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**WONG ENGINEERING CORPORATION BERHAD**

**Registration No. 199601037606 (409959-W)**

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO**

**PART A**

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

**AND**

**PART B**

**STATEMENT OF PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO BUY-BACK ITS OWN SHARES**

The resolutions in respect of the above proposals will be tabled at the Twenty-Fourth (24<sup>th</sup>) Annual General Meeting of Wong Engineering Corporation Berhad (the "Company" or "WEC"). Notice of the 24<sup>th</sup> Annual General Meeting which will be conducted fully virtual at the Broadcast Venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 25 March 2021 at 9.30 am, together with the Proxy Form are enclosed together herein.

The Proxy Form shall be deposited at the Registered Office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia. *Alternatively, the Proxy Form may also be electronically submitted via TIH Online website at <https://tiah.online>. Please refer to the Administrative Guide for further information on electronic submission* not less than forty-eight (48) hours before the time set for holding the 24<sup>th</sup> Annual General Meeting.

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

The last day and time for you to lodge the Proxy Form is on Tuesday, 23 March 2021 at 9.30 am.

This Circular is dated 25 February 2021

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## DEFINITIONS

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

- Act** – The Companies Act 2016 as amended from time to time and any re-enactment thereof
- AGM** – Annual General Meeting
- AC** – Audit Committee of WEC
- Board or Board of Directors** – The Board of Directors of WEC
- Bursa Securities** – Bursa Malaysia Securities Berhad (Registration No. 200301033577 / 635998-W)
- Code** – Malaysian Code on Takeovers and Mergers, 2016 as amended from time to time.
- Constitution** – Constitution of the Company
- Directors** – Has the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon a director of WEC, its subsidiaries or holding company or chief executive officer of WEC, its subsidiaries or holding company
- FWE** – FWE Global Sdn. Bhd. (Registration No. 201401041470 / 1117625-X)
- Kuchai Lama Project** – Construction activities performed on Lot 32075, Kuchai Lama Entrepreneurs Park, Mukim Petaling, Wilayah Persekutuan Kuala Lumpur for a contract value of RM87.5 million awarded by Havana Solaris Sdn. Bhd.
- Listing Requirements** – Main Market Listing Requirements of the Bursa Securities including any amendments to the Listing Requirements that may be made from time to time
- LPD** – Latest practicable date of 29 January 2021
- Major Shareholder** – A person who has an interest or interests in one or more voting shares in the corporation and the issued shares or the aggregate number of such shares is:-  
(a) 10% or more of the total number of voting shares in WEC; or  
(b) 5% or more of the total number of voting shares in WEC where such person is the largest shareholder of WEC.  
For the purpose of this definition, “interest” shall have meaning of “interest in shares” given in Section 8 of the Act.  
A major shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company or any other company which is its subsidiaries or holding company.
- NA** – Net Assets

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**DEFINITIONS (cont'd)**

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<b>Person(s) Connected</b>	<ul style="list-style-type: none"><li>– Such person, in relation to any person (referred to as “said Person”) means such person who falls under any one of the following categories:-<ul style="list-style-type: none"><li>(i) a family member of the said Person;</li><li>(ii) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;</li><li>(iii) a partner of the said Person;</li><li>(iv) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;</li><li>(v) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;</li><li>(vi) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or</li><li>(vii) a body corporate which is a related corporation of the said Person.</li></ul></li></ul>
<b>Proposed Share Buy-Back</b>	<ul style="list-style-type: none"><li>– Proposed Renewal of Authority for the Company to buy-back its own shares.</li></ul>
<b>Proposed Shareholders’ Mandate</b>	<ul style="list-style-type: none"><li>– Proposed Renewal of Existing Shareholders’ Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature</li></ul>
<b>Recurrent Related Party Transactions or RRPT</b>	<ul style="list-style-type: none"><li>– Transactions with Related Parties involving recurrent transactions of a revenue or trading nature which are necessary for the WEC Group’s day-to-day operations and are in the ordinary course of business of the WEC Group</li></ul>
<b>Related Parties</b>	<ul style="list-style-type: none"><li>– Directors, Major Shareholders and/or Persons Connected with such Directors or Major Shareholders of the Company</li></ul>
<b>RM and Sen</b>	<ul style="list-style-type: none"><li>– Ringgit Malaysia and sen, respectively</li></ul>
<b>SC</b>	<ul style="list-style-type: none"><li>– Securities Commission Malaysia</li></ul>
<b>Shares or WEC Shares</b>	<ul style="list-style-type: none"><li>– Ordinary Shares in the Company</li></ul>
<b>Tajukon</b>	<ul style="list-style-type: none"><li>– Tajukon Sdn. Bhd. (Registration No. 198301007648 / 102873-W)</li></ul>
<b>TNTT</b>	<ul style="list-style-type: none"><li>– TNTT Realty Sdn. Bhd. (Registration No. 199401035702 / 321385-D)</li></ul>
<b>WEC or Company</b>	<ul style="list-style-type: none"><li>– Wong Engineering Corporation Berhad (Registration No. 199601037606 / 409959-W)</li></ul>
<b>WEC Group or Group</b>	<ul style="list-style-type: none"><li>– WEC and its subsidiaries</li></ul>
<b>WECC</b>	<ul style="list-style-type: none"><li>– WEC Construction Sdn. Bhd. (Registration No. 201701004056 / 1218221-D)</li></ul>
<b>WECD</b>	<ul style="list-style-type: none"><li>– WEC Development Sdn. Bhd. (Registration No. 201701004080 / 1218245-W)</li></ul>
<b>WECM</b>	<ul style="list-style-type: none"><li>– WEC Marketing Sdn. Bhd. (Registration No. 198401008364 / 120881-P)</li></ul>

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**DEFINITIONS (cont'd)**

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- WEE** – Wong Engineering Electronics Sdn. Bhd.  
(Registration No. 199001001146 / 192707-U)
- WEI** – Wong Engineering Industries Sdn. Bhd. (Registration No. 198201011542 / 91267-P)
- WEM** – Wong Engineering Metals (M) Sdn. Bhd.  
(Registration No. 199001004445 / 196012-W)
- WEX** – Wong Exerion Precision Technology Sdn. Bhd.  
(Registration No. 200601013707 / 733458-X)

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**PART A**

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



# WONG ENGINEERING CORPORATION BERHAD

Registration No. 199601037606 (409959-W)

(Incorporated in Malaysia)

**Registered Office:-**

170-09-01, Livingston Tower, Jalan Argyll

10050 George Town, Pulau Pinang, Malaysia

T: +604 229 4390 / 227 7762

F: +604 226 5860 / 227 5901

25 February 2021

**Directors**

Datuk Haji Muhamad Shapiae Bin Mat Ali (*Independent Non-Executive Chairman*)

Lau Chia En (*Independent Non-Executive Director*)

Eng Teik Hiang (*Non-Independent Non-Executive Director*)

Yong Loy Huat (*Executive Director & Chief Executive Officer*)

Chang Joo Huat (*Executive Director*)

Low Seong Chuan (*Executive Director*)

Anstey Yong Lee Teen (*Executive Director*)

To: **The Shareholders of WEC**

Dear Sir/Madam,

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

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**1.0 INTRODUCTION**

Our Company had at its AGM held on 22 July 2020, obtained a general mandate from the shareholders for WEC Group to enter into RRPT of a revenue or trading nature which are necessary for WEC Group's day-to-day operations and are in the ordinary course of business and on terms that are not more favourable to the Related Parties than those generally available to the public. The said general mandate for RRPT shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming 24<sup>th</sup> AGM unless authority for its renewal is renewed.

The Board of Directors of WEC had, on 18 February 2021, announced that the Company proposed to seek renewal of mandate in respect of the existing RRPT from our shareholders pursuant to Paragraph 10.09 of the Listing Requirements at the forthcoming 24<sup>th</sup> AGM to be convened.

The purpose of this Circular is to provide you with the relevant information on the Proposed Shareholders' Mandate and to seek your approval for the ordinary resolution to be tabled at the forthcoming 24<sup>th</sup> AGM, which will be convened fully virtual at the Broadcast Venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 25 March 2021 at 9.30 am.



**YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE APPENDIX CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE TO BE TABLED AT THE FORTHCOMING 24<sup>TH</sup> AGM.**

## **2.0 DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE**

### **2.1 Provisions under the Listing Requirements**

Paragraph 10.09(2) of the Listing Requirements provides that a listed issuer may seek a shareholders' mandate in respect of RRPT subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year in relation to a listed issuer with a share capital of RM60 million and below;
  - (i) the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
  - (ii) the percentage ratio of such RRPT is 1% or more,
 whichever is the lower;
- (c) the listed issuer's circular to shareholders for the shareholders' mandate includes the information as may be prescribed by the Bursa Securities;
- (d) in a meeting to obtain the shareholders' mandate, the interested directors, interested major shareholders or interested person connected with a director or major shareholder; and where it involves the interest of a person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered by the listed issuer, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

### **2.2 Background information**

The WEC is principally an investment holding company. The details and principal activities of its subsidiaries as at the LPD are set out below:

<b>Name of companies</b>	<b>Effective ownership interest</b>	<b>Principal activities</b>
WEI	100%	Design and manufacture of high precision metal stamped parts and sheet metals
WEE	100%	Manufacture of high precision turned metal components
WECM	100%	Trading, marketing and retailing of industrial and consumer products
WEM	100%	Dormant
*WEX	100%	Design, manufacture and supply of complex welded frames structure, related modules and systems
*FWE	51%	Design, manufacture and supply of complex welded frames structure, related modules and systems

Name of companies	Effective ownership interest	Principal activities
WECD	100%	Yet to commence operations in the provision of property development and related business.
WECC	100%	General building construction & infrastructure work

Note: \* held through WEI

WEC Group enters into the RRPT referred to in Section 2.4 which are necessary for the day-to-day operations with the Related Parties in the ordinary course of business. Such RRPT will be carried out at arm's length, on the WEC Group's normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and which will not be to the detriment of the minority shareholders of WEC. The transactions may occur in periodic requirements and are not bound by any preceding agreements negotiated in advance.

The RRPT will also be subject to the review procedures set out in Section 2.6 below.

### 2.3 Validity of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate, if approved by the WEC's shareholders at the forthcoming 24<sup>th</sup> AGM will take effect from the date of passing of the proposed ordinary resolution at the 24<sup>th</sup> AGM and shall continue to be in force until:-

- (a) the conclusion of the next AGM following the forthcoming 24<sup>th</sup> AGM at which the Proposed Shareholders' Mandate is passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the next AGM; or
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the Shareholders in general meeting;

whichever is the earlier.

Thereafter, the approval from shareholders will be sought for the renewal of the Proposed Shareholders' Mandate for RRPT at each subsequent AGM of the Company.

Transactions with any Related Parties, which do not fall within the ambit of the Proposed Shareholders' Mandate, will be subject to other applicable provisions of the Listing Requirements, the Act and/or any applicable law.

Details of RRPT of the Group which are in accordance with Paragraph 10.09 of the Listing Requirements are set out in the ensuing paragraphs.

### 2.4 Class and Nature of the RRPT

#### The principal activities of the related transacting party

The principal activities of the related transacting party that will be entering into the RRPT with WEC Group are set out below:

Related Transacting Parties	Principal activities
Tajukon	Investment holding and building/general construction activities.

### Nature of the RRPT

The details of the nature and estimated annual value of the RRPT in respect of which WEC Group is seeking renewal mandate from its shareholders as contemplated under the Proposed Shareholders' Mandate are as follows:

Provider of goods and services	Recipient of goods and services	Nature of transaction	Estimated aggregate value as disclosed in the Circular to Shareholders dated 25 February 2020 (RM'000)	Actual value transacted <sup>(1)</sup> (RM'000)	Estimated aggregate value of the transactions during the validity of the Proposed Shareholders' Mandate to the next AGM <sup>(2)</sup> (RM'000)	Related parties
Tajukon	WEC Group	Project management services Rental of cranes, formworks, machineries and equipment to facilitate the operational works Rental of office space	1,600 <sup>(3)</sup> (4)	956 172	2,000	Yong Loy Huat ("YLH") is the Chief Executive Officer and major shareholder of WEC. YLH is also a Director and major shareholder of Tajukon. He holds 72% equity interest in Tajukon.  Yong Kwee Lian is a major shareholder of WEC and the sister of YLH. She is also a Director and shareholder of Tajukon. She holds 20% equity interest in Tajukon.  Low Siang Chan is a Director and shareholder of Tajukon. He holds 8% equity interest in Tajukon. He is also the brother-in-law of YLH and the brother of Low Seong Chuan.

### Note

- (1) The Actual Value transacted of RRPT is from the date on which the existing mandate was obtained up to the LPD before the printing of this Circular.
- (2) The estimated value may vary and subject to change.
- (3) Project management services for Kuchai Lama Project in relation to earthworks, infrastructure works, building construction works, project supervision, conceptual design, procurement of architectural services, quantity surveying and certification of works, contract documentation including reviewing, coordinating of construction documents, liaising with relevant authorities and consultants and other services.
- (4) As and when deemed appropriate, WEC Group may enter into arrangement with Tajukon for rental of cranes, formworks, machineries and heavy equipment to facilitate the operational works for its construction activities, subject to the review procedure as set out in Section 2.6 of this Circular. As the requirements of such transactions are dependent on the nature of projects secures, progress and timing of the projects, WEC is unable to ascribe an estimated value for this category of recurrent transactions.
- (5) Approximately 1,750 square feet and located at No. 31-4, Tingkat 3, Jalan SP 2/2, Taman Seidang Perdana Seksyen 2, 43300 Seri Kembangan, Selangor, for RM1,200 a month for a tenure of 1 year.

## **2.5 Amount Due and Owing Under RRPT**

There is no outstanding amount due and owing by related parties to WEC Group pursuant to the RRPT which has exceeded the credit term as at the financial year ended 31 October 2020.

## **2.6 Method or Procedures on Which Transaction Prices are Determined/Review Procedures for Recurrent Party Transactions**

The WEC Group has implemented the following procedures to supplement existing internal procedures for general transactions to ensure that the RRPT are undertaken on an arm's length basis and on normal commercial terms and on terms not more favourable to the Related Parties than those generally extended to third parties.

The review procedures are as follows:-

- (i) All companies within the WEC Group shall be notified of the related party with whom the WEC Group may transact in accordance with the shareholders' mandate. The relevant personnel or division head shall be required, prior to entering into such transactions, to ensure that all recurrent related party transactions are transacted on terms which are consistent with the WEC Group's normal business practices and policies; are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;
- (ii) Records are maintained by the WEC Group to capture all the recurrent related party transactions which are entered into pursuant to the shareholders' mandate for monitoring purposes. Report thereof are circulated to the AC on quarterly basis for its notation, review and monitoring of such RRPT;
- (iii) The AC and the Board shall ensure that the internal audit function of the Group incorporates the review of the guidelines and procedures for monitoring of recurrent related party transactions into the Group's internal audit plans. Annual review of the said guidelines and procedures will also be carried out to ascertain that the guidelines and procedures established to monitor recurrent related party transactions have been complied with and are adequate;
- (iv) The AC and the Board shall have the overall responsibility for the determination of the review procedures including addition of new review procedures, where applicable. The AC and the Board may also appoint individuals and committees within the WEC Group to examine the recurrent related party transactions, as they may deem appropriate. If a member of the AC or the Board has an interest in a particular transaction, he or she will abstain from any deliberation and decision-making by the Board and/or the AC in respect of the said transaction; and
- (v) Disclosure will be made in the annual report of the aggregate value of recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in accordance with the requirements prescribed by Bursa Securities.

Where practical and/or feasible, at least 2 other contemporaneous transactions with unrelated third parties for similar products and/or quantities will be used as comparison for determining the price and terms offered by the Mandated Related Party are fair and reasonable as compared with those offered by unrelated third parties. In the event that the quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined based on those offered by other unrelated parties for substantially similar types of transactions to ensure that the Recurrent Transactions are not detrimental to the WEC Group.

## **2.7 Threshold for Approval of RRPT**

There are no specific thresholds for approval of RRPT within the Group. However, all RRPT are subject to the review and/or approval of the appropriate level of authority pursuant to the procedures as disclosed in Section 2.6 above set by the AC, subject to the provisions in the Listing Requirements and/or the Act, depending on the type of transactions, to ensure the RRPT will be carried out on arm's length basis; on transaction price and on terms not more favourable to the Related Parties than those generally available to the public; and are not to the detriment of the minority shareholders.

## **2.8 Deviation from mandate**

The actual value of RRPT did not exceed 10% of the estimated value as approved under the previous shareholders' mandate granted to the Company at the last AGM.

## **2.9 Statement by the AC**

The AC of WEC has seen and reviewed the procedures mentioned in Section 2.6 above and is of the opinion that the abovementioned procedures, as well as the periodic reviews to be made by the AC in relation thereto, are sufficient to ensure that the RRPT is in the best interest of the Company and are fair, reasonable and carried out on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of the minority shareholders.

The AC is also of the view that WEC Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner and such procedures and processes are reviewed by the AC and/or the management staff as and when necessary.

## **3.0 RATIONALE FOR, AND THE BENEFIT TO THE WEC GROUP FROM TRANSACTING WITH THE RELATED PARTIES**

The Proposed Shareholders' Mandate, which is subject to annual review will enable the Group to enter into RRPT which are in the ordinary course of the Group's businesses, on normal commercial terms, in a timely manner. This will enable the Group to continue to carry out RRPT necessary for the Group's day-to-day operations thus enhancing the Group's ability to pursue business opportunities which are time-sensitive in nature in a more efficient manner by transacting with the Related Parties. The Group will have an advantage of familiarity with the background, Management and the financial well-being of the Related Parties which will enable a more informed commercial decision to be made by the Group in a timely manner.

By obtaining the shareholders' mandate and the renewal thereof on an annual basis would eliminate the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT of a revenue or trading nature arise, thereby reducing substantial administrative time and costs associated with the convening of such general meetings, without compromising the corporate objective or adversely affecting the business opportunities available to WEC Group.

The RRPT are essential to provide WEC Group with the support for its operational business opportunities and further enhance its ability to explore beneficial business opportunities.

#### 4.0 APPROVALS REQUIRED

The Proposed Shareholders' Mandate is conditional upon approval being obtained from shareholders at the forthcoming 24<sup>th</sup> AGM.

#### 5.0 EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is not expected to have any effect on the issued share capital, shareholdings of substantial shareholders or material effects on earnings and net assets of WEC Group for the financial year ending 31 October 2021.

#### 6.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the other Directors, Major Shareholders of WEC and/or persons connected to them has any interest, direct and/or indirect, in the Proposed Shareholders' Mandate.

Yong Loy Huat, being the Chief Executive Officer and Major Shareholder of WEC is interested in the Proposed Shareholders' Mandate by virtue of him being a Director and major shareholder of Tajukon.

Yong Kwee Lian, a Major Shareholder of WEC, is the sister of Yong Loy Huat.

Ong Yoong Nyock, a Major Shareholder of WEC, is the brother-in-law of Yong Loy Huat.

Low Seong Chuan, a Director of WEC, is the brother-in-law of Yong Loy Huat.

Anstey Yong Lee Teen, a Director of WEC, is the daughter of Yong Loy Huat.

TNTT, a Major Shareholder of WEC, is a company controlled by Yong Kwee Lian and Ong Yoong Nyock.

Yong Loy Huat, Yong Kwee Lian, Ong Yoong Nyock, Low Seong Chuan, Anstey Yong Lee Teen and TNTT shall collectively be referred to as the "Interested Related Parties".

Accordingly, Yong Loy Huat, Low Seong Chuan and Anstey Yong Lee Teen have abstained and will continue to abstain from all deliberations and decision at the Board meetings relating to the Proposed Shareholders' Mandate.

The direct and indirect interest of the interested Major Shareholders and the interested Directors of WEC and Persons Connected with them as at LPD are summarised below:

Interested Major Shareholders of WEC	Shareholdings			
	Direct		Indirect	
	Shares	%	Shares	%
TNTT	26,693,875	24.09	-	-
Ong Yoong Nyock	10,625,000	9.59	<sup>(1)</sup> 26,693,875	24.09
Yong Kwee Lian	-	-	<sup>(1)</sup> 26,693,875	24.09
Yong Loy Huat	22,141,125	19.98	-	-

Interested Directors of WEC	Shareholdings			
	Direct		Indirect	
	Shares	%	Shares	%
Yong Loy Huat	22,141,125	19.98	-	-
Low Seong Chuan	12,500	0.01	-	-
Anstey Yong Lee Teen	1,875,000	1.69	-	-

Note:

<sup>(1)</sup> Deemed interested pursuant to Section 8(4) of the Act.

As at the LPD, none of the Interested Persons Connected to the Directors and Major Shareholders of WEC has any direct and/or indirect shareholdings in WEC other than as disclosed above.

The abovementioned Interested Related Parties will abstain and have undertaken to ensure that Persons Connected with them will abstain from voting, deliberating or approving in respect of their direct and indirect interests in WEC on the ordinary resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming 24<sup>th</sup> AGM. Save as disclosed, none of the other Directors and Major Shareholders of WEC and/or Persons Connected with them, has any interest, direct or indirect in the Proposed Shareholders' Mandate. Yong Loy Huat, Low Seong Chuan and Anstey Yong Lee Teen had abstained and will continue to abstain from Board deliberation and voting in respect of their direct and indirect interests in WEC on the proposed ordinary resolution pertaining to the Proposed Shareholders' Mandate in which they are interested at the Board level.

## 7.0 DIRECTORS' RECOMMENDATION

The Board of Directors (with the exception of Yong Loy Huat, Low Seong Chuan and Anstey Yong Lee Teen who had abstained from expressing any opinion and recommendation in relation to the Proposed Shareholders' Mandate in view of their interests) having considered all aspects of the Proposed Shareholders' Mandate, is of the opinion that it is in the best interest of the WEC Group and accordingly, recommend that you vote in favour of the ordinary resolution on the Proposed Shareholders' Mandate to be tabled at the forthcoming 24<sup>th</sup> AGM.

## 8.0 AGM

The 24<sup>th</sup> AGM, the notice of which is enclosed in this Circular, will be conducted fully virtual at the Broadcast Venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 25 March 2021 at 9.30 am for the purpose of considering and, if thought fit, passing with or without any modifications to the ordinary resolution to give effect to the Proposed Shareholders' Mandate under the Special Business in the 24<sup>th</sup> AGM.

If you are unable to attend and vote at the 24<sup>th</sup> AGM, please complete, sign and send the enclosed Proxy Form and forward it to the Registered Office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia. *Alternatively, the Proxy Form may also be electronically submitted via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for further information on electronic submission* not less than forty-eight (48) hours before the time fixed for the holding of the 24<sup>th</sup> AGM. The Proxy Form should be completed strictly in accordance with the instructions contained therein. The lodging of the Proxy Form will not preclude you from attending and voting in person at the 24<sup>th</sup> AGM should you subsequently wish to do so.

**9.0 FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I contained in this Circular for further information.

Yours faithfully

For and on behalf of the Board of

**WONG ENGINEERING CORPORATION BERHAD**

**DATUK HAJI MUHAMAD SHAPIAE BIN MAT ALI**

Independent Non-Executive Chairman



**PART B**

**STATEMENT OF PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY  
TO BUY-BACK ITS OWN SHARES**

## WONG ENGINEERING CORPORATION BERHAD

Registration No. 199601037606 (409959-W)

(Incorporated in Malaysia)

### STATEMENT OF PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO BUY-BACK ITS OWN SHARES

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#### 1.0 INTRODUCTION

At the Company's Twenty-Third AGM held on 22 July 2020, the Board had obtained shareholders' approval to undertake the share buy-back of up to ten per centum (10%) of the total issued shares of the Company. This authority will, in accordance with Chapter 12 of the Listing Requirements, lapse at the conclusion of forthcoming AGM unless a renewal of authority of share buy-back is obtained from the shareholders of the Company at the forthcoming AGM.

On 18 February 2021, the Company made announcement to Bursa Securities that the Company proposes to seek its shareholders' approval for the Proposed Renewal of Authority for the Company to Buy-Back its Own Shares at the forthcoming AGM, to be held on 25 March 2021.

The purpose of this Statement is to provide you with the details of the Proposed Share Buy-Back and to seek your approval for the ordinary resolution to be tabled at the forthcoming AGM.

**YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS STATEMENT INCLUDING THE APPENDIX CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK TO BE TABLED AT THE FORTHCOMING AGM**

#### 2.0 DETAILS OF THE PROPOSED SHARE BUY-BACK

##### 2.1 Proposed share buy-back

The Company proposes to seek the authority from shareholders of WEC to renew the authority to enable the Company to purchase and/or hold from time to time and at any time up to ten per centum (10%) of the total issued shares of the Company at the point of purchase. In accordance with Section 127 of the Act, and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase, the Company is allowed to purchase its own Shares on the Bursa Securities through its appointed stockbroker(s) as approved by Bursa Securities.

As at LPD, total treasury shares held by the Company was 3,810,700 shares.

As at LPD, the total issued shares of WEC before adjusting for Treasury Shares is 114,609,993 shares ("WEC Shares"). A total of up to 11,460,999 WEC Shares may be purchased by the Company. As such, the balance that can be purchased as at to-date is 7,650,299. None of the WEC Shares bought back have been cancelled.

The Proposed Share Buy-Back, if approved, will be effective upon the passing of the ordinary resolution at the forthcoming AGM and shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time the authority will lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting,

whichever occurs first.

##### 2.2 Pricing

Pursuant to the Listing Requirements, the Company may only purchase its own Shares on the Bursa Securities at a price not more than fifteen per centum (15%) above the weighted average market price of the Shares for the five (5) market days immediately preceding the date(s) of purchase(s).

The Company may only resell the Treasury Shares on the Bursa Securities at:

- (a) a price which is not less than the weighted average market price of the Shares for the five (5) market days immediately before the resale; or
- (b) a discounted price of not more than five per centum (5%) to the weighted average market price of the Shares for the five (5) market days immediately before the resale provided that:
  - (i) the resale takes place no earlier than thirty (30) days from the date of purchase; and
  - (ii) the resale price is not less than the cost of purchase of the Shares being resold.

### **2.3 Treatment of Shares Purchased**

Pursuant to the provisions of Section 127 of the Act, the Company may either retain the Purchased Shares as Treasury Shares or cancel the Purchased Shares or a combination of both. The Purchased Shares held as Treasury Shares may either be distributed as share dividends, resold on Bursa Securities in accordance with the relevant rules of Bursa Securities, subsequently cancelled or any combination of the three. The distribution of Treasury Shares as share dividends may be applied as a reduction of the retained profits of the Company subject to any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase.

To date, the Company has yet to determine the manner of which the Purchased Shares are to be treated. However, the Board will deal with the Purchased Shares in accordance with Section 127 of the Act and will make an immediate announcement to Bursa Securities regarding the treatment of the Purchased Shares, whether the Shares purchased will be cancelled, retained as Treasury Shares, distributed as dividend to the shareholders and/or resold on Bursa Securities, or to retain part of the Purchased Shares and cancel the remainder or a combination of above, once determined.

### **2.4 Ranking**

While the Purchased Shares are held as Treasury Shares, Section 127(9) of the Act states that the rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended. The Treasury Shares shall not be taken into account in calculating the number or percentage of WEC Shares or of a class of WEC Shares for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

### **3.0 SOURCE OF FUND**

The Proposed Share Buy-Back will be financed through internally generated funds and/or bank borrowings. The maximum amount of funds to be utilised by the Company for the Proposed Share Buy-Back shall not exceed the retained profits of the Company.

The retained profits of the Company, based on the latest audited and unaudited financial statements of the Company as at 31 October 2020 and 31 December 2020 are RM9,892,245 and RM9,812,422 respectively.

In the event that the Company intends to purchase its own shares using bank borrowings, the Board shall ensure that the Company shall have sufficient funds to repay the external borrowings and that the repayment would not have any material effect on the cash flow of the Group.

### **4.0 RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

Proposed Share Buy-Back will give the Directors the flexibility to purchase Shares, if and when circumstances permit, with a view to enhance the EPS of the Group and NA per share of the Company.

The Proposed Share Buy-Back is not expected to have any potential material disadvantage to the Company and the shareholders and it will be exercised only after due consideration of financial resources of WEC Group and of the resultant impact on its Shareholders. The Board in exercising any decision to buy-back any WEC Shares will be mindful of the interests of the Company and the Shareholders.

## 5.0 POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back, if exercised, is expected to potentially benefit the Company and its shareholders as follows:

### 5.1 Potential Advantages

- (i) The Company would expect to enhance the EPS of the Group (in the case where the Directors resolve to cancel the Shares so purchased and/or retain the Shares in treasury and the Treasury Shares are not subsequently resold), and thereby long-term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company;
- (ii) If the Shares bought back are kept as Treasury Shares, it will give the Directors an option to sell the Shares so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively, the Shares so purchased can be distributed as share dividends to reward shareholders;
- (iii) The Company may be able to stabilise the supply and demand of its Shares in the open market and thereby supporting its fundamental values;
- (iv) It allows the Company flexibility in attaining its desired capital structure; and
- (v) It will enable the Company to utilise its surplus financial resources which is not immediately required for other usage as an additional option to utilise its financial resources more efficiently.

### 5.2 Potential Disadvantages

- (i) The Proposed Share Buy-Back, if exercised, will reduce the financial resources of the Company and may result in the Company having to forego other alternative investment opportunities which may emerge in the future or, at the least, deprive the Company interest income that can be derived from the funds utilised for the Proposed Share Buy-Back Mandate; and
- (ii) The Proposed Share Buy-Back if implemented, may result in a lower amount of cash reserves available for distribution in the form of cash dividends to shareholders. However, the financial resources of the Company may increase upon resale of the Purchased Shares held as Treasury Shares at prices higher than the purchased price.

The Proposed Share Buy-Back is not expected to have any potential material disadvantage to the Company and its shareholders, other than as disclosed above, as it will be exercised only after consideration of the financial resources of the Group and of the resultant impact on its shareholders.

Nevertheless, the Board will be mindful of the interest of the Company and its shareholders in undertaking the Proposed Share Buy-Back and the subsequent resale of Treasury Shares on Bursa Securities.

## 6.0 EFFECTS OF THE PROPOSED SHARE BUY-BACK

Assuming that the Proposed Share Buy-Back is implemented in full by the Company, the effect of the Proposed Share Buy-Back on the issued shares, EPS, NA, working capital and dividends are as set out below:-

### 6.1 Share Capital

In the event that all the shares purchased are cancelled and on the assumption that the Proposed Share Buy-Back is exercised in full, the proforma effects of the Proposed Share Buy-Back on the issued shares of WEC as at LPD are as follows:

	<u>No. of Shares</u>
Issued shares	114,609,993
Less: Maximum number of Shares that may be purchased*	<u>11,460,999</u>
Issued share capital after the Proposed Share Buy-Back	<u>103,148,994</u>

However, there should be no effect on the issued shares of WEC if the Shares so purchased are retained as Treasury Shares.

*Note:*

*\* Inclusive 3,810,700 Treasury Shares currently held by the Company.*

## **6.2 EPS**

The effect of the Proposed Share Buy-Back on the EPS of the Group will depend on the purchase price(s) of the Shares and the actual number of Shares bought back. The reduced issued shares subsequent to the Proposed Share Buy-Back will generally have a positive impact, all else being equal, on the Group's EPS.

## **6.3 NA**

The effect of the Proposed Share Buy-Back on the NA per share of the Group is dependent on the purchase price(s) of the Shares purchased. If the purchase price is less than the audited NA per share of the Group at the time of purchase, the NA per share will increase. Conversely, if the purchase price exceeds the audited NA per share of the Group at the time of purchase, the NA per share will decrease.

## **6.4 Working Capital**

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which depends on, amongst others, the number of Shares purchased, the purchase price of the Shares and any associated costs incurred in making the purchase.

However, if the Purchased Shares kept as Treasury Shares are resold on Bursa Securities, the working capital of the Group would increase if the Company realises a gain from the resale. The quantum of the increase in the working capital will depend on the actual selling price of the Treasury Shares and the number of Treasury Shares resold.

## **6.5 Dividends**

The Proposed Share Buy-Back may reduce the amount of distributable reserves available for payment of dividend in the immediate future.

## **7.0 IMPLICATION OF THE CODE**

Pursuant to the Code, a person and any person acting in concert with him, will be obliged under Part II of the Code to make a mandatory offer for the remaining Shares of the Company not already owned by him/them if he and/or persons acting in concert with him hold more than 33% but less than 50% of the voting shares of the Company and has inadvertently increased his/their shareholdings by 2% or more in any six (6) month period.

However, an exemption from a mandatory general offer may be granted by the SC under Practice Note 9 of the Code, subject to the substantial shareholder(s) and/or the person(s) acting in concert complying with conditions stipulated in the said practice note, if the obligation is triggered as a result of any action that is outside their direct participation.

Should such circumstances arise and if required, the substantial shareholder(s) and/or the person(s) acting in concert are expected to make an application to the SC for the waiver from implementing a mandatory general offer under the Code, before implementing the Proposed Share Buy-Back.

In the event the proposed waiver is not granted by the SC, the Company will only proceed with Proposed Share Buy-Back to the extent that it will not contravene the limit as provided under the Code.

There is no implication relating to the Code on the Company's shareholders arising from the Proposed Share Buy-Back, in the event the Share Buy-Back is implemented in full.

## 8.0 PURCHASE, RESALE AND CANCELLATION OF WEC SHARES MADE IN THE PRECEDING TWELVE (12) MONTHS

WEC has made the following purchase of WEC Shares in the preceding twelve (12) months from February 2020 to January 2021:-

Date of Purchased	No. of Shares Purchased	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Total Consideration Paid (RM)
4 March 2020	120,000	0.485	0.460	0.475	57,393.87
9 March 2020	30,000	0.475	0.475	0.475	14,359.91
10 March 2020	55,000	0.470	0.460	0.464	25,695.81
11 March 2020	105,000	0.480	0.460	0.471	49,879.73
16 March 2020	129,200	0.400	0.350	0.373	48,570.01
17 March 2020	317,700	0.375	0.320	0.357	114,002.52
18 March 2020	100,000	0.335	0.335	0.335	33,757.11
19 March 2020	350,000	0.340	0.280	0.318	111,876.60
20 March 2020	35,000	0.420	0.375	0.398	14,031.74
23 March 2020	15,500	0.400	0.380	0.390	6,106.22
24 March 2020	120,000	0.400	0.350	0.380	45,906.94
25 March 2020	56,000	0.390	0.390	0.390	22,007.46
26 March 2020	70,000	0.400	0.380	0.390	27,489.67
27 July 2020	297,000	0.470	0.480	0.473	141,185.08
29 July 2020	112,100	0.500	0.495	0.495	55,965.40
30 July 2020	80,000	0.545	0.545	0.545	43,934.38

There has been no resale or transfer or cancellation of Purchased Shares as at to-date.

As at LPD, the total Treasury Shares held by the Company were 3,810,700 ordinary shares. There was no cancellation of WEC Shares held as Treasury Shares in the preceding twelve (12) months. The entire shares bought back were retained as Treasury Shares.

## 9.0 PUBLIC SHAREHOLDING SPREAD

As at LPD, the public shareholdings spread of the Company was approximately 44.42%. Assuming the Proposed Share Buy-Back Mandate is implemented in full, and the number of ordinary shares held by the Substantial Shareholders, Directors and persons connected to the Substantial Shareholders and/or Directors remain unchanged, the public shareholdings spread of the Company will decrease.

The Company will only undertake the Proposed Share Buy-Back, provided that the public shareholding spread of at least 25% of the issued shares of WEC (excluding treasury shares) are in the hands of public shareholders. The Board is mindful of the compliance with the public shareholding spread as required by the Listing Requirements and will take into consideration the requirement when making any purchase of WEC Shares pursuant to the Proposed Share Buy-Back Mandate.

## 10.0 INTEREST OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED

The Directors, Substantial Shareholders and persons connected to the Directors and/or Substantial Shareholders of WEC Group have no direct or indirect interest in the Proposed Share Buy-Back Mandate and/or the resale of Treasury Shares, if any.

The proforma table below shows the equity interests held directly and indirectly in WEC by the Directors and Substantial shareholders of WEC as at LPD before and after the Proposed Share Buy-Back:-

Directors	No. of WEC Shares held							
	Before Proposed Share Buy-Back				After Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Haji Muhamad Shapiae Bin Mat Ali	-	-	-	-	-	-	-	-
Yong Loy Huat	22,141,125	19.98	-	-	22,141,125	21.47	-	-
Chang Joo Huat	75,000	0.07	-	-	75,000	0.07	-	-
Low Seong Chuan	12,500	0.01	-	-	12,500	0.01	-	-
Eng Teik Hiang	-	-	(1)8,750	0.01	-	-	(1)8,750	0.01
Lau Chia En	-	-	-	-	-	-	-	-
Anstey Yong Lee Teen	1,875,000	1.69	-	-	1,875,000	1.82	-	-

Substantial Shareholders	No. of WEC Shares held							
	Before Proposed Share Buy-Back				After Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TNTT Realty Sdn. Bhd.	36,678,875	32.52	-	-	36,678,875	35.56	-	-
Ong Yoong Nyock	5,625,000	4.99	(2)36,678,875	32.52	5,625,000	5.45	(2)36,678,875	35.56
Yong Kwee Lian	-	-	(2)36,678,875	32.52	-	-	(2)36,678,875	35.56
Yong Loy Huat	22,141,125	19.63	-	-	22,141,125	21.47	-	-

Notes:

(1) Deemed interested through spouse's direct interest.

(2) Deemed interested pursuant to Section 8(4) of the Act.

## 11.0 SHARE PRICES

The monthly highest and lowest prices of the Shares traded on the Bursa Securities for the last twelve (12) months from February 2020 to January 2021 are as follows:

Month	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
<b>Highest Price (RM)</b>	0.500	0.485	0.415	0.415	0.460	0.590	0.720	0.920	1.070	0.835	0.865	0.730
<b>Lowest Price (RM)</b>	0.440	0.280	0.355	0.370	0.380	0.380	0.570	0.550	0.720	0.705	0.600	0.575

(Source: Bloomberg)

The last transacted price of WEC Shares on LPD, being the LPD prior to the printing of this Circular was RM0.615.

## 12.0 DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interests of the Group. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back Mandate to be tabled at the forthcoming 24<sup>th</sup> AGM.

**FURTHER INFORMATION****1. RESPONSIBILITY STATEMENT**

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

**2. MATERIAL LITIGATION**

Neither WEC nor any of its subsidiaries is engaged in any material litigation, claims, or arbitration either as plaintiff or defendant, which has a material effect on the financial position of WEC Group and the Directors are not aware of any proceedings pending or threatened, against WEC Group or of any fact likely to give rise to any proceeding which might materially and adversely affect the position or business of WEC Group.

**3. MATERIAL CONTRACTS**

Neither the Company nor any of its subsidiaries has entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the date of this Circular.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of WEC at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to the time set for convening the 24<sup>th</sup> AGM:-

- (a) Constitution of WEC;
- (b) Audited consolidated financial statements of WEC for the past two (2) financial years ended 31 October 2019 and 31 October 2020.