

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has perused the sections pertaining to the Proposed RRPT Mandate (as defined herein) on a limited review basis pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



GRAND HOOVER BERHAD
(Registration No. 197101000134 (10493-P))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

- (I) **PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS OF GRAND HOOVER BERHAD ("GHB") AND ITS SUBSIDIARIES ("GHB GROUP") TO INCLUDE CONSTRUCTION AND CONSTRUCTION RELATED ACTIVITIES AS WELL AS PROPERTY DEVELOPMENT ACTIVITIES ("PROPOSED DIVERSIFICATION");**
- (II) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 50,000,000 NEW ORDINARY SHARES IN GHB ("GHB SHARE(S)") ("RIGHTS SHARE(S)") AT AN ISSUE PRICE OF RM0.60 PER RIGHTS SHARE ON THE BASIS OF 5 RIGHTS SHARES FOR EVERY 4 EXISTING GHB SHARES HELD BY THE ENTITLED SHAREHOLDERS OF GHB ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF SHARES"); AND**
- (III) **PROPOSED NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") EXPECTED TO BE ENTERED BETWEEN GHB GROUP WITH CERTAIN RELATED PARTIES FOLLOWING THE PROPOSED DIVERSIFICATION ("PROPOSED RRPT MANDATE")**

(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



AmInvestment Bank

AmInvestment Bank Berhad

(Registration No. 197501002220 (23742-V))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of our Company which is scheduled to be held on a virtual basis at the broadcast venue at Meeting Room of GHB, 2A-1-1(B), Space U8, No. 6, Persiaran Pasak Bumi, Taman Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 5 July 2021 at 11:00 a.m. or at any adjournment thereof, for the purpose of considering the Proposals, together with the Form of Proxy are enclosed in this Circular.

A member entitled to attend, participate, speak and vote remotely at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/her behalf. In such event, the completed and signed Form of Proxy must be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, or by electronic lodgment via Securities Services e-Portal at <https://sshsb.net.my/>, not less than forty-eight (48) hours before the time and date fixed for holding the EGM or at any adjournment thereof.

Last day, date and time for lodging the Form of Proxy : Saturday, 3 July 2021 at 11:00 a.m.

Day, date and time of the EGM : Monday, 5 July 2021 at 11:00 a.m.

This Circular is dated 18 June 2021

DEFINITIONS

Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
AmInvestment Bank	:	AmInvestment Bank Berhad (Registration No. 197501002220 (23742-V))
ATTG or Undertaking Shareholder	:	Aim Tetap Teguh Group Sdn Bhd (Registration No. 202001023181 (1379501-T))
Board	:	Board of directors of GHB
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Circular	:	This circular to shareholders of our Company dated 18 June 2021 in relation to the Proposals
Construction Business	:	Construction and construction related activities
Controlling Shareholders or Interested Directors	:	Collectively, Dato' Rahim, Teo Swee Leng and Teo Swee Phin
Dato' Rahim	:	Dato' Abd Rahim bin Jaafar
EGM	:	Extraordinary general meeting
Entitled Shareholder(s)	:	Shareholders whose names appear in the Record of Depositors of our Company on the Entitlement Date
Entitlement Date	:	The date (to be determined later by our Board) as at the close of business on which the names of the Shareholders must appear in the Record of Depositors of our Company in order to be entitled to participate in the Proposed Rights Issue of Shares
EPS	:	Earnings per share
Excess Application	:	Application for excess Rights Shares not taken up by other Entitled Shareholders and/or their renounee(s)/transferee(s)
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending, as the case may be
GDV	:	Gross development value
GHB or Company	:	Grand Hoover Berhad (Registration No. 197101000134 (10493-P))
GHB Group or Group	:	Collectively, GHB and its subsidiaries
GHB Share(s)	:	Ordinary shares in our Company
Issue Price	:	Issue price of RM0.60 per Rights Share
LA	:	Two (2) letters of agreement dated 25 May 2021 entered between ATTG and investors for the disposal of up to 6,500,000 GHB Shares held by ATTG (if required)

DEFINITIONS (CONT'D)

Listing Requirements or MMLR	:	Main Market Listing Requirements of Bursa Securities, as may be amended from time to time
LPD	:	11 June 2021, being the latest practicable date prior to the printing of this Circular
Market Day(s)	:	Any day(s) between Monday and Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
NA	:	Net assets attributable to owners of our Company
N/A	:	Not applicable
Property Development Business	:	Property development activities
Proposals	:	Collectively, Proposed Diversification, Proposed Rights Issue of Shares and Proposed RRPT Mandate
Proposed Diversification	:	Proposed diversification of the existing core business of GHB Group to include Construction Business and Property Development Business
Proposed Rights Issue of Shares	:	Proposed renounceable rights issue of 50,000,000 Rights Shares at an issue price of RM0.60 per Rights Share on the basis of 5 Rights Shares for every 4 existing GHB Shares held by the entitled shareholders of GHB on an Entitlement Date
Proposed RRPT Mandate	:	Proposed new RRPT expected to be entered between GHB Group with certain related parties following the Proposed Diversification
Public Spread Requirement	:	Requirement under Paragraph 8.02(1) of the MMLR which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders
Record of Depositors	:	A record of securities holders established under the Rules of Bursa Depository
Rights Share(s)	:	New GHB Shares to be issued pursuant to the Proposed Rights Issue of Shares
RM and sen	:	Ringgit Malaysia and sen respectively
Related Parties	:	Parties related to our Group's directors, major shareholders and/or persons connected to them
RRPT	:	Recurrent related party transactions of a revenue or trading nature
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, as may be amended from time to time
SC	:	Securities Commission Malaysia
Shareholders	:	Registered holders of GHB Shares
TERP	:	Theoretical ex-rights price of GHB Shares

DEFINITIONS (CONT'D)

- Undertaking** : Irrevocable and unconditional undertaking provided by the Undertaking Shareholder vide its letter dated 19 May 2021 to:-
- (i) fully subscribe for its entitlement under the Proposed Rights Issue of Shares as at the Entitlement Date; and
 - (ii) subscribe for all remaining Rights Shares which have not been subscribed for by way of Excess Applications
- VWAP** : Volume weighted average market price

Words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment currently enforced and as may be amended from time to time and any re-enactment thereof.

All references to the time of day in this Circular are references to Malaysian time, unless otherwise stated.

For the purpose of this Circular, in the event that our Company shall effect a conversion of shares in GHB to shares, the words 'Share(s)' and 'Shareholder(s)' shall be deemed to include a corresponding reference to 'Share(s)' and 'Shareholder(s)'.

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

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LETTER TO THE SHAREHOLDERS OF GHB IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION ON THE PROPOSALS. PLEASE READ THIS CIRCULAR AND THE APPENDICES CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS BEFORE VOTING AT OUR FORTHCOMING EGM.

No	Key Information	Section	Summary																										
1	Details of the Proposed Diversification	2	<p>Our Company intends to diversify our Group's core businesses to include the Construction Business and Property Development Business, which is in line with the Controlling Shareholders' plans to revive our Group's construction and property development business by leveraging on their experience, expertise and business network.</p> <p>Our management expects that the Construction Business and Property Development Business will contribute 25% or more of the net profits of GHB Group and/or may result in a diversion of 25% or more of GHB Group's NA in FYE 30 June 2022 and future financial years. Accordingly, GHB is seeking shareholders' approval for the Proposed Diversification.</p>																										
2	Details of the Proposed Rights Issue of Shares	3	<p>The Proposed Rights Issue of Shares will entail an issuance of 50,000,000 Rights Shares at an issue price of RM0.60 per Rights Share, on the basis of 5 Rights Shares for every 4 existing GHB Shares held by the Entitled Shareholders.</p> <p>The Proposed Rights Issue of Shares will be undertaken on a Full Subscription Basis. In order to meet the Full Subscription Basis, our Company had procured the Undertaking from the Undertaking Shareholder, details of which are set out below:-</p> <table border="1" data-bbox="769 159 1023 1583"> <thead> <tr> <th rowspan="3">Undertaking Shareholder</th> <th colspan="2">Direct shareholdings as at the LPD</th> <th colspan="4">Rights Shares to be subscribed for pursuant to the Undertaking</th> </tr> <tr> <th rowspan="2">No. of Shares ('000)</th> <th rowspan="2">%</th> <th colspan="2">Entitlement</th> <th colspan="2">Excess Application</th> <th rowspan="2">Total No. of Rights Shares ('000)</th> </tr> <tr> <th>No. of Rights Shares ('000)</th> <th>%</th> <th>No. of Rights Shares ('000)</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>ATTG</td> <td>20,400</td> <td>51.0</td> <td>25,500</td> <td>51.0</td> <td>24,500</td> <td>49.0</td> <td>50,000</td> </tr> </tbody> </table>	Undertaking Shareholder	Direct shareholdings as at the LPD		Rights Shares to be subscribed for pursuant to the Undertaking				No. of Shares ('000)	%	Entitlement		Excess Application		Total No. of Rights Shares ('000)	No. of Rights Shares ('000)	%	No. of Rights Shares ('000)	%	ATTG	20,400	51.0	25,500	51.0	24,500	49.0	50,000
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3	Details of the Proposed RRPT Mandate	4	<p>Please refer to Section 3 of the Circular for further information.</p> <p>As part of our Group's effort to expand its construction segment, it is envisaged that our Group may enter into RRPTs with Related Parties, for the award of construction contracts and purchasing and/or leasing of machineries required by GHB to undertake construction works. In this respect, our Company proposes to seek shareholders' approval for the Proposed RRPT Mandate.</p> <p>Please refer to Section 4 of the Circular for further information.</p>																										

EXECUTIVE SUMMARY

No	Key Information	Section	Summary																					
4	Utilisation of proceeds from the Proposed Rights Issue of Shares	5	<p>The Proposed Rights Issue of Shares will raise gross proceeds of RM30.0 million, which will be utilised in the following manner:</p> <table border="1"> <thead> <tr> <th>Details</th> <th>RM'000</th> <th>Estimated timeframe for utilisation from the receipt of proceeds</th> </tr> </thead> <tbody> <tr> <td>Working capital for our Group's Construction Business</td> <td>10,800</td> <td>Within 15 months</td> </tr> <tr> <td>Acquisition of machineries for our Group's Construction Business</td> <td>7,000</td> <td>Within 3 months</td> </tr> <tr> <td>Repayment of borrowings</td> <td>9,500</td> <td>Within 4 months</td> </tr> <tr> <td>General working capital</td> <td>2,000</td> <td>Within 12 months</td> </tr> <tr> <td>Estimated expenses in relation to the Proposed Rights Issue of Shares</td> <td>700</td> <td>Immediate</td> </tr> <tr> <td>Total proceeds</td> <td>30,000</td> <td></td> </tr> </tbody> </table>	Details	RM'000	Estimated timeframe for utilisation from the receipt of proceeds	Working capital for our Group's Construction Business	10,800	Within 15 months	Acquisition of machineries for our Group's Construction Business	7,000	Within 3 months	Repayment of borrowings	9,500	Within 4 months	General working capital	2,000	Within 12 months	Estimated expenses in relation to the Proposed Rights Issue of Shares	700	Immediate	Total proceeds	30,000	
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5	Rationale of the Proposals	6	<p>Please refer to Section 5 of the Circular for further information.</p> <p>(i) Proposed Diversification</p> <p>In view of the challenges faced and the lackluster financial performance of our Group's existing trading business, our Group intends to revive the Construction Business and Property Development Business as our core businesses by leveraging on the experience, track record and industry know-how of the Controlling Shareholders, which is expected to expand the revenue stream and earnings base of our Group moving forward.</p> <p>The Proposed Diversification is sought as our Board reasonably expects the Construction Business and Property Development Business to contribute 25% or more of the net profits of GHB Group or cause a diversion of 25% or more of our Group's NA moving forward.</p> <p>(ii) Proposed Rights Issue of Shares</p> <p>The Proposed Rights Issue of Shares allows our Group:-</p> <ul style="list-style-type: none"> (a) to raise funds to be channelled toward the proposed utilisation as set out under Section 5 of the Circular; (b) to reduce our Group's reliance on borrowings and thereby reducing interest expense as well as cash outflow in respect of interest servicing; and (c) to provide opportunity to all Entitled Shareholders in the equity offering on a pro-rata basis at a discount to the prevailing market price. 																					

EXECUTIVE SUMMARY

No	Key Information	Section	Summary
			<p>(iii) Proposed RRPT Mandate</p> <p>The Proposed RRPT Mandate will enable our Company to grow its construction business and potentially improve its future earnings by securing construction contracts from the relevant related parties as well as enabling our Group to procure the necessary machineries and equipment in an expeditious manner which are critical to carry out the construction works.</p> <p>Please refer to Section 6 of the Circular for further information.</p>
6	Risk factors relating to the Proposed Diversification	8	<ul style="list-style-type: none"> Our Group will be subject to inherent risks faced by construction players and property developers such as amongst others, timely commencement or completion of projects, obtaining timely approvals from the regulatory authorities, obtaining the requisite licenses, adverse changes in real estate market prices, changes in demand for types of residential, commercial and industrial properties and competition from other construction and property players. Our Group is dependent on its key management personnel to drive and grow the Construction Business and Property Development Business. Our Group will be subjected to any adverse development in political, economic, regulatory and social conditions in Malaysia as well as pandemic risk such as the Coronavirus disease 2019 (“COVID-19”), which may adversely affect our Group’s businesses.
7	Interests of directors, major shareholders, chief executive and person connected	10	<p>None of the directors and/or major shareholders, chief executive of GHB and/or chief executive and/or persons connected with them has any interest, whether direct and/or indirect, in the Proposed Rights Issue of Shares and the Proposed Diversification, other than their respective entitlements to subscribe for the Rights Shares under the Proposed Rights Issue of Shares, to which all other shareholders of GHB are similarly entitled.</p> <p>Save for Teo Swee Leng and Teo Swee Pin, Dato’ Rahim and ATTG, none of the other directors, Shareholders, chief executive of GHB and/or persons connected to them have any interest, direct or indirect, in the Proposed RRPT Mandate.</p> <p>Please refer to Section 10 of the Circular for further information.</p>
8	Inter-conditional	12	<p>The Proposed Diversification and the Proposed Rights Issue of Shares are inter-conditional. The Proposed RRPT Mandate is conditional upon the Proposed Diversification but not vice-versa.</p> <p>The Proposals are also not conditional upon any other corporate exercises undertaken or to be undertaken by GHB.</p>



GRAND HOOVER BERHAD
(Registration No. 197101000134 (10493-P))
(Incorporated in Malaysia)

Registered Office

Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur
Wilayah Persekutuan

18 June 2021

Board of Directors

Dato' Abd Rahim bin Jaafar (*Executive Chairman*)
Teo Swee Leng (*Executive Deputy Chairman*)
Teo Swee Phin (*Executive Managing Director*)
Tuan Sr. Hj. Mohd Farid bin Naim (*Executive Director*)
Dato' Mahamed bin Hussain (*Independent Non-Executive Director*)
Datuk Ir. Ruslan bin Abdul Aziz (*Independent Non-Executive Director*)
Dato' Paul Lim Tau Ern (*Independent Non-Executive Director*)
Toh Seng Thong (*Independent Non-Executive Director*)

To: The Shareholders

Dear Sir/Madam,

PROPOSALS

1. INTRODUCTION

On 19 May 2021, AmlInvestment Bank, on behalf of our Board, announced that our Company proposes to undertake the Proposals comprising the following:-

- (i) Proposed Diversification;
- (ii) Proposed Rights Issue of Shares; and
- (iii) Proposed RRPT Mandate

Following the mandatory take-over offer by ATTG and the appointments of Dato' Rahim, Teo Swee Leng and Teo Swee Phin onto our Board in March 2021, our Group has carried out a strategic review of our Group's future direction and plans to drive earnings growth and to strengthen our Group's financial position. In line with the Controlling Shareholders' experience, expertise and business network in, amongst others, the construction and property development industry, it is the intention of our Group to refocus its resources towards reviving and expanding its construction business in the immediate foreseeable future as well as to potentially undertake property development activities.

In this respect, our Group intends to bid / tender and to secure construction contracts in, *inter-alia*, civil engineering and infrastructure works, including but not limited to residential, commercial and industrial developments from related parties and/or unrelated third parties. Concurrently, our Group is also intending to raise funds for its working capital to undertake construction projects.

Accordingly, the Proposals are proposed to be undertaken to facilitate our Company's abovementioned business plans.

On 25 May 2021, AmInvestment Bank, on behalf of our Board, announced that the Undertaking Shareholder, ATTG had on 25 May 2021 entered into the LA which will enable the disposal of up to 6,500,000 GHB Shares held by ATTG, if required, such that our Company will meet the Public Spread Requirement upon completion of the Proposed Rights Issue of Shares.

On 10 June 2021, AmInvestment Bank, on behalf of our Board, announced that Bursa Securities, vide its letter dated 10 June 2021, had resolved to approve the listing of and quotation for 50,000,000 new GHB Shares to be issued pursuant to the Proposed Rights Issue of Shares, subject to the conditions as disclosed in Section 11 of this Circular.

Further details of the Proposals are set out in the ensuing sections in this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS, TO SET OUT THE VIEW AND RECOMMENDATION OF OUR BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH ITS APPENDICES, BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

Currently, our Group has three (3) reportable segments as per GHB Group's annual report, as set out below:-

- (i) trading and supply of hardwares and related products such as ceramic tiles, sanitary wares, piping and fitting ("**Trading Business**");
- (ii) Property development, building and civil contractors ("**Existing Construction and Property Business**"); and
- (iii) investment services and others.

The segmental financial performance of our Group for the past three (3) audited FYE 30 June 2020, 2019 and 2018 and the latest 9-month unaudited quarterly results for the FPE 31 March 2021, are set out below:-

Segment Contribution	FPE 31 March 2021		FYE 30 June 2020		FYE 30 June 2019		FYE 30 June 2018	
	Revenue (RM'000)	Profit / (loss) after tax ⁽ⁱⁱ⁾ (RM'000)	Revenue (RM'000)	Profit / (loss) after tax ⁽ⁱⁱ⁾ (RM'000)	Revenue (RM'000)	Profit / (loss) after tax ⁽ⁱⁱ⁾ (RM'000)	Revenue (RM'000)	Profit / (loss) after tax ⁽ⁱⁱ⁾ (RM'000)
Trading Business	50,236	864	46,351	(792)	62,052	900	51,336	561
Existing Construction and Property Business ⁽ⁱ⁾	1,404	(858)	1,820	(1,679)	624	(2,359)	825	(1,134)
Investment and services	139	(755)	-	(1,134)	-	(3,457)	-	(557)

Notes:-

- (i) For information purposes, the revenue contribution from our Group's Existing Construction and Property Business was from the sale of completed property units and there has been no revenue and/or profit contribution from our Group's construction business.
- (ii) Prior to elimination.

As depicted above, the Trading Business has been the main revenue and profit contributor to GHB Group for the past 3 financial years as well as the FPE 31 March 2021.

Our Group's construction segment has scaled down in recent years and our Group currently does not have any on-going construction projects. The last completed construction project by our Group was in year 2009. Similarly, our Group does not have any on-going property development projects and currently only holds completed inventories from its last completed development project in 2016, a mixed development located in Semenyih consisting of 14 shophouses, 48 double-storey terrace houses and 24 townhouses. Accordingly, the Existing Construction and Property Business have been relatively inactive and have been registering minimal contribution to our Group's financial performance over the recent years.

For information purposes, as at the LPD, our Group has landbanks of approximately 140 acres located across Peninsular Malaysia which are currently held for future development.

Taking into consideration the above and the objective of enhancing our Group's prospects and financial performance, our Company intends to undertake the Proposed Diversification which is in line with the Controlling Shareholders' plans to revive our Group's construction and property development business by leveraging on their experience, expertise and business network.

In this regard, immediately after the Proposed Diversification, our management intends to increase and strengthen our Group's construction orderbook by securing potential construction contracts from both related parties and third parties. Further, subject to market conditions and availability of viable opportunities, our Group may also revive its property development activities by developing its existing landbank and/or entering into joint venture arrangements, acquisition of landbanks and/or projects, where applicable.

While our Group will continue with its Trading Business, our management expects that the Construction Business and Property Development Business will contribute 25% or more of the net profits of GHB Group and/or may result in a diversion of 25% or more of GHB Group's NA in FYE 30 June 2022 and future financial years after taking into consideration:-

- (i) the construction contracts of up to RM180.0 million expected to be awarded to GHB Group by companies related to certain Controlling Shareholders, further details of which are set out in Section 4 of this Circular;
- (ii) our management's plans to also seek for and secure construction contracts from third parties by leveraging on the business network of the Controlling Shareholders;

- (iii) the potential undertaking of property development activities as and when the opportunity arises;
- (iv) the historical financial performance of GHB Group, which has been lackluster for the recent financial years up to and including the latest unaudited FPE 31 March 2021 as described above; and
- (v) the nature of the construction and property development business which are capital intensive vis-à-vis GHB's current relatively small base of operations and assets.

In respect of the above, our Board proposes to seek the approval from shareholders of GHB for the Proposed Diversification pursuant to Paragraph 10.13 of the MMLR at the forthcoming EGM.

Prior to undertaking the Proposed Diversification and Proposed RRPT Mandate, our Group noted that the construction licenses required to undertake construction contracts had lapsed and/or expired. Arising therefrom, our Group had applied and subsequently obtained a Grade G7 license on 20 May 2021, issued by the Construction Industry Development Board (CIDB), which would enable our Group to undertake construction contracts without any limit in contract value including the construction works under the RRPT construction contracts which are the subject matter of the Proposed RRPT Mandate.

Subject to the resources available to our Group vis-à-vis the commencement of the relevant construction contracts to be undertaken by our Group, our Group may engage sub-contractors to carry out some of the construction works.

Our Board believes that our Group has the capability and resources to diversify into the Construction Business and Property Development Business by leveraging on the experience and expertise of the Controlling Shareholders and the following key management personnel as set out below.

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2.1 Directors and Key Management Personnel

(i) Dato' Rahim

Dato' Rahim, a Malaysian aged 54, holds a Bachelor of Engineering (Hons) in Civil Engineering from Southbank Polytechnic (now known as London South Bank University). He has accumulated over 25 years of experience in project management and construction. Dato' Rahim was appointed to our Board as the Executive Chairman on 18 March 2021.

He is also currently the shareholder and director of Aim Concept Sdn Bhd ("ACSB") which is principally involved in design and build construction projects. He oversees the implementation of all the construction projects undertaken by ACSB. His responsibilities include amongst others, contract negotiations, monitoring contract agreements, progress monitoring, budget and quality control monitoring as well as overseeing the building construction and infrastructure works of the projects.

Dato' Rahim had overseen construction contracts totaling approximately RM1.0 billion in value over approximately 10 years. Some of the notable recent construction projects undertaken by ACSB are as set out below:-

Project Description	Project Owner	Commencement	Completion / Expected Completion	Approximate Contract Value (RM)
Design and build of Hospital Pasir Gudang, Johor Bahru	Kementerian Kesihatan Malaysia	September 2020	September 2024	375 million
Design and build of Hospital Pengajar Universiti Putra Malaysia, Selangor	Kementerian Pengajian Tinggi Malaysia	October 2014	March 2019	579 million
Design and build of Politeknik Balik Pulau, Penang		October 2011	August 2013	98 million
Design and build of Akademi Kepimpinan Pengajian Tinggi Malaysia (Akept), Negeri Sembilan		December 2008	January 2011	105 million

(ii) **Teo Swee Leng**

Teo Swee Leng, a Malaysian aged 57, holds a Diploma in Civil Engineering from Federal Institute of Technology, Kuala Lumpur and has accumulated over 35 years of experience in the construction sector and 12 years of experience in the property development sector, respectively. Teo Swee Leng was appointed to our Board as the Executive Deputy Chairman on 18 March 2021.

He is currently a shareholder and director of several private limited companies (such as Mainstay Development Sdn Bhd (“**Mainstay Development**”) and Pembinaan Tetap Teguh Sdn Bhd (“**PTT**”) which have completed various residential and mixed property development projects as well as undertaken various construction contracts, mainly comprising earthworks and infrastructure work for property development projects.

(iii) **Teo Swee Phin**

Teo Swee Phin, a Malaysian aged 43, holds a Diploma in Technology (Building) from Tunku Abdul Rahman College, Kuala Lumpur and has accumulated over 20 years of experience in the construction sector and 12 years of experience in the property development sector, respectively. Teo Swee Phin was appointed to our Board as the Managing Director on 18 March 2021.

He is currently a shareholder and director of several private limited companies (such as Mainstay Development and PTT) together with Teo Swee Leng, which have completed various residential and mixed property development projects as well as undertaken various construction contracts, which mainly comprising earthworks and infrastructure work for property development projects.

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Teo Swee Leng and Teo Swee Phin had undertaken construction contracts totaling approximately RM1.0 billion in value over the past 10 years. Some of the notable recent construction contracts and property development projects overseen by Teo Swee Leng and Teo Swee Phin are summarised below:-

Construction Contracts

No.	Project Description	Project Owner	Date of Commencement	Completion / Expected Completion	Contract sum for construction contracts (RM'million)	Responsibility
1.	Construction works (comprising of earthworks, drainage, infrastructure and other associated works) at Phase 2 (northern) of Elmina East located in Shah Alam, Selangor	Sime Darby Elmina Development Sdn Bhd	June 2012	May 2015	113.0	Teo Swee Leng and Teo Swee Phin were responsible for contract negotiations, monitoring contract agreements, progress monitoring, budget and quality control monitoring as well as overseeing the infrastructure works of the projects.
2.	Construction works (comprising of earthworks, drainage, infrastructure and other associated works) at Elmina West located in Shah Alam, Selangor		April 2015	November 2021	295.0	
3.	Construction and completion of roadworks, detention pond and other associated works for the development of Ampar Tenang located in Dengkil, Selangor	Sime Darby Ampar Tenang Development Sdn Bhd	August 2014	March 2019	73.0	
4.	Construction and completion of earthworks at Taman Perindustrian Kuantan Malaysia-China (MCKIP) located in Kuantan Pahang	Malaysia China Kuantan Industrial Park Sdn Bhd	March 2019	December 2021	97.0	
5.	Construction works (comprising of earthworks, drainage and other associated works) at Bandar Bukit Raja located in Klang, Selangor	Sime Darby USJ Development Sdn Bhd	April 2014	September 2022	75.0	
6.	Construction works (comprising of earthworks, site works and other associated works) at Tropicana Industrial Park located in Pontian, Johor	Tropicana Industrial Park Sdn Bhd	December 2020	October 2022	77.0	

Property Development Projects

No.	Project Description	Project Owner	GDV for property development projects (RM' million)	Date of Commencement / Completion	Responsibilities
1.	Development of Sekata Villa located at Dengkil, Selangor, comprising of 107 units of double storey terrace houses and 47 units of Rumah Selangorku apartments	Mainstay Development	82.0	September 2017 – July 2020	Teo Swee Leng and Teo Swee Phin were responsible for the overall operations and management of the projects including the development of business strategies, project marketing and communication strategies, as well as the overall branding and image for the projects.
2.	Development of Space U8 located at Bukit Jelutong, Selangor comprising 200 units of shoplots and 2 blocks of commercial buildings		180.0	July 2007 – October 2011	

(iv) **Syed Mohd Zaki (Project Director)**

Syed Mohd Zaki, a Malaysian aged 38, holds a degree in Civil Engineering from the University of Teknologi Mara, Shah Alam and has accumulated over 16 years' of experience in the construction industry, having been involved in earthworks, general infrastructure and civil building projects. He is currently the Project Director for our Group's construction operations. Syed Mohd Zaki was involved in the construction of Serenia City in Sepang Selangor, Pagoh Higher Education Hub in Pagoh, Johor as well as Kota Elmina and Elmina City in Shah Alam Selangor.

(v) **Pang Kim Chuen (Senior Cost and Contract Manager)**

Pang Kim Chuen, a Malaysian aged 46, holds a degree in Building Construction Management from Sheffield Hallam University, United Kingdom and has accumulated over 20 years' of experience in contract negotiations and monitoring as well as cost/budget management in the construction industry. He is currently the Senior Cost and Contract Manager for our Group's construction operations. Pang Kim Chuen has been involved in the construction of Samanea Mall and the Midfield Terminal Building Project - Abu Dhabi International Airport in Dubai and the Katana Residences and One KL in Kuala Lumpur.

While our Board believes that the Controlling Shareholders have the relevant expertise and capabilities to manage the future construction projects and property development projects to be undertaken by our Group, our management intends to recruit additional personnel moving forward to grow the Construction Business and Property Development Business which includes but is not limited to, site engineer, quantity surveyor, project manager and project supervisor for its construction segment as well as project manager, administrative team and sales team for its property development segment.

Nevertheless, our Company's recruitment plan will depend on the size and requirements of the construction / development projects to be undertaken by GHB Group and the availability of suitable candidates.

At this juncture, the financial commitment for the Construction Business and Property Development Business will only be required as and when the construction/development projects are undertaken. Such financial commitment is expected to be supported by internally generated funds, bank borrowings, proceeds raised from the Proposed Rights Issue, potential future fund-raising exercises as well as progressive billings from the planned the construction/development projects.

3. DETAILS OF THE PROPOSED RIGHTS ISSUE OF SHARES

3.1 Details of the Proposed Rights Issue of Shares

The Proposed Rights Issue of Shares will entail an issuance of 50,000,000 Rights Shares at an issue price of RM0.60 per Rights Share, on the basis of 5 Rights Shares for every 4 existing GHB Shares held by the Entitled Shareholders.

As at the LPD, the total issued share capital of GHB is RM44,186,166 comprising of 40,000,000 GHB Shares.

The Proposed Rights Issue of Shares is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part.

Any unsubscribed Rights Shares will be made available to other Entitled Shareholders and/or their renounee(s) and/or transferee(s) under excess Rights Shares applications and to such other persons as our Board shall determine. The Rights Shares will be provisionally allotted to the Entitled Shareholders. It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable manner and on such basis to be determined by our Board and announced later by our Company.

In determining the shareholders' entitlements to the Rights Shares under the Proposed Rights Issue of Shares, fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as our Board in its absolute discretion deems fit and expedient or in the best interests of our Company.

3.2 Basis and justification of determining the Issue Price

The issue price of RM0.60 per Rights Share was determined by our Board after taking into consideration, amongst others, the following:-

- (i) the funding requirements of GHB Group as set out in Section 5 of this Circular;
- (ii) the prevailing market conditions as well as current and historical market prices of GHB Shares; and
- (iii) the resultant TERP of GHB Shares of RM0.8271 computed based on the five (5)-day VWAP of GHB Shares up to and including 18 May 2021, being the last trading day prior to the announcement of the Proposals of RM1.1109, whereby the Issue Price represents a discount of 27.45% to the TERP.

3.3 Undertaking for the Proposed Rights Issue of Shares

It is the intention of our Company to undertake the Proposed Rights Issue of Shares on a full subscription basis, which entails the issuance of 50,000,000 Rights Shares in order to raise gross proceeds of approximately RM30.00 million ("Full Subscription Basis"), which will be channeled towards the utilisation as set out in Section 5 of this Circular.

To meet the Full Subscription Basis, our Company has procured the undertaking from ATTG vide the irrevocable and unconditional undertaking letter dated 19 May 2021 to:-

- (i) fully subscribe for its entitlement arising under the Proposed Rights Issue of Shares as at the Entitlement Date; and
- (ii) subscribe for all remaining Rights Shares which have not been subscribed for by way of Excess Application.

In view of the Undertaking, an underwriting arrangement is therefore not required in connection with the Proposed Rights Issue of Shares. ATTG has also confirmed that it has sufficient financial means and resources to fulfill its obligations under the Undertaking. AmInvestment Bank has verified the sufficiency of financial resources of the Undertaking Shareholder in respect of the Undertaking.

The details of the shareholdings of ATTG and the Rights Shares to be subscribed for pursuant to the Undertaking are set out as follows:-

Undertaking Shareholder	Direct shareholdings as at the LPD		Rights Shares to be subscribed for pursuant to the Undertaking ⁽ⁱⁱ⁾				Direct shareholdings after the Proposed Rights Issue of Shares		
	No. of Shares ('000)	% ⁽ⁱ⁾	Entitlement		Excess Application		Total No. of Rights Shares ('000)	No. of Shares ('000)	% ^(iv)
			No. of Rights Shares ('000)	% ⁽ⁱⁱⁱ⁾	No. of Rights Shares ('000)	% ⁽ⁱⁱⁱ⁾			
ATTG	20,400	51.0	25,500	51.0	24,500	49.0	50,000	63,900 ^(v)	71.00

Notes:-

- (i) Based on the total number of issued shares of GHB as at the LPD amounting to 40,000,000 GHB Shares.
- (ii) Based on 50,000,000 Rights Shares to be issued assuming none of the Entitled Shareholders and/or renounees(s) and/or transferees(s) (other than ATTG) subscribe for their respective entitlements under the Proposed Rights Issue of Shares.
- (iii) Based on the total number of Rights Shares available for subscription under the Proposed Rights Issue of Shares.
- (iv) Based on the enlarged issued share capital of GHB amounting to 90,000,000 GHB Shares after the Proposed Rights Issue of Shares.
- (v) Assuming ATTG disposes 6,500,000 GHB Shares pursuant to the LA.

Public Spread Requirement

As at the LPD, the public shareholding spread of GHB is approximately 42.90%. In such event where the Undertaking Shareholder will have to fully subscribe for the Rights Shares to be issued pursuant to its Undertaking and no other GHB Shareholders and/or their renouncee(s) and/or transferee(s) subscribe for their respective entitlements under the Proposed Rights Issue of Shares, the public shareholding spread will be reduced to approximately 21.74%. In such case, our Company will not be in compliance with the Public Spread Requirement pursuant to Paragraph 8.02(1) of the MMLR (“**Possible Shortfall**”)

In this respect, as part of its effort to assist our Company to meet the Possible Shortfall, the Undertaking Shareholder, namely ATTG, had on 25 May 2021 entered into the LA for the disposal of up to 6,500,000 GHB Shares held by ATTG, if required, such that our Company will meet the Public Spread Requirement upon completion of the Proposed Rights Issue of Shares.

The number of GHB Shares to be disposed under the LA, if required, will only be determined upon finalisation of the acceptances level of the Proposed Rights Issue of Shares and any such disposal, if required, will be undertaken within a period of 10 Market Days from the closing date of the Proposed Rights Issue of Shares or such extension as may be mutually agreed by the parties, provided that such period shall in no event be extended past the listing of the Rights Shares on Bursa Securities.

For avoidance of doubt, in the event that the Proposed Rights Issue of Shares does not give rise to any non-compliance with Public Spread Requirement, ATTG has the discretion to not dispose any of its shareholdings pursuant to the LA.

For information purposes, the investors are not a person connected to the Undertaking Shareholder, its directors and major shareholders and/or persons connected with them.

Implication of the Rules

As at the LPD, ATTG holds 51.00% of direct equity interest in GHB. Accordingly, ATTG has confirmed via the Undertaking that its subscription of Rights Shares pursuant to the Undertaking will not give rise to any mandatory take-over offer obligation pursuant to the Malaysian Code on Take-overs and Mergers, 2016 and the Rules.

3.4 Ranking of the Rights Shares

The Rights Shares will, upon allotment and issuance, rank equally in all respects with the then existing GHB Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares.

3.5 Listing of and quotation for the Rights Shares

Bursa Securities had, vide its letter dated 10 June 2021, granted its approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions disclosed in Section 11 of this Circular.

3.6 Entitled Shareholders with foreign address

If the Proposed Rights Issue of Shares is implemented, the Abridged Prospectus, which will be issued together with the accompanying Notice of Provisional Allotment and Rights Subscription Form (collectively, the “**Documents**”) in connection with the Proposed Rights Issue of Shares, will not be made to comply with the laws of any countries or jurisdictions other than Malaysia, and have not and will not be registered under any applicable securities legislation of any jurisdictions other than Malaysia, and the Proposed Rights Issue of Shares will not be offered for purchase or subscription in any country other than Malaysia.

The Documents will not be issued, circulated or despatched to foreign-addressed Entitled Shareholders who have not provided an address in Malaysia for the service of the Documents as at the Entitlement Date. Foreign-addressed Entitled Shareholders may, prior to the Entitlement Date, provide an address in Malaysia for service of the Documents.

Alternatively, such foreign-addressed Entitled Shareholders may collect the Documents from GHB’s share registrar who shall be entitled to request for such evidence (i.e., identification or authorisation documents) as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

Our Company and/or our share registrar will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in GHB’s Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign-addressed Entitled Shareholders may only exercise their rights in respect of the Proposed Rights Issue of Shares to the extent that it would be lawful to do so, and our Company and/or AmlInvestment Bank would not, in connection with the Proposed Rights Issue of Shares, be in breach of the laws of any country or jurisdiction to which the foreign-addressed Entitled Shareholders and/or their renounee(s) and/or transferee(s) might be subject to.

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

Foreign-addressed Entitled Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the foreign-addressed Entitled Shareholders in the Proposed Rights Issue of Shares shall be on the basis of a warranty by them that they may lawfully so participate without our Company and/or AmlInvestment Bank being in breach of the laws of any jurisdiction.

Neither our Company, AmlInvestment Bank nor any other advisers to the Proposed Rights Issue of Shares shall accept any responsibility or liability in the event that any acceptance of a foreign-addressed Entitled Shareholder of his/her rights in respect of the Proposed Rights Issue of Shares is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

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

4. DETAILS OF THE PROPOSED RRPT MANDATE

4.1 Details of the Proposed RRPT Mandate

As part of our Group's effort to expand its construction segment, it is envisaged that our Group may enter into RRPTs with Related Parties, for the following:-

- (i) award of construction contracts; and
- (ii) purchasing and/or leasing of machineries required by GHB to undertake construction works.

It is anticipated that such RRPTs are likely to occur at any time and with certain degree of frequency in the ordinary course of our Group's construction business.

In this respect, our Company proposes to seek shareholders' approval for the Proposed RRPT Mandate pursuant to Paragraph 10.09 of the Listing Requirements.

Details of the RRPT under the Proposed RRPT Mandate are set out below:-

No.	Related party	Principal Activity	Nature of relationship	Transacting party within our Group	Nature of Transaction	Estimated aggregate value to be incurred from the EGM to the next annual general meeting ⁽ⁱ⁾ (RM'000)
1.	PTT	<u>PTT</u> Contractors and developers <u>PTJ</u> Sale and rental of earth moving machineries and transportation agents	Deemed as a related party by virtue of Teo Swee Leng and/or Teo Swee Phin having directorships and substantial shareholdings in PTT and PTJ	Hoover Builders Sdn Bhd and/or Pembinaan ATT Sdn Bhd (<i>formerly known as Hoover Property Development Sdn Bhd</i>), which are wholly-owned subsidiaries of our Company	Provision and/ or receipt of contracts in relation to construction / infrastructure works for residential, commercial and/or industrial developments	180,000
2.	PTT and PTT Jentera Sdn Bhd (" PTJ ")				Purchasing and/or leasing of machineries for the undertaking of construction / infrastructure	32,000 ⁽ⁱⁱⁱ⁾
3	PTT			GHB	Rental of office space for our Group's new corporate office located at Lot 2A-1-1 (B) First Floor, Space U8, No.6 Persiaran Pasak Bumi, Taman Bukit Jelutong, Seksyen U8, 40150 Shah Alam (" Office Space ")	228 ⁽ⁱⁱ⁾

Notes:-

- (i) *The estimated values stated are determined by management of GHB Group based on the estimated contract value to be entered into and assets value to be acquired. Actual transaction values may differ from the values stated.*
- (ii) *The tenancy for the Office Space is for a period not exceeding three (3) years and subject to renewal with a rental rate of RM38,000 payable on a monthly basis. For information purposes, the three (3) years tenancy amount is approximately RM1.37 million.*
- (iii) *At this current juncture, our Company has yet to finalise the breakdown between the machineries to be acquired and/or leased. Nonetheless, GHB shall ensure that any lease contract(s) entered into with the related party(ies) will be in compliance with Paragraph 3.2(c) of Practice Note 12 of the Listing Requirements whereby the period of the leasing contract will not exceed three (3) years with leasing payment(s) not payable on a lump sum basis.*

The RRPT construction contracts to be entered are envisaged to mainly consist of construction contracts for *inter-alia* civil engineering and infrastructure works, including but not limited to residential, commercial and industrial developments located across Malaysia. The tentative details of the RRPT construction contracts to be awarded to GHB Group are further set out in Section 5 of this Circular. Our Company shall make the necessary announcement in relation to any awarded RRPT contracts in accordance with the Listing Requirements, if required.

4.2 Amounts due and owing to our Company

As at the LPD, there are no outstanding amounts due and owing to our Company which exceeds the credit term by the related parties pursuant to the RRPTs referred to in Section 4.1 of this Circular.

4.3 Review procedures for RRPTs

The procedures and processes to ensure that the RRPT are conducted at arm's length and on normal commercial terms which are consistent with GHB's usual business practices and policies are envisaged as follows:-

- (a) Each director is required to make full disclosure at once of any interest he or she may have in any business enterprise with an existing or proposed business relationship or transaction with our Company and/or our subsidiaries.
- (b) A list of Related Parties of GHB Group will be circulated to the directors and the management of our Group where considerations would be made after taking into account the pricing and contract rates, terms and conditions, level of service and expertise required, and the quality of products and services provided, compared with the prevailing market prices and rates, industry norms and standards, as well as general practices, adopted by service providers of similar capacities and capabilities generally available in the open market. Wherever practicable and/or feasible, at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or qualities will be used as comparison for determining whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by unrelated third parties.
- (c) There are no specific thresholds for approval of RRPTs within our Group. All potential RRPTs have to be disclosed. Our Board through the Audit Committee will subsequently review the RRPT and to ensure compliance with internal control procedures and with the provisions of the MMLR. The review includes the examination of the nature of transaction and if necessary, its supporting documents and/or such data deemed necessary by the Audit Committee. All RRPT entered into will be recorded in a register to be maintained by our Company.
- (d) The interested directors in the RRPT must abstain from our Board deliberations and voting on the relevant resolution(s) in respect of the RRPT.

- (e) The internal audit plan shall incorporate periodic review of identified and reported related party transactions to determine whether internal guidelines and procedures have been complied with, to ensure that the transactions are at arms' length. In addition, an annual review of the system of controls to ensure all related party transactions are adequately identified and reported, and that review procedures were adhered to; and
- (f) Our Board and the Audit Committee of GHB shall periodically review the internal audit plan to ascertain that review procedures established to monitor the RRPT are complied with. The interested directors in the RRPT must abstain from our Board deliberations and voting on the relevant resolution(s) in respect of the RRPT.

4.4 Audit Committee's Statement

The Audit Committee of GHB has seen and reviewed the procedures as set out in Section 4.3 of this Circular and is of the view that the procedures are sufficient to ensure that the RRPTs are not favourable to the transacting parties than those generally available to the public and not detrimental to the interests of GHB's minority shareholders.

5. UTILISATION OF PROCEEDS FROM THE PROPOSED RIGHTS ISSUE OF SHARES

Based on the issue price of RM0.60 for each Rights Share, the Proposed Rights Issue of Shares is expected to raise gross proceeds of RM30.00 million.

GHB Group intends to utilise the proceeds raised from the Proposed Rights Issue of Shares in the following manner:-

Details	Note	(RM'000)	Estimated timeframe for utilisation from the receipt of proceeds
Working capital for our Group's Construction Business	(i)	10,800	Within 15 months
Acquisition of machineries for our Group's Construction Business	(ii)	7,000	Within 3 months
Repayment of borrowings	(iii)	9,500	Within 4 months
General working capital	(iv)	2,000	Within 12 months
Estimated expenses in relation to the Proposed Rights Issue of Shares	(v)	700	Immediate
Total proceeds		30,000	

Notes:-

- (i) The proceeds will be utilised to finance the construction costs of contracts to be undertaken, including but not limited to civil works, payment to sub-contractors, construction material cost, rental for leasing of machineries as well as consultancy and professional fees.

As set out under Section 4 of this Circular, GHB Group is expected to receive awards of construction contracts from related parties with an estimated contract value of up to RM180.00 million. The details of the envisaged RRPT construction contracts are as follows:-

No.	Details of construction contract	Details of Project	Project Owner	Estimated Contract Value (RM'million)	Expected Commencement Date	Estimated Contract Duration	Expected roles / tasks of PTT and GHB
1.	Construction works (comprising of earthworks, drainage, infrastructure and other associated works)	A proposed industrial project located in Pontian, Johor Bahru for light and medium industrial factories	Tropicana Industrial Park Sdn Bhd	37.0	July 2021	15 months	PTT will be the main contractor appointed by the Project Owners for the relevant projects whereby PTT will be responsible in monitoring and coordinating the construction works and ensure timely completion of the projects whereas GHB is envisaged to be appointed by PTT as its subcontractor to undertake the implementation of the scope of work awarded, which involves <i>inter-alia</i> earthworks, infrastructure and associated construction works.
2.	Construction works (comprising of earthworks, infrastructure and other associated works)	A proposed mixed development located in Gelang Patah, Johor Bahru comprising of double storey-houses, serviced apartments and shop offices	Tropicana GP View Sdn Bhd	20.0	July 2021	15 months	
3.	Construction works (comprising of subgrade works including embankment, slope protection, drainage and other associated works) for part of the East Coast Rail Link (ECRL)	A railway link infrastructure project connecting the west and east coast of Malaysia	China Communication Construction (ECRL) Sdn Bhd	60.0	August 2021	30 months	
4.	Construction works (comprising of subgrade works including earthworks, drainage, slope protection, geotechnical works and other associated works)	A proposed mixed development located in Johor Bahru comprising of residential houses, commercial shops and an international school	T Sanctuary Development Sdn Bhd	60.0	October 2021	19 months	

In addition to the RRPT construction contracts, our Group also intends to bid / tender for other construction projects from external / third parties following the Proposed Diversification. As at the LPD, our Group has not tendered or secured any third-party projects and/or contracts. Our Company will make the requisite announcements in compliance with the Listing Requirements.

For avoidance of doubt, in the event the Proposed RRPT Mandate is not approved by the shareholders of GHB or the award of the contracts under the Proposed RRPT Mandate do not materialise, our Group intends to utilise the earmarked proceeds to fund such other external construction projects which our Group may secure in the future.

The exact allocation of the funding for each project can only be determined over the progress of the projects based on their status and the estimated costs required vis-à-vis our Group's cash and/or funding availability at the relevant time as well as the timing of the completion of the Proposed Rights Issue of Shares. Any balance/shortfall required to fund these construction projects to be undertaken will be financed through internally generated funds and/or bank borrowings.

- (ii) Our Group intends to allocate RM7.0 million to the purchase of machineries and equipment to cater for our Group's construction projects and to facilitate the anticipated growth in our Group's Construction Business. The details of the construction machineries and equipment are set out below:-

Machinery and equipment	Purchase quantity	Total estimated purchase cost (RM'000)	Purposes
Excavator	11 units	4,340	A large, diesel-powered construction machine made for digging out earth with its bucket to create trenches, holes and foundations
Articulated trucks	17 units	15,950	A very large heavy-duty type of dump truck used to transport loads such as soil, sand, rubble and rock
Bulldozer	5 units	2,460	A large motorized machine that travels on tracks and is equipped with a metal blade to the front for pushing material: soil, sand, rubble or rock during construction or conversion work.
Tractor	1 unit	150	A vehicle used for hauling trailers or machineries
Motor Grader	1 unit	500	A heavy equipment with a long blade used to create a flat surface during grading
Total	35 units	23,400	

The purchase of new construction machineries and equipment will enable our Group to have more control and flexibility in deploying the construction machineries and equipment according to the commencement of the relevant construction contracts when required without delay. Flexibility in deploying the construction machineries and equipment would result in better time and cost management as the project implementation will not be hindered by unavailability of construction machineries and equipment and/or the cost of leasing.

These construction machineries and equipment are expected to be sourced from PTT and PTJ via the Proposed RRPT Mandate and the estimated purchase cost of these construction machineries and equipment are subject to changes. Nonetheless, our Company intends to use only RM7.0 million from the proceeds raised from the Proposed Rights Issue of Shares to finance these purchases. The shortfall of the purchase cost will be funded via internally generated funds and/or bank borrowings.

For avoidance of doubt, in the event the Proposed RRPT Mandate is not approved by the Shareholders, our Company will reallocate the proceeds intended to be used to our Group's working capital for Construction Business in the manner set out in note (i) above, including the acquisition / leasing of construction machineries / equipment from external / third parties.

- (ii) As at the LPD, our Group has total outstanding borrowings of RM11.20 million, comprising of *inter-alia*, term loans and overdraft facilities. It is the intention of our Company to utilise approximately RM9.50 million of the proceeds raised from the Proposed Rights Issue of Shares towards:-
- a) repayment of our Group's current overdraft facilities which attracts an interest rate of 7.20% per annum. As at the LPD, the said overdraft facilities has an outstanding amount of RM5.60 million and it is expected to increase to RM7.00 million whereby an additional RM1.40 million is currently being procured by our Company and it is expected to be fully drawdown prior to the completion of the Proposed Rights Issue of Shares ("**Additional Overdraft Facility**"); and
 - b) repayment of a short-term term loan of RM2.50 million which attracts an interest rate of 10.00% per annum procured by our Group to fund its working capital needs ("**Additional Term Loan**"). The said facility is currently pending fulfilment of conditions under the terms of facility and is expected to be fully drawdown prior to the completion of the Proposed Rights Issue of Shares.

(the Additional Overdraft Facility and Additional Term Loan are collectively referred to as "**Additional Facilities**")

The breakdown of the repayment of borrowings are set out below:-

Facilities	Proposed repayment (RM'million)	Prevailing interest rate per annum (%)	Approximate interest savings per annum (RM)*
Overdraft	7.00	7.20	504,000
Term Loan	2.50	10.00	250,000

* Represents the interest rate for the bank borrowings to be repaid.

In the event the Additional Facilities currently being procured is not approved and/or unable to be utilised in time prior to the completion of the Proposed Rights Issue of Shares, the excess proceeds not utilised for the repayment of the Additional Facilities shall be used for our Group's working capital for Construction Business in the manner set out in note (i) above.

- (iii) Our Group intends to allocate RM2.00 million to fund its general working capital to support the day-to-day operations of our Group. The proceeds will be primarily channeled towards, amongst others, payment for trade and other payables, staff salaries, office expenses (such as utilities, insurance, maintenance, quit rent and assessment), finance costs, and other general and administrative expenses such as statutory compliance cost, the breakdown of which has yet to be determined by our management at this juncture.

- (iv) The estimated expenses consist of professional fees, fees payable to the relevant authorities, expenses to convene the EGM of our Company for the Proposals, printing, advertising and other ancillary expenses. Any surplus/shortfall from the estimated expenses will be used for/from our Group's working capital for Construction Business in the manner set out in note (i) above.

Pending utilisation of the proceeds from the Proposed Rights Issue of Shares for the above purposes, the proceeds will be placed in interest-bearing deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used for our Group's working capital purposes.

6. RATIONALE FOR THE PROPOSALS

6.1 Proposed Diversification

As set out in Section 2 of this Circular, the Existing Construction and Property Business have been relatively inactive and have been registering minimal contribution to our Group's financial performance over the recent years. Accordingly, the Proposed Diversification is sought as our Board reasonably expects the Construction Business and Property Development Business to contribute 25% or more of the net profits of GHB Group or cause a diversion of 25% or more of our Group's NA moving forward.

Taking into consideration the challenges faced and the lackluster financial performance of our Group's existing trading business as shown under Section 2 of this Circular, the Proposed Diversification is in line with the future business strategy of our Company and the Controlling Shareholders wherein moving forward, it is the intention to revive the Construction Business and Property Development Business as the core businesses of our Group. The Proposed Diversification is expected to expand the revenue stream and earnings base of our Group, which in turn should improve our Group's financial performance moving forward.

Our Board has decided to diversify the existing core business of our Group into the Construction Business and Property Development Business after taking into consideration the extensive experience, track record and industry know-how of the Controlling Shareholders in both sectors. Our Company is able to leverage on such expertise in undertaking and expanding the Construction Business and Property Development Business, which is expected to augur well for our Group's financial performance.

By undertaking the Proposed Diversification, our Group is also able to grow the Construction Business and Property Development Business through amongst others:-

- (i) potential construction contracts to be awarded pursuant to the Proposed RRPT Mandate, details of which are set out in Section 4 of this circular; and
- (ii) the bidding for third party construction contracts.

Notwithstanding the current economic uncertainties, subdued domestic growth and outlook of the property development / construction industry as highlighted in Section 7 of this Circular, our Company is optimistic that the capabilities of the Controlling Shareholders in the Construction Business and Property Development Business will enable our Group to navigate through the economic uncertainties when undertaking the new businesses.

6.2 Proposed Rights Issue of Shares

The Proposed Rights Issue of Shares is intended to raise proceeds to be utilised in the manner as set out in Section 5 of this Circular.

After due consideration of various options available as well as the capital structure of our Company, our Board is of the opinion that the Proposed Rights Issue of Shares is the most appropriate means of fund raising after taking into consideration, *inter-alia*:-

- a) the Proposed Rights Issue of Shares will enable our Company to raise the requisite funds to undertake / carry out the relevant construction works, after taking into account the estimated size of the construction contracts to be undertaken;
- b) the Proposed Rights Issue of Shares will reduce our Group's reliance on borrowings to raise the required working capital for its construction operations, thereby reducing interest expense as well as cash outflow in respect of interest servicing;
- c) the Proposed Rights Issue of Shares will provide all Entitled Shareholders with an opportunity to participate in an equity offering on a pro-rata basis and to increase their equity participation in GHB Group at a discount to the prevailing market price;
- d) the Proposed Rights Issue of Shares will enable GHB to issue new GHB Shares without diluting shareholders' equity interests provided that the Entitled Shareholders fully subscribe for their respective entitlements under the Proposed Rights Issue of Shares; and
- e) the enlarged capital base upon the completion of the Proposed Rights Issue of Shares will also further strengthen GHB Group's financial position and the benefits from the utilisation of proceeds therefrom are expected to improve our Group's future earnings. In addition, the increase in number of GHB Shares in issue upon completion of the Proposed Rights Issue of Shares may improve the trading liquidity of GHB Shares.

For information purposes, our Company has not undertaken any fund-raising exercises in the past 12 months prior to the announcement of the Proposals.

6.3 Proposed RRPT Mandate

The Proposed RRPT Mandate will enable our Company to grow its construction business and potentially improve its future earnings by securing construction contracts from the relevant related parties as well as enabling our Group to procure the necessary machineries and equipment which are critical to carry out the construction works.

Accordingly, the Proposed RRPT Mandate will enable our Group to secure and undertake the RRPT in an expeditious manner without the need to announce and convene separate general meetings (if applicable) from time to time to seek shareholders' mandate for such transaction(s). Further, certain transactions, such as the award of contracts, could be time sensitive in nature, making it impractical to seek shareholders' approval on a case-to-case basis. Hence, the Proposed RRPT Mandate will substantially reduce the expenses, time and resources associated with convening of general meetings on an ad hoc basis.

Further, the Proposed RRPT Mandate will enable our Group to pursue available business opportunities in an expeditious manner and in turn achieve the business objectives of our Group.

7. INDUSTRY OUTLOOK AND PROSPECTS

Information in the ensuing sections 7.1, 7.2 and 7.3 have been extracted from the most recent available government publications and other publicly available resources.

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy contracted by 5.6% in 2020 amid a highly challenging global and domestic operating environment. As with most countries globally, the unprecedented economic shocks emanating from the pandemic resulted in a sharp decline in Malaysia's gross development product ("**GDP**") growth, the lowest since 1998. Following a moderate start to the year, the escalating pandemic by mid-March 2020 dampened domestic economic growth. Adverse external spillovers and the introduction of stringent local containment measures to curb the rise in COVID-19 cases contributed to broad-based weaknesses in exports, production, and domestic demand. The largest impact was felt in the second quarter of 2020, with GDP contracting by 17.1%. Growth improved gradually thereafter from its trough towards the second half of the year as the economy was gradually re-opened, and economic and social activities partially resumed. In response, policymakers implemented sizeable and timely stimulus measures to mitigate the adverse economic impact at the onset of the crisis and support the growth recovery.

The domestic economy was further impacted by the introduction of strict local containment measures. While these measures were key in successfully curbing the initial rise in domestic COVID-19 cases, they also led to concurrent supply and demand shocks to the Malaysian economy.

Production came to a halt, particularly during the Movement Control Order ("**MCO**") period, where non-essential industries were not allowed to operate. While essential activities, such as the production of food and beverages, transport, and financial services continued, sizeable labour capacity and operating hour restrictions alongside tight standard of procedures ("**SOPs**") due to physical distancing rules contributed to domestic supply constraints. Other sector-specific factors, such as dry weather conditions and maintenance closures in mining facilities, weighed further on overall production activity.

Following the trough in the second quarter of 2020, there were incipient signs of gradual growth recovery, albeit rather uneven, towards the second half of the year. As the containment measures were gradually eased from the second quarter, economic activities partially resumed, and labour market conditions improved. COVID-19-resilient industries experienced a quicker recovery given impetus from the global surge in digitalisation and shift in consumer preferences. In line with these developments, the export-oriented industries also benefitted from the improving external demand, particularly for electrical and electronics ("**E&E**") products. By contrast, COVID-19 vulnerable sectors, such as tourism-related industries, experienced slower recoveries due to continued risk aversion and restrictions on international travel, resulting in an uneven and gradual growth recovery.

As 2020 came to an end, Malaysia's growth recovery remained highly contingent on the course of the pandemic. In the fourth quarter, the tightening of containment measures to restrain the resurgence in cases dented the pace of the economic recovery. Employment and income conditions were similarly affected. Nonetheless, as a more targeted approach was adopted through state-specific containment and less stringent supply restrictions, the adverse impact to economic activity was less severe than before. This reflected efforts to balance between managing public health concerns and livelihoods during this pandemic.

The Malaysian economy is projected to rebound to between 6.0% and 7.5% in 2021. Recovery in the domestic economy, which began in the second half of 2020, is expected to continue in 2021. The recovery, nevertheless, is expected to be uneven and will be shaped by several factors, including the course of the COVID-19 pandemic and vaccine rollout, the extent of external spillovers, sector-specific developments, and the degree of improvement in labour market conditions. Amid a highly uncertain operating environment, continued and targeted policy measures will remain central in supporting growth going forward.

In addition, policy measures remain in place to support the growth momentum while still assisting the vulnerable segments that are particularly affected by the COVID-19 developments. These include the extension of measures introduced in 2020, the 2021 Budget, as well as the PERMAI and PEMERKASA assistance packages. Notable measures to ease financial constraints for affected individuals include Bantuan Prihatin Nasional, Bantuan Prihatin Rakyat and Bantuan Kehilangan Pendapatan cash transfers, the Employee Provident Fund (EPF) i-Sinar and i-Lestari cash withdrawals, and the Targeted Repayment Assistance. Furthermore, various tax relief and incentives will also lift overall consumer spending. For businesses, special grants, wage subsidies and the Targeted Relief and Recovery Facility, are extended to firms in the services sector, which is the hardest-hit sector. Complementary to these measures are the continued accommodativeness of monetary policy and supportive financing conditions, which will maintain an environment that is conducive for a recovery in domestic demand as the adverse impact from the COVID-19 crisis gradually subsides.

In a highly uncertain and rapidly evolving environment, the risks to Malaysia's growth projection are tilted to the downside. Key downside risks include the escalation in COVID-19 cases leading to further rounds of containment measures, albeit targeted, and the slower-than-expected rollout or ineffectiveness of vaccines, which could result in stronger precautionary behaviour. Continued susceptibility to domestic commodity production shocks could also weigh on baseline growth. Moreover, heightened global and domestic economic uncertainty could lead to greater financial market volatility, triggering a tightening of domestic financial conditions. Despite this, upside risks to the growth outlook may emanate from a higher-than-expected global growth, faster-than-expected rollout of vaccines, stronger-than-expected impact from policy support, and the realisation of pent-up demand following the lifting of containment measures.

(Source: Economy and Monetary Review 2020, Bank Negara Malaysia)

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for E&E products. Growth was also supported by the continued policy measures. The imposition of the Second MCO ("**MCO 2.0**") and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

The construction sector contracted by a smaller rate of 10.4% (4Q 2020: -13.9%). Activity was supported by the ramp up of construction works in commercial projects that are nearing completion and the continued implementation of small-scale projects. This resulted in a strong positive growth in the special trade subsector. However, activity in the residential, non-residential and civil engineering subsectors remained weak, affected by labour shortages and site shutdowns due to COVID-19 outbreaks. The implementation of MCO 2.0 also weighed on growth, as activity in construction sites that did not meet the conditions to operate were halted.

Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related subsectors, as well as oil and gas facilities will provide further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors.

The balance of risks remains tilted to the downside, arising mainly from ongoing uncertainties in developments related to the pandemic, and continued challenges that affect the roll-out of vaccines both globally and domestically.

(Source: BNM Quarterly Bulletin (First Quarter 2021), Bank Negara Malaysia)

GHB is principally involved in the trading of building materials and pursuant to the Proposed Diversification, our Group will be involved in the Construction Business and Property Development Business. Hence, our Group's performance is principally linked to the outlook and performance of the Malaysian construction and property development industry.

7.2 Overview and outlook of the construction industry

The value of construction work done in the fourth quarter 2020 contracted by 14.2 per cent (Q3 2020: -13.1%) year-on-year basis, amounting to RM31.7 billion (Q3 2020: RM31.4 billion). The special trades activities sub-sector soared higher at 29.3 per cent in the fourth quarter 2020. The others three sub-sector, namely civil engineering sub-sector declined by 25.0 per cent, residential buildings sub-sector (-10.9%) and non-residential buildings sub-sector (-6.3%).

The civil engineering sub-sector remained dominant the value of construction work done for 21 consecutive quarters since fourth quarter 2015 with 39.6 per cent share. This followed by non-residential buildings (27.5%), residential buildings (25.4%) and special trades activities (7.4%). The private sector continued to impel the construction activity with 55.7 per cent share or RM17.7 billion of the total value of construction work done, as compared to the public sector with 44.3 per cent share (RM14.0 billion).

In 2020, the value of construction work done contracted by 19.4 per cent to RM117.9 billion as compared to RM146.4 billion in 2019. All sub-sector recorded a decline in the value of construction work done, where the civil engineering sub-sector decreased 24.0 per cent, residential buildings sub-sector (-17.2%), non-residential buildings sub-sector (-17.1%) and special trades activities sub-sector (-2.1%).

(Source: Quarterly Construction Statistics, Fourth Quarter 2020, Department of Statistics Malaysia)

The real estate and business services subsector declined by 11.3% in the first half of 2020, attributed to temporarily suspension of construction activities during the MCO. The subsector is expected to continue to decline by 11.9% in the second half and 11.6% for the whole year. This is mainly due to deferred construction projects and subdued business activities. However, with projected economic recovery and the roll-out of delayed infrastructure projects, the subsector is expected to rebound by 7.6% in 2021. The exemption of Real Property Gains Tax ("RPGT"), launching of the National Affordable Housing Policy and Rent-to-Own ("RTO") scheme, extension of Youth Housing Scheme (YHS) and Home Ownership Campaign ("HOC") are expected to support the subsector. In addition, higher demand for construction-related services is expected to drive the business services segment.

With the economic recovery, consumer-related products will benefit from higher household disposable income, while construction-related products will be supported by major infrastructure and affordable housing projects.

The construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, civil engineering and specialized construction activities subsectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages. Overall, for the year, the sector is projected to contract by 18.7%.

The construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include Mass Rapid Transit 2 (“**MRT2**”), Light Rail Transit 3 (“**LRT3**”), West Coast Expressway (“**WCE**”) and Bayan Lepas Light Rail Transit as well as Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langkat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

The residential subsector is anticipated to improve, supported by various measures taken by the Government of Malaysia (“**Government**”) to address the property overhang situation. Among the measures include the extension of HOC, exemption of RPGT, the introduction of RTO scheme as well as reduction of foreign ownership threshold. The performance of the non-residential subsector is expected to recover marginally, supported by on-going commercial projects, including Bukit Bintang City Centre, Cyberjaya City Centre, Forest City and Malaysia Vision Valley 2.0.

Public investment is projected to decline by 9.3% in 2020 on account of lower capital outlays, especially in the first half of the year. Public investment expenditure, which shrunk by 24.2% during the period, is expected to gradually improve in the second half of 2020. This follows the implementation and acceleration of investment in infrastructure, such as small-scale projects under the economic stimulus packages and the National Fiberisation and Connectivity Plan (NFCP). The Federal Government’s development expenditure (DE) continues to prioritise investment with high multiplier impact and value for money. The DE, averaging about RM59 billion between 2020 – 2021, is mostly targeted at promoting sustainable development and bridging urban-rural infrastructure gap as well as enhancing the living standards of the people. Among major projects, include expansion of several airports as well as construction of hospitals and Klang Valley Double Track Phase 1 (KVDT 1). The continuation of large-scale transport related projects, such as MRT2, LRT3, Rapid Transit System (RTS) and Pan Borneo Highway, will also provide impetus to public investment. Public corporations are expected to continue investing in new and on-going projects, among others, development of O&G-related projects, upgrading of digitalisation-related activities and construction of energy plants. All these initiatives are expected to support public investment to expand by 16.9% in 2021.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

The construction sector contracted by 19.4% in 2020 (2019: 0.1%) reflecting reduced work capacity in compliance to containment measures, labour shortages due to international border closures, supply chain disruptions and site shutdowns following the COVID-19 outbreak. Growth in the second quarter of the year was mainly weighed by the suspension of almost all construction work in March and April. Despite some relaxation in operating constraints in May, most project sites remained idle, as developers experienced financial, compliance, and supply-chain challenges in resuming work. Nonetheless, activity improved in the second half of 2020 given better clarity and compliance with operating guidelines, more pervasive COVID-19 testing on workers and extended hours for construction activity. In addition, the rollout of stimulus packages supported many small-scale projects, and spurred growth in the special trade subsector in the second half of 2020. Activity in the residential and non-residential subsectors benefitted from new housing projects and ramp up in progress of projects due for completion respectively in the second half of 2020, while the civil engineering subsector was supported by continued progress in large infrastructure projects.

(Source: Economic and Monetary Review 2020, Ministry of Finance Malaysia)

7.3 Overview and outlook of the property development industry

Property Market Activity

The property market performance recorded a significant decline in 2020 compared to 2019. A total of 295,968 transactions worth RM119.08 billion were recorded, showing a decrease of 9.9% in volume and 15.8% in value compared to 2019, which recorded 328,647 transactions worth RM141.40 billion. Volume of transactions across the sub-sectors contracted sharply in 2020. The residential, commercial, industrial, agriculture and development land sub-sectors recorded contraction of 8.6%, 21.0%, 24.0%, 10.7% and 2.6% respectively.

In terms of value of transactions, residential, commercial, industrial and development land sub-sectors recorded sharp decline of 9.0%, 32.6%, 14.0% and 34.0% respectively, whereas agriculture recorded otherwise, increased by 0.6%.

The residential sub-sector led the overall property market, with 64.7% contribution in volume. This was followed by agriculture (20.7%), commercial (6.8%), development land and others (6.2%) and industrial (1.6%). In terms of value, residential took the lead with 55.3% share, followed by commercial (16.4%), industrial (10.7%), agriculture (10.5%) and development land and others (7.1%).

Residential Property

There were 191,354 transactions worth RM65.87 billion recorded in 2020, being decrease by 8.6% in volume and 9.0% in value as compared with 2019 (209,295 transactions worth RM72.41 billion). Performance across the states was not encouraging as all states except Perak and Terengganu recorded declines in market activity. By state, Selangor contributed the highest volume and value to the national market share, with 23.0% in volume (44,034 transactions) and 33.0% in value (RM21.72 billion). As for WP Kuala Lumpur, though only recorded 10,606 transactions, the transaction value was the second highest at RM8.24 billion, contributing 12.5% market share. The downward trend in major states namely WP Kuala Lumpur (-4.5%), Selangor (-15.3%), Johor (-19.9%) and Pulau Pinang (-7.7%) led to the overall decline in the sub-sector. These four major states formed 46.8% of the total national residential volume.

By types, demand focus on terraced houses, formed around 41.0% of the total residential transactions, followed by vacant plots (16.2%), high-rise units (14.4%) and low-cost houses/flats (11.6%). By price range, demand continued to focus on RM300,000 and below, accounting for 61.7% of the total residential transactions, followed by RM300,001 to RM500,000 (21.9%), RM501,000 – RM1,000,000 (12.7%) and more than RM1,000,000 (3.7%).

As most developers had deferred the new launches to focus on selling remaining unsold inventories, the primary market saw lesser release of new launches. There were 47,178 units launched in 2020, against nearly 60,000 units in 2019. Sales performance was modest at 28.7% in 2020, lower than 2019 at 40.4%. The low sales performance was partly due to the sluggish property market and cautious buyers' sentiment. Nevertheless, many developers had adopted new marketing strategy by using website and mobile apps to market their products.

Commercial Property

The sub-sector recorded a sharp decline in 2020 compared to 2019. There were 20,255 transactions worth RM19.53 billion recorded in 2020, decreased by 21.0% in volume and 32.6% in value as compared with 2019 (25,654 transactions worth RM28.99 billion). Performance across the states was not encouraging as all states except WP Putrajaya recorded significant declines in market activity. By state, Selangor contributed the highest volume and value to the national market share, with 23.6% in volume (4,779 transactions) and 27.8% in value (RM5.42 billion), followed by WP Kuala Lumpur, with 15.2% in volume and 24.5% in value (3,072 transactions worth RM4.79 billion) and Johor with 14.9% in volume and 14.6% in value (3,025 transactions worth RM2.86 billion).

Shop segment recorded 10,477 transactions worth RM8.5 billion, dominating 51.7% of the commercial property transactions volume and 43.5% of the total value. Market performance recorded a significant decrease of 21.1% in volume and 24.7% in value (2019: 13,281 transactions worth RM11.29 billion). By state, Johor contributed the highest volume to the market share, with 17.7% (1,855 transactions), followed by Selangor with 17.0% (1,777 transactions). In term of value, Selangor led the market with 25.9% of the total value (RM2.2 billion), followed by Johor with 17.8% (RM1.5 billion).

2021 Outlook on property sector

Based on the current prolonged Covid-19 pandemic and the foreseeable impact on the overall economy, the property market performance is expected to remain cautious and soft in 2021. Bank Negara Malaysia is forecasting the Malaysia's gross development profit to grow within the range of 5.5% to 8.0% in 2021 while the World Bank is forecasting Malaysia's economy to grow by 6.7%.

Nevertheless, the Government has introduced Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and Short-term Economic Recovery Plan (PENJANA) in 2020 as well as Budget 2021 to help cushion the impact on property market. On the infrastructure development front, the Government has allocated RM15 billion to fund the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double-tracking Project and Klang Valley Double Tracking Project Phase 1 under Budget 2021. In addition, several key projects will be continued such as Rapid Transit System (RTS) Link from Johor Bharu to Woodlands, Singapore and MRT 3 in Klang Valley.

The residential market is expected to see a slow uptick in the second half of year 2021. The focus would remain on affordable segment. The Government has allocated a total of RM1.2 billion fund for providing comfortable and quality housing, especially for the low-income group, under Budget 2021 which include:-

1. RM500 million to build 14,000 units low cost housing under Program Perumahan Rakyat;
2. RM315 million for the construction of 3,000 units of Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad;
3. RM125 million for the maintenance of low cost and medium-low stratified housing as well as assistance to repair dilapidated houses and those damaged by natural disasters; and
4. RM310 million for the Malaysia Civil Servants Housing Program (PPAM).

At the same time, various incentives have been initiated by the Government to promote home ownership, especially for first-time buyers, which include:-

1. Full stamp duty exemption on instruments of transfer and loan agreement for first-time home buyers will be extended until 31 December 2025. This exception is effective for sale and purchase executed from 1 January 2021 to 31 December 2025.
2. Stamp Duty exemption on loan agreement and instruments of transfer given to rescuing contractors and the original house purchasers is extended for five years. This exemption is effective for loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned housing projects certified by Ministry of Housing and Local Government (KPKT).
3. The Government will collaborate with selected financial institutions to provide a Rent-to-Own Scheme. The program will be implemented until 2022 involving 3,000 units PR1MA houses with a total value of more than RM1 billion.

2020 was a challenging year for the residential property but also for commercial sub-sector. The overall retail performance has been sluggish in past years and the situation was worsened in 2020 due to the pandemic. Giant exited Sarawak and Sabah market by transferring the stores to local players, Robinson Department Store permanently shut down its operations in Malaysia as two stores located at The Gardens Mall and Four Seasons Place closed down. In the serviced apartment segment, the overhang and unsold under construction situation will remain an issue of concern in the property market in 2021 as the numbers continued to increase in 2020 and is not likely to be absorbed in the near future.

In conclusion, the property market performance in 2021 is much dependent on the country's economic and financial outlook. The availability and rolling out of Covid-19 vaccine throughout the country is seen as fundamental to deter any new wave of infection spread. This will help boost business confidence, household sentiments as well as the general economy, which will likely see a soft upturn in the property market in the second half of 2021.

(Source: Property Market Report 2020, JPPH Malaysia)

7.4 Prospects of GHB Group

As depicted under Section 2 of this Circular, our Group's Trading Business has been the main revenue and profit contributor to GHB Group for the past 3 financial years as well as the FPE 31 March 2021. Our Group's overall lackluster financial results were mainly affected by the losses / inactivity of its Existing Construction and Property Business as well as the marginal and inconsistent profits registered by our Group's Trading Business.

Taking into consideration the above and the objective of enhancing our Group's prospects and financial performance, our management intends to increase and strengthen our Group's construction orderbook by securing potential construction contracts from both related parties and third parties. To this end, the RRPT construction contracts expected to be awarded to our Group of up to RM180.0 million as further described under Section 4 of this Circular are expected to provide earnings visibility to our Group for the next two and a half years. In addition to the RRPT construction contracts, our Group also intends to bid / tender for other construction projects from external / third parties following the Proposed Diversification.

Further, subject to market conditions and availability of viable opportunities, our Group may also revive its property development activities by developing its existing landbank as well as entering into joint venture arrangements, acquisition of landbanks and/or projects, when the opportunity arises. For information purposes, as at the LPD, our Group has landbanks of approximately 140 acres located across Peninsular Malaysia which are currently held for future development. Our Board will continue to monitor the progress of the property industry in Malaysia and will be selective in pursuing any property development opportunities.

The current challenging COVID-19 situation and the MCO imposed in Malaysia have resulted in a halt / cessation of certain economic activities including the construction and property sectors. As our Group's trading operations are predominantly reliant on the construction sector and moving forward our Group will also be engaged in the Construction Business and Property Development Business following the Proposed Diversification, our Board took note that any extension of the MCO and/or further tightening of measures by the Government to curb COVID-19 will have negative ripple effects on our Group's financial performance as our Group's business operations will inevitably be subject to disruptions which potentially result in, amongst others, work delay, cost overruns and the inability to secure contracts.

Nonetheless, whilst our Board takes cognisance that the construction and property industries have been weakened / may continued to be affected by the negative pressures arising from the outbreak of the COVID-19 pandemic, our Board is cautiously optimistic on the prospects of both industries as well as the outlook of our Group. Such optimism arise from the expected RRPT construction contracts to be awarded to our Group of up to RM180.0 million as well as the expected recovery of the construction sector in 2021 after the stabilisation of the COVID-19 situation in Malaysia, supported by acceleration and revival of infrastructure projects, increase in public investment as well as recovery in the housing sector. Our Group is poised to benefit from the civil engineering / industrial construction sector which is expected to improve with the continued progress in infrastructure projects such as, *inter-alia*, the MRT2, LRT3 and WCE as well as the gradual recovery of industrial developments. Meanwhile, the residential sector is also expected to improve with the support of various measures undertaken by the Government such as the extension of the HOC, exemption of RPGT, the introduction of the RTO scheme as well as the reduction in foreign ownership threshold.

For our Group's Trading Business, our management has also undertaken several initiatives including, amongst others reviewing our customers profile vis-à-vis the ageing of the trade receivables. It is the intention of our Company to maintain customers with a good credit profile and reassessing customers with long-overdue payment. Our Group is desirous to adopt a more efficient procurement strategy and planning to secure lower prices from our Group's suppliers to achieve better margins. In addition, the existing Trading Business will be able to complement the Construction Business in terms of supplying the necessary building / construction materials for the completion of the construction projects undertaken by our Group.

With the emergence of ATTG and the Controlling Shareholders, our Board believes that our Group has the capability and resources to ensure successful execution of the awarded construction projects and continue to grow the Construction Business by tendering for and/or securing new contracts, which in turn will enhance the financial performance and position of our Group.

(Source: Management of GHB)

8. RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION

The Proposed Diversification will result in the re-establishment of Construction Business and Property Development Business as our Group's core business. Accordingly, our Group is expected to be subject to challenges and certain risk inherent in the industries in which our Group has not been significantly exposed to in recent years.

Save as disclosed below, which are by no means exhaustive, our Board does not foresee any other additional risks arising from the Proposed Diversification:-

8.1 Operational/Business risks

The diversification of our Group's core business to include the Construction Business will expose our Group to certain risk inherent in the construction industry such as amongst others, timely commencement or completion of projects, obtaining timely approvals from the regulatory authorities, maintaining the requisite license(s) to undertake construction works, satisfactory performance of contractors, availability of labour and construction materials, fluctuations in the price of construction materials, labour and environmental regulations and change in credit conditions / monetary policies which could materially affect the prospects of the construction industry.

In addition, the Proposed Diversification will result in our Group being exposed to risks inherent in the property development industry, including amongst others, adverse changes in real estate market prices, changes in demand for types of residential, commercial and industrial properties, competition from other property developers, changes in economic, social and political conditions, delay in completion of property development projects against the scheduled completion, risk of purchaser's default, performance of third-party contractors and sub-contractors, labour and material supply shortages, fluctuations in the prices of building material and costs of labour charges, increase in real property gains tax and any applicable taxes and adverse changes in property tax assessments and other statutory charges.

Being a relatively new player in the market, GHB Group will face stiff competition from both new entrants and existing players in the Construction Business and Property Development Business. Our Group may also be disadvantaged by being a relatively new entrant in the Construction Business and Property Development Business due to lack of a current track record and brand name as compared to existing and more established players.

Nevertheless, our Group will seek to mitigate this risk by leveraging on the experience, network and expertise of the Controlling Shareholders and key management personnel. Our Group will also seek to limit the risks through, amongst others, prudent financial management, proactive and close monitoring of the progress and costs of the projects to minimise cost overruns and ensuring timely delivery of the projects while making all reasonable efforts to maintain the quality of the final products. Further, our Company will from time to time review pricing and marketing strategies to secure contracts / sales.

8.2 Dependency on key management personnel

The growth and success of the construction and property development segments of GHB Group, to an extent, is dependent largely on the abilities, skills, experience, competency and continued efforts of our Controlling Shareholders and key management personnel and the ability of our Group to identify additional key management for the purposes of its Construction Business and Property Development Business. The loss of any key management personnel without suitable and timely replacement, or the inability to attract and retain qualified personnel could adversely affect our Group's intended Construction Business and Property Development Business and consequently, its revenue and profitability.

Recognising the importance of its key personnel, our Group will continuously adopt appropriate approaches to retain its key management personnel. Further, to avoid overdependence on any key management personnel, our Group will strive to attract qualified and experienced employees as well as implementing the succession planning programme by grooming junior employees to support and complement our management team to ensure the continuity and competency of our management team.

8.3 Changes in political, economic and regulatory landscape

Adverse changes in political, economic, regulatory and social conditions in Malaysia including amongst others, changes in economic conditions, changes in governmental policies, such as the method of taxation and the introduction of new regulations, could materially and unfavourably affect the financial prospects of the Construction Business and Property Development Business directly or indirectly. These factors are generally beyond our management's control and affect all players in the industry. Nevertheless, our Group takes cognisance of this and will take effective measures to mitigate such risks by adhering to prudent financial management and measures to ensure that changing demands and conditions are met.

8.4 Pandemic risk

The global economic growth has been affected due to the outbreak of COVID-19 and its rapid spread across the globe. The ripple effects of COVID-19 are still unfolding on a global scale and the true impact of this pandemic can only be measured once the situation stabilizes. Inevitably, social and economic conditions in Malaysia will be affected by the COVID-19 pandemic, particularly, in the event where the movement restriction orders are extended / tightened, our Company may be subject to disruptions in business operations, which may result in work delay and/or cost overruns which in turn could negatively affect the earnings of our Group. In addition, any adverse downturn to the construction and property development industries as a result of prolonging / tightening of the MCO will also affect our Group's ability to secure new construction contracts and/or launch property projects, where applicable, which will in turn negatively affect our Group's future earnings.

Nevertheless, our Company will monitor closely the progress of the COVID-19 outbreak in its efforts to mitigate the impact on the construction/property projects to be undertaken by our Group. Our Group will strive to implement more efficient operating procedures and prudent financial management to ensure that the adequacy of working capital and timeliness of delivering the project(s) are not affected, while at the same time reviewing and enhancing its marketing / promotional initiatives to boost revenue for the construction and property development segment, where applicable.

9. EFFECTS OF THE PROPOSALS

The Proposed Diversification and Proposed RRPT Mandate will not have any effect on the share capital and substantial shareholders' shareholdings of our Company. However, if the award of the construction contracts under the Proposed RRPT Mandate and/or other construction/property projects under the Proposed Diversification materialises, it is expected to contribute positively to the future earnings of our Group and strengthen the NA position of our Group.

In the event borrowings are obtained to fund the undertaking of the awarded construction contracts and/or the property development activities of our Group, our Group's gearing level may increase but such impact can only be determined at the relevant point of time depending on, *inter-alia*, the working capital requirements vis-à-vis our Group's cash reserves.

The proforma effects of the Proposed Rights Issue of Shares on GHB's issued share capital, NA, gearing, substantial shareholders' shareholdings and earnings and EPS are as follows:-

9.1 Share capital

The proforma effects of the Proposed Rights Issue of Shares on the share capital of our Company as at the LPD are set out below:-

	No. of GHB Shares (<i>'000</i>)	Amount (<i>RM'000</i>)
Issued share capital as at the LPD	40,000	44,186
To be issued pursuant to the Proposed Rights Issue of Shares ⁽ⁱ⁾	50,000	30,000
Enlarged share capital	90,000	74,186

Note:-

(i) Based on the issue price of RM0.60 per Rights Share.

9.2 NA and gearing

The proforma effects of the Proposed Rights Issue of Shares on the audited consolidated NA and gearing of GHB as at 30 June 2020 are set out below:-

	Audited as at 30 June 2020 (<i>RM'000</i>)	After the Proposed Rights Issue of Shares (<i>RM'000</i>)
Share capital	44,186	74,186
Revaluation reserve	9,693	9,693
Accumulated losses	(12,002) ⁽ⁱⁱⁱ⁾	(12,702) ⁽ⁱ⁾
Shareholders' fund / NA	41,878	71,177
No. of GHB Shares in issue	40,000	90,000
NA per Share	1.05	0.80
Total borrowings	11,843	6,243 ⁽ⁱⁱ⁾
Gearing (times)	0.28	0.09

Notes:-

- (i) Including the estimated expenses of RM0.70 million arising from the Proposed Rights Issue of Shares.
- (ii) Assuming part of the proceeds raised from the Proposed Rights Issue of Shares is used for the partial repayment of RM5.6 million of our Group's existing outstanding borrowings, as set out under Section 5 of this announcement. For avoidance of doubt, the Additional Facilities of RM3.9 million currently being procured by our Company has not been included in the proforma effects above.
- (iii) For information purposes, the accumulated losses recorded by our Group is mainly due to the losses recorded over the past few financial years which were largely attributable to, amongst others, the highly competitive nature of our trading business resulting in compressed margins which was further exacerbated by the negative effects of COVID-19, as well as the losses incurred by our Existing Construction and Property Business due to inactivity of the segments.

(ii) Scenario 2

	As at the LPD			After the Proposed Rights Issue of Shares		
	Direct		Indirect	Direct		Indirect
	No. of GHB Shares	% ⁽¹⁾	No. of GHB Shares	No. of GHB Shares	% ⁽²⁾	No. of GHB Shares
ATTG	20,400,396	51.00	-	63,900,396 ⁽⁵⁾	71.00	-
Dato' Rahim	-	-	20,400,396 ⁽³⁾	-	-	63,900,396 ⁽³⁾
Teo Swee Leng	-	-	20,400,396 ⁽³⁾	-	-	63,900,396 ⁽³⁾
Teo Swee Phin	36,900	0.09	20,400,396 ⁽³⁾	36,900	0.04	63,900,396 ⁽³⁾
Dynamic Merchant Limited	2,333,333	5.83	-	2,333,333 ⁽⁶⁾	2.59	-
Sim Cheng Young	67,770	0.17	2,333,333 ⁽⁴⁾	67,770 ⁽⁶⁾	0.08	2,333,333 ⁽⁴⁾⁽⁶⁾

Notes:-

- (1) Based on the total number of 40,000,000 GHB Shares as at the LPD.
- (2) Based on the enlarged issued share capital of GHB amounting to 90,000,000 GHB Shares after the Proposed Rights Issue of Shares.
- (3) Deemed interested by virtue of his interest in ATTG pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of his interest in Dynamic Merchant Limited pursuant to Section 8 of the Act.
- (5) Assuming ATTG disposes 6,500,000 GHB Shares pursuant to the LA.
- (6) The shareholdings of Dynamic Merchant Limited and Sim Cheng Young after the Proposed Rights Issue of Shares are set out for illustration purposes only. Dynamic Merchant Limited and Sim Cheng Young will no longer be deemed as substantial shareholders of GHB after the Proposed Rights Issue of Shares under Scenario 2.

9.4 Earnings and EPS

The Proposed Rights Issue of Shares is not expected to have any effect on the earnings of GHB Group for the FYE 30 June 2021. Nonetheless, it is expected to provide the necessary funds *inter-alia* for our Group's construction activities which is envisaged to enhance our Group's earnings in the ensuing financial years as and when the benefits of such activities are realised in stages over the period of the relevant contracts.

Subsequent to the completion of the Proposed Rights Issue of Shares, the EPS of our Company will be correspondingly diluted as a result of the increase in the number of GHB Shares in issue.

9.5 Convertible securities

Our Company does not have any outstanding convertible securities as at the LPD.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSON CONNECTED

None of the directors, major shareholders, chief executive of GHB and/or persons connected with them has any interest, whether direct and/or indirect, in the Proposed Rights Issue of Shares and the Proposed Diversification, other than their respective entitlements to subscribe for the Rights Shares under the Proposed Rights Issue of Shares, to which all other shareholders of GHB are similarly entitled.

Save for Teo Swee Leng and Teo Swee Phin as disclosed under Section 4.2 of this Circular as well as Dato' Rahim and ATTG, none of the other directors, Shareholders, chief executive of GHB and/or persons connected to them have any interest, direct or indirect, in the Proposed RRPT Mandate.

Teo Swee Leng and Teo Swee Phin are deemed interested in the Proposed RRPT Mandate by virtue of them being directors and major shareholders of GHB as well as being directors and major shareholders of PTT and/or PTJ.

Dato' Rahim is deemed interested in the Proposed RRPT Mandate by virtue of him being a director and major shareholder of GHB as well as being a person connected to Teo Swee Leng and Teo Swee Phin pursuant to his directorship and major shareholdings in ATTG, of which both Teo Swee Leng and Teo Swee Phin are directors and major shareholders.

ATTG is deemed interested in the Proposed RRPT Mandate by virtue of it being a major shareholder of GHB as well as being a company controlled by Dato' Rahim, Teo Swee Leng and Teo Swee Phin.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings and/or directors' resolution(s) in writing in respect of the Proposed RRPT Mandate.

In addition, the Interested Directors and the interested major shareholder of GHB, namely ATTG, will also abstain from voting and undertake to ensure that persons connected with them, if any, to abstain from voting in respect of their direct and/or indirect shareholdings in GHB, on the resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming EGM of our Company.

11. APPROVALS REQUIRED FOR THE PROPOSALS

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

- (i) Bursa Securities for the listing of and quotation for 50,000,000 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares, subject *inter-alia* to, the following conditions:-

No.	Conditions	Status of compliance
1.	AmInvestment Bank to confirm on the full compliance of at least 25% of the public shareholding spread requirements pursuant to Paragraph 8.02(1) of the Listing Requirements upon the listing and quotation of the Rights Shares.	To be met
2.	GHB and AmInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue of Shares;	To be met
3.	GHB and AmInvestment Bank to inform Bursa Securities upon the completion of the Proposed Rights Issue of Shares	To be met
4.	GHB and AmInvestment to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of Shares is completed.	To be met

- (ii) Shareholders at the EGM of our Company to be convened for the Proposals; and
(iii) any other relevant authorities and/or parties, if required.

12. INTER-CONDITIONALITY

The Proposed Diversification and the Proposed Rights Issue of Shares are inter-conditional. The Proposed RRPT Mandate is conditional upon the Proposed Diversification but not vice-versa.

For avoidance of doubt, in the event the Proposed RRPT Mandate does not materialise, our Company still intends to undertake the Proposed Diversification via bidding / securing for construction contracts from external / third parties as well as undertaking property development activities, where applicable.

The Proposals are also not conditional upon any other corporate exercises undertaken or to be undertaken by GHB.

13. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals which are the subject matter of this Circular, our Board confirms that there are no other outstanding corporate proposals that have been announced through Bursa Securities but are yet to be completed prior to the printing of this Circular.

14. DIRECTORS' STATEMENT AND RECOMMENDATION

a) Proposed Diversification and Proposed Rights Issue of Shares

Our Board, after having considered all aspects of the Proposed Diversification and Proposed Rights Issue of Shares including the rationale, utilisation of proceeds and effects of the Proposed Rights Issue of Shares, is of the opinion that the Proposed Diversification and Proposed Rights Issue of Shares are in the best interests of GHB.

Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Diversification and Proposed Rights Issue of Shares at the forthcoming EGM of our Company.

b) Proposed RRPT Mandate

Our Board (save for the Interested Directors), having considered all aspects of the Proposed RRPT Mandate, including the rationale and prospects, is of the opinion that the Proposed RRPT Mandate is fair, reasonable and in the best interest of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed RRPT Mandate at the forthcoming EGM of our Company.

15. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, and subject to the receipts of all required approvals from the relevant parties and authorities, the Proposals are expected to be completed by the 2nd half of calendar year 2021.

The tentative timeline in relation to the implementation of the Proposals is as follows:-

Date	Events
5 July 2021	<ul style="list-style-type: none">• EGM for the Proposals
Mid July 2021	<ul style="list-style-type: none">• Announcement of the Entitlement Date
End July 2021	<ul style="list-style-type: none">• Entitlement Date• Issuance of Abridged Prospectus, Rights Subscription Form and Notice of Provisional Allotment for the Proposed Rights Issue of Shares
Mid August 2021	<ul style="list-style-type: none">• Closing date of the application and acceptance for the Rights Shares
Early September 2021	<ul style="list-style-type: none">• Listing of and quotation for the Rights Shares on the Main Market of Bursa Securities

16. EGM

The EGM of GHB, the Notice of which is available on our Company's website at <http://hoover.com.my/investor.html> will be conducted virtually at the broadcast venue at the Meeting Room of GHB, 2A-1-1(B), Space U8, No. 6, Persiaran Pasak Bumi, Taman Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 5 July 2021 at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions pertaining to the Proposals as described therein.

If you are unable to participate and vote at the EGM via live stream and online voting, you are requested to complete, sign and return the Form of Proxy and deposit it at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not later than forty-eight (48) hours before the time set for holding the EGM. Your proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshsb.net.my>.

The completion and lodgement of the Form of Proxy will not preclude you from attending, participating, speaking and voting at the EGM should you subsequently decide to do so.

17. FURTHER INFORMATION

You are requested to refer to the enclosed appendices in this Circular for further information.

Yours faithfully
For and on behalf of the Board of
GRAND HOOVER BERHAD

TUAN SR. HJ. MOHD FARID BIN NAIM
EXECUTIVE DIRECTOR

1. COMMENTARIES ON HISTORICAL FINANCIAL PERFORMANCE

Our Group's historical financial performance for the FYE 30 June 2018, 30 June 2019, 30 June 2020, FPE 31 March 2020 and FPE 31 March 2021 are summarised below:-

	Audited			Unaudited	
	FYE 30 June 2018 (RM'000)	FYE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)	FPE 31 March 2020 (RM'000)	FPE 31 March 2021 (RM'000)
Revenue	52,161	62,676	48,171	42,037	51,586
Profit / (loss) after tax	(1,556)	(2,488)	(3,448)	(1,083)	(852)
NA	46,541	43,714	41,878	42,243	40,732
Borrowings	10,806	12,427	11,843	11,166	11,568
Gearing (times)	0.23	0.28	0.28	0.26	0.28
No. of issued shares	40,000	40,000	40,000	40,000	40,000
Gross EPS/(loss) per share (sen)	(3.89)	(6.22)	(8.62)	(2.71)	(2.13)
NA per GHB Share (RM)	1.16	1.09	1.05	1.06	1.02

a) FPE 31 March 2021 vs FPE 31 March 2020

Our Group's revenue increased by approximately RM9.55 million or 23% to RM51.59 million in FPE 31 March 2021. The increase in revenue was mainly attributable to the higher sales achieved from our Group's trading division in tandem with the movement from the MCO imposed by the Government to the conditional MCO and the relaxation of SOPs imposed during the FPE 31 March 2021.

Our Group recorded an improved loss after tax ("LAT") of RM0.85 million in FPE 31 March 2021 as compared to a LAT of RM1.08 million in FPE 31 March 2020 mainly due to higher sales achieved from our Group's trading division.

b) FYE 30 June 2020 vs FYE 30 June 2019

Our Group's revenue decreased by approximately RM14.51 million or 23% to RM48.17 million in FYE 30 June 2020. The decrease in revenue was mainly attributable to lower sales recorded by our Group's trading division caused by the enforced MCO imposed by the government and social distancing measures which had adverse impact in the supply of our Group's products to local contractors that are involved in various construction industries.

Our Group recorded an increase in LAT of RM0.96 million or 39% in FYE 30 June 2020. The increase in LAT was mainly due to lower revenue recorded during the financial year as highlighted above and the increase in other expenses mainly attributable to impairment loss on our Group's trade receivables, had resulted in our Group to register a LAT of RM3.45 million during the financial year.

c) FYE 30 June 2019 vs FYE 30 June 2018

Our Group's revenue increased by approximately RM10.52 million or 20% to RM62.68 million in FYE 30 June 2019. The increase in revenue was mainly attributable to increase in sales recorded by our Group's trading division from the expansion of our Group's customer base and new customers obtained during the financial year.

Notwithstanding the increase in revenue, our Group registered an increase of LAT to RM2.49 million in FYE 30 June 2019 compared to a LAT of RM1.56 million in the FYE 30 June 2018. The increase in LAT recorded was mainly due to the increase in finance cost and tax expenses during the financial year.

2. VALUE CREATION TO OUR GROUP AND SHAREHOLDERS

Based on the latest unaudited financial position of our Group as at 31 March 2021, the cash and bank balances of our Group stood at RM1.22 million. It is our Group's intention to diversify into the construction business to bolster the financial performance of our Group via the undertaking of the RRPT construction contracts and third party contracts. Taking into consideration the expected contract value of the RRPT construction contracts of RM180 million, our Group will require additional funds / working capital to facilitate the undertaking of the said construction contracts.

Hence, the Proposed Rights Issue of Shares is undertaken mainly to raise the requisite funds to meet its funding requirements to ensure the successful completion of the construction contracts, which will improve our Group's financial performance moving forward. The Proposed Rights Issue of Shares also allows our Group to raise the requisite funds without having to rely on external funding such as bank borrowings which would entail our Group incurring additional interest expense and repayment of principals.

Further, the Proposed Rights Issue of Shares is undertaken on a Full Subscription Basis via the Undertaking provided by the Undertaking Shareholder. Hence, in view of the Undertaking, an underwriting arrangement is not required for the purposes of the Rights Issue of Shares and consequently no underwriting fees is required to be paid by GHB

3. IMPACT OF THE PROPOSED RIGHTS ISSUE OF SHARES TO OUR GROUP AND SHAREHOLDERS

As set out in Section 9.2 of this Circular, the Proposed Rights Issue of Shares will enhance our Group's overall financial position as it will increase its shareholders' equity and strengthen the capital base of our Group. In addition, the Proposed Rights Issue of Shares will also enable our Group to enhance its cash flow position and better manage its gearing level as the Proposed Rights Issue of Shares relieves our Group from having to rely solely on borrowings to raise our intended working capital requirements. Hence, the Proposed Rights Issue of Shares represents an avenue for GHB to raise funds efficiently and expeditiously without having to incur interest expense or to service principal repayments.

Furthermore, the Proposed Rights Issue of Shares involves the issuance of new GHB Shares without diluting the existing shareholders' equity interests assuming all the Entitled Shareholders fully subscribe for their respective entitlement to the Rights Shares. In addition, the Proposed Rights Issue of Shares provides the Shareholders with an opportunity to participate in an equity offering on a pro-rata basis at a discount to the prevailing market price as well as to enjoy the growth of our Group moving forward.

Notwithstanding the dilution impact arising from the increase in the number of GHB Shares after the completion of the Proposed Rights Issue of Shares, the successful execution / completion of the construction contracts to be undertaken by our Group are envisaged to provide earnings visibility and bolster the financial performance of our Group moving forward.

4. ADEQUACY OF THE RIGHTS ISSUE OF SHARES IN ADDRESSING OUR GROUP'S FINANCIAL CONCERN

In view of the current financial position of our Group resulting from the consecutive losses recorded over the last few years, our Board is of the view that the proceeds raised from the Proposed Rights Issue of Shares of RM30.00 million will serve to meet our Group's immediate funding requirements in the short term after taking into consideration the working capital needs to undertake the construction contracts expected to be awarded to GHB. The Proposed Rights Issue of Shares will also assist our Group to reduce its reliance on external funding such as bank borrowings, which may put further pressure on our Group's cashflow arising from repayment of principal and interest in the future.

Premised on the above, our Board believes that the Proposed Rights Issue of Shares is adequate to address our Group's current financial constraints. The proceeds raised from the Proposed Rights Issue of Shares will also serve to support our Company in improving its financial position by enabling our Group to revive its construction and to participate in any construction project opportunities that may arise. In addition, our Board will continuously assess and evaluate its long-term financial requirements vis-à-vis the construction and property development pipeline of our Group of which our Board will evaluate the funding options available to our Group, at relevant point in time.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board who collectively and individually accept full responsibility for the completeness and 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 statements or other material facts contained in this Circular, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of GHB Group.

As at the LPD, AmBank Group has:-

- (i) extended certain credit facilities amounting to approximately RM5.60 million to GHB Group. In addition, GHB Group is in the midst of procuring the Additional Overdraft Facility of up to RM1.40 million. The said facilities represent, in aggregate, less than 0.01% compared to the audited consolidated loans, advances and financing of AMMB Holdings Berhad as at 31 March 2020; and
- (ii) extended credit facilities amounting to RM30.00 million in relation to the Undertaking. The said facilities represent less than 0.03% compared to the audited consolidated loans, advances and financing of AMMB Holdings Berhad as at 31 March 2020.

Subject to any changes to the intended utilisation of proceeds, GHB Group may utilise up to RM7.00 million of the total proceeds raised from the Proposed Rights Issue of Shares, representing up to approximately 23% of the total proceeds raised from the Proposed Rights Issue of Shares to repay certain credit facilities of AmBank Group. Nonetheless, any such repayment was not determined in contemplation of AmInvestment Bank being appointed as the Principal Adviser for the Proposals.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposals does not give rise to a conflict of interest situation in view that:-

- (i) The AmBank Group form a diversified financial group and is engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as the Principal Adviser in respect of the Proposals is in the ordinary course of business; and

FURTHER INFORMATION (CONT'D)

- (ii) Each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each departments and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is regulated by Bank Negara Malaysia.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or may have a material effect on the financial position or business of our Group, and our Board is not aware and does not have any knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of our Group:-

Sessions Court at Shah Alam Civil Suit No. BA-B52NCC-242-11/2020, Heap Wah Enterprise Sdn Bhd (“HWE”, being a subsidiary of our Company) (as plaintiff) v. Tetrahedron Engineering Sdn Bhd (“Tetrahedron”) and Chang Chiun Ho (as defendants)

High Court of Malaya at Shah Alam Company Winding-Up No. BA-28NCC-97-03/2021, HWE (as petitioner) v. Tetrahedron (as respondent)

This matter relates to a claim made by HWE against its debtors in respect of money owed for goods and/or services provided by HWE to the debtors.

HWE had served a sealed Writ of Summons and Statement of Claim both dated 6 November 2020 on the defendants for a claim amounting to RM971,308.67 (RM839,591.74 being the amount owed and RM131,716.93 being the interest on the amount owed) as the remaining sum owed by Tetrahedron to HWE in respect of the goods and/or services provided by HWE to Tetrahedron.

Chang Chiun Ho, being the director of Tetrahedron, has signed a letter of guarantee dated 15 March 2018 to HWE, wherein Chang Chiun Ho has guaranteed the payment for the goods and/or services provided by HWE to Tetrahedron including, *amongst others*, all interest, costs and charges.

The defendants have failed, refused and/or neglected to pay the sum owing to HWE despite repeated claims including having received a notice of claim dated 12 October 2020 and 26 October 2020 respectively served by HWE’s solicitors to Tetrahedron and Chang Chiun Ho, respectively.

Subsequently, HWE had obtained the judgment in default from the High Court of Malaya against Tetrahedron on 30 November 2020, pursuant to which Tetrahedron is ordered to pay the following to HWE:-

- (i) a judgment sum of RM839,591.74;
- (ii) interest arrears calculated up to 31 October 2020 amounting to RM131,716.93;
- (iii) accrued monthly interest at the rate of 1.5% on the judgment sum of RM839,591.74 from 1 November 2020 until the date of the judgment; and
- (iv) cost of RM1,296.00.

Thereafter, HWE had obtained the amended judgment in default from the High Court of Malaya against Chang Chiun Ho on 6 January 2021, pursuant to which Chang Chiun Ho is ordered to pay the following to HWE:-

- (i) a judgment sum of RM839,591.74;
- (ii) interest arrears calculated up to 31 October 2020 amounting to RM131,716.93;

FURTHER INFORMATION (CONT'D)

- (iii) accrued monthly interest at the rate of 1.5% on the judgment sum of RM839,591.74 from 1 November 2020 until the date of the judgment;
- (iv) accrued monthly interest at the rate of 1.5% on the judgment sum of RM839,591.74 from the date of the judgment until the date of full settlement; and
- (v) cost of RM88.00.

However, the defendants had failed to pay the judgment sum. Therefore, a winding-up petition was filed by HWE against Tetrahedron at the High Court of Malaya at Shah Alam on 19 March 2021.

The solicitors in charge have informed us that the winding-up petition was not contested and that the hearing of the petition has been fixed on 22 June 2021.

4. HISTORICAL SHARE PRICE

The monthly highest and lowest closing market price of GHB Shares traded on the Main Market of Bursa Securities for the past twelve (12) months preceding the date of this Circular are set out as below:-

	Highest RM	Lowest RM
2020		
June	0.68	0.45
July	0.60	0.50
August	0.74	0.50
September	0.82	0.70
October	0.89	0.73
November	0.80	0.71
December	0.76	0.71
2021		
January	0.76	0.70
February	2.04	0.75
March	1.46	0.95
April	1.39	1.11
May	1.32	1.06
June (up to the LPD)	1.15	1.05
Last transacted market price on 18 May 2021 (being the last Market Day prior to the announcement of the Proposed Rights Issue of Shares)		1.07
Last transacted market price as at the LPD		1.05

(Source: Bloomberg)

FURTHER INFORMATION (CONT'D)

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**5.1. Material commitments**

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred which upon becoming enforceable may have a material impact on the financial position or the business of the GHB Group.

5.2. Contingent liabilities

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group which, upon becoming due or enforceable, may have a material impact on our Group's financial position:-

	RM'000
Secured	
Bank guarantees issued in favour of third parties	750

6. MATERIAL CONTRACTS

As at the LPD, our Group has not entered into any material contracts (not being contract entered into in the ordinary course of business) within the past two (2) years immediately preceding the announcement of the Proposals and up to the date of this Circular.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of GHB at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, during normal business hours from Monday to Friday (except public holidays) following the date of this Circular, up to and including the date of the EGM:-

- (i) the constitution of GHB;
- (ii) the audited consolidated financial statements of GHB for the past two (2) FYEs 30 June 2019 and 30 June 2020 and the latest unaudited quarterly results of GHB for FPE 31 March 2021;
- (iii) the letters of consent referred to in section 2 of Appendix II of this Circular;
- (iv) the undertaking letter from the Undertaking Shareholder dated 19 May 2021; and
- (v) the relevant cause papers in relation to Section 3 of Appendix II of this Circular.



GRAND HOOVER BERHAD
(Registration No. 197101000134 (10493-P))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting ("**EGM**") of Grand Hoover Berhad ("**GHB**" or the "**Company**") will be conducted virtually at the broadcast venue at the Meeting Room of GHB, 2A-1-1(B), Space U8, No 6, Persiaran Pasak Bumi, Taman Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 5 July 2021 at 11:00 a.m. for the purpose of considering and if thought fit, passing with or without modification, the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED DIVERSIFICATION OF GHB AND ITS SUBSIDIARIES' ("GHB GROUP") EXISTING CORE BUSINESS TO INCLUDE CONSTRUCTION AND CONSTRUCTION RELATED ACTIVITIES AS WELL AS PROPERTY DEVELOPMENT ACTIVITIES ("PROPOSED DIVERSIFICATION")

"THAT subject to the passing of Ordinary Resolution 2 and the approvals of all relevant authorities or parties being obtained, if required, approval be and is hereby given to the Company to undertake the Proposed Diversification;

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby empowered and authorised to do all such acts, deeds and things, and to, execute, sign and deliver on behalf of the Company all such documents and enter into any arrangements, agreements and/or undertakings with any party or parties, as it may deem fit, necessary, expedient or in the best interests of the Company in order to give full effect to the Proposed Diversification with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities or deemed fit, necessary or expedient by the Board in the best interest of the Company."

ORDINARY RESOLUTION 2

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 50,000,000 NEW ORDINARY SHARES IN GHB ("GHB SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") AT AN ISSUE PRICE OF RM0.60 PER RIGHTS SHARE ("ISSUE PRICE"), ON THE BASIS OF 5 RIGHTS SHARES FOR EVERY 4 EXISTING GHB SHARES HELD BY THE ENTITLED SHAREHOLDERS OF GHB ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE OF SHARES")

"THAT subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities or parties being obtained, if required, including but not limited to the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Rights Shares, the Board be and is hereby authorised to provisionally allot and issue by way of a renounceable rights issue of 50,000,000 Rights Shares to the shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business on the Entitlement Date ("**Entitled Shareholders**") and/or their renounee(s) and/or their transferee(s), on the basis of 5 Rights Shares for every 4 existing Shares held by the Entitled Shareholders on the Entitlement Date at an issue price of RM0.60 per Rights Share and on such terms and conditions and in such manner as the Board may determine;

THAT the Board be and is hereby authorised to determine and vary if deemed fit, necessary or expedient, the issue price of the Rights Shares in connection with the Proposed Rights Issue of Shares;

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) shall be made available for excess applications in such manner and to such persons (“**Excess Applicants**”) as the Board shall determine at its absolute discretion;

THAT the Rights Shares to be issued shall be listed on the Main Market of Bursa Securities;

THAT the proceeds to be raised from the Proposed Rights Issue of Shares shall be utilised for the purposes as set out in Section 5 of the Circular to Shareholders dated 18 June 2021 (“**Circular**”) and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary, expedient or in the best interests of the Company, subject to the approvals of the relevant authorities (where required);

THAT the Rights Shares shall, upon allotment, issuance and full payment of the issue price of the Rights Shares, rank *pari passu* in all respects with the then existing issued Shares, save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares;

THAT the Board be and is hereby entitled to deal with all or any of the fractional entitlements of the Rights Shares, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner and to such persons as the Board may in its absolute discretion deem fit and in the best interest of the Company (including without limitation to disregard such fractional entitlements altogether);

THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider fit, necessary, expedient or in the best interests of the Company in order to implement, give full effect to and complete the Proposed Rights Issue of Shares, with full powers to assent to and accept any condition, modification, variation, arrangement and/or amendment to the terms of the Proposed Rights Issue of Shares as the Board may deem fit, necessary, expedient or in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue of Shares in order to implement and give full effect to the Proposed Rights Issue of Shares;

AND THAT this resolution constitutes specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue of Shares.”

ORDINARY RESOLUTION 3

PROPOSED NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“RRPT(S)”) EXPECTED TO BE ENTERED BETWEEN THE GHB GROUP WITH CERTAIN RELATED PARTIES FOLLOWING THE PROPOSED DIVERSIFICATION (“PROPOSED RRPT MANDATE”)

“**THAT**, subject to the passing of Ordinary Resolution 1 and the provisions of the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the GHB Group to enter into and to give effect to the specified RRPTs with the related parties as set out in Section 4.1 of the Circular, provided that such transactions and/or arrangements which are necessary for the Group’s day-to-day operations are undertaken in the ordinary course of business, at arm’s length basis, on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

THAT the Proposed RRPT Mandate shall only continue to be in full force until:-

- (a) the conclusion of the next Annual General Meeting (“**AGM**”) of the Company at which time it will lapse, unless by a resolution passed at the said AGM, such 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 340(2) of the Companies Act 2016 (“**Act**”) (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier.

AND THAT the Board be and is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider fit, necessary, expedient or in the best interest of the Company to give effect to the Proposed RRPT Mandate.”

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (SSM PC NO. 201908002648) (MAICSA 0777689)

Company Secretary

Kuala Lumpur

Dated this 18 June 2021

Notes:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 28 June 2021 shall be eligible to attend, participate, speak and vote at the EGM or appoint proxy(ies) to attend, participate, speak and vote in his stead at the EGM.
2. A member entitled to attend and vote at the EGM may appoint more than one (1) proxy to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy to attend, participate, speak and vote at the same EGM, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the EGM shall have the same rights as the member to attend, participate, speak and vote at the EGM.
3. As guided by the Securities Commission Malaysia’s Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers as revised, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all members, proxies and/or corporate representatives shall communicate with the main venue of the EGM via real time submission of typed texts through a text box within Securities Services e-Portal’s platform during the live streaming of the EGM as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, members, proxies and/or corporate representatives may email their questions to eservices@sshsb.com.my during the EGM. The questions and/or remarks submitted by the members, proxies and/or corporate representatives will be broadcasted and responded by the Chairman of the Board, Board and/or management of the Company during the EGM.
4. The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing, or if the member is a corporation, shall either be executed under the corporation’s common seal or under the hand of an officer or attorney duly authorised.

5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. Appointment of proxy and registration for remote participation and voting

The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, must be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time set for holding the EGM or any adjournment thereof. The Form of Proxy may also be lodged electronically via Securities Services e-Portal at <https://sshsb.net.my/>. All resolutions set out in this notice of EGM are to be voted by poll.

Should you wish to personally participate at the EGM remotely, please register electronically via Securities Services e-Portal at <https://sshsb.net.my/> by the registration cut-off date and time.

Please refer to the Administrative Guide on the Conduct of a Virtual General Meeting available for download at <http://hoover.com.my/investor.html> for further details.



GRAND HOOVER BERHAD
(Registration No. 197101000134 (10493-P))
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No:
Contact No:
No. of Shares Held:

*I/We, (full name in capital letters)

NRIC No./ Company No. of (full address)

being a *member/members of **GRAND HOOVER BERHAD** ("Company"), hereby appoint:-

Full Name and Address (in Block Letters) (First Proxy)		NRIC / Passport No.	No. of Shares	% of Shareholding
Email:	Contact No.:			

*and/or

Full Name and Address (in Block Letters) (Second Proxy)		NRIC / Passport No.	No. of Shares	% of Shareholding
Email:	Contact No.:			

to put on a separate sheet where there are more than two (2) proxies

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Extraordinary General Meeting of the Company ("**EGM**") to be conducted virtually at the broadcast venue at the Meeting Room of the Company, 2A-1-1(B), Space U8, No. 6, Persiaran Pasak Bumi, Taman Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 5 July 2021 at 11:00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

ORDINARY RESOLUTIONS		For	Against
1.	Proposed Diversification		
2.	Proposed Rights Issue of Shares		
3.	Proposed RRPT Mandate		



* Strike out whichever not applicable

As witness my/our hand(s) this day of, 2021

No. of Shares Held :

.....
* Signature of Member/Common Seal

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

Registered Office

Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur
Wilayah Persekutuan

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