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EONMETALL GROUP BERHAD

Registration No.: 200301029197 (631617-D)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED PRIVATE PLACEMENT OF UP TO 91,405,947 NEW ORDINARY SHARES IN EONMETALL GROUP BERHAD ("EGB" OR THE "COMPANY") ("EGB SHARES") REPRESENTING UP TO 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF EGB (EXCLUDING TREASURY SHARES) AT AN ISSUE PRICE TO BE DETERMINED LATER

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser and Placement Agent



ALLIANCE ISLAMIC BANK

Alliance Islamic Bank Berhad 200701018870 (776882-V)

The Extraordinary General Meeting ("**EGM**") of EGB will be held at Meeting Room, 2nd Floor, Lot 1258, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Pulau Pinang, Malaysia on Wednesday, 28 May 2025 at 3.30 p.m. or immediately after the conclusion of the Company's 22nd Annual General Meeting which will be held at 2.30 p.m. on the same day and at the same venue, whichever is later or at any adjournment thereof.

The Notice of EGM and the Form of Proxy are enclosed in this Circular and can be downloaded from the Company's website at <https://www.eonmetall.com> or Bursa Securities' website at <https://www.bursamalaysia.com>. Shareholders are advised to refer to the Notice of EGM and the Administrative Guide for the EGM for the procedures as set out therein.

If you wish to appoint a proxy to attend, participate, speak and vote on your behalf at the EGM, you may complete, sign and deposit the Form of Proxy at the Company's registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.

The lodging of the Form of Proxy will not preclude you from attending and voting at the meeting if you subsequently wish to do so.

IMPORTANT DATES:

Last day, date and time for lodging the Form of Proxy : Monday, 26 May 2025 at 3.30 p.m.

Day, date and time of the EGM : Wednesday, 28 May 2025 at 3.30 p.m. or immediately after the conclusion of the Company's 22nd Annual General Meeting which will be held at 2.30 p.m. on the same day and at the same venue, whichever is later or at any adjournment thereof.

This Circular is dated 29 April 2025

DEFINITIONS

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

| | |
|--|--|
| ABMB | : Alliance Bank Malaysia Berhad (198201008390 (88103-W)) |
| Act | : The Companies Act 2016 |
| AIS or the Principal Adviser or the Placement Agent | : Alliance Islamic Bank Berhad (200701018870 (776882-V)) |
| Board | : Board of Directors of the Company |
| Bursa Securities | : Bursa Malaysia Securities Berhad (200301033577 (635998-W)) |
| Circular | : This circular to shareholders of EGB dated 29 April 2025 in relation to the Proposed Private Placement |
| Director(s) | : The director(s) of EGB and shall have the same meaning given in subsection 2(1) of the Capital Markets and Services Act 2007 and Section 2(1) of the Act |
| EGB or the Company | : Eonmetall Group Berhad (200301029197 (631617-D)) |
| EGB Group or the Group | : EGB and its subsidiaries, collectively |
| EGB Share(s) or Share(s) | : Ordinary shares(s) in EGB |
| EGM | : Extraordinary general meeting |
| EPS | : Earnings per Share |
| ESOS | : Employees' share option scheme of EGB which took effect on 18 April 2023 for a period of five (5) years until 17 April 2028 |
| ESOS Option(s) | : Options granted to the eligible persons pursuant to the ESOS to subscribe for one (1) new EGB Share for every one (1) option held |
| FYE | : Financial year ended/ ending |
| LAT | : Loss after tax |
| LBT | : Loss before tax |
| Listing Requirements | : Main Market Listing Requirements of Bursa Securities |
| LPD | : 15 April 2025, being the latest practicable date prior to the date of this Circular |
| LPS | : Loss per Share |
| NA | : Net assets |
| PAT | : Profit after tax |
| PBT | : Profit before tax |

DEFINITIONS (CONT'D)

Placement Share(s) : Up to 91,405,947 new EGB Shares to be issued pursuant to the Proposed Private Placement

Proposed Private Placement : Proposed private placement of up to 91,405,947 Placement Shares representing up to 30% of the total number of issued shares of EGB (excluding treasury shares) at an issue price to be determined later

RM and sen : Ringgit Malaysia and sen, respectively

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/ or neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any provision of the statutes, rules, regulations, enactments or rules of stock exchange or guidelines shall (where the context admits) be construed as a reference to provision of such statutes, rules, regulations, enactments or rules of stock exchange or guidelines (as the case may be) currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, unless otherwise specified. Any discrepancies in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the pertinent information of the Proposed Private Placement. Shareholders are advised to read and carefully consider the contents of this Circular in its entirety and not to rely solely on this Executive Summary in forming a decision on the Proposed Private Placement before voting at the EGM.

| Key information | Description | Reference to Circular | | | | | | | | | | | | | | | |
|--|---|------------------------|---------------------------|--------|------------------------------|---------------------|--------|-----------------|---------------------|--------|--|----------------------|-----|--------------|--|---------------|-------------|
| Summary of the Proposed Private Placement | The Proposed Private Placement will entail the issuance of up to 91,405,947 new EGB Shares representing up to 30% of the total number of issued Shares of EGB (excluding treasury shares) at an issue price to be determined later. | Section 2 | | | | | | | | | | | | | | | |
| Utilisation of proceeds | <p>Based on the illustrative issue price of RM0.265 per Placement Share, the Company is expected to raise gross proceeds of up to approximately RM24.22 million from the Proposed Private Placement.</p> <p>The gross proceeds are expected to be utilised in the following manner:-</p> <table> <tr> <th>Details of utilisation</th><th>Timeframe for utilisation</th><th>RM'000</th></tr> <tr> <td>Repayment of bank borrowings</td><td>Within one (1) year</td><td>11,710</td></tr> <tr> <td>Working capital</td><td>Within one (1) year</td><td>11,713</td></tr> <tr> <td>Estimated expenses in relation to the Proposed Private Placement</td><td>Within one (1) month</td><td>800</td></tr> <tr> <td>Total</td><td></td><td>24,223</td></tr> </table> | Details of utilisation | Timeframe for utilisation | RM'000 | Repayment of bank borrowings | Within one (1) year | 11,710 | Working capital | Within one (1) year | 11,713 | Estimated expenses in relation to the Proposed Private Placement | Within one (1) month | 800 | Total | | 24,223 | Section 2.6 |
| Details of utilisation | Timeframe for utilisation | RM'000 | | | | | | | | | | | | | | | |
| Repayment of bank borrowings | Within one (1) year | 11,710 | | | | | | | | | | | | | | | |
| Working capital | Within one (1) year | 11,713 | | | | | | | | | | | | | | | |
| Estimated expenses in relation to the Proposed Private Placement | Within one (1) month | 800 | | | | | | | | | | | | | | | |
| Total | | 24,223 | | | | | | | | | | | | | | | |
| Rationale and justifications | <p>The Proposed Private Placement will enable the Company to raise funds for the purposes as detailed in Section 2.6 of this Circular.</p> <p>After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue to raise funds as it will:-</p> <ul style="list-style-type: none"> (i) allow the Company to raise the requisite funds without incurring interest expense or service principal repayment as compared to bank borrowings; (ii) allow the Company to raise funds more expeditiously as compared to other forms of equity fund-raising such as rights issue, which typically entail a longer implementation process; | Section 3 | | | | | | | | | | | | | | | |

EXECUTIVE SUMMARY (CONT'D)

| Key information | Description | Reference to Circular |
|--|---|------------------------------|
| | <p>(iii) allow the Company to conserve its cash and bank balances and maintain its cash flow for the Group's future working capital requirements and to address any short term obligations in a timely manner; and</p> <p>(iv) enlarge the capital base of the Company and further strengthen the financial position of the Company.</p> | |
| Approvals required/ obtained and conditionality | <p>The Proposed Private Placement is subject to the following approvals being obtained from:-</p> <p>(i) Bursa Securities, for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities, which was obtained vide its letter dated 9 April 2025 and is subject to the conditions as set out in Section 11 of this Circular;</p> <p>(ii) shareholders of EGB at an EGM to be convened; and</p> <p>(iii) any other relevant authorities, if required.</p> | Section 11 |
| Interests of Directors, major shareholders, chief executive and/ or persons connected with them | None of the Directors, major shareholders, chief executive of the Company and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement. | Section 12 |
| Directors' statement and recommendation | <p>The Board, after having considered all aspects of the Proposed Private Placement, including but not limited to the rationale and justifications, use of proceeds and effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.</p> <p>Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM.</p> | Section 13 |

eonmetall

EONMETALL GROUP BERHAD

Registration No.: 200301029197 (631617-D)
(Incorporated in Malaysia)

Registered Office

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang, Malaysia

29 April 2025

BOARD OF DIRECTORS

Tan Sri Dato' Mohd Desa Bin Pachi (*Independent Non-Executive Chairman*)
Datin Tan Pak Say (*Managing Director and Chief Executive Officer*)
Dato' Goh Cheng Huat (*Executive Director*)
Goh Hong Kent (*Executive Director and Chief Operating Officer*)
Chan Theng Sung (*Independent Non-Executive Director*)
Datuk Yogeessvaran A/L Kumaraguru (*Independent Non-Executive Director*)
Dato' Mohammad Radhi Bin Abdul Razak (*Independent Non-Executive Director*)
Yeoh Cheng Chye (*Non-Independent Non-Executive Director*)
Goh Kee Seng (*Non-Independent Non-Executive Director*)

To: The shareholders of EGB

Dear Sir/ Madam,

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 27 January 2025, AIS had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Private Placement.

On 9 April 2025, AIS had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 9 April 2025, approved the listing and quotation of up to 91,405,947 Placement Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 11 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED PRIVATE PLACEMENT AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

The Proposed Private Placement will entail the issuance of up to 91,405,947 Placement Shares representing up to 30% of the total number of issued shares of EGB (excluding treasury shares) at an issue price to be determined later.

As at the LPD, the Company has an issued share capital of RM143,987,170 comprising 304,686,492 EGB Shares (excluding 3,096,600 treasury shares). The Board has resolved that the Company shall not purchase/ sell/ cancel/ distribute any treasury shares until completion of the Proposed Private Placement.

In addition, as at the LPD, the Company has a total of 29,980,000 outstanding ESOS Options with an exercise price of RM0.48 per ESOS Option. In view that these outstanding ESOS Options are “out-of-money” as their exercise price is higher when compared to the closing price of EGB Shares for the past three (3) months up to the LPD ranging from RM0.25 to RM0.30, the Board is of the view that these outstanding ESOS Options granted will not be exercised prior to the completion of the Proposed Private Placement.

Accordingly, up to 91,405,947 Placement Shares may be issued pursuant to the Proposed Private Placement assuming none of the outstanding ESOS Options are exercised. The actual number of Placement Shares to be issued will depend on the total number of issued shares of EGB (excluding treasury shares) immediately preceding the implementation of the Proposed Private Placement.

2.2 Placement arrangement

The Placement Shares will be placed to investor(s) who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007, who will be identified at a later date.

The Placement Shares are not intended to be placed to the Directors, major shareholders, chief executive officer of the Company and/ or any persons connected to them. However, the Placement Shares may be offered to the substantial shareholders of the Company.

Subject to, amongst others, the prevailing market conditions and the timing of identification of the placee(s), the Proposed Private Placement may be implemented in one (1) or more tranches within six (6) months from the date of approval from Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities.

The implementation of the Proposed Private Placement in tranches would provide flexibility to the Company to procure investor(s) to subscribe for the Placement Shares within the period as approved by Bursa Securities.

2.3 Basis of determining and justification for the issue price of the Placement Shares

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

In any event, the Placement Shares shall not be priced at a discount of more than 10% to the five (5)-day volume weighted average market price of EGB Shares up to and including the last trading day immediately prior to the price-fixing date for each tranche.

For illustrative purposes, the indicative issue price of the Placement Shares is assumed to be RM0.265 per Placement Share, being the five (5)-day volume weighted average market price of EGB Shares up to and including the LPD of RM0.265.

In the event that the Proposed Private Placement is implemented in multiple tranches, there could potentially be several price-fixing dates and issue prices. As such, the issue price for each tranche of the Placement Shares will be fixed and announced separately.

2.4 Ranking of the Placement Shares

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

2.5 Listing and quotation of the Placement Shares

The Placement Shares to be issued will be listed on the Main Market of Bursa Securities.

2.6 Utilisation of proceeds

Based on the illustrative issue price of RM0.265 per Placement Share, the Company is expected to raise gross proceeds of up to approximately RM24.22 million from the Proposed Private Placement.

The gross proceeds are expected to be utilised in the following manner:-

| Details of utilisation | Timeframe for utilisation ⁽¹⁾ | RM'000 |
|---|--|----------------------|
| Repayment of bank borrowings ⁽²⁾ | Within one (1) year | 11,710 |
| Working capital ⁽³⁾ | Within one (1) year | 11,713 |
| Estimated expenses in relation to the Proposed Private Placement ⁽⁴⁾ | Within one (1) month | 800 |
| Total | | <u>24,223</u> |

Notes:

(1) From the date of listing of each tranche of the Placement Shares

(2) As at the LPD, the total outstanding principal amount of the borrowings of EGB Group stood at approximately RM125.95 million comprising term loans, bank overdrafts, bankers' acceptances, revolving credits, trust receipts and lease liabilities as set out below:-

| Types of borrowings | Balance as at the LPD RM'000 | Effective interest rate per annum % |
|----------------------|---------------------------------|--|
| Term loans | 22,857 | 6.10 - 6.35 |
| Bank overdrafts | 10,784 | 7.45 - 8.15 |
| Bankers' acceptances | 34,026 | 4.07 - 5.59 |
| Revolving credits | 15,300 | 5.34 - 8.00 |
| Trust receipts | 40,410 | 4.42 - 5.35 |
| Lease liabilities | 2,572 | 4.59 |
| Total | <u>125,949</u> | |

The Group intends to utilise approximately RM11.71 million raised from the Proposed Private Placement to repay its revolving credit facilities, which is expected to result in annual interest savings of approximately RM0.63 million to RM0.94 million per annum calculated based on the effective interest rates ranging from 5.34% to 8.00% per annum imposed on the revolving credit facilities. The actual interest savings may vary depending on the then applicable interest rates.

- (3) As set out in Section 4 of this Circular, EGB Group had previously raised RM8.01 million via a private placement completed on 17 October 2024, of which RM7.87 million was fully utilised for working capital purposes of the Group.

Despite the earlier fundraising exercise, the Group continues to require additional working capital requirements driven by, amongst others, rising raw material costs, operating and administrative expenses. Based on the latest audited consolidated financial statement, EGB Group recorded a negative cash position of approximately RM6.01 million as of 31 December 2024 after netting off bank overdrafts. The allocation of proceeds from the Proposed Private Placement for working capital is therefore intended to strengthen the Group's liquidity and provide the flexibility required for the Group to meet its operational funding needs including the purchase of raw materials and other daily operating expenses without undue reliance on external borrowings.

Further, the additional funding may help the Group to address the expected increase in operating and administrative expenses, including those arising from the implementation of the new minimum wage policy by the Malaysian government effective 1 February 2025.

The proceeds earmarked for the working capital requirements of EGB Group is intended to be utilised in the following manner:-

| | RM'000 |
|--|---------------|
| Purchase of raw materials such as coils, coating powder and other manufacturing supplies | 7,030 |
| Operating and administrative expenses including staff costs, utilities, maintenance of manufacturing plants of the Group and other miscellaneous items | 4,683 |
| Total | 11,713 |

The detailed breakdown of proceeds to be utilised for each component of the working capital is subject to the operating and funding requirements of the Group at the point of utilisation and therefore cannot be determined at this juncture.

- (4) The estimated expenses in relation to the Proposed Private Placement include the following:-

| | RM'000 |
|--|---------------|
| Professional fees (i.e. principal adviser, placement agent, solicitors, company secretary and share registrar) | 710 |
| Regulatory fees | 22 |
| Contingencies and other incidental expenses (i.e. convening of EGM, printing and advertisement expenses) | 68 |
| Total | 800 |

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. In the event the actual gross proceeds raised from the Proposed Private Placement is higher or lower than the estimated gross proceeds as set out above, such variance will be adjusted to or from the gross proceeds allocated for the future working capital requirements of the Group.

Pending utilisation of the proceeds to be raised from the Proposed Private Placement, such proceeds will be placed in interest-bearing deposits with licensed financial institutions and/ or short-term money market instruments. Any interests derived from such deposits will be used for the working capital of the Group as set out above.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable the Company to raise funds for the purposes as detailed in Section 2.6 of this Circular.

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue to raise funds as it will:-

- i. allow the Company to raise the requisite funds without incurring interest expense or service principal repayment as compared to bank borrowings;
- ii. allow the Company to raise funds more expeditiously as compared to other forms of equity fund-raising such as rights issue, which typically entail a longer implementation process. Moreover, there is no certainty that EGB would be able to meet its funding objectives through a rights issue as the amount raised depends on the subscription rate of the entitled shareholders and/ or renouncee(s). In addition, a right issue will usually require either the undertaking from certain shareholders to subscribe for a minimum number of rights shares and/ or an underwriting arrangement to be procured which would result in additional costs to the Company. Given the current market conditions and after taking into consideration the dilution impact arising from the Proposed Private Placement, the Board is of the opinion that with the successful identification of investor(s), the Proposed Private Placement is a more reliable and cost-effective avenue with greater certainty for the Company to achieve its intended funding requirements;
- iii. allow the Company to conserve its cash and bank balances and maintain its cash flow for the Group's future working capital requirements and to address any short term obligations in a timely manner.

Based on the latest audited consolidated financial statement, the cash and bank balances of the Group stood at RM7.52 million as of 31 December 2024, compared to RM13.17 million as of 31 December 2023. The decline was primarily attributable to the repayment of borrowings and higher operating expenses during the financial year. The Group recorded a negative cash position after netting off bank overdrafts. It is also pertinent to note that approximately RM1.52 million out of the aforementioned RM7.52 million cash balance has been set aside as security for credit facilities granted to the Group.

In view of the above, the proceeds from the Proposed Private Placement are intended to enhance the financial liquidity of EGB Group by providing funding for its working capital requirements while reducing reliance on external borrowings as part of the Group's on-going efforts to strengthen its balance sheet; and

- iv. enlarge the capital base of the Company and further strengthen the financial position of the Company.

Notwithstanding the above, shareholders should note that the Proposed Private Placement may potentially result in a dilution to their existing shareholdings following the issuance of new EGB Shares to third party investor(s). For illustrative purposes, the percentage of shareholding of a shareholder who currently holds 1,000,000 EGB Shares will be reduced from 0.33% to 0.25% due to the increase in the number of EGB Shares in issue upon completion of the Proposed Private Placement. The extent of the dilutive effect on the shareholdings of the substantial shareholders upon completion of the Proposed Private Placement is illustrated in Section 6.5 of this Circular.

The Proposed Private Placement may be implemented in tranches, in which case the dilutive impact on the shareholdings of the existing shareholders would occur progressive over time. Further, the Board expects that the benefits to be realised from the Proposed Private Placement in near future will outweigh the dilution effects to the existing shareholders.

4. PAST EQUITY FUND-RAISING EXERCISE UNDERTAKEN BY THE COMPANY

Save as disclosed below, the Company has not undertaken any other fund raising exercises in the past 12 months prior to the date of the announcement of the Proposed Private Placement.

On 17 October 2024, the Company completed a private placement of 27,698,700 new Shares which entailed the issuance of 25,000,000 Shares at RM0.2891 per Share and 2,698,700 Shares at RM0.2915 per Share, respectively ("**Private Placement 2024**").

The gross proceeds of RM8.01 million raised from the Private Placement 2024 was fully utilised for the following purposes:-

| Details of utilisation | RM'000 |
|--|--------------|
| Working capital | |
| i. Purchase of raw materials such as coils, coating powder and other manufacturing supplies | 4,007 |
| ii. Operating and administrative expenses such as staff costs, utilities, maintenance of manufacturing plants of the Group and other miscellaneous items | 3,859 |
| Expenses in relation to the Private Placement 2024 | 148 |
| Total | 8,014 |

5. INDUSTRY OVERVIEW AND PROSPECTS

EGB Group is an established manufacturer of steel storage and racking systems as well as flat steel products. It also involves in the design and fabrication of metalwork industrial process machinery and equipment for both steel and oil palm industries. Due to nature of EGB Group's businesses, the Group's performance is closely dependent on the future prospects of steel and oil palm industries.

5.1 Overview and outlook of the Malaysian economy

The growth in 2025 is projected between 4.5% and 5.5%, supported by a resilient external sector, benefitting from improved global trade and stronger demand for electrical and electronic goods, leveraging the country's strategic position within the semiconductor supply chain. Additionally, robust domestic demand fuelled by strong private sector expenditure will support the expansion through continued implementation of key national master plans and ongoing initiatives. A pertinent initiative which is Government-linked Enterprises Activation and Reform Programme ("**GEAR-uP**"), will synergise efforts across government-linked entities to catalyse growth in high-growth sectors, encompassing energy transition, advanced manufacturing, food security, healthcare, Islamic finance and biopharmaceuticals. The potential investment from this initiative is expected to amount to RM120 billion over the span of five (5) years. On the production side, most sectors are expected to expand, highlighting the resilience and agility of Malaysia's economy.

On the supply side, the services sector continues to uphold its position as the main driver of growth contributed by tourism activities, sustained exports and acceleration of information and communication technology (“ICT”) related activities. Tourism-related industries, particularly food and beverages, accommodation and retail trade segments, are expected to increase further, while the wholesale trade as well as air and water transportations segments will benefit from sustained trade-related activities. Industries such as the utilities and professional services are anticipated to rise in tandem with the acceleration of ICT development, particularly in data centres. The manufacturing sector is projected to expand further attributed to better performance in export-oriented industries, primarily the electrical and electronic segment, as external demand for semiconductors continues to increase. Additionally, the domestic-oriented industries are anticipated to remain favourable in line with higher domestic consumption and investment. The construction sector is expected to rise attributed to growth in all subsectors. Prospects for the agriculture sector remain positive supported by higher production of crude palm oil and demand from food-related industries. On the contrary, the mining sector is forecast to decline marginally due to scheduled plants shutdown for maintenance purposes.

On the demand side, growth will be buoyed by strong private sector expenditure and stable global trade. Accounting for about 60% of the economy, private consumption is projected to continue spearheading growth, backed by firm labour market conditions and income growth amid manageable inflation. Gross fixed capital formation or total investment remains high, underpinned by the realisation of private investment, acceleration of public sector strategic projects and initiatives under the GEAR-uP as well as new and ongoing multi-year projects in the services and manufacturing sectors.

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

5.2 Overview and outlook of the steel industry

According to the 15th Report on the Status and Outlook of the Malaysian Iron and Steel Industry 2024/ 2025, the local iron and steel industry has significantly influenced the nation’s economic and industrial development since 1957.

Malaysian Iron and Steel Industry Federation expressed hope that the Malaysian government would prioritise and expedite the necessary infrastructure projects. The abovementioned report further showed that the industry faced structural challenges such as overcapacity, low green technology adoption, limited scrap access, low research and development investment, insufficient financing and a low-skilled workforce.

Malaysia’s apparent steel consumption increased by 4.5% in 2023 to 7.9 million metric tonnes (“MT”) for the third consecutive year, driven by improved finished steel production and higher imports.

Despite this growth, the capacity utilisation rate remained low at 39.1%, while exports of iron and steel products increased by 14.5%. Iron and steel exports went up 14.5% to 8.2 million MT last year, with Turkiye (1.2 million MT), Hong Kong (1.04 million MT) and Singapore (996,093 MT) as major markets. Furthermore, Malaysia’s top iron and steel imports are China (2.04 million MT), Taiwan (921,860 MT) and Vietnam (825,952 MT).

On a global scale, China remains the top three exporter for 2022 with 68.1 million MT, followed by Japan (31.7 million MT) and South Korea (25.5 million MT). Lastly, the US is the top importer globally with 28.9 million MT, followed by Germany (21 million MT) and Italy (20.2 million MT).

(Source: Mapping Malaysia’s Steel Sector Journey, Malaysian Investment Development Authority, 30 July 2024)

President Donald J. Trump has recently announced a 25% tariff on all steel and aluminium imports into the United States. This policy is part of a broader strategy to reshape international trade relations and is set to take effect on 12 March 2025, without any exemptions for specific countries.

In response to President Donald J. Trump's statement, Malaysian Iron and Steel Industry Federation ("**MISIF**") wishes to highlight that the direct consequences of the 25% tariffs remain uncertain but are expected to accelerate trade diversion, leading to a surge of steel products into the Malaysian market.

Countries like China that previously circumvented tariffs, Korea, Japan and Vietnam that obtained exceptions with yearly quotas will likely be diverting their exports to Malaysia. Vietnam and Japan have free and direct access to Malaysia via the existing Free Trade Agreement.

MISIF urges the government to take swift action, reinforce anti-dumping legislation, expedite investigations and implement measures to protect the industry before severe repercussions occur.

The iron and steel industry is a strategic sector vital to Malaysia's economic growth, supporting key sectors such as infrastructure, construction and manufacturing. Without fair trade practices, Malaysian steel producers risk being displaced by unfairly priced imports, leading to plant closures, job losses and a weakened industrial base. MISIF remains committed to collaborating closely with policymakers to safeguard the interests of the domestic steel industry and uphold fair market practices.

(Source: MISIF urges the government to reinforce anti-dumping legislation and expedite investigation to mitigate the anticipated trade diversion, press statement by MISIF, 12 February 2025)

5.3 Overview and outlook of the oil palm industry

The Malaysian oil palm industry experienced a mixed performance in 2024 compared to the previous year. The oil palm planted area saw a slight decline primarily due to ongoing site preparations for replanting initiatives, as well as the conversion of oil palm land to alternative agricultural or developmental uses such as coconut cultivation, and residential, commercial or industrial projects.

Crude palm oil ("**CPO**") production, however, saw a modest increase of 4.2% reaching 19.34 million tonnes, up from 18.55 million tonnes in 2023. This growth was driven by improved labour availability in the plantation sector, which shortened harvesting intervals and enhanced maintenance activities. Additionally, the more efficient labour situation contributed to a 5.8% rise in fresh fruit bunches ("**FFB**") yield, which reached 16.70 tonnes per hectare compared to 15.79 tonnes per hectare in 2023.

On the other hand, the oil extraction rate ("**OER**") declined by 1.0% falling to 19.67% from 19.86% in 2023. This reduction was largely due to a lower proportion of ripe and high quality FFB being processed by palm oil mills. Furthermore, adverse weather conditions particularly heavy rainfall in June, July and the last quarter of the year led to flooding in certain areas, further affecting OER performance.

The average prices of oil palm products continued their upward trend in 2024 driven primarily by stronger export demand, lower palm oil stocks, and Indonesia's planned implementation of the B40 biofuel program in 2025. The average CPO price increased by 9.7% reaching RM4,179.50 per tonne compared to RM3,809.50 in 2023.

The prices of palm kernel and crude palm kernel oil also saw significant increases rising by 31.2% to RM2,645.50 per tonne and RM5,475.50 per tonne respectively. This surge was driven by supply tightness and higher lauric oil prices in the global market. The average price of FFB at 1% OER rose by 13.5% or RM5.36 to RM44.98 per tonne compared to RM39.62 per tonne the previous year, thereby boosting the income of both smallholders and estates.

As a result of the higher CPO prices, total export earnings surged by 15.2% reaching RM109.39 billion up from RM94.95 billion in 2023.

(Source: Overview of the Malaysian Oil Palm Industry in 2024, Malaysian Palm Oil Board)

For 2025, the performance of oil palm sector is poised to increase at a modest pace, underpinned by high FFB production and yield, following larger oil palm harvestable areas, favourable weather condition and better labour market. The CPO price is forecast to stabilise within the range of RM3,500 and RM4,000 per tonne in view of better global production

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

5.4 Prospect of EGB Group

The operating segments of EGB Group are segregated as follows:-

- i. steel product and trading activity : manufacturing and sale of steel products;
- ii. machinery and equipment : manufacturing and sale of metalwork machinery and other industrial process machinery and equipment; and
- iii. property and investment holding and others : property and investment holding and others

In the FYE 31 December 2024, the steel product and trading activities segment contributed 95.03% of the total revenue of the Group. The Group's material handling systems marketed under the "Eonmetall" and "Constructor" brands are distributed across Asia, Middle East and Australasia. Since 2019, the Group has been granted exclusive rights to manufacture and market "Constructor" steel storage systems in Asia by Gonvarri Material Handling AS ("**GMH**"), a leading European manufacturer of steel storage solutions. This strategic partnership has significantly boosted the Group's market presence. The Group intends to continue to expand its manufacturing capacity to serve both original equipment manufacturers and original design manufacturers internationally. In addition, the Group plans to expand its product range for material handling systems to cater for automated warehouses, in collaboration with GMH.

Nevertheless, management remains cautious as the profit margin of the steel product and trading activities segment may be affected by the indirect impact of the tariff war that emerged in early 2025 on Malaysia's steel industry, as further explained in Section 5.2 of this Circular.

The machinery and equipment segment contributed 4.94% of the total revenue of the Group for the FYE 31 December 2024. The Group remains as a niche player in the design and fabrication of metalworking and palm oil machinery by offering a patented technology for palm fibre oil extraction ("**PFOE**") and palm kernel oil extraction. The first plant that implemented this technology was commissioned in 2007. As at the LPD, the Group is constructing its largest PFOE plant to-date for a customer, which will have the capacity to support a palm oil mill with processing capacity of 150 tonnes per hour. The plant is expected to be fully commissioned by the second quarter of 2025. Leveraging the experience and technical know-how acquired throughout the construction of this plant, its successful commissioning will serve as a testament to the Group's ability to build larger and more complex plants in future to meet the growing demand for biofuels.

The property and investment holding and other businesses contributed to the remaining 0.03% of the total revenue of the Group for the FYE 31 December 2024. The revenue from this segment was mainly contributed by the gain from the compulsory disposal of a portion of land in Kapar, Selangor held by the Group to the state government which was completed on 26 March 2024. For the remaining land, earthwork has been completed and the Group intends to develop it for its own operational use. However, management may also explore options to sell or lease portions of the land in the future. Besides property and investment holding, other businesses of the Group also include provision of software solution and operation of PFOE plants.

Premised on the above and after taking into consideration the overview and outlook of the Malaysian economy and related industries which are closely linked to the Group's business performance, the Group is cautiously optimistic about its prospects.

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of EGB are set out below:-

| | No. of Shares | RM |
|---|--------------------|---------------------------|
| Issued share capital as at the LPD ⁽¹⁾ | 304,686,492 | 143,987,170 |
| Placement Shares to be issued | 91,405,947 | 24,222,576 ⁽²⁾ |
| Enlarged issued share capital | 396,092,439 | 168,209,746 |

Notes:

(1) Excluding treasury shares held by the Company

(2) Calculated based on the illustrative price of RM0.265 per Placement Share

6.2 NA, NA per Share and gearing

Based on the latest audited consolidated statement of the financial position of EGB as at 31 December 2024, the pro forma effects of the Proposed Private Placement on the NA, NA per Share and gearing of EGB Group are set out below:-

| | Audited as at 31 December 2024 RM'000 | After the Proposed Private Placement RM'000 |
|--|--|---|
| Share capital | 145,748 | 169,971 ⁽¹⁾ |
| Treasury shares | (1,761) | (1,761) |
| Revaluation reserve | 246,060 | 246,060 |
| Exchange translation reserve | (1,234) | (1,234) |
| Share options reserve | 6,268 | 6,268 |
| Retained earnings | 136,124 | 135,324 ⁽²⁾ |
| Shareholders' equity/ NA attributable to shareholders | 531,205 | 554,628 |
| Non-controlling interests | 234 | 234 |
| Total equity | 531,439 | 554,862 |
| No. of Shares in issue (excluding treasury shares) ('000) | 304,686 | 396,092 |
| NA per Share (RM) ⁽³⁾ | 1.74 | 1.40 |

| | Audited as at 31 December 2024 RM'000 | After the Proposed Private Placement RM'000 |
|---|--|--|
| Total borrowings (interest-bearing) (RM'000) ⁽⁴⁾ | 138,234 | 126,524 ⁽⁵⁾ |
| Gearing ratio (times) ⁽⁶⁾ | 0.26 | 0.23 |

Notes:

- (1) Calculated based on the illustrative price of RM0.265 per Placement Share
- (2) After deducting estimated expenses of RM800,000 in relation to the Proposed Private Placement
- (3) Calculated based on NA attributable to shareholders divided by the number of Shares in issue
- (4) Included lease liabilities
- (5) After accounting for the utilisation of proceeds pursuant to the Proposed Private Placement earmarked for the repayment of bank borrowings
- (6) Calculated based on total borrowings divided by total equity

6.3 Earnings and EPS

The Proposed Private Placement is expected to be completed by the third quarter of 2025 and is not expected to have any material effect on the earnings of the Group for the FYE 31 December 2025. However, the EPS of the Group may be diluted as a result of the increase in the number of EGB Shares arising from the issuance of the Placement Shares.

For illustrative purposes, based on the audited consolidated financial statements of EGB for the FYE 31 December 2024 and assuming that the Proposed Private Placement had been completed at the beginning of that financial year, the pro forma effects of the Proposed Private Placement on the earnings of EGB Group and the EPS are set out below:-

| | Audited as at 31 December 2024 | After the Proposed Private Placement |
|---|---|---|
| PAT attributable to the owners of the Company (RM'000) | 3,078 | 2,278 ⁽¹⁾ |
| No. of Shares in issue (excluding treasury shares) ('000) | 304,686 | 396,092 |
| Basic EPS (sen) | 1.01 | 0.58 |

Note:-

- (1) After deducting expenses of RM800,000 in relation to the Proposed Private Placement

6.4 Convertible securities

As at the LPD, the Company has 29,980,000 outstanding ESOS Options with an exercise price of RM0.48 per ESOS Option.

In accordance with the provisions of the by-laws governing the ESOS, the Proposed Private Placement will not result in any adjustments to the number and exercise price of the outstanding ESOS Options.

Save for the above, the Company does not have any other outstanding convertible securities.

6.5 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of EGB are set out below:-

| Substantial shareholders | As at the LPD | | After the Proposed Private Placement ⁽¹⁾ | | % ⁽²⁾ |
|-------------------------------|-------------------------|------------------|---|----------------------------|------------------|
| | Direct No. of Shares | % ⁽²⁾ | Direct No. of Shares | Indirect No. of Shares | |
| Eonmetall Corporation Sdn Bhd | 84,049,128 | 27.59 | 84,049,128 | - | - |
| Dato' Sri Lee Hock Seng | 25,000,000 | 8.21 | 25,000,000 | - | - |
| Dato' Goh Cheng Huat | 41,128,918 | 13.50 | 41,128,918 | 84,049,128 ⁽³⁾ | 21.22 |
| Datin Tan Pak Say | - | - | - | 125,178,046 ⁽⁴⁾ | 31.60 |
| Chuah Theong Yee | 21,179,428 | 6.95 | 21,179,428 | - | - |

Notes:

- (1) Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)
- (2) Based on the number of Shares in issue (excluding treasury shares)
- (3) Deemed interested by virtue of his interest in Eonmetall Corporation Sdn Bhd pursuant to Section 8(4) of the Act
- (4) Deemed interested by virtue of her spouse, Dato' Goh Cheng Huat's shareholdings in Eonmetall Corporation Sdn Bhd pursuant to Section 8(4) of the Act and in EGB pursuant to Section 59(1)(c) of the Act

7. HISTORICAL FINANCIAL POSITION OF EGB GROUP

A summary of the financial information of EGB Group for the past three (3) audited financial years up to the FYE 31 December 2024 are set out below:-

| | <-----Audited-----> <-----FYE 31 December-----> | | |
|---|--|-------------------------------|----------------|
| | 2022 ⁽¹⁾ RM'000 | 2023 ⁽¹⁾ RM'000 | 2024 RM'000 |
| Revenue | 256,925 | 173,190 | 197,425 |
| PBT/ (LBT) | 26,997 | (5,437) | 1,137 |
| PAT/ (LAT) attributable to owners of the Company | 19,899 | (5,845) | 3,078 |
| Shareholders' equity/ NA attributable to shareholders | 319,496 | 317,303 | 531,205 |
| Non-controlling interest | 6,346 | 237 | 234 |
| Total equity | 325,842 | 317,540 | 531,439 |
| Total borrowings (interest-bearing) ⁽²⁾ | 175,048 | 172,394 | 138,234 |
| Gearing ratio (times) ⁽³⁾ | 0.54 | 0.54 | 0.26 |
| No. of Shares in issue (excluding treasury shares) ('000) | 276,568 | 276,988 | 304,686 |
| Weighted average number of Shares in issue (excluding treasury shares) ('000) | 250,419 | 276,752 | 284,190 |
| EPS/ (LPS) (sen) ⁽⁴⁾ | 7.95 | (2.11) | 1.08 |
| NA per Share (RM) ⁽⁵⁾ | 1.16 | 1.15 | 1.74 |
| Current ratio (times) | 1.57 | 1.48 | 1.71 |

Notes:

- (1) Excludes the discontinued operation following the disposal of a subsidiary principally involved in glove manufacturing and distribution business. The Company entered into a share sale agreement for the aforementioned disposal on 8 August 2022 and completed the disposal on 7 February 2023.
- (2) Includes lease liabilities
- (3) Calculated based on total borrowings divided by total equity
- (4) Calculated based on the PAT/ (LAT) attributable to owners of the Company divided by the weighted average number of Shares in issue (excluding treasury shares)
- (5) Calculated based on NA attributable to shareholders divided by the number of Shares in issue

Commentary on past performance

(a) FYE 31 December 2023 vs FYE 31 December 2022

The Group's revenue decreased by RM83.74 million or 32.59% from RM256.93 million in the previous financial year to RM173.19 million in the FYE 31 December 2023. This was primarily attributable to a RM84.89 million or 35.84% decline in revenue of the steel product and trading activity segment mainly driven by reduced exports to the United States.

The Group recorded LBT of RM5.44 million mainly due to the decrease in revenue, higher cost of production and increase in non-operating expenses which included the impairment loss on trade receivables of RM4.51 million and ESOS related expenses of RM4.36 million. As a result of the foregoing, the Group incurred LAT attributable to owners of the Company of RM5.85 million as compared to the PAT attributable to owners of the Company of RM19.90 million in the previous financial year.

The Group's total borrowing decreased by RM2.66 million or 1.52% from RM175.05 million in the previous financial year to RM172.39 million in the FYE 31 December 2023. The gearing ratio remained consistent at 0.54 times.

(b) FYE 31 December 2024 vs FYE 31 December 2023

The Group's revenue increased by RM24.24 million or 14.00% from RM173.19 million in the previous financial year to RM197.43 million in the FYE 31 December 2024, mainly attributable to the growth in revenue of the steel product and trading activity segment.

The Group recorded a PBT of RM1.14 million in the FYE 31 December 2024 as compared to the LBT of RM5.44 million. The improvement was mainly attributable to the gain of approximately RM28 million from the compulsory disposal of a portion of land in Kapar, Selangor held by the Group to the state government completed on 26 March 2024. The Group recorded PAT attributable to owners of the Company of RM3.08 million as compared to the LAT attributable to the owners of the Company of RM5.85 million in the previous financial year mainly due to the recognition of deferred tax income in the FYE 31 December 2024 arising from previously unutilised tax losses and capital allowances.

The Group's total borrowing further decreased by RM34.16 million or 19.82% from RM172.39 million in the previous financial year to RM138.23 million in the FYE 31 December 2024 mainly due to the partial repayment of its term loans, bankers' acceptance and revolving credit facilities. The gearing ratio decreased from 0.54 times in the previous financial year to 0.26 times in the FYE 31 December 2024.

8. IMPACT OF THE PROPOSED PRIVATE PLACEMENT AND VALUE CREATION TO THE GROUP AND ITS SHAREHOLDERS

The Proposed Private Placement is being undertaken to enable EGB Group to raise funds without incurring additional principal payments and interest costs as compared to conventional means of debt financing, hence minimising its cash commitment and thereby preserve the Group's cash flows. For illustrative purposes, based on an average interest rate of 5.64% per annum on the Group's borrowings as at the LPD, the Company would incur additional finance costs of approximately RM1.32 million annually if the requisite funds of RM23.42 million (after deducting the estimated expenses of RM0.80 million in relation to the Proposed Private Placement) were raised through bank borrowings.

The successful implementation of the Proposed Private Placement is expected to strengthen the Group's capital structure. As set out in Section 6.2 of this Circular, the NA attributable to shareholders of the Group as at 31 December 2024 of RM531.21 million is expected to increase to RM554.63 million upon completion of the Proposed Private Placement. This will enhance the Group's capital base and lower its gearing ratio. Upon the repayment of borrowings with proceeds from the Proposed Private Placement, the Group's gearing ratio is expected to improve from 0.26 times to 0.23 times. Notwithstanding the above, the NA per Share is expected to decrease following the completion of the Proposed Private Placement due to the increase in the number of Shares in issue.

The Proposed Private Placement also presents an opportunity for new investor(s) to participate in the equity of the Company, thereby broadening the Company's shareholding base. However, the issuance of the Placement Shares will result in a dilution of the percentage shareholdings of the existing shareholders of the Company. The EPS of the Group will also be diluted in the event the incremental earnings generated by the Group do not proportionally match the increase in number of Shares in issue upon completion of the Proposed Private Placement.

9. ADEQUACY OF THE PROPOSED PRIVATE PLACEMENT IN ADDRESSING THE FINANCIAL CONCERN OF THE GROUP

For the FYE 31 December 2024, EGB Group recorded a PAT attributable to owners of the Company of RM3.08 million as compared to its loss-making position as of FYE 31 December 2023. The improvement was mainly due to a one-off gain of approximately RM28 million from the compulsory disposal of a portion of land in Kapar, Selangor held by the Group to the state government completed on 26 March 2024 and the recognition of deferred tax income in the FYE 31 December 2024.

The Proposed Private Placement is aimed to further improve the current financial position of EGB Group. As compared to other equity fund raising exercises such as rights issue, the Proposed Private Placement can be implemented within a shorter time, thus the Group will be able to raise necessary funds for the intended purposes on an expeditious manner.

The gross proceeds raised from the Proposed Private Placement will serve to support the Group in improving its overall financial condition. The proceeds earmarked for the repayment of bank borrowings will provide financial flexibility to the Group whereby internal funds allocated for repayment of borrowings and the savings on interest costs can now be channelled into other business purposes. The Group will also be able to drawdown additional funds from the revolving credit facilities as and when needed after the repayment of the aforementioned credit facilities. Additionally, the proceeds allocated for working capital requirements of the Group is expected to strengthen its operating cash flow and help the Group to ensure smooth business operations.

Barring any unforeseen circumstances and premised on the above, the Board is of the view that the Proposed Private Placement is adequate to address the Group's current financial concerns and would help to reposition the Group in a better financial footing moving forward. Nevertheless, the Board will continue to monitor the Group's funding requirements and its financial performance over the long term.

10. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of EGB Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:-

| | High RM | Low RM |
|--------------------|------------|-----------|
| <u>2024</u> | | |
| April | 0.42 | 0.37 |
| May | 0.42 | 0.37 |
| June | 0.45 | 0.40 |
| July | 0.44 | 0.41 |
| August | 0.41 | 0.36 |
| September | 0.38 | 0.31 |
| October | 0.34 | 0.31 |
| November | 0.33 | 0.30 |
| December | 0.32 | 0.27 |
| <u>2025</u> | | |
| January | 0.31 | 0.27 |
| February | 0.29 | 0.26 |
| March | 0.30 | 0.27 |

Last transacted market price of EGB Shares as at 24 January 2025, being the last trading date prior to the announcement of the Proposed Private Placement

RM0.30

Last transacted market price of EGB Shares on the LPD

RM0.28

(Source: Bloomberg)

11. APPROVALS REQUIRED/ OBTAINED AND CONDITIONALITY

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

- i. Bursa Securities, for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities, which was obtained vide its letter dated 9 April 2025, subject to the following conditions:-

| No. | Conditions | Status of compliance |
|-----|--|----------------------|
| 1. | EGB and AIS must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement; | To be complied |
| 2. | AIS to inform Bursa Securities upon the completion of the Proposed Private Placement; | To be complied |
| 3. | AIS to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Private Placement prior to the listing of the new EGB Shares to be issued pursuant to the Proposed Private Placement; and | To be complied |
| 4. | AIS to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed. | To be complied |

- ii. shareholders of EGB at an EGM to be convened; and
- iii. any other relevant authorities and/ or parties, if required.

The Proposed Private Placement is not conditional upon any other corporate exercises undertaken or to be undertaken by the Company.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders, chief executive of the Company and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

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

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the required approvals being obtained, the Proposed Private Placement is expected to be completed by the third quarter of 2025.

15. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Private Placement, there is no other outstanding corporate proposal that has been announced but pending completion as at the date of this Circular.

16. EGM

The EGM will be held at Meeting Room, 2nd Floor, Lot 1258, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Pulau Pinang, Malaysia on Wednesday, 28 May 2025 at 3.30 p.m. or immediately after the conclusion of the Company's 22nd Annual General Meeting which will be held at 2.30 p.m. on the same day and at the same venue, whichever is later or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution as set out in the Notice of EGM enclosed in this Circular, to give effect to the Proposed Private Placement.

If you wish to appoint a proxy to attend, participate, speak and vote on your behalf at the EGM, you may complete, sign and deposit the Form of Proxy at the Company's registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.

The lodging of the Form of Proxy will not preclude you from attending, speaking and voting at the EGM if you subsequently wish to do so.

17. FURTHER INFORMATION

Shareholders are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
EONMETALL GROUP BERHAD

TAN SRI DATO' MOHD DESA BIN PACHI
Independent Non-Executive Chairman

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

AIS, being the Principal Adviser and Placement Agent for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, ABMB and its subsidiaries ("**ABMB Group**") have extended credit facilities to EGB Group in the ordinary course of its business. Notwithstanding, AIS is of the opinion that the financial relationship between ABMB Group and EGB Group does not give rise to a conflict of interest situation for AIS to act as the Principal Adviser and Placement Agent for the Proposed Private Placement due to the following:-

- (i) the credit facilities granted by ABMB Group were approved in its ordinary course of business and are not material when compared to the audited consolidated NA of ABMB Group as at 31 March 2024 of RM7.18 billion, which is less than 1.00% of the audited consolidated NA of ABMB Group as at 31 March 2024;
- (ii) the conduct of ABMB Group in its banking business is strictly regulated by the Financial Services Act 2013, the Islamic Financial Services Act 2013 and its own internal control policies and procedures; and
- (iii) the corporate finance department of AIS is required to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, amongst others, the establishment of Chinese Wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, save as disclosed below, the Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the Group, or of any facts which are likely to give rise to any proceedings, which may materially and adversely affect the business or financial position of the Group:

- (a) Xin Xin Engineering Sdn Bhd ("**XXESB**") v Eonmetall Technology Sdn Bhd ("**ETSB**")

On 26 November 2021, XXESB as the plaintiff filed a suit against ETSB (a wholly-owned subsidiary of EGB) as the defendant, claiming for the alleged breach of a latex glove dipping line purchase agreement dated 30 June 2020 and a sum of RM2,676,910.76 together with 5% interest per annum on the aforementioned amount from 12 March 2021 until full and final realisation.

APPENDIX I – FURTHER INFORMATION (CONT'D)

In response, ETSB had, on 7 January 2022, counterclaimed against XXESB for the following:-

- i. the sum of RM15,436,800 or such other sum to be assessed by the Court, being the loss of profit suffered by ETSB arising from the defects of the latex glove dipping line;
- ii. interests on the aforementioned sum at the rate of 5% per annum from the date of counterclaim until the date of full and final settlement;
- iii. costs; and
- iv. such other further relief and/ or orders as deemed fit and reasonable by the Court.

XXESB has previously filed an application for summary judgment against ETSB and the High Court had dismissed their application on 13 April 2022 with costs of RM5,000, which is still owing by XXESB to ETSB until to-date.

XXESB then filed an appeal to the Court of Appeal against the High Court's decision and the appeal was ultimately dismissed on 15 September 2022 with costs of RM5,000 (subject to allocator fees) payable by XXESB to ETSB. The aforementioned cost and allocator fee of RM200 are still owing by XXESB to ETSB until to-date.

The full trial has not concluded yet and is fixed for further continuation from 14 July 2025 to 17 July 2025 and from 25 August 2025 to 29 August 2025.

ETSB's solicitors are of the view that ETSB has a fair and arguable case with reasonable chance of success in defending against XXESB's claim and obtaining judgment for its counterclaim.

(b) Eonmetall Systems Sdn Bhd ("**ESSB**") v United Motors and Heavy Equipment Co. LLC ("**UMHE**")

On 8 May 2020, ESSB (a wholly-owned subsidiary of EGB), as the plaintiff commenced the action against UMHE as the defendant for the unpaid order of customised steel products worth USD394,500 pursuant to a pro forma invoice and delivered by sea carrier to UMHE in United Arab Emirates, to seek the following reliefs, amongst others:-

- i. UMHE to pay to ESSB a sum of USD304,286.56 together with interest of 5% per annum thereon from the date of filing of the writ and statement of claim by ESSB, both dated 8 May 2020, until the full settlement of the aforementioned sum; and
- ii. a declaration that UMHE is liable for any storage and/ or demurrage and/ or other charges imposed on ESSB's goods at the Jebel Ali port.

UMHE's refusal to collect the container, allegedly due to being frauded by another individual, has caused ESSB to be sued by Cosco Shipping Line (Malaysia) Sdn Bhd for the storage fees in arrear incurred in Jebel Ali Port, Dubai.

Full trial of this matter has been fixed from 21 July 2025 to 24 July 2025 and from 28 July 2025 to 29 July 2025.

ESSB's solicitors remain optimistic that the evidence available supports ESSB's claim, and there is a likelihood that the Court may decide in ESSB's favor with cost.

APPENDIX I – FURTHER INFORMATION (CONT'D)

- (c) Cosco Shipping Lines Co Ltd and Cosco Shipping Line (Malaysia) Sdn Bhd v ESSB v UMHE

On 25 May 2021, Cosco Shipping Lines Co Ltd and Cosco Shipping Line (Malaysia) Sdn Bhd (collectively the “**Plaintiffs**”) claimed against ESSB as the defendant for storage and detention and demurrage charges accrued under an invoice, seeking the following reliefs, amongst others: -

- i. the sum of RM1,194,026.10 being the principal sum payable under the aforementioned invoice; and
- ii. contractual interest on the sum of RM1,194,026.10 at the daily rate of 0.1% for 14 days from 22 March 2021 until the date of full and final payment of the aforementioned sum.

On 9 June 2022, ESSB filed a statement of claim against UMHE as the third party claiming for full indemnity or an order for UMHE to make proportionate contribution to the Plaintiffs’ claim against UMHE. In response, UMHE filed its statement of defence dated 27 June 2022 pleaded that they did not make the order of the items as delivered by ESSB. UMHE has also exchanged pleadings and completed the filing of pre-trial documents, except for finalised the statement of agreed issued to be tried.

Full trial of this matter has been fixed from 21 July 2025 to 24 July 2025 and from 28 July 2025 to 29 July 2025 to run concurrently with the suit stated in Section 3(b) above.

The solicitors of EESB are of the view that the Plaintiffs’ claim is likely dismissed with costs and in the event that the Plaintiffs’ claim is allowed by the Court, EESB is allowed to claim for full contribution and/ or indemnity from UMHE in respect of the Plaintiffs’ claim.

4. MATERIAL COMMITMENT

Save as disclosed below, as at the LPD, the Group does not have any material commitments incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the financial position of the Group:-

RM'000

Contracted but not provided for:-

- Purchase of property, plant and equipment

7,656

5. MATERIAL CONTINGENT LIABILITIES

Save for the contingent liabilities that may potentially arise from the material litigation, claim or arbitration as disclosed in Section 3 of this Appendix I, as at the LPD, there are no contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the financial results or position of our Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:-

- (i) Constitution of EGB;
- (ii) the audited consolidated financial statements of EGB Group for the past two (2) financial years up to the FYE 31 December 2024;
- (iii) the letter of consent and declaration on conflict of interest referred to in Section 2 of this Appendix I; and
- (iv) the relevant cause papers in respect of the material litigation referred to in Section 3 of this Appendix I.

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EONMETALL GROUP BERHAD
Registration No.: 200301029197 (631617-D)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of Eonmetall Group Berhad (“**EGB**” or the “**Company**”) will be held at Meeting Room, 2nd Floor, Lot 1258, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Pulau Pinang, Malaysia on Wednesday, 28 May 2025 at 3.30 p.m. or immediately after the conclusion of the Company’s 22nd Annual General Meeting which will be held at 2.30 p.m. on the same day and at the same venue, whichever is later or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modification, the following resolution:-

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 91,405,947 NEW ORDINARY SHARES IN EGB REPRESENTING UP TO 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF EGB (EXCLUDING TREASURY SHARES) AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED PRIVATE PLACEMENT”)

“**THAT**, subject to the approvals and consents of all the relevant authorities and/ or parties, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to allot and issue up to 91,405,947 new ordinary shares in EGB (“**EGB Shares**” or “**Shares**”) (“**Placement Shares**”) representing up to 30% of the total number of issued shares of EGB (excluding treasury shares) by way of private placement in one or more tranches within six (6) months from the date of approval from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities and upon such terms and conditions as disclosed in the circular to the shareholders of the Company dated 29 April 2025 (“**Circular**”), to the placee(s) to be identified. The Placement Shares may be offered to the substantial shareholders of the Company;

THAT, pursuant to Section 85 of the Companies Act 2016 read together with Clause 65 of the Constitution of the Company, approval be given to waive the pre-emptive rights of the shareholders of EGB to be offered new EGB Shares ranking equally to the existing issued EGB Shares arising from any issuance of new EGB Shares pursuant to the Proposed Private Placement;

THAT, the issue price of each tranche of the Placement Shares will be determined at a later date by the Board (“**Price-Fixing Date**”) based on a discount, if any, of not more than 10% to the five (5)-day volume weighted average market price of EGB Shares up to and including the last trading day immediately prior to the Price-Fixing Date;

THAT, the Board be and is hereby authorised to utilise the proceeds to be raised from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/ or expedient in the best interest of the Company, subject to compliance with the requirements under the Main Market Listing Requirements of Bursa Securities and the approvals of the relevant authorities (where required);

THAT, such Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividends, rights, allotments and/ or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares;

AND THAT, the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/ or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/ or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143) SSM PC No. 202008001023)
ONG TZE-EN (MAICSA 7026537) SSM PC No. 202008003397)
Company Secretaries

Penang
29 April 2025

Notes:

1. *A proxy may but need not be a member of the Company.*
2. *The instrument appointing a proxy must be deposited at the Company's registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.*
3. *A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *If the appointor is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
6. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2025 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/ or vote on his/ her behalf.*

**EONMETALL GROUP BERHAD**

Registration No. 200301029197 (631617-D)
(Incorporated in Malaysia)

FORM OF PROXY

| No. of Shares held | CDS Account No. |
|--------------------|-----------------|
| | |

I/We _____
(Full Name in Block Letters and NRIC No./Passport No./Company No.)

of _____ and _____
(Address) (Tel. No./Email Address)

being a member/ members of Eonmetall Group Berhad ("**Company**"), hereby appoint

| Full Name (in Block Letters) | NRIC/ Passport No. | No. of Shares | % of shareholding |
|------------------------------|--------------------|---------------|-------------------|
| | | | |
| Email Address: | | | |
| Telephone No. | | | |

* and/ or (*delete if not applicable)

| Full Name (in Block Letters) | NRIC/ Passport No. | No. of Shares | % of shareholding |
|------------------------------|--------------------|---------------|-------------------|
| | | | |
| Email Address: | | | |
| Telephone No. | | | |

as *my/ our *proxy/ proxies to vote for *me/ us on *my/ our behalf at the Extraordinary General Meeting ("**EGM**") of the Company, to be held at Meeting Room, 2nd Floor, Lot 1258, MK 12, Jalan Seruling, Kawasan Perusahaan Valdor, 14200 Sungai Bakap, Pulau Pinang, Malaysia on Wednesday, 28 May 2025 at 3.30 p.m. or immediately after the conclusion of the Company's 22nd Annual General Meeting which will be held at 2.30 p.m. on the same day and at the same venue, whichever is later or at any adjournment thereof.

Please indicate with an "x" in the appropriate space(s) provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

| Ordinary Resolution | For | Against |
|----------------------------|-----|---------|
| Proposed Private Placement | | |

Signed this _____ day of _____, 2025.

.....
Signature of Shareholder(s)/ Common Seal

* *Strike out whichever is not desired.*

Notes:

1. *A proxy may but need not be a member of the Company.*
2. *The instrument appointing a proxy must be deposited at the Company's registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.*
3. *A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
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6. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2025 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/ or vote on his/ her behalf.*

Personal Data Privacy

By submitting the duly executed Form of Proxy, the member and his/ her proxy consent to the Company and/ or its agents/ service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the EGM of the Company and any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE COMPANY SECRETARIES
EONMETALL GROUP BERHAD
Registration No. 200301029197 (631617-D)
170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang, Malaysia

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