(LAT) / PAT**

<b>Segments</b>	<b>Audited</b>			<b>Unaudited</b>
	<b>18-month FPE 30 June 2021</b>	<b>FYE 30 June 2022</b>	<b>FYE 30 June 2023</b>	<b>3-month FPE 30 September 2023</b>
	RM'000	RM'000	RM'000	RM'000
Investment holding	(6,687)	(5,137)	(4,425)	(1,091)
Hospitality	<sup>(a)</sup> (25,368)	12,453	9,857	747
Investment properties	<sup>(b)</sup> (21,304)	(853)	217	(180)
Property development	<sup>(c)</sup> (47,017)	(2,369)	2,946	673
Energy Related Business	-	-	(102)	83
Leasing and financing	(17)	(4)	222	252
Others	(25)	(15)	(6)	-
	<b>(100,418)</b>	<b>4,075</b>	<b>8,709</b>	<b>484</b>

**Notes:-**

*\* Less than RM1,000*

- (a) Including an impairment on the Group's hotel amounting to RM27.3 million as a result of the adjustment in the book value of its hotel as there is an impairment in the value of the hotel based on the valuation performed by the valuer. The lower valuation accorded by the valuer was due to the weak market condition (and thus lower expected future cash flows) of the hospitality industry.
- (b) Including an impairment on the Group's investment properties amounting to RM20.0 million as a result of fair value loss based on the valuation performed by the valuer. The lower valuation accorded by the valuer was due to the weak market condition (and thus lower expected future cash flows) of the investment properties market.
- (c) Including a write down on the Group's property development inventories of RM43.9 million, which was arrived at based on valuation performed by the valuer. The lower valuation accorded by the valuer was due to the weak property market condition.

The Group was previously only involved in properties related businesses (i.e. property development and operations of The Grand Renai Hotel and Kota Sri Mutiara Shopping Complex) and these businesses were affected by the COVID-19 pandemic and the imposition of movement control order by the government of Malaysia to curb the outspread of COVID-19.

The Group had since then explored various non-property related business opportunities that would provide the Group with diversified income streams and had on 15 July 2022 obtained shareholders' approval to diversify into the Energy Related Business and acquired the Jengka properties. The said diversification and acquisition had provided the Group with new revenue streams and the Group had successfully turnaround to profitability by registering a PAT of RM4.0 million in FYE 30 June 2022 after registering losses for the previous 5 financial years.

Subsequently, the Group had further diversified its core businesses to include the Leasing Business via shareholders' approval on 4 August 2023. The diversification into the Leasing Business had contributed a total revenue of RM0.4 million to the Group up to LPD.

In view of the Group's strategy to acquire new business opportunities, the Proposed Acquisition will provide an alternative income stream to the Group with a Profit Guarantee of RM30.0 million over the FYEs 30 June 2024 to 30 June 2028. Accordingly, the Proposed Diversification is required to facilitate the Group's venture into the Concrete Business via the Proposed Acquisition.

As the Board expects the Concrete Business to contribute 25% or more of the net profits and/or result in diversion of 25% or more of the NA of MBGB Group going forward, MBGB is seeking the approval of its shareholders for the Proposed Diversification at the Company's forthcoming EGM pursuant to Paragraph 10.13(1) of the Listing Requirements. Notwithstanding the Proposed Diversification, the Group will continue with their existing business activities.

### 3.1 Key management personnel

Following the Proposed Acquisition, CKK, being the Founder and Chief Executive Officer of EXPO, will continue to be a 30% shareholder of EXPO and be involved in the operations of EXPO Group. Chee Ket Vui (“**Alex Chee**”), a Senior Operation Manager of EXPO will continue on as a key management personnel to run the operations of EXPO Group.

Notwithstanding the Group does not have any historical track record relating to the Concrete Business, the Board believes that the Group has the capacity and resources to diversify into the Concrete Business by leveraging on the experience and expertise of CKK and Alex Chee as well as the network and contacts of Dato’ Lee and LCK to connect with more construction and/or property development companies to secure contracts moving forward.

MBGB does not intend to hire new staff for the Concrete Business at this juncture as it intends to continue the business operations via the existing employees in EXPO Group. Should the need arise, MBGB may increase the resources in the Concrete Business segment for expansion in the future. The business operations of EXPO will continue to be spearheaded by CKK and Alex Chee, who have the requisite skillset in the business activities under the Concrete Business.

The profiles of the existing and proposed key management personnel of EXPO Group are as follows:-

#### (i) **CKK, Malaysian, aged 51**

CKK is the Founder of EXPO and has been the Chief Executive Officer and Executive Director of EXPO since year 2006. He is currently responsible for the overall strategy, corporate performance and growth planning of EXPO.

CKK graduated from the University of Montana, United States of America with a Bachelor Degree in Business Administration.

CKK has over 20 years of experience in the construction industry. Prior to joining EXPO, he was the Purchasing Manager of China Borneo Builders Sdn. Bhd, a company principally involved in industrial building construction, from year 1996 to year 2006, where he had gained extensive experience in private-funding construction projects as well as government-funding construction projects.

In year 2006, he founded EXPO and had since expanded EXPO’s geographical presence by venturing to the East Coast of Sabah.

#### (ii) **Alex Chee, Malaysian, aged 47**

Alex Chee joined EXPO as a Senior Operation Manager since January 2023. He is currently responsible for the operations of batching plants in Kota Kinabalu as well as the production and distribution of concrete.

Alex Chee graduated from Inti College Malaysia with Diploma in Civil Engineering.

He began his career as a Site Supervisor with JW Geotechnical Consultant, a company principally involved in geotechnical consultancy in year 1999. He was responsible for quality control and supervision of site work.

In December 1999, he joined Uni-Mix Sdn. Bhd., a company principally involved in manufacturing of ready-mixed concrete products and provision of related services and property development, as a Site Supervisor. He was promoted to Assistant Manager (Operation) in year 2002 and Assistant General Manager (Operation) in year 2005. During his tenure with Uni-Mix Sdn. Bhd., he was responsible for the operations of the plants including design of concrete mix, quality control, production and distribution of concrete. He left Uni-Mix Sdn. Bhd. in September 2006.

In September 2006, he joined Sabaconcrete Sdn. Bhd., a company principally involved in supply of ready-mixed concrete, as a General Manager. He was promoted as a Director in year 2007. During his tenure with Sabaconcrete Sdn. Bhd., he was responsible for the operations of plants including production, marketing and distribution of concrete. He left Sabaconcrete Sdn. Bhd. in November 2022.

Prior to joining of EXPO, he had been involved in amongst others, the provision of ready-mixed concrete to following projects in Kota Kinabalu in year 2020, 2021 and 2022:

	<u>Contract value</u> RM'million
Jesselton Twin Tower – residential development	50.0
Telipok Ria – residential development	24.0
Jesselton Residence Condominium – residential development	20.0
Flyover at Jalan Sulaman – infrastructure development	15.0
Flyover at Inaman to Lido	15.0
Kota Kinabalu Poliklinik (Sepanggar) - infrastructure development	12.0
Sutera Avenue – residential development	8.0

In January 2023, he then joined EXPO as a Senior Operation Manager.

**(iii) Dato' Lee, Malaysian, aged 50**

Dato' Lee was appointed as the Executive Director of MBGB on 9 August 2021.

Dato' Lee holds an Advance Diploma in Business Administration from ATC College.

He has been the Chief Executive Officer of Edubest Group of Companies since November 2005. He is also a director and Chief Executive Officer of YGL iBay International Group of Companies. Dato' Lee is instrumental in marketing the Malaysian iron ore to China-based steel manufacturers. Dato' Lee is an active member of the Pahang Iron Ore Association and the Malaysian Chamber of Mines.

He is also a Director and shareholder of Top Land Resources Sdn. Bhd., a company involved in mining, construction and general trading, property development and acting as management and advisor to developers. Top Land Resources Sdn. Bhd. is also the developer of Jengka properties.

Dato' Lee has more than 29 years of experience as a businessman with diverse expertise in mining, construction, property development, trading, plantation and logistic.

**(iv) LCK, Malaysian, aged 49**

LCK was appointed as Chief Executive Officer of MBGB on 23 January 2018 and redesignated as Managing Director on 1 July 2018.

He has completed the Real Estate CEO's Advance Course with Tshinghua University in Beijing.

LCK started his career in property development as a marketing executive in 1995 with Acropolis Property Sdn. Bhd. Subsequently, he became a business development manager at KCT Setia Bina Sdn. Bhd. from 1998 to 2002. He eventually became the general manager at Chang Cheng Realty Sdn. Bhd. in 2003 before attaining the position of director at Homesign Network in 2007, a position he continues to hold. He was appointed as the Chief Executive Officer of MBGB on 23 January 2018 and subsequently appointed as the Managing Director of MBGB on 1 July 2018.

As the Managing Director of MBGB, LCK is responsible for overseeing the Group's strategic business planning and direction. LCK is also the person-in-charge for the Group's Damai project in Sabah. To-date, LCK has accumulated more than 20 years of experience in the property development industry.

The Group believes it will be able to leverage on the network and contacts of Dato' Lee and LCK in the property development/construction industry to connect with the construction and property development companies and secure more contracts for the Concrete Business.

#### 4. DETAILS OF FUND-RAISING EXERCISES UNDERTAKEN BY THE COMPANY IN THE PAST 3 YEARS

##### (i) Private placement 2021

On 15 June 2021, the Company completed a private placement of 32,428,157 new MBGB Shares at an issue price of RM0.1233 each, which raised total gross proceeds of approximately RM4.0 million ("**Private Placement 2021**").

As at LPD, the proceeds from the Private Placement 2021 were fully utilised as follows:-

<u>Details of utilisation</u>	<u>Proposed utilisation</u> RM'000	<u>Actual utilisation up to LPD</u> RM'000	<u>Balance of proceeds</u> RM'000
General working capital	1,416	(a)1,416	-
Repayment of bank borrowings	2,487	(b)2,487	-
Expenses related to Private Placement 2021	95	(c)95	-
	<u>3,998</u>	<u>3,998</u>	<u>-</u>

##### Notes:-

(a) The proceeds allocated for general working capital had been utilised as follows:-

	<u>RM'000</u>
Staff costs which include staff salary, Directors' remuneration and contributions to the Employees Provident Fund Board and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board	1,062
Office related expenses such as rental, utilities, office maintenance, staff medical insurance, maintenance of property, plant and equipment, printing, stationeries, postages, travelling or transportation, staff amenities, websites maintenance, petty cash reimbursements and other office operating expenses	170
Compliance expenses such as audit (internal & external), company secretary, share registrar, taxation, legal, listing, and corporate advisers	184
	<u>1,416</u>

- (b) The Group had repaid its business cashline-i (overdrafts) of RM2.5 million.
- (c) This includes professional fees, fees payable to authorities and other incidental expenses for the Private Placement 2021.

**(ii) Shares issuance 2021**

On 13 August 2021, the Company completed a shares issuance of 64,856,312 new MBGB Shares at an issue price of RM0.1059 each, which raised total gross proceeds of approximately RM6.9 million ("**Shares Issuance 2021**").

As at LPD, the proceeds from the Shares Issuance 2021 were fully utilised as follows:-

<u>Details of utilisation</u>	<u>Proposed utilisation</u> RM'000	<u>Actual utilisation up to LPD</u> RM'000	<u>Balance of proceeds</u> RM'000
General working capital	1,189	(a)1,415	(b)(226)
Repayment of bank borrowings	1,504	(c)1,504	
Property development activities	4,000	(d)3,774	(b)226
Expenses for the Shares Issuance 2021	175	(e)175	
	<u>6,868</u>	<u>6,868</u>	<u>-</u>

**Notes:-**

- (a) The proceeds allocated for general working capital had been utilised as follows:-

	<u>RM'000</u>
Staff costs which include staff salary, Directors' remuneration and contributions to the Employees Provident Fund Board and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board	1,114
Office related expenses such as rental, utilities, office maintenance, staff medical insurance, maintenance of property, plant and equipment, printing, stationeries, postages, travelling or transportation, staff amenities, websites maintenance, petty cash reimbursements and other office operating expenses	147
Compliance expenses such as audit (internal & external), company secretary, share registrar, taxation, legal, listing, and corporate advisers	154
	<u>1,415</u>

- (b) The Group had allocated RM0.2 million from property development activities to working capital. The deviation of RM0.2 million represents 3.3% of the total proceeds raised from the Shares Issuance 2021.

- (c) The Group had repaid its business cashline-i (overdrafts) of RM1.5 million.
- (d) The proceeds allocated for property development activities had been utilised for the following projects:-

	<u>RM'000</u>
Bandar Tasek Raja project	774
Damai project	3,000
	<u>3,774</u>

As at LPD, RM0.8 million had been utilised for Bandar Tasek Raja project and RM3.0 million had been utilised for Damai project as follows:-

	<u>RM'000</u>
<u>Bandar Tasek Raja project</u>	
- Payment to contractor for preliminary works	577
- Payment for utilities	74
- Pledged as fixed deposit to secure bank guarantee provided by bank in favour of Tenaga Nasional Berhad <sup>(aa)</sup>	122
- Bank charges in relation to the bank guarantee	1
	<u>774</u>
<u>Damai project</u>	
- Payment to SUDC for the first entitlement upon development approval	1,200
- Purchase of computers and office equipment	18
- Promotional activities in relation to Damai project	376
- Payment for consultation fee / contractor	1,406
	<u>3,000</u>

**Note:-**

(aa) The guarantee is requested by Tenaga Nasional Berhad to ensure the surrender of a portion of land and the power sub-stations for the Group's Bandar Tasek Raja Project.

- (e) This includes professional fees, fees payable to authorities and other incidental expenses for the Shares Issuance 2021.

**(iii) Rights issue with warrants 2022**

On 18 February 2022, the Company had completed a rights issue of 1,144,241,731 new MBGB Shares together with 782,901,982 free Warrants, which raised total gross proceeds of approximately RM80.1 million ("**Rights Issue with Warrants 2022**").



As at LPD, the proceeds from the Rights Issue with Warrants 2022 were fully utilised as follows:-

<b>Details of utilisation</b>	<b>Proposed utilisation</b>	<b>Actual utilisation up to LPD</b>	<b>Balance of proceeds</b>
	RM'000	RM'000	RM'000
Repayment of bank borrowings	40,000	<sup>(a)</sup> 40,000	-
Repayment of advances owing to LCK	12,440	<sup>(b)</sup> 12,440	-
Repayment of advances owing to Datuk Melvinyeo Kiandee, the former Executive Director of the Company	2,420	<sup>(c)</sup> 2,420	-
Payment of Damai project consideration	8,000	<sup>(d)</sup> 8,000	-
General working capital	2,537	<sup>(e)</sup> 2,537	-
Business opportunities	14,000	<sup>(f)</sup> 14,000	-
Expenses for the Rights Issue with Warrants 2022	700	<sup>(g)</sup> 700	-
	<b>80,097</b>	<b>80,097</b>	<b>-</b>

**Notes:-**

(a) The Group had repaid a total of RM40.0 million bank borrowings as follows:-

<b>Facilities</b>	<b>RM'000</b>
Business financing-i 1	79
Business financing-i 2	12,691
Business financing-i 3	18,569
Business cashline-i (overdrafts)	8,661
	<b>40,000</b>

(b) The RM12.4 million advances owing by the Group to LCK was repaid on 18 February 2022.

(c) The RM2.4 million advances owing by the Group to Datuk Melvinyeo Kiandee was repaid on 21 February 2022.

(d) FBO Land, a wholly-owned subsidiary of MBGB had on 18 August 2020, entered into a conditional sale and purchase agreement with IWSB to purchase the development rights under the joint venture agreement entered into between IWSB and SUDC, for the purchase consideration of RM8.0 million ("**Damai Consideration**").

On 8 February 2021, the Company has announced that FBO Land was informed by IWSB that the development plan for the Damai project has been issued to IWSB by Dewan Bandaraya Kota Kinabalu on 11 December 2020. The conditional sale and purchase agreement was deemed completed on 21 October 2021, and FBO Land had fully settled the Damai Consideration on 21 February 2022.

- (e) The proceeds allocated for general working capital had been utilised as follows:

	<u>RM'000</u>
Office related expenses such as rental, utilities, office maintenance, staff medical insurance, maintenance of property, plant and equipment, printing, stationeries, postages, travelling or transportation, staff amenities, websites maintenance, petty cash reimbursements and other office operating expenses	304
Compliance expenses such as audit (internal & external), company secretary, share registrar, taxation, legal, listing, and corporate advisers	327
Staff costs which include staff salary, Directors' remuneration and contributions to the Employees Provident Fund and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board	1,906
	<u>2,537</u>

- (f) The proceeds allocated for business opportunities had been utilised as follows:-

	<u>RM'000</u>
Leasing Business	9,284
Energy Related Business	3,565
Money lending business	700
Property development business	431
Stamp duty for the agreement in relation to the acquisition of the Jengka properties	20
	<u>14,000</u>

- (g) This includes professional fees, fees payable to authorities and other incidental expenses for the Rights Issue with Warrants.

**(iv) Share issuance 2023**

On 9 February 2023, the Company had completed a shares issuance of 389,469,246 new MBGB Shares at an issue price of RM0.1125, which raised total gross proceeds of RM43.8 million (“**Shares Issuance 2023**”).

As at LPD, the proceeds from the Shares Issuance 2023 were utilised as follows:-

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation up to LPD RM'000	Balance of proceeds RM'000	Estimated timeframe for the utilisation of the balance of proceeds from 9 February 2023
Business development for Energy Related Business <sup>(a)</sup>	18,600	5,056	<sup>(b)</sup> 13,544	Within 30 months (i.e. by 8 August 2025) <sup>(c)</sup>
Refurbishment of The Grand Renai Hotel <sup>(d)</sup>	10,000	8,496	1,504	Within 21 months (i.e. by 8 November 2024) <sup>(c)</sup>
Other business opportunities	10,000	<sup>(e)</sup> 8,707	<sup>(f)</sup> 1,293	Within 12 months (i.e. by 8 February 2024)
General working capital	4,815	<sup>(g)</sup> 4,240	<sup>(h)</sup> 575	Within 12 months (i.e. by 8 February 2024)
Expenses for the Shares Issuance 2023	400	400	-	Within 2 months (i.e. by 8 April 2023)
	<b>43,815</b>	<b>26,899</b>	<b>16,916</b>	

**Notes:-**

- (a) The proceeds had been utilised for existing projects of Energy Related Business as follows:-

Details of utilisation	Proposed utilisation RM'000	Actual utilisation up to LPD RM'000	Balance to be utilised RM'000
<b>Existing projects secured</b>			
- 6 solar projects <sup>(aa)</sup>	2,833	336	2,497
- Financial institution <sup>(bb)</sup>	2,300	1,955	345
- Grocery mart <sup>(cc)</sup>	4,588	260	4,328
	9,721	2,551	7,170
<b>New projects<sup>(dd)</sup></b>	8,879	2,505	6,374
<b>Total</b>	18,600	5,056	13,544

**Notes:-**

- (aa) This is in relation to the solar projects procured prior to the issuance of the circular in relation to Shares Issuance 2023 (as detailed in (bb), (cc), (ee) and (gg) of Section 3(iv) of Part A of this Circular).
- (bb) This is in relation to an energy efficiency project which involves the provision of monitoring services for the purpose of achieving energy cost reduction within an office building of a financial institution located in Kuala Lumpur.
- (cc) This is in relation to an energy efficiency project which involves the installation of equipment for the supply and delivery of chilled water, for a grocery mart located in Melaka.
- (dd) This is in relation to the new projects procured after the issuance of circular in relation to the Shares Issuance 2023 as detailed in Section 3(iv) of Part A of this Circular.
- (b) The remaining proceeds earmarked for the business development for Energy Related Business are expected to be utilised as follows:

	<u>RM'000</u>
Existing projects procured (as detailed in Section 3(iv) of Part A of this Circular)	8,456
New projects to be secured <sup>(aa)</sup>	5,088
	<u>13,544</u>

**Note:-**

- (aa) As at LPD, the Group is still in the midst of finalising its discussion with several clients to commence such energy related projects. The Company will make the necessary announcement(s) in accordance with the Listing Requirements and seek shareholders' approval, if required, as and when the Company has identified such new projects.
- (c) The Company had on 28 November 2023, announced that the Board had deliberated and resolved to extend the timeframe for the utilisation of the remaining unutilised proceeds raised from the Shares Issuance 2023 i.e. business development for Energy Related Business and refurbishment of The Grand Renai Hotel for additional 18 months and 9 months from the initial estimated timeframe respectively.

- (d) As at LPD, the status of the utilisation of the proceeds earmarked for the refurbishment of The Grand Renai Hotel is as follows:

<b>Works</b>	<b>Estimated Cost</b>	<b>Actual utilisation up to LPD</b>	<b>Balance to be utilised</b>
	RM'000	RM'000	RM'000
Upgrading works for the recreational facilities	300	-	300
Replacement of electrical appliances, mattresses and door lock (radio-frequency identification (RFID)) for all rooms	1,000	1,000	-
Refurbishment and upgrading works of 20 rooms on the 19th floor for club rooms, 29 rooms on the 18th floor and 29 rooms on the 17th floor for business executive rooms	5,000	3,804	1,196
Refurbishment of the grand ballroom, other function rooms, 2 restaurants, lobby and entrance	3,700	3,692	8
	<b>10,000</b>	<b>8,496</b>	<b>1,504</b>

- (e) As at LPD, the proceeds earmarked for other business opportunities had been utilised for the existing businesses of the Group as follows:

	<b>Proposed utilisation</b>	<b>Actual utilisation up to LPD</b>	<b>Variation</b>	<b>Balance to be utilised</b>
	RM'000	RM'000	RM'000	RM'000
Other business opportunities:-	10,000		-	3,200
- Money lending business		6,800		
Property development <sup>(aa)</sup>	-	-	1,907	(1,907)
	<b>10,000</b>	<b>6,800</b>	<b>1,907</b>	<b>1,293</b>

**Note:-**

(aa) The Group had utilised the proceeds for its Damai project which include, amongst others, the payment for architect professional fee, civil and structure cost and marketing event. The deviation of RM1.9 million represents 4.4% of the total proceeds raised from the Shares Issuance 2023.

- (f) The remaining balance is expected to be utilise for other business opportunities which shall relate to the Group's existing business activities such as hospitality, property development, investment properties, Energy Related Business, and leasing and financing business. The Company will make the necessary announcement(s) in accordance with the Listing Requirements and seek shareholders' approval (if required) as and when the Company has identified such opportunities.

- (g) As at LPD, the proceeds earmarked for the general working capital had been utilised as follows:

	<b>RM'000</b>
Staff costs which include staff salary, Directors' remuneration and contributions to the Employees Provident Fund Board and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board	3,036
Office related expenses such as rental, utilities, office maintenance, staff medical insurance, maintenance of property, plant and equipment, printing, stationeries, postages, travelling or transportation, staff amenities, websites maintenance, petty cash reimbursements and other office operating expenses	578
Compliance expenses such as audit (internal & external), company secretary, share registrar, taxation, legal, listing, and corporate advisers	626
	<u><b>4,240</b></u>

- (h) The remaining balance is expected to be utilised for staff costs which include staff salary, Directors' remuneration and contributions to the Employees Provident Fund Board and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board and office related expenses.

## **5. RATIONALE FOR THE PROPOSALS**

The Proposed Acquisition is expected to diversify MBGB Group's earnings base to include additional income stream from the Concrete Business to enhance the Group's profitability and shareholders' value.

The Board views the Proposed Acquisition as an opportunity for the Group to further improve its financial performance by consolidating the financial results of EXPO Group after taking into consideration, amongst others, the Profit Guarantee provided, the order book of EXPO Group, and the prospects of EXPO Group as set out in Section 6.5 of Part A of this Circular. For information, EXPO Group has an order book of RM270.8 million as at LPD.

The Group's initiative to venture into the Concrete Business in East Malaysia is due to its active project i.e. Damai project which is located in Sabah, as well as possible new property development projects in Sabah being explored by the Group. The Group expects the Proposed Acquisition to provide synergistic benefits to its property development business through vertical integration in the property development supply chain, which will enable the Group to position itself as an integrated property developer, achieving higher cost efficiency and uninterrupted material supply particularly for its Damai project as well as new property development projects being explored by the Group.

The Subscription Consideration of RM5.0 million to subscribe for the Subscription Shares will enable EXPO Group to repay the banking facilities of EXPO Group. As at 30 June 2023, EXPO Group has banking facilities amounting to RM35.7 million. The repayment of the bank borrowings of EXPO Group will also reduce the gearing ratio of EXPO Group as at 30 June 2023 from 2.1 times (as at 30 June 2023) to 1.6 times, upon completion of the Proposed Acquisition.

In addition, the Board is also of the view that the issuance of Consideration Shares is the most appropriate option for the settlement of the Purchase Consideration as compared to other sources i.e. internal funds, borrowings and equity offerings due to the following:

- (i) this will enable the Group to conserve its cash resources and thereby provide greater flexibility to utilise its cash resources moving forward;
- (ii) eliminate the need to serve additional interest cost or having to service principal repayments if the Purchase Consideration is funded via bank borrowings;
- (iii) more expedient way to settle the Purchase Consideration as compared to raising fund to settle the Purchase Consideration via equity offerings which typically require longer time due to its process; and
- (iv) the issuance of Consideration Shares to CKK also serves to align the interest of CKK with the Group.

The Proposed Diversification is to facilitate the Proposed Acquisition.

#### **5.1 Value creation and impact of the Proposals to the Group and the MBGB's shareholders**

The Proposals are in line with the Group's plan to continuously look for opportunities which could provide additional income to the Group. The Proposals are expected to further improve the Group's financial performance and thus shareholders' value in view that EXPO Group is currently making profits and has an order book of RM270.8 million as at LPD.

However, the percentage shareholdings of MBGB's existing shareholders will be diluted as a result of the increase in the number of Shares arising from the issuance of Consideration Shares in relation to the Proposed Acquisition. Notwithstanding that the Proposed Acquisition will be satisfied via the Consideration Shares to the Vendors which will result in a dilution to shareholders' shareholdings in the Company, it allows the Group to conserve its cash resources and utilise its cash resources to fund the Group's existing businesses as well as the Concrete Business which is expected to contribute positively to the future earnings of the Group and also serve to affirm CKK's commitment as a shareholder of MBGB.

Notwithstanding the aforementioned dilution to shareholders' shareholdings in the Company, the Proposed Acquisition is expected to result in an increase in the earnings per Share, as detailed in Section 8.3 of Part A of this Circular.

#### **5.2 The adequacy of the Proposals in addressing the Group's financial concerns**

The Group recorded revenue of RM34.1 million and PAT of RM8.7 million in FYE 30 June 2023. As at 30 September 2023, MBGB Group has cash and cash equivalents of RM24.4 million.

As such, the issuance of Consideration Shares pursuant to the Proposed Acquisition is not intended to address any financial concerns of the Group but rather to enable the Group to conserve its cash resources and utilise its cash resources to fund the Group's existing businesses as well as the Concrete Business which is expected to contribute positively to the future earnings of the Group and also serve to affirm CKK's commitment as a shareholder of MBGB.

### **5.3 Steps or actions which have been taken/will be taken to improve the financial condition of the Group**

The Group had in the past made losses for 5 consecutive financial years from FYE 31 December 2016 to 18-month FPE 30 June 2021. However, the Group has successfully turned-around its loss position which, has started recording profits from the FYE 30 June 2022. This is largely due to the following steps undertaken by the Group to improve its financial condition:-

#### **(i) Hospitality segment**

Presently, the hotel mainly attracts customers travelling for business. The average occupancy rate of the hotel from 1 July 2023 up to LPD is approximately 52.6% (FYE 30 June 2023: 60.0% and FYE 30 June 2022: 64.6%).

In order to attract more customers to The Grand Renai Hotel, the Group had completed phase 1 and phase 2 refurbishments of The Grand Renai Hotel which consists of the refurbishment of 20 rooms on the 20th floor for club rooms, replacement of electrical appliances, replacement of carpets, lift restoration and upgrading, mechanical and engineering works and refurbishment of its lobby lounge.

On 9 February 2023, the Company had completed a private placement of 389,469,246 shares which raised RM43.8 million, of which RM10.0 million had been earmarked for the phase 3 refurbishment of The Grand Renai Hotel which comprises of upgrading works for the recreational facilities, replacement of electrical appliances, mattresses and door lock (radio-frequency identification (RFID)) for all rooms, refurbishment and upgrading works of 20 rooms on the 19th floor for club rooms, 29 rooms on the 18th floor and 29 rooms on the 17th floor for business executive rooms as well as refurbishment of the grand ballroom, other function rooms, 2 restaurants, lobby and entrance. As at LPD, the Group had utilised RM8.5 million for the said phase 3 refurbishment.

#### **(ii) Investment properties segment**

The occupancy rate of the Kota Sri Mutiara Shopping Complex from 1 July 2023 up to LPD is approximately 76.3% (FYE 30 June 2023: 76.3% and FYE 30 June 2022: 76.6%). The Group is taking appropriate measures, such as initiating an external facelift of the mall and exploring options, to rejuvenate the mall in order to improve occupancy and remain competitive in the market.

The Group had on 8 August 2022 announced the completion of the acquisition of the Jengka properties. This had enabled the Group to generate an additional income of RM1,198,892 per annum based on the lease agreement entered dated 13 July 2022.

#### **(iii) Property development segment**

The Group's on-going projects for its property development segment comprise Bandar Tasek Raja project and Damai project.

As set out in Section 3(iii) of Part A of this Circular, the Group had decided to put the further development of the remaining phase 2 of Bandar Tasek Raja project comprising 140 units shop lots on hold, in view of the soft property market condition in that area.

For the Damai project, as at LPD, the enabling work (i.e. the preparation of the site in readiness for the first stage of development) and piling work on the Damai project had been completed. The Group had commenced the work for below ground level and foundation of the buildings. The Group intends to commence its marketing activities for the sales of the Damai project in December 2023. As at LPD, 23 persons had registered their interest for the Damai project.



The Group takes cognisance of the current property market condition and will continue to adopt a cautious approach for the Group's property development projects. The Group will evaluate all options available at the material point in time before launching any particular project.

**(iv) Fund-raisings**

The Group had in the past completed few fund-raising exercises as detailed in Section 4 of Part A of this Circular. The proceeds raised were utilised for the Group's businesses which are expected to generate revenue to the Group as well as improve the financial position of the Group.

**(v) Diversification into Energy Related Business and Leasing Business**

In view of the increasingly challenging property market, the Group had continued to seek and explore non-property related business opportunities that would contribute positively towards the Group's financial performance.

The Group had diversified into the Energy Related Business and Leasing Business upon obtained the approval from its shareholders at the EGM on 15 July 2022 and 4 August 2023 respectively.

For the Energy Related Business, the Group had secured 12 solar projects with a combined contract value of RM43.1 million and 2 energy efficiency contracts as at LPD (as detailed in Section 3 of Part A of this Circular). The Energy Related Business began contributing towards the Group's revenue and earnings in the 4th quarter of FYE 30 June 2023 following the commissioning of its 1st solar project in June 2023 and 2 energy efficiency contracts in May 2023 and June 2023.

For the Leasing Business, the Group has 3 on-going leasing contracts as at LPD (as detailed in Section 3 of Part A of this Circular) and had contributed a total revenue of RM0.4 million to the Group up to LPD.

## **6. INDUSTRY OVERVIEW AND PROSPECTS**

### **6.1 Overview and outlook of the Malaysian economy**

The Malaysian economy expanded by 3.3% in the third quarter of 2023 (2Q 2023: 2.9%). Growth was anchored by resilient domestic demand. Household spending remained supported by continued growth in employment and wages. Meanwhile, investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms. Exports remained soft amid prolonged weakness in external demand. This, however, was partially offset by the recovery in inbound tourism. On the supply side, the services, construction and agriculture sectors remained supportive of growth. This was partly offset by the decline in production in the manufacturing sector given the weakness in demand for electrical and electronic ("E&E") products and lower production of refined petroleum products. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 2.6% (2Q 2023: 1.5%). Overall, the Malaysian economy expanded by 3.9% in the first three quarters of 2023.

Headline inflation continued to moderate to 2% (2Q 2023: 2.8%) during the quarter. The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation declined further to 2.5% (2Q 2023: 3.4%) but remained above its long-term average (2011-2019 average: 2%). The moderation in core inflation was largely contributed by selected services, including food away from home, expenditure in restaurants and cafés, and personal transport repair and maintenance. Inflation pervasiveness declined as the share of Consumer Price Index (CPI) items recording monthly price increases moderated to 40.8% during the quarter (2Q 2023: 42.7%), below the third quarter long-term (2011-2019) average of 44.5%.

*(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2023, Bank Negara Malaysia)*

### **Outlook**

Going forward, growth of the Malaysian economy will be driven largely by resilient domestic expenditure, with some support from E&E exports recovery. Household spending will be supported by steady growth in employment and wage growth. Tourist arrivals and spending are expected to improve further. Additionally, continued progress of multi-year infrastructure projects and implementation of catalytic initiatives will support investment activity. Budget 2024 measures will also provide additional impetus to economic activity. Meanwhile, domestic financial conditions remain conducive to sustain credit growth, as financial institutions continue to operate with strong capital and liquidity buffers.

*(Source: Quarterly Bulletin 3Q 2023, Bank Negara Malaysia)*

For 2024, the economy is projected to grow within the range of 4% to 5%. The growth is envisaged to be broad-based, led by the services sector as intermediate and final services groups are anticipated to rise further driven by sustained domestic consumption and improved export activities. The retail trade, accommodation and restaurants as well as communication segments are expected to increase in line with consumption trend, while the wholesale trade segment and transport and storage subsector will benefit from higher trade-related activities.

*(Source: Economic Outlook 2024, Budget 2024, Ministry of Finance Malaysia)*

## **6.2 Overview of the construction sector in Malaysia**

The value of work done in the construction sector continued to sustain its positive pace for the sixth quarters with year-on-year growth of 9.6 per cent in the third quarter of 2023 (Q2 2023: 8.1%). The momentum was driven by a double-digit growth in the civil engineering sub-sector, which increased by 17.1 per cent (Q2 2023: 10.4%); and a surge in the Special trade activities by 16.2 per cent (Q2 2023: 9.8%). The Residential buildings also contributed to the growth by recording 7.9 per cent (Q2 2023: 6.9%). Meanwhile, the sub-sector of Non-residential buildings decreased marginally by 0.7 per cent, in contrast to the 5.7 per cent growth in the previous quarter.

Out of RM33.4 billion recorded in the third quarter of 2023, a total of RM13.5 billion or 40.5 per cent of the construction work done value was in civil engineering. The rise was mainly attributed to the construction of roads and railways activity with 22.1 per cent or amounted to RM7.4 billion. Meanwhile, the value of work done for non-residential buildings and residential buildings was RM9.2 billion (27.5%) and RM7.3 billion (21.9%), respectively. The Special trade activities contributed RM3.4 billion (10.0%), primarily in plumbing, heat and air-conditioning installation (RM1.1 billion); and Electrical installation (RM0.9 billion) activities.

The private sector continued as the main impetus to the growth in this quarter, with an increase of 8.6 per cent (Q2 2023: 17.3%) which came from Special trade activities (26.5%) and Civil engineering (10.2%). The value of work done by the private sector amounted to RM19.6 billion or 58.5 per cent of the total construction work done value. On the other hand, the public sector, with a 41.5 per cent share or RM13.9 billion, rebounded strongly, recording a double-digit growth of 10.9 per cent compared to a decline of 4.8 per cent in the previous quarter. This rebound was fueled by civil engineering (19.2%) and Residential buildings (14.8%) activities, totalling RM10.6 billion and RM0.5 billion, respectively.

Nearly 60 per cent of the work done value in the third quarter of 2023 was concentrated in Selangor, Wilayah Persekutuan (Kuala Lumpur, Putrajaya and Labuan), Sarawak and Johor. The Construction value in Selangor amounted to RM8.1 billion or 24.2 per cent, attributed to Civil engineering (RM2.8 billion), followed by Residential buildings and Non-residential buildings with both at RM2.2 billion. Meanwhile, Wilayah Persekutuan ranked second with a value of RM4.3 billion or 12.8 per cent, primarily in Residential (RM1.7 billion) and non-residential (RM1.4 billion) activities. In addition, the work value in Sarawak was RM3.8 billion (11.4%) and Johor recorded RM3.5 billion (10.6%).

Summarising the performance of the Construction work done for the first three quarters of 2023, registered a value of RM98.0 billion, reflecting a 9.0 per cent increase compared to the corresponding period in 2022 (Q1 to Q3 2023: 6.6%). Notably, the positive growth was propelled by the significant contribution of civil engineering activities (14.9%).

*(Source: Construction Statistics released by Department of Statistics Malaysia on 8 November 2023)*

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Below is the chart in relation to the value of work done by location of project and sub-sector, Q3 2023:

(RM '000)					
<b>Negeri</b>	<b>Bangunan kediaman</b>	<b>Bangunan bukan kediaman</b>	<b>Kejuruteraan awam</b>	<b>Aktiviti pertukangan khas</b>	<b>Jumlah</b>
<i>State</i>	<i>Residential buildings</i>	<i>Non-residential buildings</i>	<i>Civil engineering</i>	<i>Special trade activities</i>	<i>Total</i>
(RM '000)					
<b>Johor</b>	725,705	1,119,703	1,354,059	338,461	3,537,928
<b>Kedah</b>	243,534	833,409	599,198	295,768	1,971,909
<b>Kelantan</b>	31,066	116,442	560,942	39,185	747,634
<b>Melaka</b>	335,616	255,228	310,954	47,126	948,924
<b>Negeri Sembilan</b>	336,029	315,903	246,291	121,518	1,019,740
<b>Pahang</b>	277,273	313,342	1,661,503	102,890	2,355,007
<b>Perak</b>	338,635	297,900	437,445	216,462	1,290,442
<b>Perlis</b>	20,004	37,051	99,777	12,658	169,489
<b>Pulau Pinang</b>	423,149	1,123,593	290,550	345,876	2,183,168
<b>Sabah</b>	256,303	289,298	1,009,492	153,243	1,708,336
<b>Sarawak</b>	371,906	785,002	2,289,437	366,178	3,812,523
<b>Selangor</b>	2,227,965	2,217,346	2,801,860	836,569	8,083,740
<b>Terengganu</b>	40,442	104,281	1,091,431	95,768	1,331,923
<b>Wilayah Persekutuan *</b>	1,708,920	1,400,163	788,584	378,811	4,276,478
<b>Malaysia</b>	<b>7,336,545</b>	<b>9,208,661</b>	<b>13,541,523</b>	<b>3,350,512</b>	<b>33,437,241</b>

Nota/ Note : \* termasuk / includes Wilayah Persekutuan Kuala Lumpur, Putrajaya dan Labuan

(Source: Quarterly Construction Statistics, Third Quarter 2023 Department of Statistics Malaysia)

## Outlook

The construction sector is forecasted to expand by 5.9% in the second half of the year supported by growth in all subsectors. The residential buildings subsector is anticipated to remain encouraging on the back of Government's initiatives such as i-MILIKI and Housing Credit Guarantee Scheme in assisting first-time home buyers, spurring demand for home ownership. Similarly, the non-residential buildings subsector is envisaged to increase, particularly with the realisation of approved private investments. The continuous implementation of strategic infrastructure and utilities projects will further support the civil engineering subsector. For the year, performance of the sector is expected to remain steady and grow by 6.3%.

In 2024, the sector is forecasted to increase by 6.8% following better performance in all subsectors. Civil engineering subsector continues to be bolstered by strategic infrastructure and utilities projects which include ongoing projects such as the Central Spine Road (CSR), the Pan Borneo Sabah Highway and acceleration of projects under the Twelfth Malaysia Plan, 2021 – 2025 (Twelfth Plan). Furthermore, a new solar power plant project under the Corporate Green Power Programme will support the subsector's growth. The implementation of NIMP 2030 is expected to further strengthen the performance of non-residential buildings subsector as the Plan will provide a platform to attract more investments into the country. In addition, the residential buildings subsector is projected to improve further in line with the Government's effort to increase more affordable houses as outlined under the MTR of the Twelfth Plan and the MADANI Neighbourhood scheme, as well as new launching by the private sector.

*(Source: Economy Outlook 2024, Ministry of Finance Malaysia)*

Various development projects announced under the Budget 2024 by the government is expected to spur development in the sector, which amongst others, include:

1. RM11.8 billion for 33 high-priority flood mitigation projects, including Pahang River Basin 2, Baling Phase 2 in Kedah and Integrated Kelantan River Basin Development Phase 2. Contract awards of RM5.1 billion from October 2023 onwards and the remainder in 1Q24.
2. RM15.7 billion for 366-km Pan Borneo Highway (PBH) Phase 1B.
3. RM7.4 billion for Sarawak-Sabah Link Road Phase 2 will start at end Oct-2023.
4. RM931.0 million to expand North-South Expressway (PLUS) to six lanes from four lanes along Sedanak-Simpang Renggam stretch.
5. RM4.7 billion for 5 LRT3 stations, i.e., Tropicana, Raja Muda, Temasya, Bukit Raja and Bandar Botanik.
6. RM10.0 billion for LRT from Penang to Prai to be implemented on a Public-Private Partnership basis.

### 6.3 Overview and outlook of the property sector in Malaysia

The Malaysian economy expanded moderately by 2.9% in Q2 2023 (Q1 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. The growth which supported by continued improvement in labour market conditions, continued increase in household spending and higher tourism activities offset the slower goods export growth. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when economy experienced strong growth from reopening effects and policy measures.

Despite the challenging global financial and economic environment, the property market managed to stay poised and posted a marginal softening in market activity in the first half of 2023 (H1 2023) compared to the same period last year (H1 2022).

The Overnight Policy Rate (OPR) was increased by another 25 basis points to 3.0% in May 2023 after it was raised a total of four times by a cumulative 100 basis points to 2.75% in 2022. However, this figure was still below the pre-Covid rate of 3.25% seen in March 2019. With the domestic growth prospects remained resilient, the Monetary Policy Committee (MPC) judges that the adjustment was made timely to further normalise the degree of monetary accommodation. At the current OPR, the monetary policy stance is slightly accommodative and remains supportive of the economy.

On the demand-side, mixed trends are also seen in the indicators of residential and non-residential property demand. The amount of loans applied for the purchase of residential property decreased by 5.8% as compared to H1 2022 but the approved loan increased marginally by 1.7%. However, the situation differs for non-residential property where loans applied and approved for this purpose indicate an increase of 28.0% and 24.3% respectively.

The Consumer Sentiment Index (CSI) tracked by the Malaysian Institute of Economic Research (MIER) continued its downtrend in Q2 2023 at 90.8 points (Q1 2023: 99.2; Q4 2022:105.3), below the threshold of 100 points which indicates optimism. According to MIER, as respondents exhibited pessimism about future jobs, incomes and inflation, their spending plans also appear to be lower. Similarly, the Business Conditions Index (BCI) also decreased in Q2 2023 at 82.4 points (Q1 2023:95.4; Q4 2022:85.9). This may indicate that firms feel the ongoing global uncertainties will continue to negatively impact their business in the near term.

#### **Outlook**

The property market performance was moderate in the first half of 2023 (H1 2023) compared to the same period last year despite of a number of headwinds which have limit the sector's growth potential. This includes the increase of borrowing costs, the continued downtrend in Consumer Sentiment Index (CSI) (Q2 2023: 90.8 points; Q1 2023: 99.2; Q4 2022:105.3) and the concerns on the economic situations due to weaker external demand.

The gradual increase in the Overnight Policy Rate (OPR) since May 2022 is expected to have an impact on property market activity, particular on residential demand. In addition, the outlook of the workforce in the construction sector and the increase in the prices of building materials will also affect supply.

The country's economic and financial developments and the sentiment of industry players are the internal factors that will have an impact on the property sector as well as the external factors such as global financial and economic conditions. As the national economy is projected to expand to the lower end of the 4.0% to 5.0% range in 2023 supported by continued resilient domestic growth prospects, the property market performance is expected to remain cautiously optimistic.

*(Source: Property Market Report First Half 2023, Valuation and Property Services Department Malaysia, Ministry of Finance Malaysia)*

## 6.4 Overview and outlook of the property sector in East Malaysia

The performance of East Malaysia Region property market moderated in H1 2023, indicated by lower volume and value of transactions as compared to H1 2022. The region registered 18,661 transactions worth RM6.51 billion, decreased by 7.2% and 10.8% in volume and value respectively as compared to H1 2022. Combined these three states formed 10.1% and 7.6% of the national volume and value transactions.

All states showed downward trend. Labuan decreased by 18.2%, followed by Sabah (9.2%) and Sarawak (6.3%).

Similar downtrend situation was seen in transaction value. Labuan declined 27.3%, followed by Sabah (16.3%) and Sarawak (7.0%).

By state, Sarawak dominated the region's overall property transactions volume and value with 13,850 transactions (74.2%) worth RM4.15 billion (63.6%) followed by Sabah and Labuan.

By sub-sector, residential sub-sector continued to dominate the region's property activity by contributing 45.2% in volume (8,431 transactions) and 44.8% in value (RM2.91 billion) from the total transaction.

### Construction Activity – Residential Property

The residential construction activities recorded mix movement in the region. Completion and starts increased 28.6% to 4,174 units and 53.6% to 4,862 units respectively (H1 2022: completion 3,245 units, starts 3,166 units). In contrast, new planned supply decreased by 14.8% to 2,489 units (H1 2022: 2,932 units).

### Construction Activity – Commercial Property (Shops)

The sub-sector's construction activity saw mixed movements. Completion decreased 60.6% to 235 unit (H1 2022: 596 units). Conversely, starts and new planned supply increased by 20.5% to 282 units and 17.9% to 191 units respectively (H1 2022: starts 234 units, new planned supply 162 units).

*(Source: East Malaysia Region Property Market Report First Half 2023, Valuation and Property Services Department Malaysia, Ministry of Finance Malaysia)*

### Outlook

Various initiatives under the Budget 2024 by the Government of Malaysia is expected to spur development in East Malaysia's construction sector which includes, amongst others, the following:

1. Increased federal development allocation to Sabah and Sarawak, with Sabah receiving RM6.6 billion compared to RM6.5 billion previously, while Sarawak getting RM5.8 billion compared to RM5.6 billion previously.
2. Increased interim Special Grants rate for Sabah and Sarawak to RM300 million compared to RM125.6 million for Sabah and RM16 million for Sarawak previously.
3. Delegation by federal government to authorise technical agencies to implement development projects valued under RM50 million in Sabah and Sarawak.

## **6.5 Prospects of EXPO Group**

As at LPD, EXPO Group serves a diverse range of clients from commercial, industrial, infrastructural and residential segments. EXPO Group is one of the largest ready-mixed concrete manufacturers in Sabah, with a workforce of more than 300 employees and operates 16 batching plants across Sabah.

EXPO Group acknowledges that the accuracy in measurement i.e. weigh batching, water cement ratio, admixture dosage, moisture content and etc, is important to produce quality ready-mixed concrete. Hence, EXPO Group had invested in computerised systems in its batching plants over the years. Furthermore, each batching plant can supply varying grades of ready-mixed concrete including Grade 15, Grade 20, Grade 25, Grade 30, Grade 35, Grade 40, and Grade 45 according to the product specification requested by its client. The grades of ready-mixed concrete refer to its compressive strength and durability characteristics. Higher grades generally signify stronger concrete suitable for certain construction needs. Higher grades' ready-mixed concrete typically contains a higher ratio of cement, aggregates, and sometimes with additional additives like admixtures. This increased proportion of ingredients contributes to its enhanced strength and durability, meeting specific construction requirements for projects that demand stronger concrete compositions.

In order to ensure all the ready-mixed concrete can be delivered to the customers' construction sites failing which the ready-mixed concrete will harden, EXPO Group has 16 batching plants and owns a fleet of 166 mixer trucks as at LPD, which enable EXPO Group to deliver the ready-mixed concrete to the construction sites within 4 hours.

Currently, EXPO Group's 16 batching plants are operating below maximum production capacity as the production will depend on the order by the customer at the material time and the ready-mixed concrete is required to be delivered to the construction sites within 4 hours. To prepare the varying grades of ready-mixed concrete as specified by customers and to deliver the ready-mixed concrete within the stipulated time, EXPO Group is of the view that it may not be possible to operate the batching plants at high level of utilisation. Moving forward, EXPO Group intends to allocate RM7.5 million to expand its service region to Putatan and Sandakan as well as expand Lok Kawi batching plant in the next 5 years in order to secure more market share in Sabah.

Such expansion is expected to further cement EXPO Group's position as amongst the largest ready-mixed concrete manufacturer in Sabah, which will enable EXPO Group to be well positioned to capitalise on the expected increase in Sabah's construction activity as announced under Budget 2024. As such, the Proposals are expected to bode well for the Group after considering the earnings prospects of EXPO Group moving forward.

## **7. RISK FACTORS**

### **7.1 Proposed Acquisition**

#### **(i) Completion risk**

The completion of the Proposed Acquisition is conditional upon fulfilment or waiver of the conditions precedent to the Subscription Agreement and CSSA as set out in Section 2 of Appendix I and Section 2 of Appendix II of this Circular. If the conditions precedent are not fulfilled or waived within the stipulated timeframe, the Subscription Agreement and/or CSSA may be rescinded or terminated.

There can be no assurance that the conditions precedent can be fulfilled and the Proposed Acquisition can be completed within the time period permitted under the Subscription Agreement and/or CSSA. It is also pertinent to note that the Subscription Agreement and CSSA are inter-conditional with each other and Proposed Acquisition and Proposed Diversification are inter-conditional to each other. As such, the non-completion of either one agreement and/or proposal will result in the non-completion of the other and will consequently result in the abortion of both the corporate exercise.



The Company will take all reasonable steps to ensure that the conditions precedent that are within the Company's control will be met within the stipulated timeframe to ensure the successful completion of the Proposed Acquisition and should there be any delay beyond the agreed time period, the Board shall negotiate with the relevant parties to the Subscription Agreement and/or CSSA to mutually extend the relevant period prior to its expiry.

**(ii) Non-compliance on the requirements of operating licenses, permits and certificates**

EXPO Group requires certain licenses, permits, permissions and certificates for its day-to-day operations. As at LPD, some of EXPO Group's plants do not hold the required licenses, permits, permissions and certificates including but not limited to trading license, manufacturing license and other permits and permissions by local and land authorities for the plants. Failure to obtain the required licenses, permits, permissions and certificates on a timely basis may cause disruptions to EXPO Group's operations and adversely affect the financial performance and financial position of the Group.

Pursuant to the CSSA, CKK undertakes within a period of 2 years from the completion of the Proposed Acquisition (or such extension of time as may be agreed in writing by MBGB) to ensure that all the licenses, consents and permits relevant to EXPO Group's operations will be obtained and complied with. For information, the 2-year period was agreed between MBGB and CKK in view that EXPO Group is required to prepare the relevant documents for submission to the relevant departments/authorities and the approval process may require some time.

To mitigate the risk of EXPO Group being non-compliant with the requirements of operating licenses, permits and certificates, in the event CKK fails to obtain the relevant licenses, consents and permits and such failure results in EXPO Group's operations being adversely affected, MBGB had been granted the right at any time during the option period to exercise the put option pursuant to the CSSA to require CKK to purchase from MBGB the Sale Shares, the Subscription Shares and such other shares in EXPO to be subscribed, allotted to or purchased by MBGB, held by MBGB at the time of exercise of the option, for a consideration equivalent to the aggregate of the Purchase Consideration (for the Sale Shares), the Subscription Consideration (for the Subscription Shares) and such price paid by MBGB for the additional shares held by MBGB in EXPO. The details of the put options are disclosed in Section 2.6 of Part A of this Circular and Section 5 of Appendix II of this Circular.

**(iii) Withdrawal of banking facilities**

As at LPD, EXPO Group has banking facilities amounting to RM59.0 million. Such banking facilities are required for its day-to-day operations and/or for capital commitment i.e. acquisition of lands/properties.

As at LPD, EXPO Group is in breach of the following covenants imposed by certain financial institutions:

- (a) advances to related companies exceeding the stipulated cap; and
- (b) incurring other financing or creating further encumbrances during the tenure of the current facilities.

As at LPD, the total banking facilities utilised by EXPO Group to which there are breaches of covenants amount to RM11.1 million, representing approximately 18.9% of the total borrowings.

Nevertheless, in the last 12 months, none of the facilities of EXPO Group were withdrawn / or in the midst of being withdrawn by financial institutions and EXPO Group had not received any letter of demand from financial institutions. However, there can be no assurance that the respective financial institutions may not withdraw such facilities granted to EXPO Group.

In the event such facilities are withdrawn by the respective financial institutions, EXPO Group will be required to immediately repay the outstanding amount of the relevant facilities. There can be no assurance that EXPO Group will be able to meet its financial obligations or procure new banking facilities promptly upon the occurrence of such event.

In view of the above, the Proposed Acquisition also entails the subscription of 500,000 EXPO Shares by MBGB for the Subscription Consideration of RM5,000,000. The Subscription Consideration is intended to be utilised to repay the banking facilities of EXPO Group. The repayment of the bank borrowings of EXPO Group will also reduce the gearing ratio of EXPO Group as at 30 June 2023, from 2.1 times to 1.6 times, upon completion of the Proposed Acquisition. In the event the Subscription Consideration is insufficient to repay the facilities which there are breaches of covenants, EXPO Group is exploring to refinance such banking facilities and/or liquidate some of its investment properties to repay such banking facilities.

**(iv) Acquisition risk**

The Proposed Acquisition, upon completion, is expected to contribute positively to the future earnings of MBGB Group. However, there can be no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that MBGB Group will be able to generate sufficient revenue and earnings therefrom to offset the associated costs incurred for the Proposed Acquisition. There is also no assurance that EXPO Group is able to maintain or improve the quality of products and/or services currently offered.

To mitigate such risk, MBGB Group had procured the Profit Guarantee from CKK as set out in Section 2.1 of Part A of this Circular. In addition, CKK will remain as a 30.0% shareholder of EXPO and as a Director of EXPO subsequently to the completion of the Proposed Acquisition. CKK will spearhead MBGB Group's venture into the Concrete Business. Moving forward, the Group will work closely with CKK and his team and be involved in the decision making relating to the strategic matters of EXPO Group

**(v) Achievability of the Profit Guarantee**

The Profit Guarantee are based on various bases and assumptions which the Board deems reasonable, but nevertheless is subject to certain uncertainties and contingencies, such as failure to secure new orders from EXPO Group's existing and new customers and/or the occurrence of unforeseen material expenses which may affect EXPO Group's profitability.

In such event, as per the terms of the CSSA, MBGB may recover a portion of the cost incurred for the Proposed Acquisition by disposing the Pledged Shares. Nonetheless, the Company will work closely with CKK and his team and be involved in the decision making of strategic matters of EXPO Group to mitigate such risk.

**(vi) Impairment risk**

MBGB will recognise goodwill arising from the Proposed Acquisition. Upon completion of the Proposed Acquisition, EXPO Group will make a transition from Malaysian Private Entities Reporting Standard to the Malaysian Financial Reporting Standards to align with the Group's existing reporting standards. Thereafter, the Group will calculate the goodwill in relation to the Proposed Acquisition based on Malaysian Financial Reporting Standards 3 – Business Combinations. The amount of goodwill cannot be determined at this juncture as it will depend on the fair value of the assets and liabilities acquired as at the completion date of the CSSA.

In accordance with Malaysian Financial Reporting Standards 3 – Business Combinations, for a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The aforementioned excess will be recognised as a goodwill in the statement of financial position and subject to annual impairment review.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Any fair value adjustments allocated to the identifiable assets and liabilities, and the effect of amortisation of the fair value adjustments, if any, from the Proposed Acquisition may materially and adversely affect the Group's financial position.

MBGB will mitigate the abovementioned risks by closely monitoring the financial performance of EXPO Group and implement appropriate strategies towards the achievement of the financial targets for EXPO Group.

## 7.2 Proposed Diversification

### (i) Business diversification risk

The Group is principally involved in properties related businesses, money lending business, Energy Related Business and Leasing Business. The Group does not have any prior experience in the Concrete Business and thus the Group will be subject to new challenges and risks relating to the Concrete Business i.e. risks inherent to the manufacturing and construction industry. These include but not limited to, general economic slowdown/downturn in the regional and global economies, unfavourable changes in government policies and regulations and competition from existing and new industry players.

There can also be no assurance that the Group's venture into the Concrete Business via the Proposed Acquisition will be successful as the Group will be subject to competition with existing and new players in the industry. Hence, the Group may not generate its anticipated earnings from such ventures and may also encounter lost opportunities while pursuing these ventures.

The Group seek to limit these risks through, amongst others, leveraging on the expertise of CKK and his team in the Concrete Business and constantly keeping abreast with the latest market conditions and remain competitive in the Concrete Business. In addition, EXPO Group has been in operations since 2006 and is amongst the larger ready-mixed concrete manufacturers in Sabah. However, there can be no assurance that any occurrence of the aforementioned events will not have a material adverse effect on the Group's business and earnings in the future after completion of the Proposed Acquisition.

### (ii) Dependence on the key management of EXPO

The continuing success of EXPO Group is largely dependent on the continued efforts of its key management i.e. CKK and Alex Chee, who are directly responsible for the strategic direction, leadership, business planning and development as well as management of its business operations.

The loss of any key management personnel as detailed in Section 3.1 of Part A of this Circular without timely and suitable replacement may adversely affect its ability to compete effectively in the industry as well as the business operations and financial performance of EXPO Group.

In addition, CKK will remain as a 30.0% shareholder of EXPO and a Director of EXPO upon completion of the Proposed Acquisition. Moving forward, the Group will work closely with CKK and his team and be involved in the decision making relating to the strategic matters of EXPO Group. Nevertheless, there can be no assurance that the Group's business relationship with CKK will remain cordial and CKK will remain under the employment of the Group in future. As CKK is one of the Vendors for the Proposed Acquisition, the issuance of the Consideration Shares is intended to align his interest with the Group and encourage him to continue contributing to the future growth of the Group.

In recognising the importance of having the key management personnel, MBGB Group will continuously adopt appropriate approaches or measures to retain the employees, which includes maintaining a competitive remuneration package and providing opportunities for career development for its employees. The Group will also use its best endeavours to reduce dependency on any particular key management personnel by attracting qualified and experienced personnel and addressing succession planning by grooming capable employees to complement the management team as well as to ensure continuity and competency of the management team in EXPO Group.

**(iii) Financing risk**

The Group may require further funding to expand the Concrete Business as and when the Group is required to acquire/build new plant and/or purchase equipment required and such further funding may be derived from internally-generated funds, borrowings and/or equity fund-raising exercises.

If the Group obtains bank borrowings to finance the Concrete Business, the Group may incur interest expenses on the bank borrowings. In view that the interest expenses charged on bank borrowings are subject to prevailing interest rate, the Group may potentially be exposed to interest rate fluctuation which may significantly increase the costs and affect the Group's cash flows as well as profitability.

The Group will actively review its debt portfolio taking into consideration the level and nature of borrowings and seek to adopt cost effective financing options. However, there can be no assurance that the performance of the Group would not be materially affected in the event of any adverse changes in interest rates.

**(iv) Political, economic and regulatory risks**

Any adverse developments in the political, economic and regulatory conditions in Malaysia, could materially and adversely affect the Group's business, financial performance, and prospects. Political and economic uncertainties include but are not limited to, changes in labour laws, availability of labour, a switch in political leadership and/or changes in the government's policies, interest rates, methods of taxation, monetary and fiscal policy and licensing regulations and economic downturn. These factors are generally beyond the management's control.

The Group seeks to manage such risks by monitoring the operating environment and reviewing business strategies in response to such adverse developments. There can be no assurance that adverse changes to the political, regulatory and economics conditions would not have a material impact on the Group's operations and financial performance.

**7.3 Risks in relation to the Concrete Business**

**(i) Dependence of property development/construction industry in Sabah**

EXPO Group's principal products are cement and ready-mixed concrete, which are building materials primarily used in the property development/construction industry. In addition, all EXPO Group's batching plants are in Sabah. As such, the demand for EXPO Group's products will inevitably depend on Sabah's property development/construction industry. The prospects of Sabah's property development/construction industry depends on, amongst others, general economic and business conditions, government policies on infrastructure development and expenditure, demand for residential and non-residential properties.

The Group will keep abreast with the latest government policies and market demand. However, there can be no assurance that any adverse events which are beyond EXPO Group's control will not affect the Group's financial performance and financial position.

**(ii) Competition risk**

The Group will face competition from the existing and new players in the Concrete Business, particularly the industry players in Sabah. There can be no assurance that the Group will be able to compete effectively with existing competitors and new entrants in the Concrete Business in the future and this may materially affect the Group's future financial performance and financial position.

Nonetheless, MBGB Group will endeavour to take proactive measures to remain competitive in this business by, amongst others, constantly keeping abreast with the latest market conditions, and continuing efforts in maintaining a competitive edge in terms of locality of batching plants, cost competitiveness, service quality and product quality.

**(iii) Plant and equipment risk**

The building materials particularly ready-mixed concrete are manufactured by EXPO Group's 16 batching plants located in Sabah. The manufacturing of the building materials are heavily relied on the continuing operations of the plant and equipment installed at the plants. The operations of the plants are subject to the risk, amongst others, force majeure events such as fires and floods, electricity and energy crisis, natural disasters and the operations of equipment are subject to the risk, amongst others, malfunction of the equipment and damage to the equipment due to accidents.

The equipment available for rental i.e. excavators, loaders and crane and the trailers used for transportation services are subject to the risk of unexpected breakdown as a result of amongst others, accidents, engine failures and flat tyres.

EXPO Group will perform scheduled maintenance on the equipment to minimise disruptions. However, there can be no assurance that any prolonged suspension of the manufacturing process due to disruptions to the operations of plant or equipment or prolonged repair service for the equipment, will not have any material impact to the financial performance of EXPO Group.

**(iv) Delay in delivery**

The ready-mixed concrete is required to be delivered to construction sites within 4 hours, failing which the ready-mixed concrete would harden. EXPO Group is exposed to the risk that the delivery service may not complete within the stipulated timeframe due to amongst others, breakdown in the mixer truck, road accidents, traffic interruptions and congestions, road closure and adverse weather conditions, which are beyond EXPO Group's control. There can be no assurance that any of the adverse conditions aforementioned that cause delay in the delivery will not impact the financial performance of EXPO Group.

EXPO Group will perform scheduled maintenance on the equipment, and monitor the road and weather conditions prior to the delivery to construction sites and will reschedule the delivery service with the consent of customers should there is any foresee adverse conditions.

**(v) Fluctuation in raw material prices**

The raw materials such as cement, sand, coarse or fine aggregates and admixtures used by EXPO Group's business are exposed to price volatility as a result of market demand and supply conditions. There can be no assurance that material adverse fluctuations in such raw materials over a prolonged period without the ability to pass on such costs to customers will not have a material adverse effect on the earnings of EXPO Group and in turn, MBGB Group.

The volatility in the price of raw materials has not materially impacted EXPO Group in the past as the selling prices to customers were determined after taking into account the prevailing market prices of raw materials purchased. However, if EXPO Group is unable to pass on the increase in raw material prices to its customers, EXPO Group's financial performance may be impacted. MBGB Group and EXPO Group will continue to monitor and plan the purchase orders to efficiently manage such cost fluctuations.

## 8. EFFECTS OF THE PROPOSALS

### 8.1 Issued share capital

The Proposed Diversification will not have any effect on the issued share capital as it does not involve any issuance of new Shares.

The proforma effects of the Proposed Acquisition on the issued share capital of MBGB are as follows:

	<u>Number of Shares</u>	<u>RM</u>
Issued share capital as at LPD	2,392,003,539	191,216,274
Consideration Shares to be issued pursuant to the Proposed Acquisition	98,461,536	23,039,999
<b>Enlarged share capital after the Proposed Acquisition</b>	<b><u>2,490,465,075</u></b>	<b><u>214,256,273</u></b>

### 8.2 NA, NA per share and gearing

The Proposed Diversification is not expected to have any immediate material effect on the NA and gearing of the Group. However, the future NA and/or gearing of the Group will depend on amongst others, the manner of funding for the Concrete Business, as well as the future profit contribution arising from the Concrete Business.

The proforma effects of the Proposed Acquisition on the consolidated NA, NA per share and gearing of MBGB Group based on the audited consolidated financial statements of MBGB for the FYE 30 June 2023 are as follows:-

#### **Based on the unaudited financial statements of EXPO Group for the FYE 30 June 2022<sup>(a)(b)</sup>:**

	(I)	(II)	
	<u>Audited as at 30 June 2023</u>	<u><sup>(c)</sup>Subsequent events</u>	<u>After (I) and Proposed Acquisition</u>
	RM'000	RM'000	RM'000
Share capital	184,112	191,216	<sup>(d)</sup> 214,256
Warrants reserve	37,875	35,294	35,294
Revaluation reserve	540	540	540
Fair value reserve of financial assets at fair value through other comprehensive income	1,155	1,155	1,155
Foreign currency translation reserve	(2)	(2)	(2)
Retained profits	15,058	15,058	<sup>(e)</sup> 14,358
<b>NA</b>	<b><u>238,738</u></b>	<b><u>243,261</u></b>	<b><u>265,601</u></b>
Non-controlling interest	-	-	<sup>(f)</sup> 6,622
<b>Total equity</b>	<b><u>238,738</u></b>	<b><u>243,261</u></b>	<b><u>272,223</u></b>
No. of Shares ('000)	2,338,785	2,392,004	<sup>(c)</sup> 2,490,465
NA per Share (RM)	0.10	0.10	0.11
Total borrowings (including lease liabilities)	27,301	27,301	<sup>(g)</sup> 68,388
Gearing (times)	0.11	0.11	0.25

**Based on the unaudited financial statements of EXPO Group for the FYE 30 June 2023<sup>(b)</sup>:**

	(I)	(II)	
	<b>Audited as at 30 June 2023</b>	<b><sup>(c)</sup>Subsequent events</b>	<b>After (I) and Proposed Acquisition</b>
	RM'000	RM'000	RM'000
Share capital	184,112	191,216	<sup>(d)</sup> 214,256
Warrants reserve	37,875	35,294	35,294
Revaluation reserve	540	540	540
Fair value reserve of financial assets at fair value through other comprehensive income	1,155	1,155	1,155
Foreign currency translation reserve	(2)	(2)	(2)
Retained profits	15,058	15,058	<sup>(e)</sup> 14,358
<b>NA</b>	<b>238,738</b>	<b>243,261</b>	<b>265,601</b>
Non-controlling interest	-	-	<sup>(f)</sup> 7,859
<b>Total equity</b>	<b>238,738</b>	<b>243,261</b>	<b>273,460</b>
No. of Shares ('000)	2,338,785	2,392,004	<sup>(c)</sup> 2,490,465
NA per Share (RM)	0.10	0.10	0.11
Total borrowings (including lease liabilities)	27,301	27,301	<sup>(h)</sup> 77,200
Gearing (times)	0.11	0.11	0.28

**Notes:-**

- (a) STL&T, a 65.0%-owned subsidiary of EXPO, was excluded from the consolidated financial statements of EXPO for the FYE 30 June 2022, as the directors of STL&T intend to change the financial year end of STL&T prior to include the financial statements of STL&T in the consolidation of EXPO Group. For information, the directors of STL&T had on 8 August 2022 passed a resolution to change the financial year end of STL&T from 31 December to 30 June.

For the calculation of proforma effects, the management of EXPO Group had prepared a unaudited consolidated financial statements based on the audited financial statements of EXPO Group (excluding STL&T) for the FYE 30 June 2022 (1 July 2021 to 30 June 2022) and audited financial statements of STL&T for the FYE 31 December 2022 (1 January 2022 to 31 December 2022). The aforementioned consolidated financial statements is not being audited by the auditor of EXPO Group.



- (b) The financial statements of EXPO Group had been prepared in accordance with Malaysian Private Entities Reporting Standard while the financial statements of MBGB Group had been prepared in accordance with Malaysian Financial Reporting Standards. The above proforma effects of the Proposed Acquisition on the NA had not taken into consideration the impact of the differential in the adopted accounting standards.

Upon completion of the Proposed Acquisition, EXPO Group will make a transition from Malaysian Private Entities Reporting Standard to the Malaysian Financial Reporting Standards to align with the Group's existing reporting standards. Thereafter, the Group will calculate the goodwill in relation to the Proposed Acquisition based on Malaysian Financial Reporting Standards 3 – Business Combinations.

In accordance with Malaysian Financial Reporting Standards 3 – Business Combinations, for a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The Group is allowed for a measurement period of not exceeding one year from the acquisition date to identify and measure identifiable assets acquired, liabilities assumed, any non-controlling interest, purchase consideration and the resulting goodwill or bargain purchase.

In view of the above, the Group is of the view that the difference between the accounting standards adopted by EXPO Group i.e. Malaysian Private Entities Reporting Standard and MBGB Group i.e. Malaysian Financial Reporting Standards will not have a material impact to the Group's financial position in view that the Group would require to carry out assessment to measure all the assets, liabilities and non-controlling interest at fair value and any difference will then be recognised as goodwill or bargain purchase.

- (c) After taking into account the issuance and allotment of 55,188,062 new MBGB Shares pursuant to the exercise of warrants 2022/2032 in the Company at RM0.0850 each and each warrant 2022/2032 in the Company carries a fair value of RM0.0485 each. For information, the aforementioned Shares had been listed on Main Market of Bursa Securities.
- (d) After taking into account the issuance of 98,461,536 Consideration Shares pursuant to the Proposed Acquisition at the Issue Price of RM0.234 each.
- (e) After deducting estimated expenses for the Proposals of RM0.7 million.
- (f) After incorporating the following 30.0% non-controlling interest in EXPO Group.

- (g) After incorporating EXPO Group's total borrowings (including lease liabilities) of RM46.1 million as at 30 June 2022 and assuming the Subscription Consideration will be fully utilised for the repayment of borrowings of EXPO Group.
- (h) After incorporating EXPO Group's total borrowings (including lease liabilities) of RM54.9 million as at 30 June 2023 and assuming the Subscription Consideration will be fully utilised for the repayment of borrowings of EXPO Group.

### 8.3 Earnings and EPS

The Proposed Diversification is also not expected to have any immediate effect on the earnings of the Group until such time the positive effects of the future earnings and benefits arising from Proposed Diversification are realised.

The Proposed Acquisition is expected to contribute positively to the Group's earnings for the FYE 30 June 2024 after taking into consideration the Profit Guarantee.

However, the Group's EPS will be diluted accordingly as a result of the Consideration Shares to be issued.

The proforma effects of the Proposed Acquisition on the Group's earnings and EPS based on its audited consolidated financial statements for the FYE 30 June 2023 (assuming that the Proposed Acquisition had been completed at the beginning of the financial year) are as follows:

**Based on the audited consolidated PAT of EXPO Group (excluding the consolidation of STL&T) for the FYE 30 June 2022**

	<b>Audited as at 30 June 2023</b>	<b>After Proposed Acquisition</b>
	RM'000	RM'000
PAT attributable to the owners of the Company	8,709	8,709
Add: 70.0% of PAT attributable to the owners of the company for the FYE 30 June 2022 <sup>(a)</sup>	-	2,832
Less: Estimated expenses in relation to the Proposals	-	(700)
<b>Proforma earnings</b>	<b>8,709</b>	<b>10,841</b>
Number of Shares ('000)	2,338,785	<sup>(b)</sup> 2,490,465
EPS (sen)	0.37	0.44

**Based on the unaudited consolidated PAT of EXPO Group for the FYE 30 June 2023**

	<b>Audited as at 30 June 2023</b>	<b>After Proposed Acquisition</b>
	RM'000	RM'000
PAT attributable to the owners of the Company	8,709	8,709
Add: 70.0% of PAT attributable to the owners of the company for the FYE 30 June 2023 <sup>(c)</sup>	-	2,857
Less: Estimated expenses in relation to the Proposals	-	(700)
<b>Proforma earnings</b>	<b>8,709</b>	<b>10,866</b>
Number of Shares ('000)	2,338,785	<sup>(b)</sup> 2,490,465
EPS (sen)	0.37	0.44

**Notes:-**

- (a) Based on the audited consolidated PAT of EXPO Group attributable to the owners of the company for the FYE 30 June 2022 of RM4.0 million.
- (b) After taking into account the issuance of 53,218,862 new MBGB Shares pursuant to the exercise of warrants 2022/2032 in the Company at RM0.0850 each subsequent to 30 June 2023 and 98,461,536 Consideration Shares to be issued pursuant to the Proposed Acquisition at the Issue Price of RM0.234 each.
- (c) Based on the unaudited consolidated PAT of EXPO Group attributable to the owners of the company for the FYE 30 June 2023 of RM4.1 million.

**8.4 Substantial shareholders' shareholdings**

The Proposed Diversification will not have any effect on the substantial shareholders' shareholdings in the Company as it does not involve any issuance of new Shares.

The proforma effect of the Proposed Acquisition on the substantial shareholders' shareholdings is as follows:

	<b>As at LPD</b>				<b>After Proposed Acquisition</b>			
	<b>Direct</b>		<b>Indirect</b>		<b>Direct</b>		<b>Indirect</b>	
	<b>No. of Shares</b>	<b>(a)%</b>	<b>No. of Shares</b>	<b>(a)%</b>	<b>No. of Shares</b>	<b>(b)%</b>	<b>No. of Shares</b>	<b>(b)%</b>
LVSB	1,302,089,926	54.4	-	-	1,302,089,926	52.3	-	-
Dato' Lee	-	-	<sup>(c)</sup> 1,302,089,926	54.4	-	-	<sup>(c)</sup> 1,302,089,926	52.3

**Notes:-**

- (a) Based on 2,392,003,539 issued Shares as at LPD.
- (b) Based on 2,490,465,075 Shares upon the completion of the Proposed Acquisition.
- (c) Deemed interest by virtue of his interest in LVSB pursuant to Section 8 of the Act.

## 8.5 Convertible securities

As at LPD, the Company has 727,713,920 outstanding warrants 2022/2032 in the Company.

The Proposals will not cause any adjustment to the number and exercise price of the outstanding warrants 2022/2032.

## 9. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of MBGB Shares as traded on Bursa Securities for the past 12 months from December 2022 to November 2023 are as follows:-

	<u>High</u> RM	<u>Low</u> RM
<b><u>2022</u></b>		
December	0.175	0.135
<b><u>2023</u></b>		
January	0.175	0.110
February	0.190	0.155
March	0.185	0.160
April	0.195	0.170
May	0.195	0.165
June	0.175	0.165
July	0.175	0.165
August	0.225	0.170
September	0.240	0.185
October	0.265	0.205
November	0.265	0.200

The last transacted market price of MBGB Shares on 26 October 2023 (being the last trading day prior to the announcement of the Proposed Acquisition) 0.260

The last transacted market price of MBGB Shares as at 26 December 2023 0.205

*(Source: Bloomberg)*

## 10. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:-

- (i) the approval of Bursa Securities for the listing and quotation of the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities;

The approvals by Bursa Securities for the above was obtained vide its letter dated 15 December 2023, subject to the following conditions:

<u>No.</u>	<u>Conditions</u>	<u>Status of compliance</u>
1.	MBGB and Malacca Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied
2.	MBGB is required to provide a certified true copy of the resolution passed by shareholders in general meeting approving the Proposals prior to the listing and quotation of the Consideration Shares;	To be complied

<b>No.</b>	<b>Conditions</b>	<b>Status of compliance</b>
3.	MBGB and Malacca Securities are required to inform Bursa Securities upon completion of the Proposed Acquisition; and	To be complied
4.	MBGB and Malacca Securities are required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed.	To be complied

(ii) the approvals of the shareholders of the Company for the Proposals at the Company's forthcoming EGM.

For information, in accordance with Section 85 of the Act and Clause 59 of the Constitution of the Company, shareholders of the Company have pre-emptive rights to be offered the Consideration Shares to be issued pursuant to the Proposed Acquisition. In the event the resolution for the Proposed Acquisition is approved by shareholders of the Company at the Company's forthcoming EGM, shareholders will be waiving their pre-emptive rights under Section 85 of the Act and Clause 59 of the Constitution of the Company; and

(iii) the approval of any other relevant authorities and/or parties, if any.

The Proposed Acquisition and Proposed Diversification are inter-conditional.

The Proposals are not conditional upon the Proposed New Shareholders' Mandate and vice versa.

The Proposals are also not conditional upon any other corporate exercises/schemes or proposals undertaken or to be undertaken by MBGB.

#### **11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED**

None of the Directors, Major Shareholders, chief executive and/or persons connected with them has any interest, direct or indirect in the Proposals.

#### **12. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION**

As at LPD, save for the Proposals, the Company does not have any outstanding corporate exercise that have been announced but pending completion.

### 13. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is 32.5% derived based on 70.0% of the profit after tax of EXPO Group for the FYE 30 June 2022 (RM4.0 million x 70.0% = RM2.8 million) over the profit after tax of MBGB Group of RM8.7 million for the FYE 30 June 2023.

For information, the salient terms of the CSSA include a put option for MBGB to dispose the Sale Shares and Acquisition Shares and such other shares in EXPO to be subscribed, allotted to or purchased by MBGB, held by MGBG at the time of exercise of the option, to CCK subject to the terms of the CSSA (as set out in Section 2.1 of Part A of this Circular and Section 5 of Appendix II of this Circular). Should the put option be exercised, the Company will make the necessary announcement in accordance with the Listing Requirements and seek shareholders' approval (if required).

### 14. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board after having considered all aspects of the Proposals, including the terms and conditions of the Subscription Agreement and CSSA for the Proposed Acquisition, rationale, financial effects and risk factors for the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that shareholders of the Company vote in favour of the resolutions pertaining to the Proposals to be tabled at the Company's forthcoming EGM.

### 15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities and shareholders being obtained and conditions precedent of the Subscription Agreement and CSSA being met, the Proposed Acquisition is expected to be completed by the 2nd quarter of the calendar year 2024 and the Proposed Diversification will take effect immediately upon obtaining the approval of MBGB shareholders at the Company's forthcoming EGM.

The tentative timeline for the Proposed Acquisition and Proposed Diversification is as follows:-

<u>Tentative timeline</u>	<u>Key milestones</u>
15 January 2024	<ul style="list-style-type: none"><li>• EGM</li><li>• Effective date of the Proposed Diversification</li></ul>
End March 2024	<ul style="list-style-type: none"><li>• Fulfilment of all conditions precedent of the Subscription Agreement and CSSA</li></ul>
Early April 2024	<ul style="list-style-type: none"><li>• Payment of Subscription Consideration</li><li>• Issuance of Consideration Shares</li><li>• Listing and quotation of Consideration Shares</li><li>• Completion of Proposed Acquisition</li></ul>

## **16. EGM**

The EGM, the notice of which is enclosed in this Circular, will be held at Merbok Room, Level 6, The Grand Renai Hotel, Kota Sri Mutiara, Jalan Sultan Yahya Petra, 15150 Kota Bharu, Kelantan, Malaysia, on Monday, 15 January 2024 at 3.00 p.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposals. The resolutions pertaining to the Proposals are set out in the Notice of EGM which is enclosed with this Circular.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy the instructions contained therein, to be deposited at the Share Registrar's office at Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than 48 hours before the time stipulated for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude the MBGB's shareholders from attending and voting in person at the EGM should the MBGB's shareholders subsequently wish to do so and in such an event, your Form of Proxy shall be revoked accordingly.

## **17. FURTHER INFORMATION**

Shareholders are advised to refer to the attached appendices of this Circular for further information.

Yours faithfully,  
For and on behalf of the Board  
**META BRIGHT GROUP BERHAD**

**PHANG KIEW LIM**  
Executive Director

**PART B**

**LETTER FROM THE BOARD TO THE SHAREHOLDERS OF  
MBGB IN RELATION TO THE PROPOSED NEW  
SHAREHOLDERS' MANDATE**





**Meta Bright**

—正源 Group 集团—

**META BRIGHT GROUP BERHAD**

Registration No.: 200001013359 (515965-A)  
(Incorporated in Malaysia)

**Registered Office:**

12th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

28 December 2023

**Board of Directors:**

Mohamed Akwal Bin Sultan Mohamad (*Chairman and Independent Non-Executive Director*)  
Lee Chee Kiang (*Managing Director*)  
Dato' Lee Wai Mun, DIMP., JMK., JP. (*Executive Director*)  
Phang Kiew Lim (*Executive Director*)  
Tan Chin Hong (*Executive Director*)  
Masleena Binti Zaid (*Independent Non-Executive Director*)  
Ong Lu Yuan (*Independent Non-Executive Director*)

**To: The MBGB's shareholders**

Dear Sir/Madam,

**PROPOSED NEW SHAREHOLDERS' MANDATE**

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**1. INTRODUCTION**

On 27 October 2023, Malacca Securities had on behalf the Board, announced that the Company proposes to undertake the Proposed Acquisition of EXPO Group which is involved in the Concrete Business.

On the same date, Malacca Securities had on behalf the Board, announced that the Company proposes to seek its shareholders' approval for the Proposed New Shareholders' Mandate to enable the Group to enter into the RRPT pursuant to Paragraph 10.09(2) and Practice Note 12 of the Listing Requirements.

The Proposed New Shareholders' Mandate consists of the following:

- (i) Proposed Concrete Business RRPT

The Proposed Concrete Business RRPT is being sought in conjunction with the Proposed Acquisition.

As at LPD, EXPO Group had secured several contracts from Homesign Network. LCK, the Managing Director of MBGB, is also a director and 80.0% shareholder of Homesign Network.

As at LPD, EXPO Group also in the midst of pitching for a few contracts from BKRSB whereby LCK is a director and 50.0% indirect shareholder of BKRSB (via Inovasi Kekal Sdn. Bhd.).

In addition, there are also several RRPTs entered into between EXPO Group and its existing related parties as at LPD.

(ii) Proposed Energy Business RRPT

The Proposed Energy Business RRPT is being sought as MBGB Group proposes to design, develop, supply, install, test, commission, operate and maintain a grid-connected PV system for GE Mining. Dato' Lee, the Executive Director and major shareholder of MBGB is also a director and 18.3% shareholder of GE Mining. In addition, Dato' Wang Ruihui, a 3.3% shareholder of MBGB, is also deemed interested in the Proposed Energy Business RRPT by virtue of his relationship with Dato' Lee, further details of which are set out in Section 2.3 of Part B of this Circular.

**THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS WITH THE RELEVANT INFORMATION ON THE PROPOSED NEW SHAREHOLDERS' MANDATE AND TO SEEK THE SHAREHOLDERS' APPROVAL FOR THE RESOLUTIONS IN RELATION TO THE PROPOSED NEW SHAREHOLDERS' MANDATE TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.**

**SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED NEW SHAREHOLDERS' MANDATE TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.**

## **2. PROPOSED NEW SHAREHOLDERS' MANDATE**

Pursuant to Paragraph 10.09(2) of the Listing Requirements, MBGB is required to seek its shareholders' mandate, with regards to RRPTs subject to, among others, the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed New Shareholders' Mandate during the financial year where:
  - (a) the consideration, value of the assets, capital outlay or costs of the RRPTs is RM1.0 million or more; or
  - (b) the percentage ratio of such RRPTs is 1% or more,whichever is the higher;
- (iii) the circular to shareholders for the Proposed New Shareholders' Mandate shall include the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;

- (iv) in a meeting to obtain shareholders' mandate, the interested Director, interested Major Shareholder or interested person connected with a Director or Major Shareholder, and where it involves the interest of an interested person connected with a Director or Major Shareholder, such Director or Major Shareholder, must not vote on the resolution approving the transactions. An interested Director or interested Major Shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (v) the Company immediately announces to Bursa Securities when the actual value of a RRPT entered into by the Company, exceeds the estimated value of the RRPTs disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

The Group proposes to enter into the RRPT, the particulars of which are set out in Section 2.3 of Part B of this Circular. Accordingly, the Board proposes to seek shareholders' mandate for the RRPT to be entered into by the Group from the date of the EGM until the next annual general meeting of the Company.

Such transactions will be made on terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of MBGB's minority shareholders.

The Proposed New Shareholders' Mandate, if approved by MBGB's shareholders at the EGM, is subject to annual renewal. In this respect, any authority conferred by the Proposed New Shareholders' Mandate will take effect from the date of the said EGM until:-

- (i) the conclusion of the next AGM of MBGB following this EGM at which the Proposed New Shareholders' Mandate is passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the next AGM;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by MBGB's shareholders in a general meeting;

whichever is earlier.

## 2.1 Principal activities of the Group

The principal activity of MBGB is investment holding. Through its subsidiaries, the Group is principally involved in hotel operations, property investment, property development, Energy Related Business, money lending as well as Leasing Business. As set out in Part A of this Circular, MBGB proposes to diversify the existing principal activities of the Group to include the Concrete Business in conjunction with the Proposed Acquisition.

As at LPD, the principal activities of its subsidiaries are as follows:-

<u>Name of company</u>	<u>Date / Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
Eastern Biscuit Factory Sdn. Bhd.	10 April 1953 / Malaysia	100	Property development, investment in properties and hotel operations
Perfect Diamond Capital Sdn. Bhd.	5 March 2003 / Malaysia	100	Investment holding

<u>Name of company</u>	<u>Date / Country of incorporation</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
EBF Land Sdn. Bhd.	16 August 1996 / Malaysia	100	Investment holding
Meta Bright Sdn. Bhd.	25 January 2022 / Malaysia	100	Investment advisory services and leasing
FBO Land	16 May 1984 / Malaysia	100	Property development, renewable energy and energy efficiency related technology and businesses

**Subsidiary of Eastern Biscuit Factory Sdn. Bhd.**

FBO (Serendah) Bhd.	Land Sdn. 8 February 1995 / Malaysia	100	Property investment, renewable energy and energy efficiency related technology and businesses
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**Subsidiary of Perfect Diamond Capital Sdn. Bhd.**

Rimaflex Sdn. Bhd.	6 March 1997 / Malaysia	100	Money lending
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**Subsidiary of Meta Bright Sdn. Bhd.**

Meta Bright Australia Pty Ltd	12 May 2023 / Australia	100	Involved in the business of leasing machineries and equipment, including short term rental and its any ancillary business activities
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## 2.2 Classes of Related Parties

The Proposed New Shareholders' Mandate will apply to the following classes of Related Parties:-

- (i) Directors;
- (ii) Major Shareholders; and
- (iii) Persons connected with the Directors and/or Major Shareholders.

## 2.3 Details of RRPTs contemplated under the Proposed New Shareholders' Mandate

The Group intends to venture into the Concrete Business in conjunction with the Proposed Acquisition.

The Group will in its normal course carry out the following transactions, for its Concrete Business upon the completion of the Proposed Acquisition as well as for its Energy Related Business.

The Proposed New Shareholders' Mandate applies to the following classes of Related Parties:-

<u>Transacting Party</u>	<u>Nature of relationship</u>	<u>Nature of RRPTs</u>	<b>Estimated aggregate value to be incurred from the EGM to the next annual general meeting (RM'000)</b>
<b><u>Proposed Concrete Business RRPT</u></b>			
Homesign Network	LCK is the Managing Director and 3.9% shareholder of MBGB.  LCK is also a director and 80.0% shareholder of Homesign Network.	Supply of building materials by EXPO Group <sup>(a)</sup> to Homesign Network.	50,000
BKRSB	LCK is the Managing Director and 3.9% shareholder of MBGB.  LCK is also a director and 50.0% shareholder of BKRSB (via Inovasi Kekal Sdn. Bhd. <sup>(b)</sup> ).	Supply of building materials by EXPO Group <sup>(a)</sup> to BKRSB.	30,000
BCTSB	CKK is a director of EXPO and will continue to be the director of EXPO upon the completion of the Proposed Acquisition.  Yap Yun Hun, a director and 50.0% shareholder of BCTSB, is a person connected to CKK by virtue of him being the cousin of CKK.	Purchase of raw materials i.e. admixtures by EXPO Group <sup>(a)</sup> from BCTSB.  Rental of a parcel of land held under NT 6227 measuring approximately 4,000.0 square feet, Kampung Bantayan, Jln Minintod, Sabah by BCTSB from EXPO Group <sup>(a)</sup> .  For information, the tenancy is for a period of 5 years from 1 March 2020 to 31 March 2025, at a monthly rental of RM5,000.	6,000  75
		Rental of a portion of land held under CL 265313979 measuring approximately 4,000.0 square feet in Jalan Putatan, Kampung Meruntum, Putatan, Sabah by BCTSB from EXPO Group <sup>(a)</sup> .	75

<u>Transacting Party</u>	<u>Nature of relationship</u>	<u>Nature of RRPTs</u>	<u>Estimated aggregate value to be incurred from the EGM to the next annual general meeting (RM'000)</u>
		For information, the tenancy is for a period of 3 years from 1 March 2023 to 28 February 2026, at a monthly rental of RM5,000.	
		Hire rental of truck(s) by BCTSB from EXPO Group <sup>(a)</sup> .	25
Jesselton Resources Sdn. Bhd.	CKK is a director of EXPO and will continue to be the director of EXPO upon the completion of the Proposed Acquisition.  Olivia Chong Shiow Hui, a person connected to CKK by virtue of her being the spouse of CKK, is the sole director and sole shareholder of Jesselton Resources Sdn. Bhd.	Provision of quality control services by Jesselton Resources Sdn. Bhd. to EXPO Group <sup>(a)</sup> .	2,500
CKK	CKK is a director of EXPO and will continue to be the director of EXPO upon the completion of the Proposed Acquisition.	Rental of 1 unit of office lot measuring approximately 2,881.9 square feet known as Lot. C-01-17, Block C, 1 <sup>st</sup> Floor, HS Commercial Centre, Jalan Penampang, 89500 Kota Kinabalu, Sabah by EXPO Group <sup>(a)</sup> from CKK.  For information, the tenancy is for a period of 5 years from 1 April 2023 to 31 March 2028, at a monthly rental of RM4,800.	75

<b>Transacting Party</b>	<b>Nature of relationship</b>	<b>Nature of RRPTs</b>	<b>Estimated aggregate value to be incurred from the EGM to the next annual general meeting (RM'000)</b>
Olivia Chong Shioh Hui	<p>CKK is a director of EXPO and will continue to be the director of EXPO upon the completion of the Proposed Acquisition.</p> <p>Olivia Chong Shioh Hui, a person connected to CKK by virtue of her being the spouse of CKK.</p>	<p>Rental of a parcel of land held under title no. NT023110778 measuring approximately 3.4 acres at Mile 1 1/2, in the District of Papar, Sabah (EXPO Group's Kimanis Plant) by EXPO Group<sup>(a)</sup> from Olivia Chong Shioh Hui.</p> <p>For information, the tenancy is for a period of 10 years from 1 March 2022 to 28 February 2032, at a monthly rental of RM3,000 from 1 March 2022 to 28 February 2027 and RM4,500 from 1 March 2027 to 28 February 2032.</p>	50
Gregory Chong On Liok	<p>CKK is a director of EXPO and will continue to be the director of EXPO upon the completion of the Proposed Acquisition.</p> <p>Gregory Chong On Liok, a person connected to CKK by virtue of him being the father-in-law of CKK.</p>	<p>Rental of a parcel of land measuring approximately 5.0 acres held under title no. NT013111503 in the District of Sepanggar, Sabah (Sepanggar Plant) by EXPO Group<sup>(a)</sup> from Gregory Chong On Liok.</p> <p>For information, the tenancy is for a period of 2 years from 1 September 2023 to 31 August 2025 at a monthly rental of RM3,000.</p>	36

<u>Transacting Party</u>	<u>Nature of relationship</u>	<u>Nature of RRPTs</u>	<u>Estimated aggregate value to be incurred from the EGM to the next annual general meeting (RM'000)</u>
<b><u>Proposed Energy Business RRPT</u></b>			
GE Mining	<p>Dato' Lee is the Executive Director and 54.4% indirect Major Shareholder (via LVSB) of MBGB.</p> <p>Dato' Lee also a Director and 18.3% shareholder of GE Mining.</p> <p>Dato' Wang Ruihui, is deemed a person connected to Dato' Lee by virtue of him being a business partner with Dato' Lee in several private companies. He is a 3.3% shareholder of MBGB.</p> <p>Dato' Wang Ruihui is also a director and 5.0% shareholder of GE Mining, with a direct equity interest of 5.0% in GE Mining.</p>	Provision of services for design, develop, supply, install, test, commission, operate and maintain a grid-connected PV system by MBGB Group to GE Mining.	5,000

**Notes:-**

- (a) EXPO will become a 70.0%-owned subsidiary of MBGB upon the completion of the Proposed Acquisition.
- (b) LCK is a director and 80.0% shareholder Inovasi Kekal Sdn. Bhd.

**2.4 Review procedures in relation to the RRPTs**

The Group had established the following procedures to ensure that the RRPTs are undertaken on an arm's length basis and on normal commercial terms and transactions prices consistent with the Group's usual business practices and policies, which are not more favourable to the Related Parties than those extended to the public and are not to the detriment of the minority shareholders:-

- (i) The identity of the Related Parties will be disclosed/circulated within the Group and at the same time, the Related Parties will be notified that all RRPTs are required to be taken on an arm's length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public;
- (ii) The thresholds for approvals of RRPTs will be consistent with those transactions entered into with unrelated parties. MBGB Group has in place internal levels of authority governing all business transactions. As the RRPTs are conducted in the ordinary course of business, the transactions will be covered under the same levels of authority;



- (iii) Any tender, quotation or contract received from or proposed to be entered with a Related Party will be reviewed by senior management who will ascertain if it is an approved RRPT. Such tender, quotation or contract will not be approved unless the terms offered to MBGB Group are comparable with those offered by other unrelated parties for the same or substantially similar type of transactions. The RRPTs with a Related Party will only be entered into after taking into account the pricing, quality, deliverables, level of service and other related facts including competitor's prices of similar products and services in the open market;
- (iv) All RRPTs to be entered into will be reviewed by the Audit and Risk Management Committee at every quarter or from time to time, as needed and subsequently reported to the Board to ensure that the transactions are not more favourable to the Related Party and will not be detrimental to the minority shareholders;
- (v) The Directors having interest in any RRPT shall abstain from voting on any matter relating to decisions to be taken by the Board and deliberations as well as shall ensure that the Major Shareholders and persons connected with them abstain from voting on the resolution approving the transactions;
- (vi) Records will be maintained by MBGB Group to capture all RRPTs entered into pursuant to any Proposed New Shareholders' Mandate to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to;
- (vii) At least two other contemporaneous transactions with unrelated third parties for similar products/ services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/ services and/or quantities. Where quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by MBGB Group based on the usual business practices of MBGB Group to ensure the RRPTs are not detrimental to MBGB Group;
- (viii) The Audit and Risk Management Committee shall review the internal audit reports on an annual basis to ascertain that the guidelines and procedures established to monitor the RRPTs have been complied with;
- (ix) Immediate announcement will be made when the actual amount of a RRPT exceeds the estimated value disclosed in the Circular by 10% or more;
- (x) The Audit and Risk Management Committee will review the cumulative value of all RRPTs on a quarterly basis;
- (xi) Disclosure will be made in the following year's annual report of the Company of the aggregate value of transactions conducted pursuant the Proposed New Shareholders' Mandate;
- (xii) In respect of any new RRPT not covered under a shareholders' mandate, it will be subject to review and approval by a director and one senior management who has no interest in the transaction. The Audit and Risk Management Committee and Board will be notified for any transaction which requires announcement to Bursa Securities pursuant to Paragraph 10.09(1) of the Listing Requirements; and

- (xiii) The Board and the Audit and Risk Management Committee will have overall responsibility for the determination of the review procedures, including addition of new review procedures, as and when necessary. The Board and the Audit and Risk Management Committee may also appoint individuals and committees to examine the RRPTs, as they deem appropriate. If a member of the Board or the Audit and Risk Management Committee has an interest, direct or indirect, in any particular transactions, he or she will abstain from any deliberation and voting on the matter at the Board or the Audit and Risk Management Committee meetings in respect of such transactions.

The threshold for RRPT will be determined by Audit and Risk Management Committee on a yearly basis, subject to the provisions in the Listing Requirements and/or the Act, where necessary. As at LPD, the thresholds for each level of approving authority for the RRPT are as follows:

<b>RRPT value</b>	<b>First approval</b>	<b>Final approval</b>
RM1,000,000 or less	1 Executive Director	1 Executive Director
More than RM1,000,000 and less than RM5,000,000	2 Executive Directors	Managing Director
RM5,000,000 or more	2 Executive Directors	Managing Director, Audit and Risk Management Committee and the Board

Where any Director has an interest (direct or indirect) in any RRPT, such Director shall abstain from deliberation and voting on the matter. All RRPTs will be monitored by the management and reviewed by the Audit and Risk Management Committee on a quarterly basis and approved by the Board. Where the RRPT has not obtained the shareholders' mandate or has exceeded the shareholders' mandate, an announcement shall be made to Bursa Securities.

## **2.5 Audit and Risk Management Committee's statements**

The Board and the Audit and Risk Management Committee has the overall responsibility of determining whether the procedures for reviewing all RRPTs are appropriate. The Audit and Risk Management Committee also has the authority to delegate this responsibility to such individuals within the Company as it shall deem fit.

The Audit and Risk Management Committee is satisfied that the review procedures for RRPTs as set out in Section 2.4 of Part B of this Circular are sufficient and appropriate to ensure that such RRPT(s) will be undertaken at arm's length and are on normal commercial terms consistent with the industry norms not more favourable to the Related Parties than those generally available to the public and that such terms will not be detrimental to the interests of the minority shareholders or disadvantageous to the Group.

The Audit and Risk Management confirmed that the Company has in place adequate procedures and processes to monitor, track and identify the RRPT(s) in a timely and orderly manner. The Audit and Risk Management Committee reviews these procedures and processes on a yearly basis.

If during its periodic reviews, the Audit and Risk Management Committee views that such procedures and processes are no longer appropriate or adequate to monitor, track and identify RRPT(s), the Audit and Risk Management Committee will draw it to the attention of the Board and, if necessary, MBGB will establish new guidelines and procedures.

### **3. RATIONALE AND BENEFITS FOR THE PROPOSED NEW SHAREHOLDERS' MANDATE**

The Proposed New Shareholders' Mandate will allow the Group to enter into transactions within the ordinary course of its Energy Related Business as well as Concrete Business upon completion of the Proposed Acquisition, with the Related Parties.

The Proposed New Shareholders' Mandate will also enable the Group to undertake RRPTs necessary for day-to-day operations and pursue business opportunities which are time sensitive in nature in a more expeditious manner.

The Proposed New Shareholders' Mandate will eliminate the need to announce and convene separate general meetings of MBGB from time to time to seek shareholders' approval on each occasion pursuant to the requirements of Paragraph 10.09(2) of the Listing Requirements, as and when potential transactions with the specified classes of Related Party arise. This will also substantially reduce expenses associated with the convening of such meetings on an ad-hoc basis, improve administrative efficiency, and allow human resources and time to be channelled towards attaining other corporate objectives and opportunities.

The Proposed New Shareholders' Mandate is expected to contribute positively to the Group's earnings moving forward.

### **4. FINANCIAL EFFECTS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE**

The Proposed New Shareholders' Mandate will not have any effect on the issued share capital and MBGB's substantial shareholders' shareholdings.

The Proposed New Shareholders' Mandate is not expected to have any material effect on the NA, NA per share, gearing, earnings and EPS of the Group for the FYE 30 June 2024. However, the Proposed New Shareholders' Mandate is expected to contribute positively to the Group's future earnings and EPS.

### **5. APPROVALS REQUIRED AND CONDITIONALITY**

The Proposed New Shareholders' Mandate is subject to the approvals of the shareholders of the Company at the Company's forthcoming EGM.

The Proposed Concrete Business RRPT is conditional upon the Proposals but not vice versa.

The Proposed Energy Business RRPT is not conditional upon the Proposals and vice versa.

The Proposed Concrete Business RRPT is not conditional upon the Proposed Energy Business RRPT and vice versa.

Save for disclosed above, the Proposed New Shareholders' Mandate is not conditional upon any other corporate exercise/scheme which has been announced but not yet completed and/or any other corporate exercise/scheme by MBGB.

## 6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Save as disclosed below, none of the Directors and Major Shareholders or persons connected with such Directors and Major Shareholders, have any interest, direct or indirect in the Proposed New Shareholders' Mandate:-

- (i) LCK, being the Managing Director and 3.9% shareholder of MBGB is deemed interested in the Proposed Concrete Business RRPT by virtue of his directorship and shareholdings in Homesign Network and BKRSB (as detailed in Section 2.3 of Part B of this Circular);
- (ii) Dato' Lee, being the Executive Director and 54.4% Major Shareholder (via LVSB) of MBGB, is deemed interested in the Proposed Energy Business RRPT by virtue of his directorship and shareholdings in GE Mining (as detailed in Section 2.3 of Part B of this Circular);
- (iii) Dato' Wang Ruihui, is deemed a person connected to Dato' Lee by virtue of him being a business partner with Dato' Lee in several companies. Dato' Wang Ruihui is also a 3.3% shareholder of MBGB. Dato' Wang Ruihui is deemed interested in the Proposed Energy Business RRPT by virtue of him being a person connected to Dato' Lee and his directorship and shareholdings in GE Mining (as detailed in Section 2.3 of Part B of this Circular); and
- (iv) LVSB, being the Major Shareholder of MBGB is deemed interested in Proposed Energy Business RRPT by virtue of it being a person connected to Dato' Lee. Dato' Lee is the sole director and sole shareholder of LVSB.

As at LPD, the direct and indirect interests of the interested Directors and persons connected with them in MBGB are set out below:-

	<b>Shareholdings as at LPD</b>			
	<b>Direct</b>		<b>Indirect</b>	
	<b>No. of shares</b>	<b>(c)%</b>	<b>No. of shares</b>	<b>(c)%</b>
<b><u>Interested Directors</u></b>				
LCK	93,736,800	3.9	-	-
Dato' Lee	-	-	(a)1,302,089,926	54.4
<b><u>Interested Major Shareholders</u></b>				
LVSB	1,302,089,926	54.4	-	-
Dato' Lee	-	-	(a)1,302,089,926	54.4
<b><u>Person connected with Directors and Major Shareholders</u></b>				
Dato' Wang Ruihui <sup>(b)</sup>	78,192,800	3.3	-	-

### Notes:-

- (a) Deemed interest by virtue of his interest in LVSB pursuant to Section 8 of the Act.
- (b) Deemed a person connected to Dato' Lee by virtue of him being a business partner with Dato' Lee in several private companies.
- (c) Based on 2,392,003,539 issued Shares as at LPD.

(LCK and Dato' Lee, shall collectively be referred to as the "Interested Directors".)

The aforementioned Interested Directors had abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed New Shareholders' Mandate.

LCK will abstain from voting and have undertaken to ensure that any persons connected to him will abstain from voting, deliberating or approving (in respect of their direct and/or indirect shareholdings (if any) in MBGB) all resolution pertaining to the Proposed Concrete Business RRPT at the Company's forthcoming EGM.

Dato' Lee, Dato' Wang Ruihui and LVSB will abstain from voting and have undertaken to ensure that any persons connected to them will abstain from voting, deliberating or approving (in respect of their direct and/or indirect shareholdings (if any) in MBGB) all resolution pertaining to the Proposed Energy Business RRPT at the Company's forthcoming EGM.

## **7. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board (save for the Interested Director), having considered all aspects of the Proposed New Shareholders' Mandate, is of the opinion that the Proposed New Shareholders' Mandate is in the best interest of the Company.

Accordingly, the Board (save for the Interested Director), recommends that MBGB's shareholders vote in favour of the resolution pertaining to the Proposed New Shareholders' Mandate to be tabled at the Company's forthcoming EGM.

## **8. EGM**

The EGM, the notice of which is enclosed in this Circular, will be held at Merbok Room, Level 6, The Grand Renai Hotel, Kota Sri Mutiara, Jalan Sultan Yahya Petra, 15150 Kota Bharu, Kelantan, Malaysia, on Monday, 15 January 2024 at 3.00 p.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposed New Shareholders' Mandate. The resolutions pertaining to the Proposed New Shareholders' Mandate are set out in the Notice of EGM which is enclosed with this Circular.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy the instructions contained therein, to be deposited at the Share Registrar's office at Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than 48 hours before the time stipulated for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude the MBGB's shareholders from attending and voting in person at the EGM should the MBGB's shareholders subsequently wish to do so and in such an event, your Form of Proxy shall be revoked accordingly.

## **9. FURTHER INFORMATION**

Shareholders are advised to refer to the attached appendices of this Circular for further information.

Yours faithfully,  
For and on behalf of the Board of  
**META BRIGHT GROUP BERHAD**

**PHANG KIEW LIM**  
Executive Director

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## APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

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The following is a summary of the salient terms of the Subscription Agreement: -

### 1. Purpose

Subject to the terms and conditions of the Subscription Agreement, EXPO agrees to issue to MBGB and MBGB agrees to subscribe for the Subscription Shares at the Subscription Consideration.

### 2. Conditions precedent

2.1 The Subscription Agreement and the completion of the Subscription Agreement is conditional on ("**Subscription Agreement's Conditions Precedent**"):-

- (a) MBGB obtaining the approval of the board of directors and shareholders of MBGB for the subscription of the Subscription Shares;
- (b) MBGB obtaining the approval of the shareholders of MBGB for the Proposed Acquisition and the Proposed Diversification;
- (c) MBGB conducting or cause to be conducted legal and financial due diligence on EXPO Group to the satisfaction of MBGB;
- (d) CKK confirming that all conditions precedent for the completion of the Proposed Acquisition as contained in the CSSA being fulfilled or waived save for the condition for fulfilment of the conditions precedent of the Subscription Agreement;
- (e) EXPO and CKK obtaining the approval of the board of directors and shareholders of EXPO for the allotment and issue of the Subscription Shares to MBGB; and
- (f) the approvals, consents authorisations, permits or waivers of any other relevant governmental or regulatory body ("**Relevant Authorities**") and any other third parties necessary (save for the exempted financial institutions as set out in the Subscription Agreement) or appropriate to carry out the subscription of the Subscription Shares pursuant to the terms of the Subscription Agreement having been obtained,

(the date the last of the Subscription Agreement's Conditions Precedent is fulfilled or otherwise waived by MBGB shall be the "**Subscription Agreement's Unconditional Date**").

2.2 The Subscription Agreement's Conditions Precedent shall be satisfied on or before the expiry of 6 months from the date of the Subscription Agreement (hereinafter referred to as the "**Subscription Agreement's Cut-Off Date**") or such other extended period of time as the parties may agree in writing. If the Subscription Agreement's Conditions Precedent has not been fulfilled or otherwise waived by MBGB in writing on or prior the expiry of the Subscription Agreement's Cut-Off Date or such extension of time granted by MBGB in writing, then the Subscription Agreement shall lapse and cease to have any further force or effect, thereafter none of the parties shall have any further rights against the other(s).

### 3. Completion and subscription of the Subscription Shares

3.1 Completion shall take place on the date on which the completion of all the subscription of the Subscription Shares by MBGB shall take place, as notified by MBGB to EXPO, being a day falling within 30 days after the date the last of the Subscription Agreement's Conditions Precedent is satisfied or waived or such other date as the parties may agree in writing ("**Subscription Agreement's Completion Date**") at the office of MBGB or such other place as the parties mutually agree.

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**APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)**

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- 3.2 Notwithstanding anything to the contrary in Section 2 of this Appendix I, the completion of the Subscription Agreement shall be conditional upon:
- 3.2.1 all the Subscription Shares collectively allotted and issued to MBGB;
  - 3.2.2 that the parties performs all its respective obligations contained in the Subscription Agreement and that no breach of the Subscription Agreement has occurred which has not been remedied; and
  - 3.2.3 the absence of injunctions or legal proceedings prohibiting the subscription of the Subscription Shares in accordance with the terms and conditions contained in the Subscription Agreement.
- 3.3 On the Subscription Agreement's Completion Date:
- (a) EXPO shall deliver to MBGB the following:
    - (i) the board and shareholders' resolutions approving the subscription and the allotment and issue of the Subscription Shares to MBGB and/or as made be envisaged in Section 2.1(e) of this Appendix I;
    - (ii) the certified true copies of the approvals or documents referred to in Section 2.1(f) of this Appendix I evidencing the fulfilment of the Subscription Agreement's Conditions Precedent required to be fulfilled by EXPO; and
    - (iii) the resolution of the board of directors of EXPO approving the appointment of such person nominated by MBGB as director of EXPO effective from the Subscription Agreement's Completion Date;
  - (b) CKK shall deliver to MBGB the following:
    - (i) the certified true copies of the approvals or documents referred to in Section 2.1(d) and 2.1(f) of this Appendix I evidencing the fulfilment of the Subscription Agreement's Conditions Precedent required to be fulfilled by CKK;
  - (c) MBGB shall:
    - (i) deliver to EXPO the certified true copies of the approvals or documents referred to in Sections 2.1(a), 2.1(b), 2.1(c) and if required 2.1(f) of this Appendix I evidencing the fulfilment of the Subscription Agreement's Conditions Precedent required to be fulfilled by MBGB; and
    - (ii) pay the Subscription Consideration to EXPO; and
  - (d) in exchange of payment of the Subscription Consideration, EXPO shall allot and issue the Subscription Shares to MBGB, and enter the name(s) of MBGB in its register of members as holder(s) of the Subscription Shares and deliver to MBGB a certified true copy of the latest return of allotment of shares under Section 78 of the Act and register of members of EXPO reflecting such subscription.
- 3.4 EXPO shall issue and deliver or cause to be issued and delivered to MBGB the share certificate in respect of the Subscription Shares within 14 days after the Subscription Consideration has been received by EXPO pursuant to Section 3.3 of this Appendix I.
- 3.5 EXPO covenants that the Subscription Shares when allotted and issued shall be free from all encumbrances whatsoever and that they shall rank *pari passu* in all respects with the existing issued shares in EXPO and with all rights, titles, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the Subscription Agreement's Completion Date.

**4. Default**

- 4.1 In the event that EXPO shall for any reason fail or refuse to complete the subscription of the Subscription Shares under the terms of the Subscription Agreement or any of EXPO or CKK fails to comply with all the obligations or stipulations contained or defaults in the Subscription Agreement and does not remedy the same to the satisfaction of MBGB within the period stipulated by MBGB or such breach is not waived by MBGB at its absolute discretion, MBGB shall be entitled to, without prejudice to its other rights and remedies including its right to sue for specific performance of the Subscription Agreement upon the terms hereof, terminate the Subscription Agreement.
- 4.2 MBGB shall always be at liberty, in lieu of claiming for damages, to claim the remedy of specific performance of the Subscription Agreement against EXPO and/or any existing shareholder(s). In the event that MBGB shall elect to enforce such right, it is hereby mutually agreed that an alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for the MBGB's default in the performance of the terms and conditions of the Subscription Agreement.
- 4.3 If CKK shall breach any of its obligations under the Subscription Agreement, MBGB shall be entitled to claim for specific performance in addition to any other remedies as may be available to MBGB under law and/or equity.

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The following is a summary of the salient terms of the CSSA:-

**1. Sale and purchase of the Sale Shares**

In consideration of the Purchase Consideration which shall be satisfied by the allotment and issuance of the Consideration Shares by MBGB in favour of the Vendors in the proportions set out in Section 2 of Part A of this Circular pursuant to the terms and conditions of the CSSA, the Vendors as legal and beneficial owners shall sell and the Purchaser relying on the Vendors' warranties contained in the CSSA shall purchase the Sale Shares free from any and all encumbrances and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the day falling within 30 days after the date the last of the CSSA's Conditions Precedent (hereinafter defined) is satisfied or waived, or such other date as the parties may agree in writing ("**CSSA's Completion Date**") upon the terms and subject to the conditions contained in the CSSA.

**1A. Payment of Purchase Consideration**

The Purchase Consideration of RM23,040,000.00 only shall be satisfied by the allotment and issuance of 98,461,536 Consideration Shares to the Vendors in the proportion set out in Section 2 of Part A of this Circular in accordance with Sections 4.5(a) and 4.5(b) of this Appendix II.

**2. Conditions precedent**

2.1 The CSSA and the completion of the sale and purchase of the Sale Shares and the allotment and issuance of the Consideration Shares in accordance with the CSSA ("**CSSA's Completion**") is conditional on ("**CSSA's Conditions Precedent**"):

- (a) MBGB obtaining the approval of Bursa Securities for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities;
- (b) MBGB obtaining the approval of the shareholders of MBGB for the Proposed Acquisition and the Proposed Diversification;
- (c) MBGB conducting or cause to be conducted legal and financial due diligence on EXPO Group to the satisfaction of MBGB;
- (d) CKK and MBGB entering into a stakeholder agreement with the Security Stakeholder pursuant to terms to be agreed upon;
- (e) EXPO, S.T. Logistic & Transportation Sdn. Bhd. (a 65.0%-owned subsidiary of EXPO) and the existing shareholder of S.T. Logistic & Transportation Sdn. Bhd. entering into a shareholders agreement to govern their relationship inter se as shareholders of S.T. Logistic & Transportation Sdn. Bhd., the terms and conditions of which are satisfactory to MBGB;
- (f) CKK confirming that all conditions precedent for the completion of the proposed subscription as contained in the Subscription Agreement being fulfilled or waived save for the condition for fulfilment of the conditions precedent of the CSSA;
- (g) the Vendors obtaining the approval of the board of directors of EXPO for the transfer of the Sale Shares to MBGB;

- (h) the Vendors depositing with the documentation stakeholder appointed under the CSSA (“**Documentation Stakeholder**”) the following documents (“**Stakeholder Documents**”):
  - (i) the share certificates in respect of all the Sale Shares (if any);
  - (ii) the instruments of transfer under Section 105 of the Act in respect of the Sale Shares duly executed by the Vendors as transferor in favour of MBGB as transferee (“**Transfer**”); and
- (i) the approvals, consents authorisations, permits or waivers of any other Relevant Authorities and any other third parties necessary (save for the exempted financial institutions as set out in the CSSA) or appropriate to carry out the sale and purchase of the Sale Shares pursuant to the terms of the CSSA having been obtained.

The date the last of the CSSA's Conditions Precedent is satisfied or waived is the “**CSSA's Unconditional Date**”.

- 2.2 Notwithstanding anything to the contrary, the CSSA's Conditions Precedent shall be satisfied within 6 months from the date of the CSSA, or such extended date as may be agreed by the parties (hereinafter referred to as the “**CSSA's Cut-Off Date**”). If the CSSA's Conditions Precedent has not been fulfilled on the expiry of the CSSA's Cut-Off Date or such extension of time agreed between the parties, then either any of the Vendors or MBGB shall be entitled to rescind the CSSA by serving a written notice to the other party(ies) whereupon the CSSA shall lapse and cease to have any further force or effect. The Documentation Stakeholder shall be authorised to return the Stakeholders Documents to the Vendors within 14 business days upon receipt of a copy of the written notice from any party pursuant to this Section 2.2 of Appendix II, thereafter none of the parties shall have any further rights against the other(s) save and except in respect of antecedent breach.

### **3. Profit Guarantee**

- 3.1 CKK agrees, undertakes and guarantees that the aggregate consolidated PAT of EXPO for the Profit Guarantee Period shall be not less than the Profit Guarantee:

PROVIDED THAT if the aggregate Profit Guarantee amount of RM30.0 million has been achieved prior to the expiry of the Profit Guarantee Period, then CKK would have deemed to have fulfilled its obligations under Section 3.1 of this Appendix II wherein the Security Stakeholder shall release all security interest over and if required transfer the Pledged Shares in accordance with Section 3.6 of this Appendix II.

- 3.2 As security for the Profit Guarantee, CKK agrees that MBGB shall issue and deposit the Pledged Shares into the Securities Account. For the avoidance of doubt and to the extent permitted by law and/or the relevant authorities, the Pledged Shares shall be free of all encumbrance and moratorium.
- 3.3 In pursuance of the provisions in Section 3.2 of this Appendix II, CKK and MBGB shall simultaneously with the deposit of the Pledged Shares, transfer or cause to be transferred to or deliver or procure the delivery to the Security Stakeholder or into the Securities Account (or as the case may be) necessary documents in respect thereof, all in form and substance satisfactory to the Security Stakeholder to facilitate the deposit of the Pledged Shares in favour of the Security Stakeholder or its nominee(s) and/or into the Securities Account and the subsequent sales/transfer pursuant to the terms of the CSSA.
- 3.4 For the avoidance of doubt, all legal and beneficial interest to the Pledged Shares (including but not limited to voting rights) remain with CKK in the amounts deposited by CKK until the same are sold pursuant to this Section 3 of this Appendix II.

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**APPENDIX II – SALIENT TERMS OF THE CSSA (CONT'D)**

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3.5 Upon adoption of the Accounts 2028 (or such earlier accounts in the event the aggregate Profit Guarantee has been achieved prior to expiry of the Profit Guarantee Period) by the shareholders of EXPO:

3.5.1 CKK or MBGB shall forthwith provide a copy of the Accounts 2024, Accounts 2025, Accounts 2026, Accounts 2027 and Accounts 2028 (as defined herein) to the Security Stakeholder; and

3.5.2 MBGB shall notify CKK in writing of the following:

- (a) the aggregate amount of PAT for the Profit Guarantee Period based on the Accounts 2024, Accounts 2025, Accounts 2026, Accounts 2027 and Accounts 2028;
- (b) whether there is a Final Shortfall;
- (c) if there is a Final Shortfall, the Final Shortfall amount; and
- (d) the Final Shortfall To Purchaser,

with a copy of the Final Notice being furnished to the Security Stakeholder.

3.6 In the event the aggregate amount of PAT for the Profit Guarantee Period based on the audited consolidated financial statements of EXPO Group for the FYEs 30 June 2024 to 30 June 2028 (as the case may be) is equivalent to or more than RM30.0 million, upon receipt of the Final Notice from MBGB pursuant to Section 3.5.2 of this Appendix II, the Security Stakeholder shall release all security interest over all Pledged Shares and where applicable, transfer the said Pledged Shares into the CDS Account(s) of CKK within 14 business days from the receipt of the said Final Notice by the Security Stakeholder.

For the avoidance of doubt, if the Profit Guarantee is achieved before the end of Year 5, Sections 3.5 and 3.6 of this Appendix II shall apply for such number of years based on their respective accounts for the said years in determining the fulfilment of the CKK's obligation pursuant to this Section 3 of this Appendix II.

3.7 In the event there is a Final Shortfall To Purchaser, then:

3.7.1 CKK shall be liable to MBGB to fully pay the Final Shortfall To Purchaser within 14 business days from the date of the Final Notice; and

3.7.2 upon payment of the Final Shortfall To Purchaser in full and any other monies outstanding and payable to MBGB pursuant to the Section 3 of this Appendix II, MBGB shall inform the Security Stakeholder in writing confirming that the Final Shortfall To Purchaser and all monies outstanding and payable to the Purchaser pursuant to this Section 3 of this Appendix II have been paid, whereupon the Security Stakeholder shall release all security interest over the Pledged Shares held and where applicable transfer the Pledged Shares into the CDS Account(s) of CKK (details of such CDS Account(s) as informed in writing by CKK to the Security Stakeholder) within 14 business days of the Security Stakeholder receiving such written confirmation.

For information, the payment of the Final Shortfall To Purchaser shall be in the form of cash.

3.8 In the event that CKK fails to pay MBGB the Final Shortfall To Purchaser in full within the said 14 business days set out in Section 3.7.1 of this Appendix II, MBGB shall be entitled (but without prejudice to any other rights and remedies that MBGB may have) and CKK hereby authorise MBGB to issue a written notice to the Security Stakeholder stating the same and the amount of the Final Shortfall To Purchaser that remains unpaid (“**Default Notice**”), whereupon the Security Stakeholder is authorised to and shall within 3 months of the Default Notice sell all or part of the Pledged Shares sufficient to cover the amount stated in the said Default Notice and all commissions and costs for the sale in any manner and on any terms of the Security Stakeholder, in its sole and absolute discretion deems appropriate upon receipt of the said notice. The Security Stakeholder shall then apply the proceeds of the sale as follows:

- (a) firstly, payment of all cost, expenses and fees arising from the sale or disposal of the Pledged Shares;
- (b) secondly, all monies due to the Security Stakeholder pursuant to the CSSA (if any); and
- (c) thirdly, payment of the Final Shortfall To Purchaser or any part thereof to MBGB,

after which the Security Stakeholder shall release all securities interest over the remaining Pledged Shares and cash balance or such part thereof (if any) and where applicable shall transfer or caused to be transferred to CKK such remaining Pledged Shares and cash balance. In the event the proceeds of the sale and moneys in the Securities Account are insufficient to pay all of the Final Shortfall To Purchaser, the Security Stakeholder shall inform CKK and MBGB in writing of the same and CKK shall be liable to pay MBGB such differential amounts indicated in the said notice within 14 business days of the said notice, failing which Section 6.3 of this Appendix II shall apply.

3.9 In carrying out the conversion, sale or disposal of the Pledged Shares, the Security Stakeholder shall have the full and unfettered discretion to sell them at such quantity, prevailing market prices and tranches (if any) and shall not be responsible for any loss from or cause through any brokers or any loss or depreciation in value of the Pledged Shares and shall not be liable to any parties however and whatsoever unless it is due to the wilful default, neglect or fraud. Further, the Security Stakeholder shall have full and unfettered discretion to determine the manner, priority and/or type of Pledged Shares to apply towards satisfaction of the amounts contained in this Section 3 of this Appendix II.

3.10 The parties agree that the Profit Guarantee is a personal guarantee by CKK and shall not be binding upon the successors-in-title, personal representatives, heirs and/or estate of the Promoter. In this regards, CKK shall cause and ensure that such key man insurance policies (to the satisfaction of MBGB) are obtained for the Profit Guarantee during the entire Profit Guarantee Period whereby EXPO shall be the named payee endorsed therein in the event of death or incapacity of CKK.

3.11 For the purposes of this Section 3 of this Appendix II:

- (a) “**Accounts 2024**” means the audited consolidated financial statements of EXPO for the 12 months financial year ending on 30 June 2024 audited by the auditors of EXPO consented to by MBGB and adopted by the shareholders of EXPO and shall include any notes thereon and any reports, statements or documents annexed or attached thereto;
- (b) “**Accounts 2025**” means the audited consolidated financial statements of EXPO for the 12 months financial year ending on 30 June 2025 audited by the auditors of EXPO consented to by MBGB and adopted by the shareholders of EXPO and shall include any notes thereon and any reports, statements or documents annexed or attached thereto;

- (c) **“Accounts 2026”** means the audited consolidated financial statements of EXPO for the 12 months financial year ending on 30 June 2026 audited by the auditors of EXPO consented to by MBGB and adopted by the shareholders of EXPO and shall include any notes thereon and any reports, statements or documents annexed or attached thereto;
- (d) **“Accounts 2027”** means the audited consolidated financial statements of EXPO for the 12 months financial year ending on 30 June 2027 audited by the auditors of EXPO consented to by MBGB and adopted by the shareholders of EXPO and shall include any notes thereon and any reports, statements or documents annexed or attached thereto;
- (e) **“Accounts 2028”** means the audited consolidated financial statements of EXPO for the 12 months financial year ending on 30 June 2028 audited by the auditors of EXPO consented to by MBGB and adopted by the shareholders of EXPO and shall include any notes thereon and any reports, statements or documents annexed or attached thereto;
- (f) **“Year 1”** means the twelve-month financial year commencing on 1 July 2023 and ending 30 June 2024;
- (g) **“Year 2”** means the twelve-month financial year commencing on 1 July 2024 and ending 30 June 2025;
- (h) **“Year 3”** means the twelve-month financial year commencing on 1 July 2025 and ending 30 June 2026;
- (i) **“Year 4”** means the twelve-month financial year commencing on 1 July 2026 and ending 30 June 2027; and
- (j) **“Year 5”** means the twelve-month financial year commencing on 1 July 2027 and ending 30 June 2028.

#### **4. Completion**

- 4.1 Completion shall take place in accordance with this Section 4 of this Appendix II at the office of MBGB or such other place as the parties mutually agree.
- 4.2 The completion of the CSSA shall be conditional upon all the Sale Shares collectively being sold to MBGB and that MBGB and the Vendors performs all their respective obligations contained in the CSSA.
- 4.3 At the CSSA's Completion Date, the Vendors shall deliver or cause to be delivered to MBGB:
  - (a) the resolution of the board of directors and members resolution of EXPO approving the transfer and registration of the Sale Shares in favour of MBGB subject only to the transfers having been duly stamped;
  - (b) the Stakeholder Documents including the Transfer and notice of adjudication (if not already deposited with the Documentation Stakeholder) and such documents as may be required to give good title to the Sale Shares and to enable MBGB to become the registered holder of the Sale Shares;
  - (c) the certified true copies of the approvals or documents referred to in Sections 2.1(e), 2.1(f), 2.1(g) and 2.1(i) of this Appendix II;
  - (d) the letters of resignation of all current directors of EXPO save for CKK stating that they resign as directors of EXPO and have no further claims or recourse against EXPO; and

## APPENDIX II – SALIENT TERMS OF THE CSSA (CONT'D)

- (e) the resolution of the board of directors of EXPO approving the appointment of such person(s) nominated by MBGB as director(s) of EXPO so that the board of directors of EXPO is represented by at least 70% of persons so nominated by MBGB effective on the CSSA's Completion Date.

The Vendors agrees and undertake to forthwith do all acts and things so as to register MBGB as a member of EXPO in the register of members of EXPO.

- 4.4 At the CSSA's Completion Date, the Documentation Stakeholder is authorised to deliver the Stakeholder Documents to MBGB.

- 4.5 Against the delivery of the documents set out in Sections 4.3 and 4.4 of this Appendix II, MBGB shall on CSSA's Completion Date:

- (a) allot and issue the Pledged Shares into the Securities Account of CKK;
- (b) allot and issue the remaining Consideration Shares (after deducting the Pledged Shares) ("**Remaining Consideration Shares**") directly into the CDS Account of the Vendors in the proportion set out below; and

No.	Vendors	Remaining Consideration Shares
1.	CKK	15,498,350
2.	BCTSB	24,371,666
3.	FCF	16,475,247
4.	CSY	16,475,247

- (c) produce and deliver to the Vendors the certified copies of the approvals, shareholders resolutions and/or documents referred to in Sections 2.1(a), 2.1(b) and if required, Section 2.1(i) of this Appendix II.

- 4.6 For the purpose of Section 4.5 of this Appendix II, the Vendors shall at least 7 business days prior to the CSSA's Completion Date notify MBGB of the details of the respective Securities Account and CDS Accounts (as the case may be) and authorises MBGB to credit the Pledged Shares and Remaining Consideration Shares allotted into the respective Securities Account and CDS Accounts (as the case may be) and to notify Bursa Depository and issue share certificate(s) representing such Consideration Shares allotted in the name of Bursa Depository.

- 4.7 Completion is conditional on the Vendors and MBGB complying with all of their respective obligations under Section 4 of this Appendix II, including but not limited to such obligations under this Section 4 of this Appendix II occurring post CSSA's Completion Date, and the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities. For this purpose, MBGB shall cause the Consideration Shares to be listed and quoted on the Main Market of Bursa Securities within 10 business days from the CSSA's Completion Date or such other extended period as the parties may mutually agree upon in writing.

- 4.8 The Vendors shall further cause the transfer of the Sale Shares and MBGB to be registered as a member of EXPO into the register of members of EXPO as at the CSSA's Completion Date (or a later date as consented to by MBGB) and notify the Companies Commission of Malaysia of the changes in shareholders and directors of EXPO as at the CSSA's Completion Date (or a later date as consented to by MBGB) in accordance with the Act.

### 5. Put Option

- 5.1 CKK agrees, confirms and undertakes within a period of 2 years from the CSSA Completion Date (or such other extension of time as may be agreed in writing by MBGB) to ensure that the necessary licences, consents and permits relevant to the then operations of the business of EXPO and its subsidiaries and associated companies are obtained and complied with to the satisfaction of MBGB.

5.2 In the event CKK fails to fulfil his obligations pursuant to Section 5.1 above and such failure results in EXPO Group's operations to be adversely affected, CKK unconditionally and irrevocably grants to MBGB the right to require CKK to acquire from MBGB the Option Shares (hereinafter defined) at the Option Price (hereinafter defined) ("**Put Option**") at any time during the Option Period (hereafter defined) free from encumbrances and claims whatsoever and with all rights, benefits and advantages attaching thereto, including but not limited all bonuses, rights, dividends and distributions declared made and paid as from the completion date of the Put Option subject always to the relevant approvals and consents being obtained.

5.3 Upon MBGB exercising the Put Option, completion of the sale and purchase of the Option Shares shall take place at the business address of EXPO on the date stipulated in the Put Option notice to be the completion date (which shall not be less than 3 months from the date of the Put Option notice or such period as the parties may mutually agree), whereby MBGB shall deliver to CKK the transfer instruments for the transfer of the Option Shares and in exchange for the transfer instruments, CKK shall pay to MBGB the Option Price.

5.4 For the purposes of this Section 5 of this Appendix II:

"**Option Period**" means a period of 3 years after the period stipulated in Section 5.1 of this Appendix II;

"**Option Price**" shall mean the aggregate of:

- (a) RM23,040,000 to be paid by MBGB for the Sale Shares;
- (b) RM5,000,000 to be paid by MBGB for the shares to be subscribed for pursuant to the Subscription Agreement; and
- (c) such price paid by MBGB for the additional shares held by MBGB in EXPO at the date of exercise of the option pursuant to this Section 5 of this Appendix II.

"**Option Shares**" shall mean the Sale Shares, the shares in EXPO to be subscribed pursuant to the Subscription Agreement and all such other shares in EXPO to be subscribed, allotted to or purchased by MBGB all held by MBGB at the time of exercise of the Option.

## **6. Breach / Termination**

6.1 If MBGB shall fail to complete the sale and purchase of the Sale Shares in accordance with the CSSA in the manner stipulated in Section 4 of this Appendix II and/or breaches any of the terms and/or MBGB's warranties of the CSSA before the CSSA's Completion Date, then the Vendors shall be entitled to either:

- (a) claim for specific performance of the CSSA; or
- (b) if prior to CSSA's Completion Date, terminate the CSSA by written notice to MBGB and upon such termination, MBGB shall be entitled to withhold and withdraw the issuance of any Consideration Shares in exchange against MBGB paying to the Vendors all reasonable costs and expense incurred by the Vendors pursuant to the negotiation and preparation of the CSSA as well as conduct of due diligence and fulfilment of CSSA's Conditions Precedent and any incidental costs thereto, after which the Vendors shall have no other claims whatsoever against MBGB and the Vendors shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties. The parties hereby authorise and the Documentation Stakeholder shall be authorised to return the Stakeholder Documents to the Vendors within 14 business days upon receipt of a copy of the said termination notice from any party.

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**APPENDIX II – SALIENT TERMS OF THE CSSA (CONT'D)**

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- 6.2 If any of the Vendors shall fail to complete the sale and purchase of the Sale Shares in accordance with the CSSA in the manner stipulated in Section 4 of this Appendix II and/or breaches any of the terms of the CSSA or any of the Vendors' warranties of the CSSA before the CSSA's Completion Date, then MBGB shall be entitled to either:
- (a) claim for specific performance of the CSSA; or
  - (b) if prior to CSSA's Completion Date, terminate the CSSA by written notice to the Vendors and upon such termination, MBGB shall be entitled to withhold and withdraw the issuance of any Consideration Shares and the Vendors shall pay to MBGB all reasonable costs and expenses incurred by MBGB pursuant to the negotiation and preparation of the CSSA as well as conduct of due diligence and fulfilment of CSSA's Conditions Precedent and any incidental costs thereto, after which MBGB shall have no other claims whatsoever against the Vendors and the Vendors shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties. The Documentation Stakeholder shall be authorised to return the Stakeholder Documents to the Vendors within 14 business days upon receipt of a copy of the said termination notice from any party.
- 6.3 If it is found after the CSSA's Completion Date that a party shall have breached his/its obligations under the CSSA (including but not limited to Section 3 of this Appendix II above), the non-defaulting party(s) shall be entitled to claim for specific performance in addition to any other remedies as may be available to the non-defaulting party(s) under law and/or equity and the defaulting party(s) shall indemnify and hold the non-defaulting party(s) harmless against all costs, charges and expenses incurred or suffered by the non-defaulting party(s) arising from such breach.

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The following is a summary of the salient terms of the Shareholders Agreement:-

**1. Effective date**

The Shareholders Agreement is effective on the completion date of the CSSA and the Subscription Agreement as provided for in the respective agreements (the “**Effective Date**”).

If the CSSA or the Subscription Agreement is terminated or lapses, then the Shareholders Agreement shall lapse and cease to have any further force or effect concurrently and thereafter none of the parties shall have any further rights against the other(s) in respect of the Shareholders Agreement.

**2. Business of EXPO Group**

Subject to any approvals as may be required from any public authority, the principal activity of EXPO Group shall be the carrying on respective businesses of EXPO Group as listed in the Shareholders Agreement unless otherwise approved by the Board of Directors of EXPO, and where required by the shareholders of EXPO (“**Shareholders**”) in accordance with the Act, its Constitution and Listing Requirements.

**3. Financial requirements**

The financial requirements of EXPO shall be met from its business and revenue generated by it and/or by borrowings / banking facility from licensed financial institutions secured by its revenues and assets, grants or financial assistances from government and where determined by way of a unanimous decision of the Shareholders the subscription for Shares by the Shareholders in accordance with the Shareholders Agreement, by equity or debt financing. This section shall apply to each company within EXPO Group (“**Group Company**”).

Where borrowings and/or banking facilities are or has been obtained by a Group Company, the relevant Group Company shall satisfactorily maintain the banking and borrowing facilities obtained by the Group Company without default, in particular such facilities obtained for the purpose of working capital.

None of the Shareholders shall be required to provide or procure financial assistance and any security including, but not limited to, guarantees to secure the borrowings of any Group Company without the prior written approval of such Shareholder.

Each Shareholder shall be given a first right of refusal for any future equity and/or debt financing requirement of EXPO on a proportionate basis with their respective Equity Participation in EXPO.

**4. Shares in EXPO**

The Shareholders agree that the shareholdings of EXPO shall, unless otherwise varied in accordance with the provisions of the Shareholders Agreement, be maintained at all times in the following proportions (“**Equity Participation**”):

MBGB: 70%

CKK: 30%

The Shareholders agree and undertake with one another that if additional capital is required by EXPO, such additional capital shall be provided by way of subscription of further ordinary shares in EXPO (“**Further Shares**”) for cash for such amount, in such manner and at such time as the Board of Directors of EXPO may determine provided always that the Further Shares shall be subscribed by the Shareholders in proportion with their Equity Participation.

**5. Directors in EXPO Group**

Upon or immediately after the Effective Date and unless otherwise mutually agreed between the Shareholders, the Board of Directors of EXPO shall consist of up to 4 directors of whom:

- (a) MBGB shall be entitled to appoint up to 3 directors; and
- (b) CKK shall be entitled to appoint up to 1 director.

MBGB is entitled to board representation in each Group Company in proportion to its Equity Participation.

**6. Tag along**

If any Shareholder ("**Selling Shareholder**") wishes to sell or transfer all or any of its Shares to any person pursuant to a bona fide arm's length transaction and subject to the right of first refusal of the other Shareholder to acquire those shares, the other Shareholder shall have the right to require the sale or transfer of all or any of its Shares held to the said third party under the same terms and conditions offered to the Selling Shareholder.

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**1. HISTORY AND BUSINESS**

EXPO was incorporated in Malaysia on 2 April 2002 as a private limited company under the Companies Act 1965 and deemed registered under the Act with its registered office and principal office at Lot 18-02, Block C, HS Commercial Centre, Jalan Penampang, 89500 Kota Kinabalu, Sabah, Malaysia.

Prior to year 2006, EXPO was dormant under the name of Sundariarasu Silk Boutique Sdn. Bhd. Subsequently, the company changed its name to EXPO on 7 March 2005 and commenced its operation in year 2006. It is principally involved in manufacturing of ready-mixed concrete. EXPO's subsidiaries are involved in supply of building materials, cement and ready-mixed concrete, provision of transportation services and investment holding.

The principal market of EXPO Group's products and services is Malaysia, particularly Sabah, and all the revenue are generated from Malaysia. EXPO Group serves the commercial, industrial, infrastructural and residential segment of the construction industry of Sabah.

For information, amongst the major projects in which EXPO Group had undertaken in the past and which are currently on-going are as follows:

**Past projects**

<b>Project description</b>	<b>Commencement date / (Completion date)</b>	<b>Contract value RM' million</b>
Coral Bay Condominium at Sutera Harbour, Kota Kinabalu – residential development	1 <sup>st</sup> quarter of year 2019 / (4 <sup>th</sup> quarter of year 2023)	18.0
Interchange flyover at Lintas, Kota Kinabalu – infrastructure work	4 <sup>th</sup> quarter of year 2017 / (4 <sup>th</sup> quarter of year 2022)	27.6
Blue Summer Suites in Kota Kinabalu – mixed development consists of hotel and small office, versatile office	4 <sup>th</sup> quarter of year 2019 / (1 <sup>st</sup> quarter of year 2023)	15.0
SK Nexilis Project (Phase 2) at Kota Kinabalu Industrial Park, Sepanggar, Kota Kinabalu – industrial development consists of factory and warehouse	4 <sup>th</sup> quarter of year 2021 / (4 <sup>th</sup> quarter of year 2023)	12.0
Forest Hill Condominium – residential development	2 <sup>nd</sup> quarter of year 2019 / (4 <sup>th</sup> quarter of year 2023)	12.0
K-Avenue Condominium at Kepayan, Kota Kinabalu – service residential development	1 <sup>st</sup> quarter of year 2019 / (1 <sup>st</sup> quarter of year 2023)	10.0
Pan Borneo Highway – infrastructure work	1 <sup>st</sup> quarter of year 2019 / (4 <sup>th</sup> quarter of year 2022)	10.0

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**APPENDIX IV – INFORMATION ON EXPO GROUP (CONT'D)**

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**On-going projects**

<b><u>Project description</u></b>	<b><u>Commencement date / (Expected completion date)</u></b>	<b><u>Contract value</u></b> RM' million
360 Boulevard at Damai, Luyang, Kota Kinabalu – mixed development consists of service apartments and shops/offices	2 <sup>nd</sup> quarter of year 2022 / (1 <sup>st</sup> quarter of year 2025)	60.0
Upgrade work of road at Donggongon, Kota Kinabalu – infrastructure work	1 <sup>st</sup> quarter of year 2023 / (4 <sup>th</sup> quarter of year 2025)	38.0
The Logg at Lintas, Kota Kinabalu – mixed development consists of shopping mall and condominium	1 <sup>st</sup> quarter of year 2022 / (4 <sup>th</sup> quarter of year 2025)	35.0
SK Nexilis Project (Phase 2) at Kota Kinabalu Industrial Park, Sepanggar, Kota Kinabalu – industrial development consists of factory and warehouse	2 <sup>nd</sup> quarter of year 2022 / (2 <sup>nd</sup> quarter of year 2025)	35.0
Sepanggar Bay Container Port Extension – infrastructure work	2 <sup>nd</sup> quarter of year 2022 / (4 <sup>th</sup> quarter of year 2025)	30.0
Lahad Datu water treatment plant – infrastructure work	1 <sup>st</sup> quarter of year 2022 / (4 <sup>th</sup> quarter of year 2024)	25.0
V21 Residence at Kota Kinabalu Industrial Park Sepanggar, Kota Kinabalu – residential	4 <sup>th</sup> quarter of year 2021 / (4 <sup>th</sup> quarter of year 2024)	20.0

EXPO Group is currently operating 16 batching plants across Sabah located at Lahad Datu, Lok Kawi Industrial Estate, Kimanis, Bandar Sierra, Labuan, Tawau, Ranau, Kolombong, Kota Marudu, Sipitang, Kota Belud, Beaufort, Beluran, Kudat, Sepanggar and Pitas (details of the batching plants are disclosed in Section 6 of this Appendix IV).

## APPENDIX IV – INFORMATION ON EXPO GROUP (CONT'D)

The batching plants are equipped with modern systems and machineries with a maximum daily production output of 5,040 cubic meters of concrete. The annual production capacity and output of EXPO Group for the past 3 financial years are as follows:-

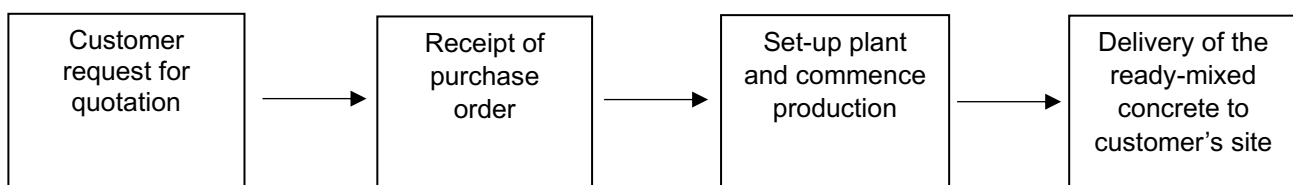
FYE	Number of batching plants at the end of financial year	(A) Maximum production capacity (m <sup>3</sup> ) <sup>(a)</sup>	(B) Actual production capacity (m <sup>3</sup> ) <sup>(b)</sup>	(C) = (B) / (A) Utilisation rate (%)
30 June 2020	14	1,094,400	304,692	27.84
30 June 2021	14	1,094,400	337,552	30.84
30 June 2022	16	1,209,600	380,893	31.49

### Notes:-

- (a) Computed based on all plants operating 8 hours per day multiplied by 240 days (5 working days per week).
- (b) Computed based on the revenue divided by average price of ready-mixed concrete.

Currently, EXPO Group's 16 batching plants are operating below maximum production capacity as the production will depend on the order by the customer at the material time and the ready-mixed concrete is required to be delivered to the construction sites within 4 hours. To prepare the varying grades of ready-mixed concrete as specified by customers and to deliver the ready-mixed concrete within the stipulated time, EXPO Group is of the view that it may not be possible to operate the batching plants at high level of utilisation.

A typical process flow of EXPO Group's manufacturing and supply process for its ready-mixed concrete is illustrated below:-



- At this stage, EXPO Group will undertake a costing analysis, review if it has capacity and capability to undertake the order.
- EXPO Group will check the raw materials in their warehouse and purchase additional raw materials if required.
- EXPO Group's quality control team will test the quality of the raw materials prior to the production.
- EXPO Group will input the data i.e. water-cement ratio, admixture dosage and moisture content into the system to manufacture the ready-mixed concrete required by the customer.
- EXPO Group will perform slump check on the ready-mixed concrete prior to the delivery.
- The ready-mixed concrete will then be loaded into the rotating drums of mixer truck and delivered to customer's site.

## APPENDIX IV – INFORMATION ON EXPO GROUP (CONT'D)

The primary raw materials used for EXPO Group's manufactured products are cement, sand, coarse or fine aggregates, admixtures and water and EXPO Group procures all its raw materials in Malaysia.

As at LPD, EXPO Group has a total of 317 employees in the following divisions:

<u>Division</u>	<u>Number of employees</u>
Operation	295
Administrative	6
Account	6
Internal Audit	5
Quality Control Assurance	2
Purchasing	3
<b>Total</b>	<b>317</b>

### 2. SHARE CAPITAL

As at LPD, EXPO has an issued share capital of RM4,600,000 comprising 3,100,000 ordinary shares.

### 3. DIRECTORS

As at LPD, the directors of EXPO are CKK (Chief Executive Officer), FCF and CSY. All directors are Malaysian and their shareholdings in EXPO are stated in Section 4 of Appendix IV of this Circular.

### 4. SHAREHOLDERS

As at LPD, the shareholders of EXPO and their respective shareholdings in EXPO are as follows:-

Name of Vendors	Nationality / Country of incorporation	As at LPD				After the Proposed Acquisition			
		No. of EXPO Shares				No. of EXPO Shares			
		Direct	%	Indirect	%	Direct	%	Indirect	%
CKK	Malaysian	1,924,000	62.1	-	-	1,080,000	30.0	-	-
FCF	Malaysian	338,000	10.9	-	-	-	-	-	-
CSY	Malaysian	338,000	10.9	-	-	-	-	-	-
BCTSB	Malaysia	500,000	16.1	-	-	-	-	-	-
Sherman Ryner Suhaibun	Malaysian	-	-	(a)500,000	16.1	-	-	-	-
Yap Yun Hun	Malaysian	-	-	(a)500,000	16.1	-	-	-	-
MBGB	Malaysia	-	-	-	-	2,520,000	70.0	-	-
		<b>3,100,000</b>	<b>100.0</b>			<b>3,600,000</b>	<b>100.0</b>		

**Note:-**

(a) Deemed interest by virtue of his interest in BCTSB pursuant to Section 8 of the Act.

**5. SUBSIDIARIES AND ASSOCIATED COMPANIES**

As at LPD, EXPO's subsidiaries and associated companies are as follows:-

**Subsidiaries**

<b>Name of company</b>	<b>Date / Place of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest held</b>	<b>Principal activity</b>
Jesselton Concrete Sdn. Bhd.	22 July 2010 / Malaysia	2,000,000	100.0%	Manufacture of ready-mixed concrete
CCF Development Sdn. Bhd.	22 September 2015 / Malaysia	500,000	100.0%	Investment holding
Optimise Gain Sdn. Bhd.	28 October 2011 / Malaysia	800,000	99.4%	Supply of building material and cement
STL&T	19 March 2008 / Malaysia	100,000	65.0%	Providing transportation services

**Associated companies**

<b>Name of company</b>	<b>Date / Place of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest held</b>	<b>Principal activity</b>
Expo Quarry Resources Sdn. Bhd.	14 March 2019 / Malaysia	3,045,000	41.0%	Mining and quarrying services, as well as trading of aggregates
Sunny Wise Sdn. Bhd.	11 February 2014 / Malaysia	100,000	30.0%	Supply sand and stone
Expo Bricks Sdn. Bhd.	27 April 2021 / Malaysia	700,000	28.6%	Supply and manufacturing cement sand brick