

MY E.G. SERVICES BERHAD (“MYEG” OR “COMPANY”)

- (I) PROPOSED BONUS ISSUE;
- (II) PROPOSED DIVERSIFICATION; AND
- (III) PROPOSED AMENDMENT

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

This announcement is dated 16 March 2021 (“**Announcement**”).

1. INTRODUCTION

The Board of Directors of MYEG (“**Board**”) wishes to announce that the Company proposes to undertake the following proposals:-

- (i) proposed bonus issue of up to 4,149,122,710 new ordinary shares in MYEG (“**MYEG Shares**” or “**Shares**”) (“**Bonus Shares**”) on the basis of one (1) Bonus Share for every one (1) existing MYEG Share held by the shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined and announced later (“**Entitlement Date**”) (“**Entitled Shareholders**”) (“**Proposed Bonus Issue**”);
- (ii) proposed diversification of existing businesses of MYEG and its subsidiaries (“**MYEG Group**”) to include healthcare related businesses (“**Proposed Diversification**”); and
- (iii) proposed amendment to the Constitution of the Company (“**Proposed Amendment**”) to provide greater clarity, enhance administrative efficiency as well as to ensure consistency with the guidelines which may be issued by the regulators from time to time.

2. PROPOSED BONUS ISSUE

The Proposed Bonus Issue entails the issuance of up to 4,149,122,710 Bonus Shares on the basis of one (1) Bonus Share for every one (1) existing MYEG Share held by Entitled Shareholders on the Entitlement Date. The Entitlement Date for the Proposed Bonus Issue will be determined and announced at a later date after the receipt of all relevant approvals.

The maximum number of Bonus Shares to be issued has been arrived at after taking into consideration the following:-

- (i) 3,671,929,737 MYEG Shares (including 59,164,700 MYEG Shares held as treasury Shares) as at 10 March 2021, being the latest practicable date prior to this Announcement (“**LPD**”);
- (ii) assuming 100,000,000 new MYEG Shares will be issued under the Company’s on-going private placement exercise, prior to the Entitlement Date. For information, the Company has obtained the approval of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) on 15 December 2020 for the placement of up to 220,000,000 new MYEG Shares (“**Placement Shares**”) (“**Private Placement**”). As at LPD, 120,000,000 Placement Shares had been issued; and
- (iii) assuming 377,192,973 options (“**ESOS Options**”) will be granted and exercised into new MYEG Shares prior to the Entitlement Date. For information, the Company has implemented its employees’ share option scheme (“**ESOS**”) on 24 December 2020. Pursuant to the ESOS, the maximum number of MYEG Shares which may be made available shall not exceed 10% of the total number of issued MYEG Shares (excluding treasury shares, if any) at any point in time over the duration of the ESOS. As at LPD, MYEG has yet to issue any ESOS Options.

For the avoidance of doubt, all treasury Shares will be entitled to the Bonus Shares and such Bonus Shares will be treated as treasury Shares to be held by the Company upon allotment and issuance.

The actual number of the Bonus Shares to be issued will depend on the actual number of MYEG Shares in issue (including treasury shares) on the Entitlement Date.

In determining the entitlement to the Proposed Bonus Issue, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board, in their discretion, deems expedient and in the best interest of the Company.

MYEG's share price will be adjusted pursuant to the Proposed Bonus Issue. For illustration purposes, based on MYEG Shares' 5-day volume weighted average price ("**VWAP**") up to LPD, 3-month lowest daily VWAP up to LPD and last traded price on the LPD ("**Last Traded Price**"), the theoretical ex-bonus share prices of MYEG Shares are as follows:-

	Before Proposed Bonus Issue	After Proposed Bonus Issue
	<i>Market price (RM)</i>	<i>Theoretical ex-bonus price (RM)</i>
5-day VWAP up to LPD	2.08	1.04
3-month lowest daily VWAP up to LPD	1.75	0.88
Last Traded Price on LPD	2.00	1.00

For information, MYEG had on 3 March 2021 announced a final dividend of 1.7 sen per MYEG Share in respect of the financial year ended 31 December 2020 ("**Final Dividend**"). The Final Dividend is subject to the approval of MYEG's shareholders at the twentieth annual general meeting of the Company to be convened on a date to be announced later. In the event the Proposed Bonus Issue Entitlement Date is prior to the entitlement date for the Final Dividend, the final dividend of 1.7 sen per MYEG Share will be adjusted accordingly.

The basis of one (1) Bonus Share for every one (1) existing MYEG Share held was determined after taking into consideration, amongst others, the following:-

- (i) the theoretical share price of MYEG Shares after being adjusted pursuant to the Proposed Bonus Issue as illustrated above. Pursuant to Paragraph 6.30(1A) of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), the share price adjusted for the Proposed Bonus Issue shall not be less than RM0.50 based on the daily VWAP during the 3-month period before the application date; and
- (ii) the financial effects of the Proposed Bonus Issue as detailed in Section 8 of this Announcement.

For illustration purposes, based on the Last Traded Price of MYEG Shares and assuming 1,000 MYEG Shares held by a shareholder, the effect of the Proposed Bonus Issue on MYEG Shares held by the shareholder is as follows:-

	Number of MYEG Shares held	Last Traded Price/ theoretical ex- bonus price	Total theoretical value ⁽²⁾
		RM	RM
Last Traded Price	1,000	2.00	2,000
Upon completion of the Proposed Bonus Issue	2,000	1.00 ⁽¹⁾	2,000

Notes:-

(1) *The theoretical ex-bonus share price is computed as follows:-*

Last Traded Price of MYEG Shares × (Number of MYEG Shares before the Proposed Bonus Issue / Number of MYEG Shares after the Proposed Bonus Issue)

(2) *The total value is computed by multiplying the number of MYEG Shares held with the Last Traded Price or theoretical ex-bonus share price per MYEG Share.*

The Proposed Bonus Issue will be implemented as one single tranche and not on a staggered basis over a period of time.

2.1 Capitalisation of reserves

The Bonus Shares in respect of the Proposed Bonus Issue will be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

For avoidance of doubt, the Proposed Bonus Issue will increase the number of issued shares of MYEG but will not increase the value of MYEG's issued share capital.

2.2 Ranking of the Bonus Shares

The Bonus Shares shall upon allotment and issuance, carry the same rights as the existing MYEG Shares, save and except that the Bonus Shares will not be entitled for any dividend, rights, allotment and/or other distribution that may be declared, made or paid in respect of which the entitlement date is before the date of allotment of the said Bonus Shares.

MYEG Shares are prescribed securities under Section 14(5) of the Security Industry (Central Depositories) Act, 1991. The Bonus Shares will be credited directly into the respective central depository system accounts of the Entitled Shareholders and no physical share certificates will be issued.

2.3 Listing of and quotation for the Bonus Shares

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

3. PROPOSED DIVERSIFICATION

MYEG Group is principally engaged in the development and implementation of the electronic government (“**e-government**”) services projects and the provision of other related services for the e-government services projects, as well as other commercial services in Malaysia, Indonesia, Bangladesh and the Philippines.

The e-government services provided by MYEG Group include the renewal of foreign workers' work permits; renewal of motor vehicle road tax; computerised theory test for drivers' licences; transfer of vehicle ownership as well as various information searches, payments and applications to numerous Malaysian Government agencies.

MYEG Group also provides commercial-based solutions and services which include, amongst others, sale of foreign workers' insurance, sale of motor vehicle insurance, foreign worker recruitment services, automotive transactional portal and road assistance services, provision of hostel accommodation for foreign workers, and provision of financial services and products.

The contribution from MYEG Group's e-government services and commercial services for the last 3 financial years are set out below:-

	Audited				Unaudited	
	15-months ended 30 September 2018		15-months ended 31 December 2019		Financial year ended 31 December 2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<u>Revenue</u>						
E-government services	81,955	14.6	102,231	17.2	70,044	13.2
Commercial services	464,674	82.6	467,313	78.7	434,805	82.0
Interest income derived from financing receivables	8,480	1.5	17,119	2.9	19,755	3.7
Others	7,161	1.3	6,915	1.2	5,926	1.1
Total revenue	562,270		593,578		530,530	

In line with MYEG Group's continuous effort to diversify and expand its income stream, MYEG Group proposes to expand its commercial services business activities to include the following healthcare related businesses:-

- (i) Medical screening services;
- (ii) Distribution of vaccines, other pharmaceutical products and medical devices; and
- (iii) Provision of quarantine and quarantine-related services,

collectively known as (“**Healthcare Related Businesses**”). Further details on the Healthcare Related Businesses are set out in Sections 3.1, 3.2 and 3.3 of this Announcement.

MYEG has set up a dedicated team to spearhead the development of its Healthcare Related Business segment. The key management personnel of MYEG Group's Healthcare Related Business segment comprises Dr. Gopirajan J Rasamy, Siti Khadijah Ahmad and Priyaa Darshini A/P Paremasivem, who respectively have healthcare related experience.

As at LPD, MYEG Group has a total of 33 personnel appointed for its Healthcare Related Businesses. The Group intends to hire more personnel progressively as its Healthcare Related Businesses grow.

The Proposed Diversification is expected to be funded via internally generated funds and proceeds received and/or to be received from the Company's Private Placement. As announced, the Company intends to allocate up to RM168.0 million for MYEG's Healthcare Related Businesses. As at LPD, the Company had issued 120,000,000 new MYEG shares pursuant to the Private Placement, raising gross proceeds of RM216.0 million.

Pursuant to Paragraph 10.13(1) of the Listing Requirements, MYEG is required to obtain the approval of its shareholders in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either of the following:-

- (i) the diversion of 25% or more of the net assets of the listed issuer to an operation which differs widely from those operations previously carried on by the listed issuer; or
- (ii) the contribution from such an operation of 25% or more of the net profits of the listed issuer. In view that the future financial contribution from the Healthcare Related Businesses could fall within the above provisions, the Company is seeking shareholders' approval upfront to undertake the Proposed Diversification.

Notwithstanding the Proposed Diversification, the Company remains committed to its existing businesses.

3.1 Medical screening services

MYEG Group's venture into the provision of medical screening services commenced in June 2020, whereby the Malaysia public could sign up for COVID-19 screening programme via MYEG Group's online portal. Upon sign up, MYEG Group would arrange for the collection of samples by its licensed medical professionals and subsequently arrange for the samples to be sent to local licensed laboratories for testing.

To complement its medical screening services, MYEG Group had earlier in May 2020 launched a one-stop portal for employers to register and manage COVID-19 health screenings of their employees, enabling employers to arrange on-site screening along with digital certificates issued as proof of testing. To make entry into Malaysia amidst the ongoing COVID-19 pandemic faster, simpler and safer, MYEG Group had on 3 November 2020 launched MySafeTravel, an online channel for inbound travellers to register and pay for mandatory COVID-19 swab tests and to choose their preferred location for quarantine stays prior to arrival.

Whilst the medical screening services are being carried out by the Malaysian Government at immigration points, MYEG intends to submit tender(s) to provide the medical screening services at selected immigration points, when such tender opportunity(ies) is made available.

Moving forward, MYEG Group intends to venture into the medical screening services in the Philippines. As at LPD, MYEG Group had secured the distribution of saliva-based diagnostic kit for COVID-19 in the Philippines. MYEG Group may procure the provision of logistics and laboratories services, required for its medical screening services, via collaboration with / appointment of local service providers.

3.2 Distribution of vaccines, other pharmaceutical products and medical devices

On 5 December 2020, MYEG had entered into a Memorandum of Understanding with Anhui Zhifei Longcom Biopharmaceutical Co. Ltd. (“**Zhifei**”) to conduct phase 3 clinical trials and subsequent commercialisation of Zhifei’s COVID-19 vaccine in Malaysia (“**Zhifei MOU**”). The Zhifei MOU was formalised pursuant to a supply and distribution agreement entered into between MYEG Medical Services Sdn Bhd (“**MYEG Medical**”), a wholly owned sub-subsidiary of MYEG and Zhifei on 22 February 2021 (“**Supply and Distribution Agreement**”).

As announced by MYEG on 8 March 2021, the following areas of cooperation continue to subsist and have been formalised in the Supply and Distribution Agreement:-

- (i) MYEG Medical to organise and implement phase 3 clinical trials of Zhifei’s COVID-19 vaccine;
- (ii) MYEG Medical to obtain compliance to Halal status requirements to secure Halal certification from the Department of Islamic Development Malaysia (JAKIM) for Zhifei’s COVID-19 vaccine; and
- (iii) MYEG Medical to be the exclusive distributor of the Zhifei’s COVID-19 vaccine in Malaysia for a period of three (3) years.

As at LPD, MYEG Group had made the necessary applications to the relevant authorities for the commencement of the clinical trials in Malaysia, to be undertaken under the purview of the Ministry of Health. The commercialisation of Zhifei’s COVID-19 vaccine in Malaysia is subject to the requisite approvals being obtained. Where the opportunity presents, MYEG Group also intends to apply for the conditional registration with the relevant authorities for the use of Zhifei’s COVID-19 vaccine in Malaysia.

The details of Zhifei’s COVID-19 vaccine are as follows:-

Product Name	:	Recombinant Novel Coronavirus Vaccine (CHO Cell) ZF2001
Manufacturer	:	Anhui Zhifei Longcom Biopharmaceutical Co., Ltd.
Manufacturer Country	:	China
Description	:	Recombinant tandem-repeat dimeric RBD protein vaccine

In addition to the distribution of vaccines, MYEG Group intends to venture into the distribution of other pharmaceutical products and medical devices moving forward. MYEG will make the necessary announcement(s) in accordance with the Listing Requirements and seek shareholders’ approval, if required, as and when such healthcare related businesses of investment opportunities are confirmed.

3.3 Provision of quarantine and quarantine-related services

As stated in Section 3.1 of this Announcement, MYEG had on 3 November 2020 announced the launch of MySafeTravel which is an online channel for inbound travellers to register and pay for mandatory COVID-19 swab tests and to choose their preferred location for quarantine stays prior to arrival, thus making the process of entering Malaysia more efficient and convenient.

On 19 February 2021, MYEG announced the launch of SafeQ, an online portal offering an array of hotel accommodation and amenity options available to low risk COVID-19 patients who wish to undergo mandatory quarantine requirements in more comfortable settings. SafeQ was launched following the receipt of a letter from the Malaysian Government dated 4 February 2021. The portal enables individuals who have tested positive for the COVID-19 virus but are deemed low-risk, or individuals who are required to be quarantined due to close contact with individuals who are tested positive for COVID-19, who prefer not to undergo the required 10-day isolation period from a home-based quarantine or Malaysian Government facility, to have the option of making arrangement to be quarantined at any of the participating hotels instead. The eligibility of such low risk COVID-19 patients to undergo quarantine at any of the available hotels would be subject to verification by MYEG with health authorities.

Individuals seeking for quarantine arrangements could select hotel accommodations (inclusive of meals arrangement) of varying categories, ranging from 3-stars to 5-stars facilities via MySafeTravel and SafeQ. Optional services such as COVID-19 swab tests, transportation to the hotels and other amenities are also available on the portals. MYEG Group had appointed medical professionals to be stationed at the approved hotels to administer full compliance with the prescribed standard operating procedures, as well as for standby in case of any emergency. The approved hotels for the provision of quarantine services are set out in MYEG's website at <https://safetravel.myeg.com.my> and <https://safeq.com.my>.

4. PROPOSED AMENDMENT

The details of the Proposed Amendment will be set out in the Circular which will be despatched to shareholders in due course.

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Bonus Issue

The Proposed Bonus Issue serves to reward existing shareholders of MYEG for their continued support to MYEG by allowing them to participate more in the equity of the Company in terms of the number of MYEG Shares held, whilst maintaining their percentage equity interest in the Company.

The increased number of MYEG Shares in issue upon completion of the Proposed Bonus Issue may encourage trading liquidity of MYEG Shares on Bursa Securities.

5.2 Proposed Diversification

The Proposed Diversification would enable MYEG Group to expand its revenue base to include healthcare related businesses. The Proposed Diversification enables MYEG Group to leverage on its existing branding, online platforms/channels and user base to effectively reach out to the public and provide sought-after services particularly during the COVID-19 pandemic. MYEG Group believes that the timely introduction of the relevant healthcare products and services, coupled with the increased demand for such products and services, should contribute positively to its financial performance moving forward.

5.3 Proposed Amendment

The Proposed Amendment will provide greater clarity, enhance administrative efficiency as well as to remove any existing conditions, restrictions or limitations which may be the subject of prevailing exemptions prescribed by regulators arising from exceptional circumstances. Besides that, the Proposed Amendment will also allow the Company to comply with the relevant statutory requirements so as to update in accordance to the latest development of governance.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a negative growth of 3.4% in 4Q 2020 (3Q 2020: -2.6%), largely attributable to the imposition of the Conditional Movement Control Order (“**CMCO**”) on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

In terms of sectoral performance, all economic sectors, except manufacturing, registered negative growth in the fourth quarter.

The services sector registered a larger contraction of 4.9% in 4Q 2020 (3Q 2020: -4.0%), as tighter restrictions on mobility and stricter standard operating procedures (“**SOPs**”) affected domestic-oriented activities. The restrictions (e.g. shorter operating hours) and weak sentiments adversely impacted spending, particularly on recreational activity and non-essential retail goods, which in turn weighed on activity in the wholesale and retail trade subsector. This was partially offset by continued growth in the motor vehicle segment. In addition, the weakness in tourism activity amid continued closure of international borders weighed on key sub-sectors, such as food and beverage, accommodation as well as transport and storage. Meanwhile, finance and insurance continued to grow amid sustained loan and deposit growth. Growth in the information and communication sub-sector also improved, amid higher demand for data communication services, particularly broadband.

Domestic demand recorded a decline of 4.4% in 4Q 2020 (3Q 2020: -3.3%), mainly due to the subdued private consumption and public investment activities. Net exports grew by 12.4% (3Q 2020: 21.9%), with continued expansion in manufactured exports.

Private consumption contracted by 3.4% (3Q 2020: -2.1%). Household spending was subdued amid continued weaknesses in income and employment conditions during the quarter. Spending was also affected by tighter movement restrictions in selected states. Nevertheless, the decline in physical spending was partly mitigated by the continued acceleration in online spending. During the quarter, consumer expenditure also remained supported by various stimulus measures including the Employees Provident Fund (“**EPF**”) i-Lestari withdrawals, the continued support to affected borrowers under the Targeted Repayment Assistance (TRA) and lower passenger car sales tax.

Meanwhile, public consumption continued to expand, albeit at a more moderate pace of 2.7% in the fourth quarter of 2020 (3Q 2020: 6.9%), supported by spending in emoluments.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (“**CPI**”), was slightly lower at -1.5% during the quarter (3Q 2020: -1.4%). This was mainly due to lower inflation for rental and communication services respectively as well as the larger annual decline in retail fuel prices. These were partly offset by higher inflation in other categories, in particular, transport services and food.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2020)

Domestic demand is expected to contract by 3% in 2020, with private and public sectors' spending declining by 3.2% and 2.1%, respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turnaround to 1.5% during the period and expand further by 6.9% in 2021.

Private consumption declined by 6% during the first half of 2020, affected by the implementation of the MCO. However, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees' contributions to the EPF and discounts on electricity bill as well as low interest rates. As a result, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020.

On the back of the COVID-19 pandemic, the Malaysian economy contracted by 8.3% in the first half of 2020. The economy is projected to improve in the second half and, thus, record an overall smaller contraction of 4.5%. In 2021, the economy is projected to expand between 6.5% and 7.5% in tandem with the anticipated improvement in global trade, consumer sentiments and business confidence. The 2021 Budget will implement measures to enhance the well-being of the people, steer the economy towards a sustainable growth path, enable sustainable living and improve public service delivery. As targeted in the 12MP and the 2030 Shared Prosperity Vision, the Budget will lay the foundation for the country to progress towards a developed and inclusive nation.

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

6.2 Overview of the healthcare industry in Malaysia

For information, the Healthcare industry is reported under the services sector.

The services sector registered a larger contraction of 4.9% in the fourth quarter of 2020 (3Q 2020: -4.0%), as tighter restrictions on mobility and stricter SOPs affected domestic-oriented activities. The restrictions (e.g. shorter operating hours) and weak sentiments adversely impacted spending, particularly on recreational activity and non-essential retail goods, which in turn weighed on activity in the wholesale and retail trade subsector.

This was partially offset by continued growth in the motor vehicle segment. In addition, the weakness in tourism activity amid continued closure of international borders weighed on key sub-sectors, such as food and beverage, accommodation as well as transport and storage. Meanwhile, finance and insurance continued to grow amid sustained loan and deposit growth. Growth in the information and communication sub-sector also improved, amid higher demand for data communication services, particularly broadband.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2020)

The services sector contracted by 6.7% in the first half of 2020 largely due to worldwide travel bans, domestic movement restrictions and quarantines, which severely affected the tourism-related subsectors and airlines. Among the subsectors that have been severely affected include wholesale and retail trade, food & beverages and accommodation, transportation and storage as well as real estate and business services. Nevertheless, the information and communication subsector expanded as online transactions increased significantly during the MCO. The services sector is expected to record a smaller decline of 1% in the second half of the year, reflecting the gradual resumption of economic activities. Overall, the sector is projected to contract by 3.7% in 2020 before rebounding by 7% in 2021. With the normalisation of economic activities in 2021, all subsectors are projected to record positive growth.

The other services subsector contracted by 9.6% in the first half of 2020 due to lower medical travellers and decline in enrolments in private colleges and universities. The contraction is expected to narrow to 6.6% in the second half of the year following the arrival of registered foreign students and critically ill patients, except those from high-risk countries with more than 150,000 COVID-19 cases. Thus in 2020, the subsector is expected to decline by 8.1%. The subsector is projected to expand by 6.2% in 2021, following aggressive branding and digital marketing for health tourism in targeted countries, such as Cambodia, China, Indonesia and Myanmar. The Government services subsector is projected to maintain its expansion by 4% in 2020 and 3.7% in 2021.

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

6.3 Healthcare Related Businesses' prospects to MYEG Group

The provision and distribution of healthcare related products and services during the COVID-19 pandemic represents a timely opportunity for MYEG Group to diversify and expand its current services/product offerings to include Healthcare Related Businesses. MYEG Group would be able to leverage on its existing branding, online platforms/channels and userbase, to market its healthcare related products and services. MYEG Group is optimistic on the products and services being offered by its Healthcare Related Businesses as these products and services represent the essentials required by the Malaysian public, particularly during the COVID-19 pandemic.

MYEG Group is also continuously exploring other healthcare related businesses or investment opportunities. The relevant announcement and/or shareholders' approval will be made/sought as and when such healthcare related businesses or investment opportunities are confirmed.

The Board believes that barring unforeseen circumstances, MYEG Group's proposed venture into Healthcare Related Businesses should bode well and improve its financial performance moving forward.

(Source: The Board and management of MYEG)

7. RISK FACTORS

The Proposed Diversification involves MYEG Group diversifying into the provision of healthcare related products and services and hence MYEG Group will be exposed to the challenges and risks inherent in the healthcare related industry which it was not previously exposed to.

The risks relating to the Proposed Diversification include, but is not limited to, laws, regulation and political condition, lack or no prior experience in healthcare industry, dependence on cooperation with external parties, competition, and foreign exchange.

A detailed discussion of the risk factors will be set out in the circular to shareholders of MYEG for the Proposed Diversification to be issued in due course.

8. EFFECTS OF THE PROPOSALS

The Proposed Amendment will not have any effect on the Company's issued share capital, net assets ("NA"), NA per Share, gearing, earnings, earnings per Share and substantial shareholders' shareholdings.

The Proposed Diversification will not have any effect on the Company's issued share capital, gearing and substantial shareholders' shareholdings, but is expected to contribute positively to MYEG Group's future NA, NA per Share, earnings and earnings per Share.

For illustrative purposes, the effects of the Proposed Bonus Issue shall be based on 3,671,929,737 MYEG Shares (including MYEG Shares held as treasury Shares) as at LPD and the following scenarios:-

(i) Minimum Scenario

- Assuming no further Placement Shares are issued prior to the entitlement date for the Proposed Bonus Issue; and
- Assuming no new MYEG Shares are issued pursuant to the exercise of ESOS Options prior to the entitlement date for the Proposed Bonus Issue.

(ii) Maximum Scenario

- Assuming 100,000,000 Placement Shares are issued pursuant to the Private Placement prior to the entitlement date for the Proposed Bonus Issue; and
- Assuming 377,192,973 ESOS Options were granted and exercised into new MYEG Shares prior to the entitlement date for the Proposed Bonus Issue.

8.1 Issued share capital

The pro forma effects of the Proposed Bonus Issue on the issued share capital of MYEG are as follows:-

	Minimum Scenario		Maximum Scenario	
	Number of MYEG Shares ('000)	(RM'000)	Number of MYEG Shares ('000)	(RM'000)
Issued share capital as at LPD	3,671,930	638,779	3,671,930	638,779
To be issued pursuant to:-				
- Private Placement	-	-	100,000	200,000 ⁽¹⁾
- Exercise of ESOS Options	-	-	377,193	754,386 ⁽²⁾
	3,671,930	638,779	4,149,123	1,593,165
Bonus Shares to be issued	3,671,930	-	4,149,123	-
Enlarged share capital	7,343,860	638,779	8,298,246	1,593,165

Notes:-

- (1) Assuming all 100,000,000 Placement Shares are issued at the indicative issue price of RM2.00 each, which represents a discount of approximately 3.85% to the 5-day VWAP of MYEG Shares up to and including the LPD of RM2.08 per MYEG Share.
- (2) Assuming all 377,192,937 ESOS Options are fully granted and exercised at the indicative issue price of RM2.00 each, which represents a discount of approximately 3.85% to the 5-day VWAP of MYEG Shares up to and including the LPD of RM2.08 per MYEG Share.

8.2 NA, NA per Share and gearing

The Proposed Diversification is not expected to have any material effect on the NA, NA per share and gearing of MYEG Group for the financial year ending 31 December 2021. Future contribution from its Healthcare Related Businesses may have a positive impact on the Group's NA and NA per Share. The Group's gearing will increase if MYEG Group incurs debt to finance its working capital for the Healthcare Related Businesses.

The proforma effects of the Proposed Bonus Issue on the NA, NA per Share and gearing of the Company based on the audited consolidated financial statement of MYEG as at 31 December 2019 are as follows:-

Minimum Scenario

	Audited as at 31 December 2019	(I) Subsequent events up to the LPD ⁽¹⁾	(II) After (I) and Proposed Bonus Issue
	(RM'000)	(RM'000)	(RM'000)
Issued share capital	360,630	638,779	638,779
(Less) Treasury shares	(144,743)	(71,405)	(71,405)
Fair value reserve	6,401	6,401	6,401
Foreign exchange translation reserve	38	38	38
Retained earnings	490,606	490,606	490,306 ⁽²⁾
Shareholder's equity / NA	712,932	1,064,419	1,064,119
Non-controlling interest	(4,937)	(4,937)	(4,937)
Total Equity	707,995	1,059,482	1,059,182
Number of MYEG shares in issue (excluding treasury shares) ('000)	3,466,141	3,612,765 ⁽³⁾	7,225,530 ⁽⁴⁾
NA per Share (sen)	20.57	29.46	14.73
Total Borrowings	185,697	185,697	185,697
Gearing (times)	0.26	0.18	0.18

Notes:-

(1) Subsequent events comprise:-

- (a) the issuance of 12,500,000 MYEG Shares at an issue price of RM1.20 each in relation to the acquisition of 10% equity interest in S5 Holdings Inc. by MY E.G. Capital Sdn Bhd, a wholly-owned subsidiary of MYEG, for a total consideration of RM90.0 million, which was satisfied via a combination of cash and issuance of MYEG Shares;

- (b) the issuance of 36,549,480 MYEG Shares at an issue price of RM1.28 each in relation to the dividend reinvestment plan applicable to the final dividend of 2 sen per MYEG Share for the financial period ended (“FP”) 31 December 2019;
- (c) the issuance of 9,074,264 MYEG Shares at an issue price of RM1.28 each in relation to the dividend reinvestment plan applicable to the first interim single-tier dividend of 0.5 sen per MYEG Share for the financial year ended 31 December 2020;
- (d) the issuance of 120,000,000 MYEG Shares at an issue price of RM1.80 each pursuant to the Private Placement;
- (e) cancellation of 12,500,000 and 100,000,000 treasury shares on 3 July 2020 and 17 December 2020 respectively; and
- (f) a total of 31,499,600 MYEG Shares were bought back by MYEG from 1 January 2020 up to LPD, and retained as treasury Shares.
- (2) After deducting the estimated expenses of RM300,000 for the Proposed Bonus Issue and Proposed Diversification.
- (3) Excluding 59,164,700 MYEG Shares held as treasury Shares.
- (4) Excluding 118,329,400 MYEG Shares held as treasury Shares.

Maximum Scenario

	(I)	(II)	(III)	(IV)	
	Audited as at 31 December 2019	Subsequent events up to the LPD ⁽¹⁾	After (I) and assuming all Placement Shares are issued	After (II) and assuming all ESOS Options are granted and exercised	After (III) and Proposed Bonus Issue
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Issued share capital	360,630	638,779	838,779 ⁽²⁾	1,932,639 ⁽³⁾	1,932,639
(Less) Treasury shares	(144,743)	(71,405)	(71,405)	(71,405)	(71,405)
Fair value reserve	6,401	6,401	6,401	6,401	6,401
Foreign exchange translation reserve	38	38	38	38	38
Retained earnings	490,606	490,606	490,606	151,132 ⁽³⁾	150,832 ⁽⁴⁾
Shareholder's equity / NA	712,932	1,064,419	1,264,419	2,018,805	2,018,505
Non-controlling interest	(4,937)	(4,937)	(4,937)	(4,937)	(4,937)
Total Equity	707,995	1,059,482	1,259,482	2,013,868	2,013,568
Number of MYEG shares in issue (excluding treasury shares) ('000)	3,466,141	3,612,765 ⁽⁵⁾	3,712,765 ⁽⁵⁾	4,089,958 ⁽⁵⁾	8,179,916 ⁽⁶⁾
NA per Share (sen)	20.57	29.46	34.06	49.36	24.68
Total Borrowings	185,697	185,697	185,697	185,697	185,697
Gearing (times)	0.26	0.18	0.15	0.09	0.09

Notes:-

(1) *Subsequent events comprise:-*

- (a) *the issuance of 12,500,000 MYEG Shares at an issue price of RM1.20 each in relation to the acquisition of 10% equity interest in S5 Holdings Inc. by MY E.G. Capital Sdn Bhd, a wholly-owned subsidiary of MYEG, for a total consideration of RM90.0 million, which was satisfied via a combination of cash and issuance of MYEG Shares;*
- (b) *the issuance of 36,549,480 MYEG Shares at an issue price of RM1.28 each in relation to the dividend reinvestment plan applicable to the final dividend of 2 sen per MYEG Share for the FP 31 December 2019;*
- (c) *the issuance of 9,074,264 MYEG Shares at an issue price of RM1.28 each in relation to the dividend reinvestment plan applicable to the first interim single-tier dividend of 0.5 sen per MYEG Share for the financial year ended 31 December 2020;*
- (d) *the issuance of 120,000,000 MYEG Shares at an issue price of RM1.80 each pursuant to the Private Placement;*
- (e) *cancellation of 12,500,000 and 100,000,000 treasury shares on 3 July 2020 and 17 December 2020; and*
- (f) *a total of 31,499,600 MYEG Shares were bought back by MYEG from 1 January 2020 up to LPD, and retained as treasury Shares.*

(2) *Assuming all 100,000,000 Placement Shares are issued at the indicative price of RM2.00 each, which represents a discount of approximately 3.85% to the 5-day VWAP of MYEG Shares up to and including the LPD of RM2.08 per MYEG Share.*

(3) *Assuming all 377,192,937 ESOS Options are fully granted and issued at the indicative price of RM2.00 each, which represents a discount of approximately 3.85% to the 5-day VWAP of MYEG Shares up to and including the LPD of RM2.08 per MYEG Share, and the fair value per ESOS Option of RM0.90.*

(4) *After deducting the estimated expenses of RM300,000 for the Proposed Bonus Issue and Proposed Diversification.*

(5) *Excluding 59,164,700 MYEG Shares held as treasury Shares.*

(6) *Excluding 118,329,400 MYEG Shares held as treasury Shares.*

8.3 Substantial shareholders' shareholdings

The Proposed Bonus Issue will not have any effect on the percentage shareholdings of the substantial shareholders of MYEG as the Bonus Shares will be allotted on a pro-rata basis to all the shareholders of the Company.

Based on the Register of Substantial Shareholder as at LPD, the proforma effects of the Proposed Bonus Issue on the substantial shareholders' shareholdings of MYEG are as follows:-

Minimum Scenario

Substantial Shareholders	As at LPD				After Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Wong Thean Soon	393,394	10.89	734,355	20.33 ⁽¹⁾	786,788	10.89	1,468,710	20.33 ⁽¹⁾
Asia Internet Holdings Sdn Bhd	734,355	20.33	-	-	1,468,710	20.33	-	-
Employees Provident Fund Board	250,692	6.94	-	-	501,384	6.94	-	-
Kumpulan Wang Persaraan (Diperbadankan)	184,709	5.11	41,594	1.15 ⁽²⁾	369,418	5.11	83,188	1.15 ⁽²⁾

Notes:-

(1) Deemed interested by virtue of his substantial shareholdings in Asia Internet Holdings Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

(2) Deemed interested via Kumpulan Wang Persaraan (Diperbadankan)'s fund manager.

Maximum Scenario

<u>Substantial Shareholders</u>	As at LPD				(I) Assuming all Placement Shares are issued and all ESOS Options are granted and exercised ⁽¹⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	('000)		('000)		('000)		('000)	
Wong Thean Soon	393,394	10.89	734,355	20.33 ⁽²⁾	393,394	9.62	734,355	17.96 ⁽²⁾
Asia Internet Holdings Sdn Bhd	734,355	20.33	-	-	734,355	17.96	-	-
Employees Provident Fund Board	250,692	6.94	-	-	250,692	6.13	-	-
Kumpulan Wang Persaraan (Diperbadankan)	184,709	5.11	41,594	1.15 ⁽³⁾	184,709	4.52	41,594	1.02 ⁽³⁾

<u>Substantial Shareholders</u>	(II) After (I) and Proposed Bonus Issue			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
	('000)		('000)	
Wong Thean Soon	786,788	9.62	1,468,710	17.96 ⁽²⁾
Asia Internet Holdings Sdn Bhd	1,468,710	17.96	-	-
Employees Provident Fund Board	501,384	6.13	-	-
Kumpulan Wang Persaraan (Diperbadankan)	369,418	4.52	83,188	1.02 ⁽³⁾

Notes:-

- (1) Assuming none of the ESOS Options are granted to Wong Thean Soon, the Group Managing Director of MYEG.
- (2) Deemed interested by virtue of his substantial shareholdings in Asia Internet Holdings Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
- (3) Deemed interested via Kumpulan Wang Persaraan (Diperbadankan)'s fund manager.

8.4 Earnings and Earnings per Share (“EPS”)

The Proposed Diversification is not expected to have any material effect on MYEG Group's earnings and EPS for the financial year ending 31 December 2021 but is expected to contribute positively to MYEG Group's future earnings and EPS.

The Proposed Bonus Issue is not expected to have any effect on the consolidated earnings of MYEG for the financial year ending 31 December 2021, save for the corresponding dilution in the EPS of MYEG as a result of the increase in the number of MYEG Shares in issue pursuant to the Proposed Bonus Issue.

8.5 Convertible securities

As at LPD, MYEG does not have any convertible securities in issue.

9. APPROVALS REQUIRED

The Proposals are conditional upon the following approvals being obtained:-

- (i) Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities, pursuant to the Proposed Bonus Issue;
- (ii) shareholders of MYEG at an EGM to be convened for the Proposals; and
- (iii) any other relevant authorities, if required.

The Proposed Bonus Issue, Proposed Diversification and Proposed Amendment are not inter-conditional and are not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

10. APPLICATION TO RELEVANT AUTHORITIES

Barring any unforeseen circumstances, an additional listing application will be made within 1 month to Bursa Securities from the date of this Announcement.

11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED

11.1 Proposed Bonus Issue

None of the Directors, chief executive and/or major shareholders of the Company and/or persons connected to them have any interest, either direct or indirect, in the Proposed Bonus Issue, save for their respective entitlements as shareholders of the Company, which the Bonus Shares are also available to all other shareholders of the Company.

11.2 Proposed Diversification and Proposed Amendment

None of the Directors, chief executive and/or major shareholders of the Company and/or persons connected to them have any interest, either direct or indirect, in the Proposed Diversification and Proposed Amendment.

12. DIRECTORS' STATEMENT

The Board having considered all aspects of the Proposals, including the rationale as set out in Section 5 of this Announcement, is of the opinion that the Proposals are in the best interest of the Company.

13. ADVISER

AmlInvestment Bank Berhad has been appointed as the Principal Adviser for the Proposed Bonus Issue and Proposed Diversification.

14. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSALS

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposals are expected to be completed by 2nd quarter of 2021.