

## MUhibbah Engineering (M) Bhd (“Muhibbah” or the “Company”)

### PROPOSED PRIVATE PLACEMENT OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF MUhibbah (“PROPOSED PRIVATE PLACEMENT”)

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#### 1. INTRODUCTION

On behalf of the Board of Directors of Muhibbah (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that the Company proposes to undertake a private placement of new ordinary shares of RM0.50 each in Muhibbah (“**Muhibbah Shares**”) of up to ten percent (10%) of the issued and paid-up share capital of the Company (“**Placement Shares**”), to investors to be identified and at an issue price to be determined by the Board and announced later (“**Proposed Private Placement**”).

The Proposed Private Placement shall be undertaken in accordance with the general mandate pursuant to Section 132D of the Companies Act, 1965 (“**Act**”) which authorises the Board to issue new Muhibbah Shares not exceeding ten percent (10%) of the issued and paid-up share capital of the Company (“**General Mandate**”).

Further details on the Proposed Private Placement are set out in the ensuing sections.

#### 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

##### 2.1 Size of the Proposed Private Placement

As at 31 March 2016, being the latest practicable date prior to the date of this Announcement (“**LPD**”), the issued and paid-up share capital of Muhibbah is RM235,546,125 comprising 471,092,250 Muhibbah Shares, including 1,783,000 treasury shares. In addition, as at the LPD, the Company has a total of 11,367,000 options under its employee’s share option scheme (“**ESOS**”) which has been granted and remain unexercised (“**Outstanding ESOS Options**”).

The maximum number of Placement Shares to be issued pursuant to the Proposed Private Placement would depend on the issued and paid-up share capital of the Company, after taking into consideration the following prior to the implementation of the Proposed Private Placement:

- (i) the treatment of the 1,783,000 treasury shares held by the Company as at the LPD, i.e. whether the treasury shares are canceled, distributed as share dividends, resold in the open market or continued to be retained as treasury shares; and
- (ii) the number of the Outstanding ESOS Options exercised.

For illustrative purposes, assuming all the existing treasury shares are resold in the open market at their respective acquisition prices and all the Outstanding ESOS Options are exercised into new Muhibbah Shares prior to the implementation of the Proposed Private Placement, the Company’s enlarged issued and paid-up share capital will be RM241,229,625 comprising 482,459,250 Muhibbah Shares. Accordingly, a total of up to 48,245,925 Placement Shares, representing ten percent (10%) of the enlarged issued and paid-up share capital of Muhibbah, may be issued pursuant to the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total issued and paid-up share capital of the Company on a date to be determined later upon obtaining all relevant approvals as set out in **Section 5** of this Announcement.

## **2.2 Basis of determining and justification for the issue price of the Placement Shares**

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

Based on Paragraph 6.04(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the Placement Shares may be issued based on a discount of not more than ten percent (10%) to the five (5)-day weighted average market price ("**WAMP**") of Muhibbah Shares immediately preceding the price-fixing date. In any case, the issue price of the Placement Shares shall not be lower than the par value of Muhibbah Shares of RM0.50 each.

As the Proposed Private Placement may be implemented in one (1) or more tranches with the Board's decision, there could potentially be several price fixing dates and issue prices.

## **2.3 Ranking of the Placement Shares**

The Placement Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Muhibbah Shares in issue, save and except that the Placement Shares will not be entitled to any dividends, rights, allotment and/or distributions that may be declared, made or paid, for which the entitlement date precedes the date of allotment of the Placement Shares. For the purpose hereof, entitlement date means the date as at the close of business on which shareholders must be registered on the Register of Depositors in order to participate in any dividends, rights, allotment and/or other distributions.

## **2.4 Listing of and quotation for the Placement Shares**

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

## **2.5 Allocation to placees**

The Placement Shares will be placed out to third (3<sup>rd</sup>) party investor(s) to be identified at a later stage. In accordance with Paragraph 6.04(c) of the Listing Requirements, the Placement Shares will not be placed to the following parties:

- (a) a director, major shareholder or chief executive officer of Muhibbah or a holding company of Muhibbah ("**Interested Person(s)**");
- (b) a person connected with an Interested Person; and/or
- (c) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in one (1) or more tranches, depending on the prevailing market conditions, within six (6) months after the receipt of all relevant approvals for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, subject always to the expiry of the General Mandate or a new mandate being obtained from shareholders of the Company, as the case may be.

## 2.6 Utilisation of proceeds

The Company is unable to determine the actual amount of proceeds to be raised from the Proposed Private Placement at this juncture as the amount to be raised will depend on, amongst others, the actual issue price and the actual number of Placement Shares to be issued.

For illustrative purposes, assuming an issue price of RM2.32 per Placement Share, which represents a discount of approximately 2.11% to the five (5)-day WAMP of Muhibbah Shares up to and including the LPD of RM2.37 per Muhibbah Share, the Proposed Private Placement is expected to raise gross proceeds between approximately RM108.88 million under the Minimum Scenario (as set out below) and up to approximately RM111.93 million under the Maximum Scenario (as set out below):

**Minimum Scenario** : Assuming that all the 1,783,000 treasury shares are retained by the Company and none of the 11,367,000 Outstanding ESOS Options are exercised into new Muhibbah Shares prior to the implementation of the Proposed Private Placement.

**Maximum Scenario** : Assuming that all the 1,783,000 treasury shares have been resold in the open market and all of the 11,367,000 Outstanding ESOS Options are exercised into new Muhibbah Shares prior to the implementation of the Proposed Private Placement.

The proceeds raised are intended to be utilised in the manner as set out below:

Details of utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000	Estimated timeframe for utilisation of proceeds
Repayment of bank borrowing <sup>(1)</sup>	75,000	75,000	Within twelve (12) months from the date of completion of the Proposed Private Placement
Working capital <sup>(2)</sup>	32,310	35,361	Within twelve (12) months from the date of completion of the Proposed Private Placement
Estimated expenses <sup>(3)</sup>	1,570	1,570	Within one (1) month from the date of completion of the Proposed Private Placement
<b>Total</b>	<b>108,880</b>	<b>111,931</b>	

**Notes:**

- (1) Based on the audited financial statements for the financial year ended 31 December 2015, the net borrowings of Muhibbah and its subsidiaries ("**Muhibbah Group**") stood at approximately RM692.81 million, comprising amongst others, term loans, bank overdrafts, revolving credits, bills payable and after netting off the cash and cash equivalents. The Company intends to partially repay its outstanding revolving credits by utilising part of the proceeds raised from the Proposed Private Placement. The partial repayment of Muhibbah Group's bank borrowings is expected to result in interest cost savings as below based on the effective interest rates of Muhibbah Group's bank borrowings:-

Repayment of bank borrowings (RM'000)	75,000
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Average effective interest rate per annum (%)	4.90
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Interest savings per annum (RM'000)	3,675
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- (2) The proceeds will be utilised to fund Muhibbah Group's day-to-day operations which includes purchase of raw materials, payment to suppliers and administration and operating expenses. The proceeds will be utilised progressively over the next twelve (12) months from the date of completion of the Proposed Private Placement.
- (3) The estimated incidental expenses in relation to the Proposed Private Placement comprising professional fees, fees payable to relevant authorities and other related expenses are estimated to cost up to RM1.57 million. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for working capital of Muhibbah Group.

The actual gross proceeds to be raised from the Proposed Private Placement are dependent on the issue price of the Placement Shares and the actual number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against amount allocated for the working capital of Muhibbah Group.

Pending utilisation of proceeds from the Proposed Private Placement, the said proceeds will be placed in interest bearing deposit account(s) with financial institutions or investments in money market instruments as the Board may deem fit. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of Muhibbah Group.

### **3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT**

The Proposed Private Placement will enable the Company to raise funds to repay bank borrowings and for working capital. The issuance of the Placement Shares would increase the Company's capital base and enhance its shareholders' funds. Hence, it will increase the Company's operating capacity to tender for more and bigger projects in the future. The Proposed Private Placement will also result in improvement in Muhibbah Group's gearing ratio and strengthen its financial position. Further details are set out in **Section 4.2** of this Announcement.

The Board is of the view that the Proposed Private Placement is currently the most appropriate avenue of fund raising after taking into consideration, amongst others, the following factors:

- (a) is the most expeditious way of raising funds from the capital market as opposed to other forms of fund raising; and
- (b) the enlarged share base is also expected to enhance the liquidity of Muhibbah Shares on the Main Market of Bursa Securities.

#### 4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

##### 4.1 Issued and paid-up share capital

The proforma effects of the Proposed Private Placement on the issued and paid-up share capital of Muhibbah are set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Muhibbah Shares	RM	No. of Muhibbah Shares	RM
Issued and paid-up share capital as at the LPD	471,092,250	235,546,125	471,092,250	235,546,125
Less: Treasury shares	(1,783,000)	(891,500)	-	-
	469,309,250	234,654,625	471,092,250	235,546,125
To be issued pursuant to the full exercise of the Outstanding ESOS Options	-	-	11,367,000	5,683,500
	469,309,250	234,654,625	482,459,250	241,229,625
To be issued pursuant to the Proposed Private Placement	46,930,925	23,465,463	48,245,925	24,122,963
<b>Enlarged issued and paid-up share capital</b>	<b>516,240,175</b>	<b>258,120,088</b>	<b>530,705,175</b>	<b>265,352,588</b>

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## 4.2 Net assets ("NA") and gearing

Based on the latest audited consolidated financial statements of Muhibbah as at 31 December 2015, the proforma effects of the Proposed Private Placement on the NA per share and gearing of Muhibbah Group are set out below:

### Minimum Scenario:

	Audited as at 31 December 2015	Adjusted for the subsequent event up to the LPD	Proforma I After the Proposed Private Placement
	RM'000	RM'000	RM'000
Share capital	235,297	235,546 <sup>(1)</sup>	259,012 <sup>(3)</sup>
Treasury share	(5,561)	(5,561)	(5,561)
Share premium	50,990	51,378 <sup>(1)</sup>	136,792 <sup>(3)</sup>
Revaluation reserve	193,629	193,629	193,629
Capital reserve	5,237	5,237	5,237
Share options reserve	6,488	6,290 <sup>(1)</sup>	6,290
Translation reserve	67,850	67,850	67,850
Retained profits	262,116	262,116	260,546 <sup>(4)</sup>
Shareholders' equity/ NA	816,046	816,485	923,795
No. of ordinary shares (excluding the treasury shares) ('000)	468,810	469,309	516,240
NA per share (RM)	1.74	1.74	1.79
Total borrowings	1,269,758	1,269,758	1,194,758 <sup>(5)</sup>
Gearing (times)	1.56	1.56	1.29
Net borrowings <sup>(7)</sup>	692,814	692,375 <sup>(2)</sup>	585,065 <sup>(5)(6)</sup>
Net gearing (times) <sup>(8)</sup>	0.85	0.85	0.63

### **Notes:**

- (1) Adjusted for the issuance of 499,000 Muhibbah Shares arising from the exercise of ESOS options subsequent to the financial year end, the recognition of RM387,224 of share premium arising from the exercise of the ESOS options and transfer from the share options reserve account.
- (2) Adjusted due to the increase in cash and cash equivalents of Muhibbah Group by RM439,120 pursuant to the exercise of ESOS options into 499,000 new Muhibbah Shares subsequent to the financial year end up to the LPD.
- (3) Assuming 46,930,925 Placement Shares are issued at an indicative issue price of RM2.32 per Placement Share.
- (4) After deducting the estimated expenses for the Proposed Private Placement of RM1.57 million.
- (5) Assuming RM75.00 million of the total gross proceeds raised from the Proposed Private Placement is utilised to pare down the borrowings of Muhibbah Group.
- (6) Assuming the increase in cash and cash equivalents of Muhibbah Group by adding the proceeds raised from the Proposed Private Placement of RM108.88 million and deducting the estimated expenses for the Proposed Private Placement of RM1.57 million and the repayment of bank borrowings of Muhibbah Group of RM75.00 million.
- (7) Calculated as the total borrowings less the cash and cash equivalents of Muhibbah Group.
- (8) Calculated as the net borrowings divided by shareholders' equity / NA of Muhibbah Group.

**Maximum Scenario:**

			Proforma I	Proforma II
	Audited as at 31 December 2015	Adjusted for the subsequent event up to the LPD	After assuming all the treasury shares are resold and full exercise of the Outstanding ESOS Options	After proforma I and the Proposed Private Placement
	RM'000	RM'000	RM'000	RM'000
Share capital	235,297	235,546 <sup>(1)</sup>	241,230 <sup>(3)</sup>	265,353 <sup>(6)</sup>
Treasury share	(5,561)	(5,561)	- <sup>(4)</sup>	-
Share premium	50,990	51,378 <sup>(1)</sup>	61,987 <sup>(3)</sup>	149,795 <sup>(6)</sup>
Revaluation reserve	193,629	193,629	193,629	193,629
Capital reserve	5,237	5,237	5,237	5,237
Share options reserve	6,488	6,290 <sup>(1)</sup>	- <sup>(3)</sup>	-
Translation reserve	67,850	67,850	67,850	67,850
Retained profits	262,116	262,116	262,116	260,546 <sup>(7)</sup>
Shareholders' equity/ NA	816,046	816,485	832,049	942,410
No. of ordinary shares (excluding the treasury shares) ('000)	468,810	469,309	482,459	530,705
NA per share (RM)	1.74	1.74	1.72	1.78
Total borrowings	1,269,758	1,269,758	1,269,758	1,194,758 <sup>(8)</sup>
Gearing (times)	1.56	1.56	1.53	1.27
Net borrowings <sup>(10)</sup>	692,814	692,375 <sup>(2)</sup>	676,811 <sup>(5)</sup>	566,450 <sup>(9)(10)</sup>
Net gearing (times) <sup>(11)</sup>	0.85	0.85	0.81	0.60

**Notes:**

- (1) Adjusted for the issuance of 499,000 Muhibbah Shares arising from the exercise of ESOS options subsequent to the financial year end, the recognition of RM387,224 of share premium arising from the exercise of the ESOS options and transfer from the share options reserve account.
- (2) Adjusted due to the increase in cash and cash equivalents of Muhibbah Group by RM439,120 pursuant to the exercise of ESOS options into 499,000 new Muhibbah Shares subsequent to the financial year end up to the LPD.
- (3) Assuming a total of 11,367,000 ESOS options were exercised, resulting in a share premium of RM4,319,460 and after accounting for the transfer of RM6,290,000 from the share options reserve account to the share premium account pursuant to the exercise of the ESOS options.
- (4) Assuming the 1,783,000 treasury shares were resold at the acquisition price.
- (5) Assuming the increase of cash and cash equivalents of Muhibbah Group by adding the fully exercise the 11,367,000 Outstanding ESOS Options of RM10.00 million and resale of the 1,783,000 treasury shares at acquisition price of RM5.56 million.
- (6) Assuming 48,245,925 Placement Shares are issued at an indicative issue price of RM2.32 per Placement Share.
- (7) After deducting the estimated expenses for the Proposed Private Placement of RM1.57 million.
- (8) Assuming RM75.00 million of the total gross proceeds raised from the Proposed Private Placement is utilised to pare down the borrowings of Muhibbah Group.
- (9) Assuming the increase in cash and cash equivalents of Muhibbah Group by adding the proceeds raised from the Proposed Private Placement of RM111.93 million and deducting the estimated expenses for the Proposed Private Placement of RM1.57 million and the repayment of bank borrowings of Muhibbah Group of RM75.00 million.
- (10) Calculated as the total borrowings less the cash and cash equivalents of Muhibbah Group.
- (11) Calculated as the net borrowings divided by shareholders' equity / NA of Muhibbah Group.

#### **4.3 Earnings and earnings per share (“EPS”)**

The Proposed Private Placement is not expected to have any material effect on the earnings of Muhibbah Group for the financial year ending 31 December 2016. The EPS of Muhibbah Group may, however, be reduced correspondingly as a result of the increase in the number of Muhibbah Shares in issue pursuant to the Proposed Private Placement.

The proceeds from the Proposed Private Placement are expected to contribute positively to Muhibbah Group for the future financial years when benefits from the proposed utilisation (as set out in **Section 2.6** of this Announcement) are realised.

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#### 4.4 Substantial shareholders' shareholdings

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

##### Minimum Scenario:

Shareholders	As at the LPD				Proforma I After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Muhibbah Shares	%	No. of Muhibbah Shares	%	No. of Muhibbah Shares	%	No. of Muhibbah Shares	%
Mac Ngan Boon @ Mac Yin Boon	71,591,416	15.25	25,022,500 <sup>(1)</sup>	5.33	71,591,416	13.87	25,022,500 <sup>(1)</sup>	4.85
Lembaga Tabung Haji	44,717,000	9.53	-	-	44,717,000	8.66	-	-

##### **Note:**

(1) Deemed interested by virtue of the shares held by his spouse and children pursuant to Section 134(12)(c) of the Act.

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**Maximum Scenario:**

Shareholders	As at the LPD				Proforma I After all the treasury shares are resold and full exercise of the Outstanding ESOS Options			
	Direct		Indirect		Direct		Indirect	
	No. of Muhibbah Shares	%	No. of Muhibbah Shares	%	No. of Muhibbah Shares	%	No. of Muhibbah Shares	%
Mac Ngan Boon @ Mac Yin Boon	71,591,416	15.25	25,022,500 <sup>(1)</sup>	5.33	73,471,416 <sup>(2)</sup>	15.23	27,022,500 <sup>(1)</sup>	5.60
Lembaga Tabung Haji	44,717,000	9.53	-	-	44,717,000	9.27	-	-

Shareholders	Proforma II After the Proposed Private Placement			
	Direct		Indirect	
	No. of Muhibbah Shares	%	No. of Muhibbah Shares	%
Mac Ngan Boon @ Mac Yin Boon	73,471,416	13.84	27,022,500 <sup>(1)</sup>	5.09
Lembaga Tabung Haji	44,717,000	8.43	-	-

**Notes:**

(1) Deemed interested by virtue of the shares held by his spouse and children pursuant to Section 134(12)(c) of the Act.

(2) Assuming 1,880,000 Outstanding ESOS Options which was granted to Mac Ngan Boon @ Mac Yin Boon has been fully exercised.

#### **4.5 Convertible securities**

Save for the 11,367,000 Outstanding ESOS Options are granted to the directors and employees of Muhibbah, the Company does not have any other existing convertible securities as at the LPD.

#### **5. APPROVALS REQUIRED**

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

- (a) Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- (b) approvals of any relevant authorities and/or parties, if required.

The Company had obtained approval from its shareholders at the last annual general meeting (“AGM”) convened on 24 June 2015 authorising the Board to issue new Muhibbah Shares not exceeding ten percent (10%) of the issued and paid-up share capital of the Company pursuant to Section 132D of the Act. The said approval will be valid in force, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of the Company. Muhibbah will be seeking a renewal of the General Mandate from its shareholders at the forthcoming AGM.

The Proposed Private Placement is not conditional upon any other corporate exercise undertaken by Muhibbah.

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

None of the Directors, major shareholders of Muhibbah and/or persons connected to them have any interests, direct or indirect, in the Proposed Private Placement.

#### **7. DIRECTORS’ RECOMMENDATION**

The Board, after having considered all aspects of the Proposed Private Placement including but not limited to the rationale, utilisation of proceeds and financial effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

#### **8. APPLICATION TO THE AUTHORITIES**

The applications to the relevant authorities for the Proposed Private Placement will be made within one (1) month from the date of this Announcement.

**9. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the fourth (4<sup>th</sup>) quarter of calendar year 2016.

**10. ADVISER AND PLACEMENT AGENTS**

RHB Investment Bank has been appointed the Adviser for the Proposed Private Placement.

RHB Investment Bank and Alliance Investment Bank Berhad have been appointed as Joint Placement Agents for the Proposed Private Placement.

This Announcement is dated 28 April 2016.