

**THIS STATEMENT/CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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Bursa Securities has not perused the content of this Statement relating to the Proposed Share Buy-Back and prior to its issuance as this is an Exempt Circular pursuant to Practice Note 18 of the Main Market Listing Requirements of the Bursa Securities.



**MUHIBBAH ENGINEERING (M) BHD**

(Company No. 12737-K)

(Incorporated in Malaysia under the Companies Act, 1965)

**PART A**

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK**

**PART B**

**PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**(Collectively known as “The Proposals”)**

The above proposals will be tabled at the Forty-Third (“43rd”) Annual General Meeting of the Company to be held at Concorde Hotel Shah Alam, Concorde II, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Thursday, 2 June 2016 at 3.45 p.m. together with the Form of Proxy are enclosed in the Annual Report 2015.

The Form of Proxy must be completed and lodged at the Share Registrar’s Office, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, at least forty-eight (48) hours before the time set for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Tuesday, 31 May 2016 at 3.45 p.m.

Date and time of the 43rd Annual General Meeting : Thursday, 2 June 2016 at 3.45 p.m.

This Statement/Circular is dated 29 April 2016

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**DEFINITIONS**

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For the purpose of this Statement/Circular, except where the context otherwise requires, the following definitions shall apply: -

Act	:	The Malaysian Companies Act, 1965 as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting of the Company
Annual Report 2015	:	The Annual Report of MEB issued for the financial year ended 31 December 2015
Board	:	Board of Directors of MEB
Bursa Securities	:	Bursa Malaysia Securities Berhad
Director(s)	:	A director of MEB or any other company which is a subsidiary or holding company of the Company, which, in accordance with Paragraph 10.02(c) of the Listing Requirements, has the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the respective RRPT were agreed upon, a director of the Company or any other company which is a subsidiary or holding company of the Company, or a chief executive officer of the Company or its subsidiary or holding company
Code	:	Malaysian Code on Take-Overs and Mergers 2010, as amended from time to time
CMSA	:	The prevailing Capital Markets and Services Act 2007
EPS	:	Earnings per share
ESOS	:	Employees' Share Option Scheme
FES	:	FES Equipment Services Sdn Bhd, a wholly-owned subsidiary of FFB
FFB	:	Favelle Favco Berhad, a 59.71% owned listed subsidiary of MEB
FFB Group	:	FFB, its subsidiary and associated companies collectively
FFCM	:	Favelle Favco Cranes (M) Sdn Bhd, a wholly-owned subsidiary of FFB
FFS	:	Favelle Favco Cranes Pte. Ltd, a wholly-owned subsidiary of FFB
FO	:	Favco Offshores Sdn Bhd, an associated company of FFB
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, including any amendments, modifications and additions thereto

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**DEFINITIONS (cont'd)**

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LPD	:	31 March 2016, being the latest practical date prior to the printing of this Circular
Major Shareholder(s)	:	A major shareholder of MEB, which, in accordance with Paragraph 10.02(f) of the Listing Requirements, includes any person who is or was within the preceding 6 months of the date on which the terms of the respective RRPT were agreed upon, a major shareholder of the Company or its subsidiary or holding company whereby a “major shareholder” is defined under Paragraph 1.01 of the Listing Requirements as a person who has an interest or interests in one or more voting shares in MEB and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is 10% or more of the aggregate of the nominal amounts of all the voting shares in MEB or 5% or more of the aggregate of the nominal amounts of all the voting shares in MEB where such person is the largest shareholder of the Company
Market Day	:	Any day when Bursa Securities is open for trading of securities
MEB or Company	:	Muhibbah Engineering (M) Bhd
MEB Group or Group	:	MEB, its subsidiary and associated companies collectively
NA	:	Net assets
Option(s)	:	The right of the grantee to subscribe for new MEB Share(s) pursuant to the ESOS in accordance with the terms and conditions of the ESOS bye-laws
Proposed Authorised Period	:	<p>The period where authority is granted by the shareholders of the Company for the Proposed Share Buy-Back which is effective upon the passing of the ordinary resolution in the forthcoming AGM and may continue to be in force until:</p> <p>(a) the conclusion of the next AGM of the Company; or</p> <p>(b) the expiration of the period within which the next AGM after that date is required by law to be held; or</p> <p>(c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,</p> <p>whichever occurs first</p>
Proposed Shareholders' Mandate	:	Proposed renewal of shareholders' mandate for RRPT of a revenue or trading nature as set out in Part B of Section 2.1.2
Proposed Share Buy-Back	:	Proposed renewal of the existing authority granted to the Company to purchase up to ten percent (10%) of its own issued and paid-up share capital
Purchased Shares	:	Shares purchased pursuant to the Proposed Share Buy-Back

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**DEFINITIONS (cont'd)**

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Recurrent Related Party Transactions or RRPT	:	Recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business of the Group
Related Party(ies)	:	Director(s), major shareholder(s) or person(s) connected with such director(s) or major shareholder(s). For the purpose of this definition, the terms "director", "major shareholder" and "person connected" shall include any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a director or major shareholder of the Group
RM and sen	:	Ringgit Malaysia and sen respectively
Treasury Shares	:	The Purchased Shares which are retained by the Company and shall have the meaning given under Section 67A of the Act

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporation.

Any reference in this Circular/Statement to any enactment is a reference to that enactment for the time being amended or re-enacted. Any reference to a time of day in this Circular/Statement shall be a reference to Malaysian time, unless otherwise stated.

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## CONTENTS

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### PART A

#### STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

	Page
1. INTRODUCTION .....	1
2. DETAILS OF THE PROPOSED SHARE BUY-BACK .....	1
3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK .....	2
4. FUNDING FOR THE PROPOSED SHARE BUY-BACK .....	2
5. ADVANTAGES AND DISADVANTAGES .....	2
6. EFFECTS OF THE PROPOSED SHARE BUY-BACK .....	3
7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS .....	4
8. PUBLIC SHAREHOLDING SPREAD .....	7
9. IMPLICATION RELATING TO THE CODE .....	7
10. PURCHASES OF SHARES OR RESALE OR CANCELLATION OF TREASURY SHARES IN THE LAST FINANCIAL YEAR .....	7
11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS .....	7
12. DIRECTORS' RECOMMENDATION .....	7

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**PART B****LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF  
SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF  
A REVENUE OR TRADING NATURE**

	<b>Page</b>
1. INTRODUCTION .....	8
2. PROPOSED SHAREHOLDERS' MANDATE .....	9
3. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE .....	16
4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE .....	17
5. AMOUNT DUE FROM THE RELATED PARTIES .....	17
6. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM .....	18
7. CONDITIONS OF THE PROPOSED SHAREHOLDERS' MANDATE .....	19
8. DIRECTORS' RECOMMENDATION .....	20
9. AGM .....	20
10. FURTHER INFORMATION .....	20

**APPENDICES**

APPENDIX I - DETAILS OF SUBSIDIARIES AND ASSOCIATED COMPANIES OF MEB .....	21
APPENDIX II - FURTHER INFORMATION .....	26

**PART A**

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE  
PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK**



**MUHIBBAH ENGINEERING (M) BHD**  
(Company No. 12737-K)  
(Incorporated in Malaysia under the Companies Act, 1965)

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF  
AUTHORITY FOR SHARE BUY-BACK**

**1. INTRODUCTION**

The Company had announced on 5 April 2016 that it will be seeking shareholders' approval at its 43rd AGM to be held on 2 June 2016 for the proposed renewal of authority for the purchase by MEB of its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back").

This Statement serves to provide you with the relevant information on the Proposed Share Buy-Back, to set out your Board's recommendation thereon and to seek your approval for the ordinary resolution in respect of the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

The Notice of AGM together with the Form of Proxy are enclosed in the Annual Report 2015.

**2. DETAILS OF THE PROPOSED SHARE BUY-BACK**

At the 42nd Annual General Meeting of the Company held on 24 June 2015, the shareholders had approved the renewal of authority for the Company to buy-back up to ten percent (10%) of its issued and paid-up share capital. The said approval will expire at the conclusion of the forthcoming AGM of the Company unless renewed by an ordinary resolution passed by the shareholders.

The maximum number of shares that may be bought-back of up to ten percent (10%) of the issued and paid-up share capital of the Company would include all shares which have been previously bought-back and cancelled or retained as Treasury Shares. All the MEB Shares purchased during the past financial years have been retained as Treasury Shares. As at LPD, the total number of MEB Shares retained as Treasury Shares was 1,783,000.

The renewal of the authority for the purchase by the Company of its own shares will be effective immediately upon the passing of the ordinary resolution on the Proposed Share Buy-Back at its 43rd AGM to be held on 2 June 2016 until:

- (a) the conclusion of the next AGM of the Company; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting, whichever occurs first.



### 3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back, if implemented, may potentially benefit the Company and its shareholders as follows:

- (a) Utilise its surplus financial resources to purchase MEB Shares at prices which the Board views as favourable.
- (b) The Purchased Shares can be retained as Treasury Shares and resold on Bursa Securities at a higher price with the intention of realising potential capital gain without affecting the total issued and paid-up share capital of the Company and/or be distributed as share dividend as a reward to its shareholders.
- (c) All things being equal, the Proposed Share Buy-Back, irrespective of whether the Purchased Shares are held as Treasury Shares or cancelled, will result in a lower number of MEB Shares being taken into account for the purpose of computing the EPS of MEB Shares. The purchase of MEB Shares by MEB will improve the EPS of MEB, which in turn is expected to have a positive impact on the share price of MEB Shares. Thereby, enabling long-term and genuine investor to enjoy potential corresponding increase in the value of investments in the Company.

### 4. FUNDING FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will allow the Board to purchase MEB Shares at any time within the Proposed Authorised Period. The Board proposes to allocate an amount of funds not exceeding the retained profits and/or share premium account of the Company for the purchase of its own Shares pursuant to the Proposed Share Buy-Back. The retained profits and/or share premium account of the Company based on its latest audited financial statements for the financial year ended 31 December 2015 are as follows:

	<b>Financial year ended 31 December 2015 (RM'000)</b>
Share premium	48,089
Retained profits	41,061

The amount of funds allocated for the purchase of its own Shares pursuant to the Proposed Share Buy-Back shall be financed from internally generated funds and/or external borrowings, the proportion of which will only be determined later depending on the available internally generated funds, actual number of Shares to be purchased and other relevant cost factors. In the event the Proposed Share Buy-Back is to be partly financed by external borrowings, the Board will ensure that the Company has sufficient funds to repay external borrowings and service the interests and that the repayment will not have any material effect on the cash flow of the MEB Group.

### 5. ADVANTAGES AND DISADVANTAGES

In addition to the potential advantages mentioned in Section 3 above, the Proposed Share Buy-Back, if exercised, may also potentially benefit the Company as follows:

- (a) The EPS of MEB Shares and the return on equity of MEB, assuming all other things being equal, would be enhanced resulting from the smaller issued and paid-up share capital of the Company. This is expected to have a positive impact on the market price of MEB Shares which will benefit the shareholders of MEB; and
- (b) Allow MEB the flexibility in achieving the desired capital structure, in terms of its debt and equity composition and the size of its equity.

The potential disadvantages of the Proposed Share Buy-Back, if exercised, are as follows:

- (a) Will reduce the financial resources of the Company and may result in the Group forgoing better investment opportunities that may emerge in the future; and
- (b) As the Proposed Share Buy-Back can only be made out of retained profits and share premium account, it may result in the reduction of financial resources available for distribution to the shareholders of the Company in the immediate future.

Nevertheless, the Board is mindful of the interests of the Company and its shareholders in undertaking the Proposed Share Buy-Back. The Proposed Share Buy-Back will be exercised only after careful consideration of the financial resources of the MEB Group, and of the resultant impact on the Company and its shareholders.

## 6. EFFECTS OF THE PROPOSED SHARE BUY-BACK

Assuming that the Company purchases Shares representing ten percent (10%) of its issued and paid-up share capital as at LPD, the effects of the Proposed Share Buy-Back on the share capital, NA, working capital, earnings and dividends are set out as follows:-

### 6.1 Share Capital

In the event that all the Purchased Shares are cancelled and on the assumption that the Proposed Share Buy-Back is exercised in full, the effects of the Proposed Share Buy-Back on the issued and paid-up share capital of MEB as at LPD, are set out as follows:-

**Scenario 1 :** Assuming the Proposed Share Buy-Back is exercised in full and none of the outstanding Options are exercised into new MEB Shares

**Scenario 2 :** Assuming the Proposed Share Buy-Back is exercised in full and all outstanding Options are exercised into new MEB Shares within the Proposed Authorised Period

	Scenario 1 No. of Shares	Scenario 2 No. of Shares
As at LPD*	471,092,250	471,092,250
Assuming all outstanding Options are fully exercised	-	11,367,000 #
Enlarged share capital	471,092,250	482,459,250
Maximum number of Shares which may be purchased pursuant to the Proposed Share Buy-Back	(47,109,225)	(48,245,925)
Resulting issued and paid-up share capital upon cancellation of maximum number of Shares which may be purchased under the Proposed Share Buy-Back	423,983,025	434,213,325

# The Proposed Authorised Period is applicable for all the outstanding 11,367,000 Options as at LPD which are exercisable into Shares.

\* The above illustration is based on the assumption that a total of 1,783,000 Treasury Shares held on LPD are not cancelled.

The Proposed Share Buy-Back will not have any effect on the share capital of the Company if the Purchased Shares are retained as Treasury Shares.

## **6.2 NA**

Depending on the purchase price and number of Shares purchased, the Proposed Share Buy-Back will reduce the consolidated NA per Share at the time of purchase if the purchase price exceeds the consolidated NA per Share and conversely will increase the consolidated NA per Share at the time of purchase if the purchase price is less than the consolidated NA per Share.

Should the Purchased Shares be resold, the consolidated NA per Share will increase if the Company realises a gain from the resale, and vice versa.

## **6.3 Working Capital**

The implementation of the Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum being dependent on the number of MEB Shares being purchased, the purchase price(s) and the amount of financial resources to be utilised for the purchase of MEB Shares.

For the Purchased Shares retained as Treasury Shares, upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in the working capital will depend on the actual selling price of the Treasury Shares resold, the effective gain or interest saving arising and the gain or loss from the disposal.

## **6.4 Earnings**

The effects of the Proposed Share Buy-Back on the consolidated earnings of MEB would depend on the purchase price and number of Shares purchased as well as the effective funding cost to the Company in implementing the Proposed Share Buy-Back. The reduction in the number of Shares applied in the computation of the consolidated EPS pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the consolidated EPS for the financial year when the Proposed Share Buy-Back is implemented. Should the Purchased Shares be resold, the extent of the impact to the earnings of MEB Group will depend on the actual selling price, the number of Treasury Shares resold, the effective funding cost and the gain or loss on the disposal, if any.

## **6.5 Dividends**

The Board proposed a first and final tax exempt dividend of 10% (5.00 sen) per ordinary share of RM0.50 each [2014: 8% (4.00 sen) per ordinary share] in respect of the financial year ended 31 December 2015, subject to approval of the shareholders at the forthcoming AGM.

Assuming the Proposed Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of the Company as a result of the reduction in the issued and paid-up share capital of the Company.

## **7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

In the event that all the Purchased Shares are cancelled and on the assumption that the Proposed Share Buy-Back is exercised in full and that the Company will purchase the Shares from shareholders other than the directors and substantial shareholders, the proforma effects of the Proposed Share Buy-Back on the shareholdings of the directors, substantial shareholders of MEB and persons connected as at LPD, are set out as follows:

**Scenario 1** : Assuming none of the outstanding Options are exercised into new MEB Shares

	As at LPD		Indirect		After Proposed Share Buy-Back		%
	Direct	%**	No. of Shares	%**	Direct	Indirect	
	No. of Shares				No. of Shares	No. of Shares	%
<b>Substantial Shareholders</b>							
Mac Ngan Boon @ Mac Yin Boon	71,591,416 <sup>(a)</sup>	15.25	-	-	71,591,416 <sup>(a)</sup>	-	16.89
Lembaga Tabung Haji	44,717,000	9.53	-	-	44,717,000	-	10.55
<b>Directors</b>							
Tan Sri Zakaria bin Abdul Hamid	-	-	-	-	-	-	-
Mac Ngan Boon @ Mac Yin Boon	71,591,416 <sup>(a)</sup>	15.25	25,022,500 <sup>(b)</sup>	5.33	71,591,416 <sup>(a)</sup>	25,022,500 <sup>(b)</sup>	16.89
Ooi Sen Eng	12,625,066 <sup>(a)</sup>	2.69	-	-	12,625,066 <sup>(a)</sup>	-	2.98
Mac Chung Jin	5,060,000 <sup>(a)</sup>	1.08	50,000 <sup>(b)</sup>	0.01	5,060,000 <sup>(a)</sup>	50,000 <sup>(b)</sup>	1.19
Lee Poh Kwee	4,046,272 <sup>(a)</sup>	0.86	650,000 <sup>(b)</sup>	0.14	4,046,272 <sup>(a)</sup>	650,000 <sup>(b)</sup>	0.95
Sobri Bin Abu	-	-	-	-	-	-	-
Abd Hamid bin Ibrahim	-	-	-	-	-	-	-
Mazlan bin Abdul Hamid	305,000	0.06	-	-	305,000	-	0.07
Dato' Mohamad Kamarudin Bin Hassan	-	-	-	-	-	-	-
<b>Persons connected with Director and/or Substantial Shareholder</b>							
Chew Keng Siew	10,217,500 <sup>(a)</sup>	2.18	-	-	10,217,500 <sup>(a)</sup>	-	2.41
Mac Chung Lynn	4,040,000 <sup>(a)</sup>	0.86	-	-	4,040,000 <sup>(a)</sup>	-	0.95
Mac Chung Hui	5,705,000 <sup>(a)</sup>	1.22	-	-	5,705,000 <sup>(a)</sup>	-	1.35
Yeong Mei Kuin	50,000	0.01	-	-	50,000	-	0.01
Teo Chang Seng	650,000 <sup>(a)</sup>	0.14	-	-	650,000 <sup>(a)</sup>	-	0.15

Notes:

(a) Certain Shares are held in trust through nominee companies.

(b) Deemed interested by virtue of the Shares held by his/her spouse and/or children pursuant to Section 134 of the Act.

\*\* Excluding a total of 1,783,000 Treasury Shares held on LPD pursuant to Section 67A of the Act.

**Scenario 2 :** Assuming all outstanding and exercisable Options are fully exercised into new MEB Shares within the Proposed Authorised Period

	As at LPD				(I) Assuming all exercisable Options are fully exercised				After (I) and Proposed Share Buy-Back			
	No. of Shares	%**	No. of Shares	%**	Direct No. of Shares	%**	Indirect No. of Shares	%**	Direct No. of Shares	%	Indirect No. of Shares	%
<b>Substantial Shareholders</b>												
Mac Ngan Boon @ Mac Yin Boon	71,591,416 <sup>(a)</sup>	15.25	-	-	73,471,416 <sup>(a)#</sup>	15.29	-	-	73,471,416 <sup>(a)#</sup>	16.92	-	-
Lembaga Tabung Haji	44,717,000	9.53	-	-	44,717,000	9.30	-	-	44,717,000	10.30	-	-
<b>Directors</b>												
Tan Sri Zakaria bin Abdul Hamid	-	-	-	-	-	-	-	-	-	-	-	-
Mac Ngan Boon @ Mac Yin Boon	71,591,416 <sup>(a)</sup>	15.25	25,022,500 <sup>(b)</sup>	5.33	73,471,416 <sup>(a)#</sup>	15.29	27,022,500 <sup>(b)</sup>	5.62	73,471,416 <sup>(a)#</sup>	16.92	27,022,500 <sup>(b)</sup>	6.22
Ooi Sen Eng	12,625,066 <sup>(a)</sup>	2.69	-	-	14,325,066 <sup>(a) #</sup>	2.98	-	-	14,325,066 <sup>(a) #</sup>	3.30	-	-
Mac Chung Jin	5,060,000 <sup>(a)</sup>	1.08	50,000 <sup>(b)</sup>	0.01	7,060,000 <sup>(a)#</sup>	1.47	50,000 <sup>(b)</sup>	0.01	7,060,000 <sup>(a)#</sup>	1.63	50,000 <sup>(b)</sup>	0.01
Lee Poh Kwee	4,046,272 <sup>(a)</sup>	0.86	650,000 <sup>(b)</sup>	0.14	6,046,272 <sup>(a) #</sup>	1.26	650,000 <sup>(b)</sup>	0.14	6,046,272 <sup>(a) #</sup>	1.39	650,000 <sup>(b)</sup>	0.15
Sabri Bin Abu	-	-	-	-	-	-	-	-	-	-	-	-
Abd Hamid bin Ibrahim	-	-	-	-	-	-	-	-	-	-	-	-
Mazlan bin Abdul Hamid	305,000	0.06	-	-	605,000 <sup>#</sup>	0.13	-	-	605,000 <sup>#</sup>	0.14	-	-
Dato' Mohamad Kamarudin Bin Hassan	-	-	-	-	-	-	-	-	-	-	-	-
<b>Persons connected with Director and/or Substantial Shareholder</b>												
Chew Keng Siew	10,217,500 <sup>(a)</sup>	2.18	-	-	10,217,500 <sup>(a)</sup>	2.13	-	-	10,217,500 <sup>(a)</sup>	2.35	-	-
Mac Chung Lynn	4,040,000 <sup>(a)</sup>	0.86	-	-	4,040,000 <sup>(a)</sup>	0.84	-	-	4,040,000 <sup>(a)</sup>	0.93	-	-
Mac Chung Hui	5,705,000 <sup>(a)</sup>	1.22	-	-	5,705,000 <sup>(a)#</sup>	1.19	-	-	5,705,000 <sup>(a)#</sup>	1.31	-	-
Yeong Mei Kuin	50,000	0.01	-	-	50,000	0.01	-	-	50,000	0.01	-	-
Teo Chang Seng	650,000 <sup>(a)</sup>	0.14	-	-	650,000 <sup>(a)</sup>	0.14	-	-	650,000 <sup>(a)</sup>	0.15	-	-

Notes:

(a) Certain Shares are held in trust through nominee companies.

(b) Deemed interested by virtue of the Shares held by his/her spouse and/or children pursuant to Section 134 of the Act.

\*\* Excluding a total of 1,783,000 Treasury Shares held on LPD pursuant to Section 67A of the Act.

# Assuming the exercisable Options granted to Mac Ngan Boon @ Mac Yin Boon, Ooi Sen Eng, Mac Chung Jin, Lee Poh Kwee and Mazlan bin Abdul Hamid during the Proposed Authorised Period, to subscribe for 1,880,000, 1,700,000, 2,000,000 and 300,000 new Shares, respectively are fully exercised.

## **8. PUBLIC SHAREHOLDING SPREAD**

As at LPD, approximately 351,556,784 Shares representing 74.91% of the issued and paid-up share capital of the Company were held by 5,585 public shareholders. Assuming that the Proposed Share Buy-Back is implemented in full and all the Shares so purchased are from public shareholders, the public shareholding spread of the Company would be reduced from 74.91% to 72.11% and 72.77% under Scenario 1 and Scenario 2 respectively (as defined in Section 7).

The Company will ensure that any proposed purchase of the MEB Shares would only be conducted in accordance with laws prevailing at all times of the purchase including compliance with the public shareholding spread of the Company, which shall not fall below twenty-five percent (25%) of the issued and paid-up share capital of the Company as required by the Listing Requirements.

## **9. IMPLICATION RELATING TO THE CODE**

There is no implication relating to the Code by MEB arising from the Proposed Share Buy-Back.

It is the intention of MEB to implement the Proposed Share Buy-Back in a manner that will not result in any of the shareholders of MEB having to undertake a mandatory offer pursuant to the Code.

## **10. PURCHASES OF SHARES OR RESALE OR CANCELLATION OF TREASURY SHARES IN THE LAST FINANCIAL YEAR**

During the financial year ended 31 December 2015, the Company has not purchased any MEB Shares from the open market. There was also no resale or cancellation of treasury shares during the same period.

## **11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

Save for the proportionate increase in the percentage of shareholdings and/or voting rights in their capacity as shareholders as a consequence of the Proposed Share Buy-Back, none of the Directors or substantial shareholders of the Company or persons connected with them has any interest, direct or indirect, in the Proposed Share Buy-Back, or in the resale of the Treasury Shares, if any.

## **12. DIRECTORS' RECOMMENDATION**

The Board, having considered all aspects of the Proposed Share Buy-Back and after careful deliberation, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and its shareholders. Accordingly, they recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

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

**TAN SRI ZAKARIA BIN ABDUL HAMID**  
Chairman, Senior Independent Non-Executive Director

**PART B**

**LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED  
RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED  
PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**



**MUHIBBAH ENGINEERING (M) BHD**  
(Company No. 12737-K)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

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

29 April 2016

**Board of Directors:**

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

**To: Shareholders of MUHIBBAH ENGINEERING (M) BHD**

Dear Sir/ Madam,

**PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY  
TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1. INTRODUCTION**

At the 42nd Annual General Meeting held on 24 June 2015, the shareholders of the Company approved, inter alia, the mandates for the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions. The shareholders' mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM unless authority for its renewal is obtained from the shareholders of the Company at the AGM.

Accordingly, the Board had on 5 April 2016 announced MEB's intention to seek its shareholders' approval for the Proposed Shareholders' Mandate.

The purpose of this Circular is to provide you with the details on the Proposed Shareholders' Mandate as set out in the Notice of the AGM, and to seek your approval for the resolutions to be tabled at the forthcoming AGM. The Notice of the AGM together with the Form of Proxy are enclosed in the Annual Report 2015.

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**SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR  
CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE  
PROPOSED SHAREHOLDERS' MANDATE TO BE TABLED AT THE FORTHCOMING AGM.**

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

### **2.1 Details of the Proposed Shareholders' Mandate**

Under Paragraph 10.09 of the Listing Requirements allows the Company to seek shareholders' mandate in respect of RRPT subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) 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 shareholders' mandate during the financial year where:-
  - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions is equal to or exceeds RM1,000,000; or
  - (ii) the percentage ratio of such Recurrent Related Party Transactions is equal to or exceeds 1%,whichever is the higher;
- (c) the issuance of a circular to shareholders by the listed issuer containing information as specified in the Listing Requirements;
- (d) in a meeting to obtain the shareholders' mandate, the interested director(s), interested major shareholder(s) and interested person(s) connected with the director(s) or major shareholders; and where it involves the interest of an interested person connected with the 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
- (e) to immediately announce to Bursa Securities when the actual value of the RRPT entered into, exceeds the estimated value of the RRPT disclosed in the Circular by 10% or more.

Where the Company has obtained shareholders' mandate in respect of Recurrent Related Party Transactions, the provisions under Paragraph 10.08 of the Listing Requirements shall not apply during the validity period of the shareholders' mandate.

The shareholders of the Company approved the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature with certain Related Parties at the 42nd AGM of the Company held on 24 June 2015, the details of the which were set out in the Circular dated 29 May 2015.

The Proposed Shareholders' Mandate will require shareholders' approval for renewal when it expires at the conclusion of the forthcoming 43rd AGM to be held on 2 June 2016.

The Company proposes to seek its shareholders' approval for Proposed Shareholders' Mandate to enable the Company and/or its subsidiaries to continue entering into Recurrent Related Party Transactions with the classes of Related Parties as set out in Section 2.1.2 below. Any authority conferred by the Proposed Shareholders' Mandate shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the 43rd AGM at which the Proposed Shareholders' Mandate were passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
  - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

Thereafter, approval from the shareholders for subsequent renewals will be sought at each subsequent AGM of the Company.

### **2.1.1 Principal Activities of MEB Group**

MEB is principally engaged in investment holding, civil, marine and structural engineering contract works which include the construction of bridges, heavy concrete foundations, factory complexes, marine ports and similar construction works. The details of MEB's subsidiaries and associated companies as well as their principal activities as at LPD are provided in Appendix I.

### 2.1.2 Classes and Nature of RRPT

#### (i) Classes of Related Party

The Proposed Shareholders' Mandate will apply to the following classes of Related Party:

<b>Name of Related Party</b>	<b>Relationship</b>
Mac Ngan Boon @ Mac Yin Boon	Mac Ngan Boon @ Mac Yin Boon is a Director and shareholder in both MEB and FFB. He owns approximately 15.25% and 3.86% direct equity interest in MEB and FFB respectively and the persons connected to him own approximately 5.33% and 61.57% equity interest in MEB and FFB respectively, as at LPD. He is also a Director of certain subsidiaries of both MEB and FFB. In addition, he is the father of Mac Chung Jin and Mac Chung Hui.
Mac Chung Jin	Mac Chung Jin is a Director and shareholder in MEB. He owns approximately 1.08% and 0.31% direct equity interest in MEB and FFB respectively and the persons connected to him own approximately 19.52% equity interest in MEB, as at LPD. He is also a Director of certain subsidiaries of MEB. In addition, he is the son of Mac Ngan Boon @ Mac Yin Boon and brother of Mac Chung Hui.
Mac Chung Hui	Mac Chung Hui is a Director of FFB and a shareholder in both MEB and FFB. He owns approximately 1.22% and 1.07% direct equity interest in MEB and FFB respectively and the persons connected to him own approximately 19.38% and 4.50% direct equity interest in MEB and FFB respectively, as at LPD. He is also a Director of certain subsidiaries of FFB. In addition, he is the son of Mac Ngan Boon @ Mac Yin Boon and brother of Mac Chung Jin.
Mazlan bin Abdul Hamid	Mazlan bin Abdul Hamid is a Director and shareholder in MEB, FFB and FO. He holds approximately 0.06%, 1.11% and 70% equity interest in MEB, FFB and FO respectively, as at LPD.

(ii)

**Nature of RRPT**

The details of the Related Parties and RRPT in relation to the Proposed Shareholders' Mandate, are as follows:-

<b>Transacting Parties</b>	<b>Related Party</b>	<b>Nature of RRPT</b>	<b>Estimated value of transactions as disclosed in the Circular dated 29 May 2015 RM'000</b>	<b>Actual transaction value from 24 June 2015 up to LPD to RM'000</b>	<b>Estimated value of transactions from the date of the 43rd AGM to the date of next AGM <sup>(1)</sup> RM'000</b>
MEB Group and FFB Group	Mac Ngan Boon @ Mac Yin Boon, Mac Chung Jin, Mac Chung Hui and Mazlan bin Abdul Hamid	Sales of cranes and parts and rental of cranes, plant and equipment by MEB Group to FFB Group; and subcontracting work awarded by FFB Group to MEB Group	50,000	3,689	50,000
		Purchases and rental of cranes and parts by MEB Group from FFB Group, and the provision of crane maintenance and services by FFB Group to MEB Group	50,000	570	50,000
		<sup>(2)</sup> Rental of factory and office premises located at Lot 9895, Geran #26559, Kg. Jawa, Mukim of Klang, State of Selangor by MEB Group to FFB Group, measuring 5.0 acres	2,000	1,092	2,000
		<sup>(2)</sup> Rental of open yard located at PN 11185, Lot 104505, Telok Gong, Mukim of Klang, State of Selangor by MEB Group to FFB Group, measuring 32,753.44 sq. ft.	1,000	-**	1,000
		<sup>(2)</sup> Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	300	153	300

(ii) **Nature of RRPT (cont'd)**

The details of the Related Parties and RRPT in relation to the Proposed Shareholders' Mandate, are as follows (cont'd):-

<b>Transacting Parties</b>	<b>Related Party</b>	<b>Nature of RRPT</b>	<b>Estimated value of transactions as disclosed in the Circular dated 29 May 2015 RM'000</b>	<b>Actual transaction value from 24 June 2015 up to LPD RM'000</b>	<b>Estimated value of transactions from the date of the 43rd AGM to the date of next AGM <sup>(1)</sup> RM'000</b>
MEB Group and FFB Group	Mac Ngan Boon @ Mac Yin Boon, Mac Chung Jin, Mac Chung Hui and Mazlan bin Abdul Hamid	(2) Rental of land held under HS(D) 99546 Lot No. 104625 Mukim of Klang, State of Selangor measuring in area approximately 160,000 square feet	5,000	1,368	5,000
		(2) Rental of open yard located at Lot 104626 & Lot 129073, Telok Gong, Mukim of Klang, State of Selangor by MEB Group to FFB Group, measuring 62,500 sq. ft.	2,000	484	2,000
		Shared services expenses/charges by MEB Group to FFB Group which includes amongst others legal, information technology and internal audit by MEB Group to FFB Group.	4,000	1,500	4,000

Notes:

(1)

The figures represent the estimated value of transactions that will be undertaken during the period from the date of the forthcoming AGM, to 30 June 2017, being the tentative date of the next AGM. The estimated values of these transactions may vary and are subject to change.

(2)

Tenancies are for terms not exceeding three (3) years with rentals payable on monthly basis.

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There has yet to be any tenancy agreement entered between MEB Group and FFB Group during the period from the last AGM to LPD.

### 2.1.3 Guidelines and Review Procedures for RRPT

The audit committee (“Audit Committee”) will be tasked with the review and approval of the RRPT to ensure that the relevant companies undertake such transactions on an arm’s length basis and on normal commercial terms and to supervise the existing internal control procedures of the Group.

The following guidelines will apply to the review and approval of RRPT to ensure that the RRPT are undertaken on an arm’s length basis, on transaction prices and terms not more favourable to the Related Parties than those generally available to the public and the RRPT are not detrimental to the minority shareholders of MEB.

- (i) Any tender, quotation or contract received from or proposed to be entered into with Related Parties will not be approved unless:
  - (a) the pricing for services, products and materials and/or equipment to be provided or supplied and/or received or purchased is determined in accordance with the Group's usual business practices and policies, as mentioned in Section 2.1.3(c) and (d) below and consistent with the usual margins of the Group with unrelated third parties;
  - (b) the terms are not more favourable to the Related Parties than those extended to unrelated third parties and available to the public and the RRPT are not detrimental to the minority shareholders of MEB;
  - (c) in respect of the provision and/or supply services and/or products and/or purchase of equipment, machinery and/or products after taking into account factors such as pricing, quality, delivery schedules and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases, the terms offered are fair, reasonable and on the MEB Group’s commercial rates; and
  - (d) at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services/equipment and/or quantities will be used as comparison, (wherever practical and/or 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. In the event that quotation or comparative pricing from unrelated third party cannot be obtained (for instance, if there are no unrelated third party vendors/customers of similar products/services, or if the product/services is a proprietary item), the transaction price will be determined by the Group in accordance with prevailing commercial rates/terms, business practices and policies or otherwise in accordance with applicable industry norms or market knowledge to ensure that the RRPT is not detrimental to the Group. Besides pricing, MEB Group also has a policy that priority and/or selection of vendors and/or suppliers are not based on pricing alone but also on other intrinsic qualities such as quality and nature of goods or services, reliability, lead time and all other relevant business circumstances and considerations to ensure that the RRPT is not detrimental to MEB Group.

- (ii) The Company has in place an internal authority limit governing business transactions including RRPT. Such internal authority limit would include approval thresholds, which vary depending on inter alia, the type of transactions and based on grounds of practicality of the business and/or operations viewpoint unique to the Group. Generally, a transaction shall first be reviewed and/or agreed by the relevant personnel in charge and/or the Head of Business Units/Department prior to the approval of either the senior management and/or Executive Directors and/or the Managing Director in accordance with the internal authority limit procedure (where applicable). Subsequently, the Audit Committee will review the management's reports on RRPT at the quarterly meetings of the Audit Committee.
- (iii) The Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or advisers.
- (iv) In addition to the guidelines set out above, the Audit Committee will also undertake the following:
  - (a) review from time to time the RRPT being undertaken by the MEB Group;
  - (b) carry out an annual review to ascertain that the established guidelines and procedures for RRPT have been complied with; and
  - (c) consider from time to time whether the established guidelines and procedures for RRPT have become inappropriate and/or unable to ensure that the transactions will be on normal commercial terms, and/or will prejudice the interest of shareholders generally.
- (v) The Company will also maintain a record of RRPT carried out pursuant to the Proposed Shareholders' Mandate. The Company's internal audit plan will incorporate a review of the records in respect of the transactions entered into during the year.
- (vi) Further, where any Director or person connected to the Director have an interest (direct or indirect) in any RRPT, such Director shall abstain from all deliberations and voting on any matter relating to any decision to be taken by the Board in respect of the RRPT at the relevant Board meetings. Where any member of the Audit Committee is interested in any RRPT, that member shall abstain from all deliberations and voting on any matter relating to any decision to be taken by the Audit Committee in respect of the RRPT at the relevant Audit Committee meetings.

#### **2.1.4 Statement by Audit Committee**

The Audit Committee has seen and reviewed the procedures mentioned in Section 2.1.3 above and is satisfied that the said procedures are sufficient to ensure that the RRPT as well as the annual review by the Audit Committee in relation thereto, are carried out on normal commercial terms which are not prejudicial to the interests of shareholders of MEB, and the terms are not more favourable to the Related Parties than those generally available to the public and such transactions are not detrimental to the interests of the minority shareholders of MEB. The Audit Committee is satisfied that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner, and the frequency of review of these procedures and processes which is carried out on quarterly basis.

Save and except as disclosed in Section 2.1.2, none of the members of the Audit Committee has any interest in any of the RRPT.

As at the date of the circular, the current composition of the Audit Committee is as follows:

Tan Sri Zakaria bin Abdul Hamid ( <i>Chairman, Senior Independent Non-Executive Director</i> )	Chairman
Sobri bin Abu ( <i>Independent Non-Executive Director</i> )	Member
Dato' Mohamad Kamarudin bin Hassan ( <i>Independent and Non-Executive Director</i> )	Member

The Audit Committee shall periodically review the RRPT and also review the established guidelines and procedures to ascertain their compliance. If during the periodic reviews, the Audit Committee is of the opinion that the guidelines and procedures are not sufficient to ensure that the RRPT:

- (i) will be conducted on an arm's length basis;
- (ii) are on normal commercial terms in the ordinary course of business;
- (iii) are not more favourable to the Related Parties than those generally available to the public;
- (iv) are not more prejudicial to the interests of shareholders; and
- (v) are not detrimental to the interests of minority shareholders

the Company will seek a fresh mandate based on new guidelines and procedures.

### **2.1.5 Benefits to the Group from the RRPT**

The RRPT entered into by MEB Group are intended to meet business needs at the best possible terms. The MEB Group should be able to generate sales revenue from its customers which includes its Related Party. Transacting with its Related Party also enhances the ability to explore other business opportunities which will be beneficial to the MEB Group. Further, the close working relationship with the Related Party in the RRPT will ensure timely delivery and provision of services, commitment and reliability of quality services for the MEB Group, to enable the smooth operation of the day-to-day business of the MEB Group.

## **3. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE**

The RRPT to be entered into by the Group with respect to which the Proposed Shareholders' Mandate is sought, are those transactions which will be carried out in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and which may arise at any time and from time to time. These RRPT may be constrained by the time-sensitive and frequent nature of such transactions, and it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such RRPT. As such, the Board is seeking a shareholders' mandate pursuant to Part E, Paragraph 10.09 of the Listing Requirements for the RRPT described in Section 2.1.2 above to allow the Group to enter into such RRPT, which will be made on an arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company and which are not prejudicial to the interest of the shareholders.



By obtaining the mandate for the Proposed Shareholders' Mandate, the necessity to announce and convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. The Proposed Shareholders' Mandate, if approved, would result in substantial savings of administrative time, inconvenience, costs and expenses for the Company where it would dispense the need for the Company to convene separate shareholders' meetings to approve the RRPT which are of a recurring nature, thus improving the administrative efficacy considerably and allow resources to be channelled towards meeting its other corporate objectives and pursuing business opportunities.

The RRPT entered into by the MEB Group are intended to meet business needs at the best possible terms. The MEB Group should be able to generate sales revenue from its customers which includes its Related Party. Transacting with its Related Party also enhances the ability to explore other business opportunities which will be beneficial to the MEB Group. Further, the close working relationship with Related Party in the RRPT will ensure timely delivery and provision of services, commitment and reliability of quality services for the MEB Group, to enable the smooth operation of the day-to-day business of the MEB Group.

#### 4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will not have any effect on the share capital and shareholding structure of the Company, consolidated NA and earnings of the MEB Group.

#### 5. AMOUNT DUE FROM THE RELATED PARTIES

The breakdown of the principal sum (without interest) for the total outstanding amount due to the Company from the Related Transacting Parties pursuant to Related Party Transactions which exceeded the credit terms for the following period as at the financial year ended 31 December 2015 are as follow:-

Related Party	Total Outstanding RRPT Receivables as at 31 December 2015 (RM'000)	Outstanding Amount (RM'000)				Outstanding Amount Recovered as at LPD (RM'000)
		1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years	
		Principal Sum	Principal Sum	Principal Sum	Principal Sum	
FFCM	591	591	-	-	-	500
<b>Total</b>	<b>591</b>	<b>591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>

MEB Group does not charge any interest nor impose any late payment charges on the outstanding sums that are classified as short term in nature in the accounts i.e. amount less than one (1) year. The outstanding balances are to be cleared progressively. However, the Group is mindful of the implication of delay in payments and as such reminders will be sent to the Related Parties regarding the balance outstanding.

The Board is of the opinion that these outstanding sums are recoverable by the respective Related Parties in due course.

## 6. INTEREST OF DIRECTORS, MAJOR SHAREHOLDER AND PERSONS CONNECTED TO THEM

Save as disclosed below, none of the other directors, major shareholder and/or person connected to the directors and major shareholder have any interest, direct or indirect, in the Proposed Shareholders' Mandate :

### 6.1. Interested Directors

Mac Ngan Boon @ Mac Yin Boon, Mac Chung Jin and Mazlan bin Abdul Hamid are deemed interested in the Proposed Shareholders' Mandate ("Interested Directors"). Their shareholdings in MEB as at LPD are as follows:

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
Mac Ngan Boon @ Mac Yin Boon	71,591,416	15.25	25,022,500 <sup>(a)</sup>	5.33
Mac Chung Jin <sup>(b)</sup>	5,060,000	1.08	50,000 <sup>(a)</sup>	0.01
Mazlan bin Abdul Hamid	305,000	0.06	-	-

(a) Deemed interested by virtue of the Shares held by his spouse and/or children pursuant to Section 134 of the Act.

(b) Mac Chung Jin is a director of MEB and the son of Mac Ngan Boon @ Mac Yin Boon.

\* Excluding a total of 1,783,000 Treasury Shares held as at LPD pursuant to Section 67A of the Act.

### 6.2 Major Shareholder

Mac Ngan Boon @ Mac Yin Boon is deemed interested in the Proposed Shareholders' Mandate ("Interested Major Shareholder"). Mac Ngan Boon @ Mac Yin Boon's shareholdings in MEB as at LPD is as follows:

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
Mac Ngan Boon @ Mac Yin Boon	71,591,416	15.25	-	-

\* Excluding a total of 1,783,000 Treasury Shares held as at LPD pursuant to Section 67A of the Act.

### 6.3 Persons connected with the Interested Directors and Interested Major Shareholder

Persons connected with Interested Directors and Interested Major Shareholder for the Proposed Shareholders' Mandate as at LPD are as follows:

Name	Direct		Indirect	
	No of shares held	%*	No of shares held	%*
<b>Persons connected with Interested Directors and/or Major Shareholder</b>				
Chew Keng Siew <sup>(a)</sup>	10,217,500	2.18	-	-
Mac Chung Hui <sup>(b)</sup>	5,705,000	1.22	-	-
Mac Chung Lynn <sup>(c)</sup>	4,040,000	0.86	-	-
Yeong Mei Kuin <sup>(d)</sup>	50,000	0.01	-	-

(a) Chew Keng Siew is the spouse of Mac Ngan Boon @ Mac Yin Boon.

(b) Mac Chung Hui is the son of Mac Ngan Boon @ Mac Yin Boon and brother of Mac Chung Jin.

(c) Mac Chung Lynn is the daughter of Mac Ngan Boon @ Mac Yin Boon and sister of Mac Chung Jin.

(d) Yeong Mei Kuin is the spouse of Mac Chung Jin.

\* Excluding a total of 1,783,000 Treasury Shares held as at LPD pursuant to Section 67A of the Act.

The Interested Directors namely Mac Ngan Boon @ Mac Yin Boon, Mac Chung Jin and Mazlan bin Abdul Hamid have abstained and will continue to abstain from Board deliberations and voting at the Board meeting, and voting in respect of their direct and/or indirect shareholdings in MEB on the Proposed Shareholders' Mandate at the forthcoming AGM.

The Interested Major Shareholder namely Mac Ngan Boon @ Mac Yin Boon will abstain from voting on the Proposed Shareholders' Mandate in respect of his direct and/or indirect shareholdings in MEB at the forthcoming AGM.

In addition, the Interested Directors and Interested Major Shareholder have also undertaken to ensure that persons connected with them will abstain from voting on the Proposed Shareholders' Mandate in respect of their direct and/or indirect shareholdings in MEB at the forthcoming AGM.

## 7. CONDITIONS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of MEB at the forthcoming AGM to be convened.

## **8. DIRECTORS' RECOMMENDATION**

The Board (save for the Interested Directors), having considered all aspects for the Proposed Shareholders' Mandate and after careful deliberation, is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the MEB Group. Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

## **9. AGM**

The 43rd AGM of MEB will be held at Concorde Hotel Shah Alam, Concorde II, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Thursday, 2 June 2016 at 3.45 p.m. for the purpose of considering, and if thought fit, passing, inter alia, the ordinary resolution on the Proposed Shareholders' Mandate as set out in the Notice.

If you are unable to attend and vote in person at the AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy enclosed in the Annual Report 2015 in accordance with the instructions printed thereon so as to arrive at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, at least forty-eight (48) hours before the time set for the AGM or any adjournment thereof.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

## **10. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendices I and II for further information.

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

**TAN SRI ZAKARIA BIN ABDUL HAMID**  
Chairman, Senior Independent Non-Executive Director

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**APPENDIX I – DETAILS OF SUBSIDIARIES AND ASSOCIATED COMPANIES OF MEB**

<b>Name</b>	<b>Principal activities</b>	<b>Effective ownership interest (%)</b>
Favelle Favco Berhad	Investment holding	59.71
<b><i>Subsidiary companies of Favelle Favco Berhad:</i></b>		
Favelle Favco Cranes (M) Sdn Bhd	Manufacturing of cranes	59.71
Favelle Favco Cranes Pty Limited	Manufacturing of cranes	59.71
Favelle Favco Cranes Pte Ltd	Trading of cranes, spare parts and services	59.71
Favelle Favco Cranes (USA), Inc.	Manufacturing of cranes	59.71
Krøll Cranes A/S	Manufacturing of cranes	59.71
FES Equipment Services Sdn Bhd	Hiring and repairing of cranes	59.71
Favelle Favco Cranes International Ltd	Dormant	59.71
Favelle Favco Winches Pte Ltd	Design, fabrication, trading, service and rental of winches, hydraulic systems and material handling equipment	59.71
Favelle Favco Management Services Sdn Bhd	Dormant	59.71
Shanghai Favco Engineering Machinery Manufacturing Co. Ltd	Manufacturing of cranes	47.77
<b><i>Held by Favelle Favco Cranes Pty Ltd</i></b>		
FF Management Pty Limited	Management services	59.71
Milperra Blasting and Coating Pty Limited	Dormant	59.71
Muhibbah Marine Engineering Sdn Bhd	Ship building, renting of ship, providing ship repair services, trading of marine supplies and provision of other engineering works	100.00

**APPENDIX I – DETAILS OF SUBSIDIARIES AND ASSOCIATED COMPANIES OF MEB (cont'd)**

<b>Name</b>	<b>Principal activities</b>	<b>Effective ownership interest %</b>
<b><i>Held by Muhibbah Marine Engineering Sdn Bhd</i></b>		
Energy Ocean Ltd	Trading of motor vessels, spare parts and other services	100.00
Juara Lagi Sdn Bhd	Vessel chartering services	100.00
Elelink Sdn Bhd	Investment holding	100.00
<b><i>Held by Elelink Sdn Bhd</i></b>		
ITS Konsortium Sdn Bhd	Commissioning of intelligent transport system solution	60.00
Muhibbah Petrochemical Engineering Sdn Bhd	Oil, gas, petrochemical engineering and related works	100.00
Muhibbah Engineering (Singapore) Pte. Ltd	Civil and structural engineering contract works	100.00
MEB Construction Sdn Bhd	Civil and structural engineering contract works	100.00
Muhibbah Steel Industries Sdn Bhd	Structural steel fabrication and related works	100.00
Muhibbah Airline Support Industries Sdn Bhd	Manufacturing and services for airline support equipment	100.00
Muhibbah Marine Engineering (Deutschland) GmbH	Constructing and leasing of marine plants	95.00
Muhibbah Masteron Cambodia JV Ltd	Investment holding and civil and structural engineering contract works	70.00
Ann Bee (M) Sdn Bhd	Manufacturing of aluminum foils and carbonless papers	100.00
Muhibbah-LTAT JV Sdn Bhd	Civil, marine and structural engineering contract works	51.00
Muhibbah Marinetime Hub Sdn Bhd ( <i>formerly known as MEB Marketing Sdn Bhd</i> )	Distribution and marketing of construction materials	100.00

**APPENDIX I – DETAILS OF SUBSIDIARIES AND ASSOCIATED COMPANIES OF MEB (cont'd)**

<b>Name</b>	<b>Principal activities</b>	<b>Effective ownership interest %</b>
Muhibbah Reefers Sdn Bhd	Manufacturing of containers and refrigerator containers	100.00
Khas Jejaka Sdn Bhd	Investment holding	100.00
Muhibbah International Labuan Ltd	Offshore leasing and International trade business	100.00
Muhibbah Offshore Services Ltd	Offshore leasing business	95.00
Muhibbah Engineering (Cambodia) Co. Ltd	Construction, quarry and trading business	60.00
Muhibbah Airport Services (Labuan) Ltd	Investment holding	70.00
MEB Equipment Sdn Bhd	Dormant	100.00
Muhibbah Oil & Gas Sdn Bhd	Dormant	100.00
Citech Energy Recovery System Malaysia Sdn Bhd	Manufacturing of waste heat recovery units for the oil and gas industry	100.00
<b><u>Held by Citech Energy Recovery System Malaysia Sdn Bhd</u></b>		
Citech Energy Recovery Solutions UK (Ltd)	Trading of waste heat recovery units, spare parts and other services.	100.00
Karisma Duta Sdn Bhd	Dormant	100.00
CB International Engineering Sdn Bhd	Rental of investment properties and related services and provision of vessel chartering services	100.00
Muhibbah Construction Pty Ltd	Marine and port construction work	100.00
Muhibbah Engineering (Philippines) Corporation	Civil and structural engineering contract works	99.99
Konsortium Muhibbah Eng-LTAT Sdn Bhd	Dormant	100.00
Sun Vibrant Sdn Bhd	Dormant	51.00
Muhibbah Corporation (L) Ltd (formerly known as Advance Vision Ltd)	Dormant	100.00
Cambodia Land Ltd	Dormant	100.00

**APPENDIX I – DETAILS OF SUBSIDIARIES AND ASSOCIATED COMPANIES OF MEB (cont'd)**

<b>Name</b>	<b>Principal activities</b>	<b>Effective ownership interest %</b>
Aspect Saga Sdn Bhd	Investment holding	100.00
<b><i>Held by Aspect Saga Sdn Bhd</i></b>		
IDS Cahaya Sdn Bhd	Investment holding	100.00
<b><i>Held by IDS Cahaya Sdn Bhd</i></b>		
IDS Cahaya Ltd	Offshore leasing activities	100.00
Inno Marine Services Sdn Bhd	Marine leasing activities	37.50
Roadcare (M) Sdn Bhd	Operation and maintenance of roadways and bridges	21.00
Freyssinet PSC (M) Sdn Bhd	Civil engineering and construction works	50.00
Wabag Muhibbah JV Sdn Bhd	Engineering, procurement, construction and commissioning of effluent treatment plant	30.00
Muhibbah Engineering Middle East LLC	Dormant	49.00
<b><i>Associated companies of Aspect Saga Sdn Bhd</i></b>		
IDS Darussalam Sdn Bhd	Ship management services	50.00
IDS Offshore Sdn Bhd	Ship management services	50.00
<b><i>Associated company of Favelle Favco Berhad</i></b>		
Favco Offshores Sdn Bhd	Manufacture, supply, servicing and renting of cranes	17.91
Favelle Favco Machinery and Equipment L.L.C	Trading and rental of construction equipment	29.26
Favco Heavy Industry (Changsu) Co., Ltd.	Supply, renting and servicing of lifting equipment and spare parts	29.86

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**APPENDIX I – DETAILS OF SUBSIDIARIES AND ASSOCIATED COMPANIES OF MEB  
(cont'd)**

<b>Name</b>	<b>Principal activities</b>	<b>Effective ownership interest %</b>
<i>Associated company of Muhibbah Masteron Cambodia JV Limited</i>  Societe Concessionaire de l'Aeroport	Operator and concessionaire of airports in Cambodia	21.00
<i>Associated company of Muhibbah Airport Services (Labuan) Ltd</i>  Cambodia Airport Management Services Ltd	Provision of airport management services	21.00

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## APPENDIX II – FURTHER INFORMATION

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### 1. RESPONSIBILITY STATEMENT

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

### 2. MATERIAL CONTRACTS

The MEB Group has not entered into any material contracts (not being contracts entered into the ordinary course of business) entered into by MEB and/or its subsidiary companies within the past two (2) years preceding the date of this Circular.

### 3. MATERIAL LITIGATION

As at the date of this Circular, MEB and/or its subsidiary companies are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and our Directors do not have any knowledge of any proceedings, pending or threatened, against MEB and/or its subsidiary companies or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of MEB and/or its subsidiary companies, save for the following:-

**(i) Litigation against MEB, its subsidiary Favelle Favco Berhad (“FFB”) and FFB’s subsidiary Favelle Favco Cranes (USA) Inc. (“FFCUSA”) in the Supreme Court of the State of New York**

The litigation relates to an incident in 2008 involving the collapse of a Favelle Favco crane caused by rigging activity carried out by a third party. The U.S. Occupational Safety & Health Administration (“OSHA”) found that slings (independent of the crane per se) used during the rigging activity tore open causing the said incident. The litigation remains ongoing and it is premature to assess the outcome of the actions at this point in time.

**(ii) Litigation against a subsidiary of MEB, Favelle Favco Cranes (USA) Inc. (“FFCUSA”) in the Supreme Court of the State of New York, County of New York**

Mr. Robert Paranellais claiming against FFCUSA for personal injuries resulting from an accident while descending a ladder on a crane. As advised by the lawyers, the Board of Directors of FFCUSA is of the view that there are no merits to his claims.

**(iii) Muhibbah-LTAT JV (the “JV”) v. Government of Malaysia**

The JV of which MEB and Lembaga Tabung Angkatan Tentera had 51% and 49% interest respectively has completed Naval Base at Teluk Sepangar, Kota Kinabalu, Sabah for Government of Malaysia (“GOM”) in 2007. The JV commenced arbitration proceedings against GOM for remaining claims of approximately RM28 million.

Should the said arbitration be successful, it will have a positive financial impact to the MEB Group.

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**APPENDIX II – FURTHER INFORMATION (cont'd)**

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- (iv) **Herbert Kannegiesser GmbH (“HKG”) v. Muhibbah Engineering (M) Bhd (“the Company”)**

HKG, a Nominated Subcontractor for Hamad International Airport has filed arbitration proceedings against the Company for an alleged claim of approximately QAR54.6 million. The Company is disputing the claim through counter claims.

- (v) **Wiggins Island Coal Export Terminal Pty Ltd (“WICET”)**

Muhibbah Construction Pty Ltd, a wholly owned subsidiary of Muhibbah Engineering (M) Bhd (“the Company”), holding a 50% interest in Monadelphous Muhibbah Marine JV (“MMM”), a joint venture with Monadelphous Engineering Pty Ltd, (a subsidiary of Monadelphous Group Limited), entered into two contracts through MMM for the construction of the approach jetty and ship berth, and shiploader (“The Works”), associated with the Wiggins Island Coal Export Terminal at Gladstone, Queensland for WICET.

The Works were fully completed in 2015 with practical completion certification. WICET has challenged payments approved by Building and Construction Industry Payment Act 2004 (Qld) (“BCIPA”) for MMM’s claims plus variation orders previously approved by WICET totalling approximately AUD130 million. MMM is of the view that the WICET claims are unwarranted and MMM lodged an additional counter claim in excess of AUD200 million against WICET.

#### **4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of MEB following the date of this Circular from Monday to Friday (except Public Holidays) during business hours up to the time set for convening the 43rd AGM :-

- (i) the Memorandum and Articles of Association of MEB;
- (ii) the audited consolidated financial statements of MEB for the past two (2) financial years ended 31 December 2014 and 31 December 2015 and the unaudited quarterly results for the three (3) months period ended 31 March 2016); and
- (iii) the writ of summon / claim referred to in item 3 above.

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