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CAB CAKARAN CORPORATION BERHAD

Registration No. 200201015998 (583661-W)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF CAB CAKARAN CORPORATION BERHAD ("CAB") AND ITS SUBSIDIARIES INTO THE PROVISION OF DRONE RELATED SERVICES FOR THE AGRICULTURE INDUSTRY

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of the Company ("**EGM**") is scheduled to be held at the Conference Room, Third Floor, CAB Cakaran Corporation Berhad, Plot 21, Lorong Jelawat 4, Seberang Jaya Industrial Park, Seberang Jaya, 13700 Perai, Penang, Malaysia on Thursday, 24 March 2022 at 11.30 a.m. or immediately following the conclusion of the Twentieth Annual General Meeting of the Company to be held on the same day at the same venue at 10.30 a.m. (whichever is later) or any adjournment thereof. The Notice of EGM together with the Proxy Form is enclosed in this Circular.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the Proxy Form must be lodged at the Company's Registered Office at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, Malaysia, or by electronic lodgement via TIH Online website at <https://tiih.online> not less than forty-eight (48) hours before the time for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Tuesday, 22 March 2022 at 11.30 a.m.

Date and time of the EGM : Thursday, 24 March 2022 at 11.30 a.m.

This Circular is dated 7 March 2022

DEFINITIONS

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

Act	:	The Companies Act 2016
Board	:	The Board of Directors of CAB
Bursa Securities	:	Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
CAB or the Company	:	CAB Cakaran Corporation Berhad [Registration No. 200201015998 (583661-W)]
CAB Group or the Group	:	CAB and its subsidiaries, collectively
CAB Share(s) or Share(s)	:	Ordinary share(s) of CAB
Circular	:	This circular dated 7 March 2022
CMSA	:	Capital Markets and Services Act 2007
Consideration	:	Maximum capital contribution of RM8.00 million by CAB into the JVC
Director(s)	:	The director(s) of CAB and shall have the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Diversification were agreed upon:- i. a director of CAB, its subsidiaries or holding company; and ii. a chief executive of CAB, its subsidiaries or holding company
Drone Business	:	Provision of drone spraying for the oil palm sector in Peninsular Malaysia
EGM	:	The forthcoming extraordinary general meeting of CAB
EPS	:	Earnings per share
FYE	:	Financial year ended/ ending
JVA	:	The joint venture agreement dated 26 January 2022 entered into between CAB and MATA for the Drone Business
JVC	:	The joint venture company to be incorporated/ identified for the purpose of running the Drone Business
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	17 February 2022, being the latest practicable date prior to the printing and despatch of this Circular
MATA	:	MATA Aerotech Sdn Bhd [Registration No. 201901021922 (1331251-P)]
NA	:	Net assets attributable to the owners of CAB

DEFINITIONS

Parties	:	CAB and MATA, collectively
PBT/ (LBT)	:	Profit/ (loss) before taxation
Proposals	:	JVA and Proposed Diversification, collectively
Proposed Diversification	:	Proposed diversification of the existing principal activities of CAB Group to include the provision of drone related services such as, amongst others, spraying of liquid chemicals, topographic mapping, and crop monitoring for the agriculture industry
RM and sen	:	Ringgit Malaysia and sen, respectively
UAS	:	Unmanned Aerial System
UOBKH or the Adviser	:	UOB Kay Hian Securities (M) Sdn Bhd [Registration No. 199001003423 (194990-K)]
USD	:	United States Dollar

All references to "**we**" or "**us**" "**our**" and "**ourselves**" are made to CAB, and where the context requires, shall include our subsidiaries.

All references to "**you**" or "**your(s)**" in this Circular are made to our shareholders, who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Diversification. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposed Diversification before voting at the EGM.

Key information	Description	Reference to Circular
Summary	In conjunction with the JVA, the Company proposes to diversify the existing principal activities of CAB Group to include the provision of drone related services for the agriculture industry	Sections 2 and 3
Rationale and justifications	<p>The Board has identified the Drone Business as a viable opportunity to venture into, after taking into consideration the following:-</p> <ol style="list-style-type: none">i. the industry's growth potential given the current labour shortage situation in the agriculture industry;ii. CAB Group may expand its revenue and income stream to include the provision of drone related services for the agriculture industry, premised on the significance of automation in the current economic environment; andiii. CAB Group may leverage on the expertise of MATA in drone technology to carry out the Drone Business	Section 4
Risk factors	<ol style="list-style-type: none">i. Business risk <p>CAB Group's business is now subject to risks inherent in the Drone Business</p>ii. Technological obsolesces <p>Products and services offered under the Drone Business are characterised by rapid changes in technology, evolving market trends, and customer requirements</p>iii. Dependency on key personnel <p>CAB Group's success in the Drone Business depends largely on the capabilities, skills, competencies, and continued effort of its experienced personnel</p>iv. Political, economic and regulatory risk <p>The Drone Business's prospect, financial condition, and level of profitability are subject, to a certain extent, the development in the economic, political and regulatory environment of Malaysia</p>	Section 6
Interested parties	None of the Directors, major shareholders, chief executive of CAB and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals	Section 9

EXECUTIVE SUMMARY

Key information	Description	Reference to Circular
Approvals required	<p>The Proposals are subject to the following approvals being obtained:-</p> <p>i. Shareholders of CAB for the Proposed Diversification at the EGM.</p> <p>For the avoidance of doubt, the JVA is not subject to shareholders' approval as the highest percentage ratio applicable under Paragraph 10.02(g) of the Listing Requirements is approximately 1.7%; and</p> <p>ii. Any other relevant authorities and/ or parties, if required</p> <p>The Proposals are conditional upon each other, but are not conditional upon any other proposals undertaken or to be undertaken by the Company</p>	Section 8
Board's recommendation	<p>The Board recommends that you VOTE IN FAVOUR of the resolution pertaining to the Proposed Diversification at the EGM</p>	Section 12



CAB CAKARAN CORPORATION BERHAD

Registration No. 200201015998 (583661-W)
(Incorporated in Malaysia)

Registered Office

Suite A, Level 9
Wawasan Open University
54, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang
Malaysia

7 March 2022

Board of Directors

Chuah Ah Bee (*Executive Chairman*)
Chuah Hoon Phong (*Group Managing Director*)
Chan Kim Keow (*Executive Director*)
Chew Chee Khong (*Executive Director*)
Loo Choo Gee (*Executive Director*)
Haji Ahmad Fazil Bin Haji Hashim (*Senior Independent Non-Executive Director*)
Goh Choon Aik (*Independent Non-Executive Director*)
Lim Ghim Chai (*Independent Non-Executive Director*)
Wijanti Tjendera (*Non-Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/ Madam,

PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 26 January 2022, UOBKH had, on behalf of the Board, announced the following:-

- i. the Company had on even date entered into the JVA with MATA to jointly undertake the Drone Business.

For the avoidance of doubt, the JVA is not subject to shareholders' approval as the highest percentage ratio applicable under Paragraph 10.02(g) of the Listing Requirements is approximately 1.7%, calculated based on the audited consolidated financial statements of CAB Group for the FYE 30 September 2020; and

- ii. the Company proposes to diversify the existing principal activities of CAB Group to include the provision of drone related services for the agriculture industry.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DIVERSIFICATION AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

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

2. DETAILS OF THE JVA

On 26 January 2022, CAB has entered into the JVA with MATA, with the agreement to work together and collaborate for the purpose of establishing the Drone Business. On this note, it is the intention of the Parties to set up the JVC or to convert an existing dormant subsidiary of CAB into the JVC for the purpose of running the Drone Business. For the avoidance of doubt, no contracts have been secured by the JVC at this juncture.

As set out in Section 5.2 of this Circular, oil palm remains the largest sector within the agriculture industry, and has in recent years faced increasing challenges from the shortage of foreign labour. Accordingly, the sector may stand to benefit from the use of drones to replace certain laborious manual work, thereby improving work efficiency for oil palm plantation owners and operators. For shareholders' information, the Board intends to focus on growing the JVC in Peninsular Malaysia, which is also CAB Group's principal market for its business operations, and there are no further plans to expand the Drone Business in East Malaysia at this juncture.

At the invitation of MATA, CAB is desirous in jointly undertaking the Drone Business. The Parties have arrived at the mutual understanding set forth between themselves with regard to the incorporated joint collaboration for the Drone Business upon the terms and conditions of the JVA, of which the salient terms are set out in Appendix I of this Circular.

In conducting the Drone Business, CAB shall be primarily responsible for providing operational support in the aspect of human resource management, financial reporting requirements as well as reviewing the overall performance of the JVC with the counterparty; whilst MATA shall be primarily responsible for sales and marketing of the Drone Business as well as transferring of management expertise, skills and technical knowhow for the drone technology.

Pursuant to the JVA, the proposed issued share capital of the JVC shall be RM15,686,275 comprising 15,686,275 ordinary shares to be held in the following proportion:-

Shareholder	Capital outlay (RM)	No. of ordinary shares	%
CAB	8,000,000	8,000,000	51.0
MATA	7,686,275	7,686,275	49.0
Total	15,686,275	15,686,275	100.0

Upon the Parties' contribution of capital in the above proportion, the JVC shall become a 51%-owned subsidiary of CAB, and the Company is entitled to consolidate the financial results of the JVC moving forward.

The Parties agreed that the maximum capital contribution of CAB is RM8.00 million, which will be utilised to finance the defrayment of initial capital expenditures and/ or working capital requirements for the Drone Business. The Contribution will be fully satisfied via cash in four tranches of RM2.00 million each, in which the first tranche is expected to be incurred by the second quarter of 2022.

The exact breakdown for the said capital expenditures and/ or working capital requirements for the Drone Business cannot be ascertained at this juncture, and is dependent on the actual operating requirements at the material time. Moving forward, the Company will evaluate the performance of the Drone Business prior to subscribing for the remaining tranches. There is no specific timeframe for the remaining tranches to take place, instead the decision to subscribe depends on the performance of the Drone Business such as, amongst others, secured sales contracts, utilisation rate of the drones, financial results and profitability of the JVC.

2.1 Information on the Parties

2.1.1 Information on CAB

CAB was incorporated on 20 June 2002 in Malaysia under the Companies Act 1965, as a public company and is deemed registered under the Act. As at the LPD, the issued share capital of CAB is RM143,979,293 comprising 698,008,742 CAB Shares (including 545,500 treasury shares).

At present, CAB Group is principally involved in both the upstream and downstream operations within the livestock industry, ranging from the trading of poultry feeds and other farm consumables, breeding and farming of broiler chicken, manufacturing and distribution of meat-based food products to the operation of supermarkets and fast-food franchising business.

As at the LPD, the Directors of CAB and their direct and indirect shareholdings in the Company are set out below:-

Name	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of Shares	%*	No. of Shares	%*
Chuah Ah Bee	Malaysian	197,832,079	28.4	25,809,375 ¹	3.7
Chan Kim Keow	Malaysian	97,106,248	13.9	25,809,375 ¹	3.7
Chuah Hoon Phong	Malaysian	14,344,061	2.0	170,312 ²	neg.
Chew Chee Khong	Malaysian	-	-	-	-
Loo Choo Gee	Malaysian	10,576,170	1.5	-	-
Haji Ahmad Fazil Bin Haji Hashim	Malaysian	23,437	neg.	-	-
Goh Choon Aik	Malaysian	2,577	neg.	-	-
Lim Ghim Chai	Malaysian	-	-	-	-
Wijanti Tjendera	Indonesian	-	-	-	-

Notes:-

* Excluding treasury shares

¹ Deemed interest by virtue of the interest held by his/ her children pursuant to Section 59(11)(c) of the Act

² Deemed interest by virtue of the interest held by his spouse pursuant to Section 59(11)(c) of the Act

As at the LPD, the substantial shareholders of CAB and their direct and indirect shareholdings in the Company are set out below:-

Name	Nationality/ Place of incorporation	<-----Direct----->		<-----Indirect----->	
		No. of Shares	%*	No. of Shares	%*
Chuah Ah Bee	Malaysian	197,832,079	28.4	25,809,375 ¹	3.7
Chan Kim Keow	Malaysian	97,106,248	13.9	25,809,375 ¹	3.7
Plant Wealth Holdings Limited	British Virgin Islands	106,595,625	15.3	-	-
KMP Investments Pte Ltd	Singapore	-	-	106,595,625 ²	15.3
KMP Private Limited	Singapore	-	-	106,595,625 ²	15.3

Name	Nationality/ Place of incorporation	<-----Direct----->		<-----Indirect----->	
		No. of Shares	%*	No. of Shares	%*
Mariton International Limited	British Virgin Islands	-	-	106,595,625 ²	15.3
Anthoni Salim	Indonesian	-	-	106,595,625 ²	15.3
Tan Hang Huat	Singaporean	-	-	106,595,625 ²	15.3

Notes:-

* Excluding treasury shares

¹ Deemed interest by virtue of the interest held by his/ her children pursuant to Section 59(11)(c) of the Act

² Deemed interest by virtue of the interest held through Plant Wealth Holdings Limited pursuant to Section 8 of the Act

2.1.2 Information on MATA

MATA was incorporated on 24 June 2019 in Malaysia under the Act, as a private limited company. As at the LPD, the issued share capital of MATA is RM4,425,000 comprising 4,425,000 ordinary shares. At present, MATA is a robotics technology company which is involved in the provision of UAS solutions, commonly known as drones that can operate autonomously without a pilot on board.

As at the LPD, the directors of MATA are set out below:-

Name	Nationality
Randall Low Jun Hoe	Malaysian
Wan Azrain Bin Wan Adnan	Malaysian
Shafique Miraj Aman Arshad	Malaysian
Chang, Jui-Lung	Republic of China
Max Lo, Cheng-Fang	Republic of China

For the avoidance of doubt, none of the directors hold shares directly in MATA.

As at the LPD, the substantial shareholders of MATA and their direct shareholdings in MATA are set out below:-

Name	Place of incorporation	No. of shares	%
Nexus Union Sdn Bhd ¹	Malaysia	3,397,500	76.8
Geosat Aerospace & Technology Inc ²	Republic of China	1,027,500	23.2

Notes:-

¹ Nexus Union Sdn Bhd ("**Nexus**") is principally involved in the provision of information and communication technology services. The shareholders of Nexus are Darren Solomon Low Jun Ket and Randall Low Jun Hoe, whom each holds 50% of shares in Nexus

² Geosat Aerospace & Technology Inc ("**Geosat**") is a company based in Taiwan and is principally involved in the provision of UAS solutions. The shareholders who own more than 5% of equity interest in Geosat are 海岳建設股份有限公司, 共進商會資產份有限公司, 林淑玫 and Max Lo, Cheng-Fang

As at the LPD, MATA does not have any subsidiary nor associate companies.

2.2 Source of funding for the Consideration of participation in the JVA

CAB Group intends to fund the Consideration of up to RM8.00 million through internally generated funds. For shareholders' information, the Group's cash and bank balance stood at RM49.05 million as at 30 September 2021.

2.3 Additional financial commitment required

Save for the Consideration of up to RM8.00 million, there is no additional financial commitment required by CAB Group to put the Drone Business on-stream.

2.4 Liabilities to be assumed

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the JVA, there are no other liabilities, including contingent liabilities nor guarantees, to be assumed by CAB Group.

3. DETAILS OF THE PROPOSED DIVERSIFICATION

At present, CAB Group is principally involved in both the upstream and downstream operations within the livestock industry, ranging from the trading of poultry feeds and other farm consumables, breeding and farming of broiler chicken, manufacturing and distribution of meat-based food products to the operation of supermarkets and fast-food franchising business.

The key financial performance of the Group for the past 3 financial years up to the FYE 30 September 2021 is as follows:-

	←-----FYE 30 September-----→		
	←-----Audited-----→		
	2019 RM'000	2020 RM'000	2021 RM'000
Revenue	1,752,186	1,680,488	1,718,860
Integrated poultry	1,624,062	1,543,490	1,583,195
Supermarket	125,814	135,806	134,646
Fast food business	2,292	1,192	1,019
Marine products manufacturing	18	-	-
PBT/ (LBT)	14,791	(3,638)	(30,406)
Profit/ (loss) attributable to shareholders	12,160	2,760	(20,188)

FYE 30 September 2019 to FYE 30 September 2020

For the FYE 30 September 2020, CAB Group recorded revenue of RM1.68 billion which represents a decrease of RM70.00 million or 4.1% as compared to the preceding financial year of RM1.75 billion. This was primarily attributed to lower sales recorded for the integrated poultry division, following the decreased demand for broiler chicken from the downturn in hospitality and tourism sectors, school closure as well as prohibition of mass gathering during the MCO.

For the FYE 30 September 2020, CAB Group recorded LBT of RM3.64 million as compared to the PBT of RM14.79 million in the preceding financial year. This was primarily attributed to the RM6.98 million other losses incurred in the current financial year, as opposed to the RM11.84 million other gains recognised in the FYE 30 September 2019. The said losses mainly comprised the following:-

- i. RM0.90 million loss on fair value adjustment on biological assets;
- ii. RM3.07 million write-off of property, plant and equipment; and
- iii. RM4.05 million impairment on receivables.

FYE 30 September 2020 to FYE 30 September 2021

For the FYE 30 September 2021, CAB Group recorded revenue of RM1.72 billion which represents an increase of RM40.00 million or 2.4% as compared to the preceding financial year of RM1.68 billion. This was primarily attributed to the higher selling price of broiler chicken.

For the FYE 30 September 2021, CAB Group recorded LBT of RM30.41 million which represents an increase of RM26.77 million or over 100.0% as compared to the preceding financial year of RM3.64 million, primarily attributed to the following:-

- i. despite the higher selling price of broiler chicken, CAB Group had also in the current financial year incurred higher cost of sales by RM65.91 million, mainly from the increasing price of poultry feeds, and
- ii. RM1.26 million expected credit losses incurred in the current financial year, as opposed to the RM1.55 million gain recognised in the FYE 30 September 2020, mainly due to slower recovery of receivables amidst the COVID-19 pandemic.

CAB Group's financial performance over the financial years under review had mainly relied on the integrated poultry division, particularly in the trading of broiler chicken, manufacturing and distribution of meat-based products. As such, its financial performance in recent years had declined as this core segment suffered from low selling price of broiler chicken coupled with increasing cost of poultry feeds.

In an effort to turn around its integrated poultry division, the Group had embarked on cost cutting measures (as set out in Section 5.5 of this Circular) to refine its operational efficiency, as well as to reduce the production of broiler chickens to avoid unwarranted losses from selling below cost.

The execution of the JVA with MATA for the Drone Business provides CAB Group an opportunity to venture into the provision of drone related services for the agriculture industry, so as to create an additional revenue and income stream for the Group moving forward. For shareholders' information, the Drone Business involves spraying of liquid chemicals, such as pesticides and herbicides via remote controlled drones together with mapping software to locate and plot the focus areas in order to automate the spraying process.

Revenue of the Drone Business is recognised from the service contracts negotiated with business partners, oil palm plantation owners and operators. For the avoidance of doubt, the drones will be purchased from an authorised supplier, namely Sanyeong Agriculture Solutions Sdn Bhd, and are neither for sale nor rent. Save for the Consideration of up to RM8.00 million, which will be subscribed in four tranches of RM2.00 million each, there is no additional financial commitment required by CAB Group to put the Drone Business on-stream.

For shareholders' information, the RM2.00 million proceeds raised from the first tranche are intended to be utilised by the JVC in the following manner:-

Details of utilisation	RM'000
Agriculture drones	500
Transportation vehicles	500
Ancillaries (i.e. batteries, battery chargers and remote controllers)	250
Recruitment and training of skilled workers ^{*1}	250
Sales and marketing activities	250
Working capital (i.e. insurance coverage, site surveys, staff welfare and purchase of fuel)	250
Total	2,000

Note:-

^{*1} At the early-stage of the Drone Business, the JVC intends to set up a total of ten drone spraying teams, each comprises one drone pilot and one assistant (approximately 20 skilled workers in total)

The breakdown for the remaining RM6.00 million cannot be ascertained at this juncture, and is dependent on the actual operating requirements at the material time.

Notwithstanding that the Parties have identified the oil palm sector as the current principal market for the Drone Business, they may in the future look to explore other prospective markets within the agriculture industry, such as farming, forestry, paddy field and other plantation crops as part of the JVC's business expansion.

The Board expects that the net profit attributable to the Drone Business may contribute more than 25% of the total net profit of CAB Group or cause a diversion of more than 25% of its NA moving forward. Accordingly, the Board proposes to seek approval from the shareholders of CAB for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements.

Barring any unforeseen circumstances, the Drone Business may contribute positively to the earnings of the Group from the FYE 30 September 2023 onwards, after accounting for the start-up costs and resource mobilisation.

3.1 Key management personnel

CAB Group has identified the following key personnel in leading the initiative for the diversification into the provision of drone related services for the agriculture industry:-

Wan Azrain Bin Wan Adnan ("**Wan Azrain**"), aged 47, graduated with an accounting and financial analysis degree from Warwick Business School, University of Warwick. Wan Azrain is currently the Chief Executive Officer and a director of MATA. He has served both in the private and public sectors, notably Bank Negara Malaysia, Pantai Holdings Berhad, Kencana Capital, Sime Darby Berhad, Northern Corridor Implementation Authority and mTouche Technology Berhad. Wan Azrain also served at the National Economic Advisory Council under the Prime Minister's Department.

Wan Azrain was officially appointed to the board of directors of MATA on 15 July 2019 and is experienced in the field of strategic planning, project management, stakeholders' engagement, business development and general management. In respect of the Drone Business to be incorporated, he will be primarily responsible for facilitating and overseeing the transfer of management expertise, skills and technical knowhow for the drone technology to the management team of the JVC.

In executing the knowledge transfer plan, Wan Azrain will conduct periodic review to evaluate the management team based on certain criteria such as, amongst others, skill assessment for trained workers, gathering customer feedback and monitoring performance expectations of the Drone Business.

The Board has endeavoured to monitor closely the expansion and performance of this new segment, and should the need arises, to expand its pool of human resources pursuant to the Proposed Diversification. At this juncture, CAB Group will leverage on the leadership of Loo Choo Gee to embark on the Drone Business, his profile is as below:-

Loo Choo Gee ("**Loo CG**"), aged 58, is currently the Executive Director of CAB. He joined the Group as the Branch Manager in 1996 and has more than 30 years of experience in the poultry industry. He was the Secretary of Persatuan Penternak dan Pengusaha Ayam, Kedah Darul Aman/ Perlis Indera Kayangan from 2000 to 2008, and also represented the Kedah Darul Aman/ Perlis Indera Kayangan region as a member of the Committee of Unit Broiler of Federation of Livestock Farmers' Association of Malaysia from 2001 to 2007. Loo CG has been a committee member of Federation of Livestock Farmers' Association of Malaysia since 2004, and the Secretary of Penang & Province Wellesley Farmers' Association from 2007 to 2012 before being promoted to Chairman from 2013 to 2016. He is currently an Honourable Advisor to the Penang and Province Wellesley Farmers' Association.

Loo CG was officially appointed to the Board on 11 August 2003 as the Executive Director of CAB. He was later then appointed as the Chairman of the Risk Management and Sustainability Committee on 27 November 2020. At present, he is primarily responsible for overseeing the overall strategic business development of CAB Group, including the newly incorporated Drone Business.

4. RATIONALE AND JUSTIFICATIONS

In an effort to expand its earnings base, the JVA serves as an entry point for the Group to venture into the Drone Business as a way to embark on other growth opportunity and/ or business potential. Should the Proposed Diversification be approved by the shareholders of the Company, CAB Group is able to expand its revenue and income stream to include the provision of drone related services for the agriculture industry.

At present, the Malaysian agriculture industry is labour intensive and requires manpower in carrying out routine maintenance works to ensure optimal yield. The industry itself has been experiencing labour shortage and recorded a contraction in 2021, mainly due to the freeze on foreign labour recruitment amidst the COVID-19 outbreak. Accordingly, the Board has identified the Drone Business as a viable opportunity to venture into, after taking into consideration the significance of automation in the current economic environment and the industry's growth potential as set out in Section 5.3 of this Circular.

As compared to conventional methods, drone spraying of liquid chemicals such as pesticides and herbicides is more time-efficient and provides better coverage and precision than manual labour. It will also help minimise workers exposure to hazardous chemicals. The autonomous feature of the drone would enable it to navigate flight paths over agriculture fields and above tree canopies to capture real-time images and data, which helps in plotting flight paths and maintaining spraying records for optimal coverage efficiency.

The competency and experience of Wan Azrain and Loo CG, whom the Board deems to be the key management personnel, together with the expertise of MATA in drone technology is expected to contribute positively to the performance of the Drone Business. For shareholders' information, MATA has prior experience in drone spraying for the agriculture industry, and has also conducted research on the effectiveness of drone spraying for several oil palm plantation owners and operators.

Premised on the foregoing, the Board is of the view that the diversification and expansion into the Drone Business is expected to enhance CAB Group's prospect moving forward.

5. INDUSTRY OVERVIEW, OUTLOOK, AND FUTURE PROSPECT

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 7.1% in the first half of 2021. Growth is expected to continue in the second half of the year, particularly in the fourth quarter, as more economic and social sectors operate at full capacity. The expected growth trajectory aligns with the successful vaccination programme under the National COVID-19 Immunisation Programme ("**PICK**") and various stimulus and assistance packages to support the people and revitalise the economy. Overall economic growth is expected to expand between 3% and 4% in 2021. Continuation of the packages to combat the COVID-19 will have spill over effects and boost the economy in 2022. Hence, with strong economic fundamentals and a diversified structure, the domestic economy is forecast to expand between 5.5% and 6.5% in 2022. Nevertheless, the favourable outlook is predicated on other factors, including the successful containment of the pandemic, effective PICK implementation, and strong global economic prospects. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spill overs from continued improvement in external demand.

Monetary policy remains accommodative in cushioning the adverse effects of the prolonged nationwide lockdown on the economy while simultaneously supporting recovery. The policy also ensures that inflationary pressure remains manageable. The Overnight Policy Rate ("**OPR**") and Statutory Reserve Requirement ("**SRR**") were held steady during the first seven months of 2021 at 1.75% and 2.00%, respectively. Efforts to boost market liquidity include the flexibility accorded to banking institutions to utilise the Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) to meet the SRR compliance until the end of 2022. The banking sector remains strong, backed by sufficient liquidity and capital buffer, while the capital market exhibits resilience underpinned by ample domestic liquidity and a supportive policy environment. The recent launch of the third Capital Market Masterplan, 2021 – 2025, will ensure the capital market remains relevant, efficient and diversified to expedite the growth of sustainable and inclusive economy (Securities Commission Malaysia, 2021). The future stance of monetary policy will continue to be guided by new data and information and their implications on the overall outlook for inflation and domestic growth.

As Malaysia moves into the COVID-19 endemic phase, the Government will focus on ensuring the livelihood of the people, enhancing businesses and facilitating economic activities in the immediate and the new norm of post-pandemic. Currently, the Government is at the end of the six-stage strategy, namely reform which involves implementing the Twelfth Malaysia Plan (12MP) through the annual budgets and other sectorial masterplans. At this stage, the Government will focus on reforms that address various structural challenges that could hinder its vision of becoming a prosperous, inclusive and sustainable nation.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

5.2 Overview and outlook of the Malaysian agriculture industry

The agriculture sector is projected to decline marginally by 0.8% in 2021, mainly due to lower output of crude palm oil ("**CPO**") and rubber. However, the decline is anticipated to be cushioned by improved performance of the non-commodity subsector. In the first half of the year, the sector contracted by 0.7% due to lower production in all subsectors except livestock and other agriculture. The contraction in the plantation-related subsector was due to shortage of foreign labour following the COVID-19 pandemic containment measures, including border closures and restrictions on the new intake of foreign workers. The limited labour supply is expected to continue in the second half of the year, thus resulting in a decline of 1% in the sector.

The value-added in the Malaysian agriculture industry from 2020 – 2022 is as follows:-

	Market share (%)	Percentage change (%)		
	2021 ²	2020	2021 ²	2022 ³
Oil palm	34.4	(3.6)	(8.0)	4.2
Rubber	2.5	(18.6)	(1.0)	2.9
Livestock	17.1	3.5	5.1	5.6
Other agriculture ¹	29.6	5.1	5.3	5.5
Fishing	11.3	(7.9)	(0.2)	0.5
Forestry and logging	5.1	(18.8)	(2.7)	(4.0)
Agriculture	100.0	(2.2)	(0.8)	3.9

Notes:-

¹ Including paddy, fruits, vegetables, coconut, tobacco, tea, flowers, pepper, cocoa and pineapple

² Estimate

³ Forecast

The agriculture sector is forecast to expand by 3.9% in 2022, mainly supported by the commodity segment. The oil palm subsector is anticipated to rebound, in tandem with a higher output of CPO, following improved fresh fruit bunches (FFB) production and better oil extraction rate. The relaxation of cross-border foreign workers restrictions expected during the second half of 2022 will increase the labour supply, thus improving the subsector's output. In addition, the continuation of the national B20 biodiesel programme for the transportation segment, along with higher demand of CPO from India and China, are expected to further support the production of CPO.

Meanwhile, rubber output is estimated to expand as tapping activities are anticipated to be buoyed by firm rubber prices. The world demand for natural rubber, which is expected to increase, will stimulate domestic rubber production. The development of the East Coast Latex Corridor and adoption of digitalisation in the industry through the My Rubber Online (MyROL) platform and RRIMniaga smartphone application are anticipated to boost the subsector.

The livestock and other agriculture subsectors are expected to record an uptick on account of higher demand for food items, primarily during festivities. Furthermore, the Government's policies, which emphasise the sustainability of agrofood and agricommodity industries will outline strategies to further enhance the agriculture sector to ensure food security.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

5.3 Overview and outlook of the agriculture drone industry

The global agriculture drones market size was valued at USD0.88 billion in 2020, and is projected to reach USD5.89 billion by 2030, registering a compound annual growth rate of 22.4% from 2021 to 2030. Sudden climate changes globally are creating new layers of complexity in the agriculture industry, which boosts the need for advanced solutions such as agriculture drones to improve crop yield and farm efficiency. Moreover, aerial view provided by drone farming can reveal various issues such as soil variation, irrigation problems, and fungal infestations act as a set of instructions used in agriculture to survey crops to rapidly identify problems.

The global supply chain is at an all-time high, and commodity prices are at an all-time low because of rising demand for food production and consumption, propelling the need for a modern farming solution across the agriculture industry globally. Further, drones globally have revolutionized the agriculture industry by offering enhanced efficiency, cost-saving, and more profitability. In addition, the global agriculture drone market is still in its nascent stage; however, breakthroughs in drone technology are expected to fuel the agriculture drones market growth in the coming years.

The agriculture drones market share is expected to witness notable growth during the forecast period, owing to rise in venture funding for deployment of drones in the agriculture industry, globally. Furthermore, surge in adoption of precision farming solutions drives growth of the market during the forecast period. Moreover, surge in demand for a reduction in cost associated with human error is expected to propel the agriculture drones market analysis.

(Source: Global Agriculture Drones Market, July 2021, Allied Market Research)

Malaysia will be able to take full advantage of the use of drone technology in the palm oil sector within the next three years (2022-2024), said Minister of Plantation Industries and Commodities Datuk Zuraida Kamaruddin. "If this can be implemented, young people will definitely be interested in working in the palm oil industry, thereby increasing local workers. This will also ensure that foreign workers will remain (in the industry) which is more sustainable," she said.

The ministry has also proposed the use of government-to-government mechanisms so that the recruitment of foreign workers and agents, incentives and salaries to be provided can be made transparent with the country of labour resources to ensure the country remains competitive. "This will be implemented as a long-term plan because we want to ensure we sustain the supply of foreign workers for the period of three to five years in order to maintain our market, so that we do not lose our market share to China, Indonesia and other countries," she explained.

The Palm Oil Mechanisation and Automation Research Consortium (MARCOP) was also established recently to enhance research and development activities on oil palm plantation automation with an emphasis on applications such as drones, robots and sensors for integrated and systematic operations. A total of RM60 million has been allocated for research and development activities so far.

(Source: Malaysia expects to benefit from use of drones in palm oil industry within 3 years, 25 November 2021, The Edge Markets)

5.4 Impact of COVID-19 outbreak

The recent ongoing COVID-19 outbreak, which led to the implementation of national lockdown policies in many countries worldwide, including Malaysia, has restricted many businesses from operating as usual. The COVID-19 pandemic has affected CAB Group operationally and financially due to the movement control orders ("**MCO**") that has been enforced by the Government.

For shareholders' information, the Group's businesses were permitted to operate by the Ministry of International Trade and Industry (MITI) since the first MCO which took effect from 18 March 2020 ("**First MCO**"), in view of it being an essential service provider (i.e. integrated poultry producer in the food supply industry). However, to mitigate the potential impact of COVID-19 outbreak on the Group's operations, the Board had ensured compliance with workplace guidelines such as rotation of teams to work-from-home, practice of social distancing and mandatory mask policy.

On 16 June 2021, the Group announced that one of its factory received a notice dated 11 June 2021 from the Ministry of Health of Malaysia (MOH), to temporarily suspend its operation from 11 June 2021 onwards due to the confirmed COVID-19 cases. The said factory had gradually resumed operation on 28 June 2021 after disinfection of the factory premises, including hostels for foreign workers. Notwithstanding that, the Board did not foresee any material impact arising from the temporary cessation, as the shortage of live birds were compensated by other factories. CAB Group had incurred total costs of approximately RM3.44 million as at the LPD, to comply with the SOPs imposed by the Government.

The integrated poultry division has not been spared from the decline in bulk demand during the MCO period; whilst the supermarket division has showed improvement mainly due to higher demand for food stuff and grocery items arising from the new work-from-home norm. The COVID-19 pandemic has also disrupted the global supply chain, which consequently affected the prices of poultry feeds for the Group's operations.

Notwithstanding the above, the Group is expected to gradually recover from the COVID-19 impact following the easing of Government restrictions since the fourth quarter of 2021.

5.5 Prospect of the CAB Group

The COVID-19 pandemic has severely disrupted the global economy. Outlook for the near future remains challenging and uncertain as the full impact of the COVID-19 pandemic has not been ascertained. In the FYE 30 September 2021, CAB Group recorded a loss from its existing operations due to increasing price of poultry feeds, and low selling price of broiler chicken which put further downward pressure on the Group's profit margin.

In an effort to turn around its integrated poultry division, the Group embarked on cost cutting measures, such as prudent cash flow management, optimisation of current human resources and streamlining the supply chain to refine its operational efficiency. Additionally, the Board had also reduced the production of broiler chickens to avoid unwarranted losses from selling below cost.

CAB Group had also on 21 October 2021, completed the acquisition of a 51% equity interest in Benarlab Sdn Bhd (a wholesaler and distributor of animal health and nutrition products) to ensure an uninterrupted flow of poultry feeds across its poultry farms, as well as to potentially scale up the existing trading business of farm consumables to expand the Group's earnings base.

Given the circumstances, the Board is actively seeking opportunities to expand the Group's business activities. As such, the JVA serves as an entry point for the Group to venture into the provision of drone related services for the agricultural industry; whilst leveraging on the expertise of the counterparty in drone technology to carry out the Drone Business. For shareholders' information, MATA is still in the midst of negotiations with interested parties, and has yet to secure any contracts for the JVC at this juncture.

As set out in Section 6, Appendix I of this Circular, in the event MATA successfully secures drone spraying contracts from business partners, oil palm plantation owners and operators, it undertakes to divert oil palm drone spraying service requests from Peninsular Malaysia to the JVC, failing which would result in termination for breach of the JVA pursuant to Section 7, Appendix I of this Circular.

Given that MATA has undertaken to transfer its right to provide drone spraying services for the oil palm sector in Peninsular Malaysia to the JVC, no potential conflict of interest is expected to arise thereof as the JVC shall be the party providing the drone spraying services for the oil palm sector in Peninsular Malaysia regardless the said orders are secured by MATA. For the avoidance of doubt, MATA still reserves the right to offer drone spraying services for the oil palm sector in East Malaysia.

Notwithstanding that the Parties have identified the oil palm sector as the current principal market for the Drone Business, they intend to leverage on the successful establishment of the JVC to seek further opportunities in the agriculture industry, including, but not limited to, joint ventures with plantation owners and/ or to explore other prospective markets within the industry, such as farming, forestry, paddy field and other plantation crops that may also benefit from the adoption of drone technology amidst the labour shortage situation.

In view of the industry outlook as set out in Sections 5.2 and 5.3 of this Circular, and barring any unforeseen circumstances, the Board is cautiously optimistic on the future prospect of the Drone Business and the Proposed Diversification, which is considered a strategic fit to the Group's business diversification plan.

(Source: Management of CAB)

6. RISK FACTORS

Pursuant to the Proposed Diversification, CAB Group will be exposed to risks inherent in the provision of drone related services for the agriculture industry which include, but not limited to, the following:-

6.1 Business risk

Pursuant to the Proposed Diversification, the Group will be subject to risks inherent in the Drone Business. These include but not limited to, unfavourable changes in general economic conditions, government policies and regulations, labour supply and selling prices of agriculture products, severe weather conditions, outbreaks of diseases or other natural disasters, and negative publicity from non-governmental organisations on environmental concerns.

Notwithstanding that, the Board seeks to conduct periodic review on the performance of the Drone Business, and adopts prudent financial management and efficient operating procedures to limit the impact of the abovementioned risks. However, there can be no assurance that the Group may be able to successfully mitigate the various risks inherent in the Drone Business, and if unable to do so, the business operation and financial performance of the Group may be adversely affected.

6.2 Technological obsolesces

The Group is subject to inherent risks associated with the rapid advancement of technology as the industry moves towards the internet of things era. The products and services offered under the Drone Business are characterised by rapid changes in technology, evolving market trends and practices as well as customer requirements. Therefore, the future of the Drone Business depends substantially upon the JVC's ability to address the technology and technical requirements of prospective customers.

The Board seeks to minimise such risk by continuously pursuing technological advancement through participation in conferences and seminars with the aim of keeping abreast with the latest technology and practices. The JVC will also provide continuous staff development to its technical team with the aim of aligning their technical skillsets with the latest technology and practices. Notwithstanding that, there is no assurance that the JVC will be able to continue to adapt to ongoing advances in technology and market needs.

6.3 Dependency on key personnel

The success of the Drone Business depends largely on the capabilities, skills, competencies and continued effort of its experienced personnel. Recognising the importance of the key personnel involved, CAB Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and retain their services. Suitable professional(s) and/ or consultant(s) will be engaged in the areas necessary for the implementation and/ or execution of the Board's strategy for the Drone Business to manage the risk arising from dependency on key personnel. However, there is no assurance that the loss of any such key personnel will not adversely affect the Group's ability to succeed and compete in the Drone Business.

6.4 Political, economic and regulatory risk

Similar to other businesses, political, economic and regulatory conditions could have a material effect on the Group's foray into the provision of drone related services for the agriculture industry. As the Drone Business involves drone spraying for the oil palm sector in Peninsular Malaysia, its business operations, to a certain extent is exposed to the development in the political, economic and regulatory environment of Malaysia. Such risks include, but are not limited to, economic uncertainties, changes in political leadership, labour law, rules and regulations, which may impact the expenditure decisions of prospective customers. These factors and/ or developments are beyond the Board's control and may affect all players in the agricultural industry.

7. FINANCIAL EFFECTS

7.1 Issued share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the issued share capital and the substantial shareholders' shareholdings in the Company as there is no issuance of CAB Shares involved.

7.2 NA and gearing level

Barring any unforeseen circumstances, the Proposals are not expected to have any immediate material effect on the NA and gearing level of CAB Group for the FYE 30 September 2022.

7.3 Earnings and EPS

The Proposals are not expected to have any immediate material effect on the earnings of CAB Group for the FYE 30 September 2022. Nevertheless, barring any unforeseen circumstances, the Drone Business may contribute positively to the earnings and EPS of the Group in the future financial years upon commencement.

8. APPROVALS REQUIRED/ OBTAINED

The Proposals are subject to the following approvals:-

- i. Shareholders of CAB for the Proposed Diversification at the EGM.

For the avoidance of doubt, the JVA is not subject to shareholders' approval as the highest percentage ratio applicable under Paragraph 10.02(g) of the Listing Requirements is approximately 1.7%, calculated based on the audited consolidated financial statements of CAB Group for the FYE 30 September 2020; and

- ii. Any other relevant authorities and/ or parties, if required.

The Proposals are conditional upon each other, but are not conditional upon any other proposals undertaken or to be undertaken by the Company.

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

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

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposals are expected to be implemented by the second quarter of 2022.

11. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

- i. On 1 November 2017, CABINDO Poultry Sdn Bhd ("**CABINDO**"), a wholly-owned subsidiary of the Company had entered into a Joint Venture Agreement with PT Ternak Ayam Terpadu Indonesia ("**PT**"), to form several Joint Venture Companies ("**JV Companies**") for the production of halal poultry products for the Indonesia's consumers. The Joint Venture Agreement does not stipulate any terms on the investment amount that are required from CABINDO and PT (collectively referred to as the "**JVA Parties**") and instead, the Joint Venture Agreement requires the JVA Parties to facilitate their application to the Badan Koordinasi Penanaman Modal, Indonesia for the incorporation of the JV Companies. As at the LPD, the implementation of the JVA has been deferred until such time that the overall COVID-19 situation is deemed safe.
- ii. On 16 July 2021, UOBKH had, on behalf of the Board, announced that the Company proposed to undertake a private placement of up to 10% of the total number of issued CAB Shares. For the avoidance of doubt, the Company had at its AGM convened on 25 March 2021, obtained the approval from the shareholders, whereby the Board had been authorised to issue and allot new CAB Shares pursuant to Sections 75 and 76 of the Act.

Subsequently on 24 August 2021, UOBKH had, on behalf of the Board, announced that Bursa Securities had on 23 August 2021, resolved to approve the listing and quotation for up to 69,800,874 placement shares to be issued pursuant to the private placement of which the implementation is still pending.

The Company has until 22 August 2022 to complete the private placement, of which no placement shares have been issued as at the LPD.

Save for the above and the Proposals, the Board is not aware of any other outstanding proposals, which have been announced but not yet completed as at the LPD.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposals including but not limited to the terms and conditions of the JVA, rationale, prospect, risk factors and financial effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

Accordingly, the Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Diversification at the EGM.

13. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at the Conference Room, Third Floor, CAB Cakaran Corporation Berhad, Plot 21, Lorong Jelawat 4, Seberang Jaya Industrial Park, Seberang Jaya, 13700 Perai, Penang, Malaysia on Thursday, 24 March 2022 at 11.30 a.m. or immediately following the conclusion of the Twentieth Annual General Meeting of the Company to be held on the same day at the same venue at 10.30 a.m. (whichever is later), or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposed Diversification.

If you are unable to attend, participate, speak and vote at the EGM, you may appoint a proxy or proxies to attend, participate, speak and vote on their behalf. In such event, the Proxy Form must be lodged at the Company's Registered Office at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, Malaysia, or by electronic lodgement via TIIH Online website at <https://tiah.online> not less than forty-eight (48) hours before the time for holding the EGM or at any adjournment thereof. The completion, signing and return of the Proxy Form will not preclude you from attending and voting in person, should you subsequently decide to do so.

14. FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board
CAB CAKARAN CORPORATION BERHAD

CHUAH AH BEE
Executive Chairman

APPENDIX I – SALIENT TERMS OF THE JVA

The following is a summary of the salient terms of the JVA:-

1. Condition Precedent

- 1.1 The JVA is conditional upon CAB obtains approval of the shareholders on the Proposed Diversification within 6 months from the date of the JVA or such other extended period as may be agreed by the Parties ("**Condition Precedent**").
- 1.2 The JVA shall automatically be terminated and become null and void if the Condition Precedent is not fulfilled within the stipulated period.

2. JVC

- 2.1 As soon as reasonably practicable after the execution of the JVA, CAB on behalf of MATA and itself shall at its best endeavour to ensure that the JVC is incorporated with limited liability under the Acts or if agreeable by MATA, to convert a dormant subsidiary of CAB into the JVC ("**Conversion**").
- 2.2 Subject to the approval of the Companies Commission of Malaysia, the company name of JVC shall be mutually agreed by the Parties.
- 2.3 The Parties agree to enter into a shareholders' agreement to regulate their rights as shareholders of the JVC upon incorporation of the JVC or the Conversion ("**Shareholders' Agreement**").
- 2.4 The JVC shall principally be engaged in the provision of drone spraying services for the oil palm sector in Peninsular Malaysia. The Parties agree that other UAS technology/ drone services and geographical areas shall be discussed and agreed upon by them on a case-to-case basis.

3. Shareholding Structure

- 3.1 Subject to the terms and conditions of the Shareholders' Agreement, unless otherwise agreed in writing by the Parties, the issued share capital of the JVC shall at all times be held in the following agreed portion ("**Agreed Portion**"):-

Parties	Agreed Portion (%)
CAB	51
MATA	49
Total	100

- 3.2 It is agreed that CAB shall subscribe its Agreed Portion of 51% shareholding via RM8,000,000 in cash in total and MATA shall subscribe its Agreed Portion of 49% shareholding via non-cash term with a non-cash value of RM7,686,275 (i.e. injection via provision of the necessary business knowledge, goodwill, know-how, technical and management expertise, skills and technologies of drone services for the oil palm sector in Peninsular Malaysia).

The current arrangement of the JVA was negotiated and mutually agreed between the Parties, with the understanding that CAB will be responsible for financing the set-up of the JVC; whilst MATA will be contributing in the form of technical knowledge and business knowhow. Key elements of the knowledge transfer plan include, amongst others, project management skills, technical requirements, industry networking, further details of which are set out in Section 5.2, Appendix I of this Circular.

APPENDIX I – SALIENT TERMS OF THE JVA

There is no time limit for the execution of the knowledge transfer plan, and that MATA intends to establish an in-house team of 7 personnel to oversee the transfer process throughout the existence of the joint venture. The team shall be primarily responsible for training the drone pilots and assistants, sharing of business network and research findings as well as providing business and project management advice to the JVC.

The transfer process will be performed in good faith without any certification by auditors nor industry experts. As MATA's representative, Wan Azrain will conduct periodic review to monitor the progress of the Drone Business, including the competency of the JVC's management team, skill assessment for trained workers and gathering customer feedback.

Notwithstanding that, the performance of the Drone Business is still subject to quarterly review by the Board prior to the subscription of the remaining tranches, to ensure that the knowledge transfer plan has been carried out effectively.

It is the Board's intention to hold a controlling stake in the JVC to allow CAB the right to dictate the business direction and financial management of the Drone Business. Any failure by MATA to perform its agreed roles and responsibilities would result in termination for breach of the JVA pursuant to Section 7 hereinbelow.

- 3.3 The Parties agreed that the contribution of the said RM8,000,000 cash by CAB shall be in four tranches of RM2,000,000, each upon call of capital from the shareholders by way of subscription of shares in the JVC. For the avoidance of doubt, MATA shall subscribe the shares in the Agreed Portion accordingly by way of non-cash term simultaneously with the subscription of CAB to ensure that the Agreed Portion can commensurate with the transfer process stated in Section 3.2 hereinabove.

As it is the Board's intention to continue leverage on the skills and expertise of MATA moving forward, the 49% equity interest serves as an incentive to retain MATA's loyalty, and to align its interest with that of CAB in overseeing the future development of the Drone Business.

- 3.4 The Parties agree that the maximum capital contribution commitment of CAB is RM8,000,000. The JVC shall apply for the government grants to the extent possible. In the event further capital is required, JVC may also consider bank loan provided agreed by the Parties. If capital injection from 3rd party is required, it must be with the mutual agreement of CAB and MATA due to change of the Agreed Portion with the 3rd party's participation in the JVC. In the event that right issue is intended for capital-raising, after completion of the above-mentioned capital contribution commitment, CAB and MATA shall be obliged to inject capital in the form of cash.

4. Roles

The Parties agree to carry out their respective joint venture roles as follows:-

- 4.1 CAB shall be responsible for the following roles in the JVC:-
- i. human resource and administration structuring;
 - ii. corporate governance requirements and structuring;
 - iii. compliance with finance and accounting standards;
 - iv. commercial structuring;

APPENDIX I – SALIENT TERMS OF THE JVA

- v. ensuring that the JVC meets the revenue and profits projected by MATA, who possesses the relevant expertise in the field of drone spraying services for the oil palm sector, are in-line with expectations;
- vi. business development advice and networking together with MATA; and
- vii. industry networking and connections together with MATA.

4.2 MATA shall be responsible for the following roles in the JVC:-

- i. supporting the operations of the JVC in order to proceed with growing and developing the JVC;
- ii. transferring the technical know-how and knowledge from MATA to the JVC;
- iii. operating as a specialised entity for projects that require its direct negotiation and/ or specific requirements that the JVC may or may not fulfil, with the consideration being that commercial benefits and costs will be translated solely and exclusively for the JVC;
- iv. ensuring that the JVC meets licensing requirements and obtain licenses, approvals and permits for its business operations;
- v. taking charge of marketing and market penetration work, with the aim that the JVC remains profitable at all times;
- vi. ensuring that the JVC meets the revenue and profits projected by MATA together with CAB;
- vii. business development advice and networking together with CAB; and
- viii. industry networking and connections together with CAB.

5. Directors and Management of the JVC

- 5.1 Subject to the terms and conditions to be set out in the Shareholders' Agreement, the Parties agree that the board shall originally comprise five directors of which three directors shall be nominated by CAB and two directors shall be nominated by MATA.
- 5.2 MATA also hereby commits to assign a team of personnel from MATA to facilitate the transfer of knowledge to the management team of the JVC to ensure the stringent passing of technical and operational know-how and knowledge, with the items of transfer being as follows:-
 - Project management, operational flow, SOP and know-how
 - Technical requirements, SOP and know-how and maintenance, repair and operations (MRO) advice
 - Pilot management and operational leadership know-how
 - Financial structuring and project costing knowledge
 - Commercial structuring
 - Stakeholder and governance advice
 - Human resource restructuring advice

APPENDIX I – SALIENT TERMS OF THE JVA

- Business development advice and networking
- Industry networking and connections

For any unaccounted items above, MATA in general shall endeavour to provide the appropriate advice and solution to the JVC as soon as practicably possible.

- 5.3 In view of the assignment of key personnel from MATA as stated in Section 5.2 hereinabove, the JVC shall pay a monthly management fee of up to RM50,000 to MATA with 2% of sales subject to the Board's approval. The monthly management fee shall be paid in the following manner:-

Monthly Management Fee	Events of JVC
RM20,000	First sale order confirmed
RM40,000	Monthly sale hits RM300,000 or more
RM50,000	Monthly sale hits RM400,000 or more

Aside for the non-cash subscription in exchange for MATA's commitment to the JVC, the monthly management fee and sales commission serve as added incentives for MATA to further improve the financial performance of the JVC, by way of pursuing business development opportunities with prospective business partners, oil palm plantation owners and operators.

For shareholder information, the monthly management fee will be used to support MATA's continuous research on drone technology to ensure continuous adaptation to latest technology and market needs.

The said incentives are subject to the Board's approval after evaluating the overall performance of the Drone Business such as, amongst others, secured sales contracts, utilisation rate of the drones, financial results and profitability of the JVC.

6. Representations, warranties and undertakings by MATA

- 6.1 MATA represents, warrants and undertakes to CAB that:-

- i. MATA possesses the necessary technical and management expertise, skills and technology in UAS which shall be transferred to JVC;
- ii. MATA will operate as a specialised entity for projects that require its direct negotiation and/ or statutory requirements that the JVC may or may not fulfil, with the consideration being that commercial benefits and costs will be translated solely and exclusively for the JVC. MATA shall provide oil palm drone spraying services in Peninsular Malaysia to the JVC in the event that its partners divert oil palm drone spraying service orders to MATA for the collaboration program concluded between MATA and its partners;
- iii. MATA shall not deploy or use the JVC resources for purposes other than the JVC business operations; and
- iv. MATA shall ensure that the JVC is able to fulfil service requirement and realize customer order and sales.

APPENDIX I – SALIENT TERMS OF THE JVA

7. Termination

7.1 Full force and effect

Subject to the Condition Precedent, the JVA shall continue in full force and effect until it is terminated.

7.2 Notice of termination

Any of the Parties ("**Non-Defaulting Party**") may at any time (within 30 days of the event in question first coming to the attention of the Party) serve a notice of termination of the JVA to a Party ("**Defaulting Party**") who has:-

- i. committed a material breach of any of its obligations or warranties under the JVA and has failed to remedy such breach (if capable of remedy) within 30 days of being given a notice by the Non-Defaulting Party; and
- ii. become insolvent,

and on such notice of termination being given to the Defaulting Party and copies of such notice being given to all the other Parties to the JVA, the JVA shall be terminated.

7.3 Offer for purchase or sale

Subject to terms and conditions of the Shareholders' Agreement for transfer of shares:-

7.3.1 If any of the Parties shall serve a notice of termination under Section 7.2 hereinabove, that Party ("**Terminator**") shall be entitled by that notice to require the recipient of the notice ("**Terminatee**") either:-

- i. in the case of a notice served under Section 7.2(i) hereinabove only, to purchase all of the Terminator's shares in the JVC; or
- ii. to sell to the Terminator all of the Terminatee's shares in the JVC,

in either case at a price determined based on the adjusted net tangible assets certified by auditors after taking into accounts the revaluation of properties on the date the termination notice is given provided that in the event MATA is a Terminator, it can only request CAB to acquire its 49% shareholding at RM1 or any higher value based on 49% of the net tangible assets after deducting all cash contribution by CAB.

7.3.2 If, in a valid termination notice, the power of sale or purchase is not exercised by the Terminator, the Terminatee may within 30 days of the Terminator's notice serve a counter notice requiring the Terminator to sell or purchase all of the Terminator's share of JVC, in which case the Terminator and the Terminatee shall become respectively bound to sell and purchase the shares at a price determined based on the adjusted net tangible assets certified by auditors after taking into accounts the revaluation of properties on the date the termination notice is given. The Parties may also mutually agree to wind-up JVC.

APPENDIX I – SALIENT TERMS OF THE JVA

7.4 Termination

The JVA shall terminate automatically:-

7.4.1 upon termination of the Shareholders' Agreement; and

7.4.2 if an effective resolution is passed to wind up the JVC or if a liquidator is otherwise appointed (but without prejudice to any rights which may have accrued to a Party against another).

APPENDIX II – FURTHER INFORMATION

1. DIRECTORS' 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 contained 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. CONSENT

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

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser to CAB for the Proposed Diversification.

4. MATERIAL COMMITMENTS

Save as disclosed below, the Board is not aware of any material commitments incurred or known to be incurred by CAB Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of CAB Group:-

	RM'000
Property, plant and equipment	
Approved and contracted for	17,628
Authorised but not contracted for	40,850
	<u>58,478</u>

5. CONTINGENT LIABILITIES

Save as disclosed below, the Board is not aware of any contingent liabilities incurred or known to be incurred by CAB Group which, upon becoming enforceable, may have a material impact on the financial results/ position of CAB Group:-

	RM'000
Corporate guarantees provided to banks and third parties in respect of credit facilities granted to certain subsidiaries	<u>893,066</u>

APPENDIX II – FURTHER INFORMATION

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's Registered Office at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, Malaysia, during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- i. the Constitution of CAB;
- ii. the audited consolidated financial statements of CAB Group for the past 2 financial years up to the FYE 30 September 2021;
- iii. the letter of consent and declaration of conflict of interest referred to in Sections 2 and 3 hereinabove, respectively; and
- iv. the JVA.



CAB CAKARAN CORPORATION BERHAD

Registration No. 200201015998 (583661-W)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of CAB Cakaran Corporation Berhad ("**CAB**" or the "**Company**") ("**EGM**") will be held at the Conference Room, Third Floor, CAB Cakaran Corporation Berhad, Plot 21, Lorong Jelawat 4, Seberang Jaya Industrial Park, Seberang Jaya, 13700 Perai, Penang, Malaysia on Thursday, 24 March 2022 at 11.30 a.m. or immediately following the conclusion of the Twentieth Annual General Meeting of the Company to be held on the same day at the same venue at 10.30 a.m. (whichever is later), or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:-

ORDINARY RESOLUTION

PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF CAB AND ITS SUBSIDIARIES INTO THE PROVISION OF DRONE RELATED SERVICES FOR THE AGRICULTURE INDUSTRY ("PROPOSED DIVERSIFICATION**")**

"**THAT** subject to the approvals of all relevant authorities and/ or parties being obtained, approval be and is hereby given to diversify its existing principal activities to include the provision of drone related services for the agriculture industry;

AND THAT the Board of Directors of CAB be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to the Proposed Diversification with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things in any manner as it may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Diversification."

By Order of the Board

CHEW SIEW CHENG (MAICSA 7019191) (SSM PC No. 202008001179)
LIM CHOO TAN (LS 0008888) (SSM PC No. 202008000713)
Company Secretaries

Penang
7 March 2022

Notes:-

1. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 17 March 2022. Only a shareholder whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*
2. *A shareholder entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his/her/its place. A proxy may but need not be a shareholder of the Company.*
3. *A shareholder of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the shareholder at the General Meeting.*
4. *Where a shareholder of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (Act 453) ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

5. *Where a shareholder of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of Section 25A(1) of the SICDA.*
6. *Where a shareholder appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
7. *The instrument appointing a proxy shall be in writing under the hand of the shareholder or of his/her attorney duly authorised in writing, or if the shareholder is a corporation, shall either be executed under its common seal or securities seal or under the hand of an officer or its attorney duly authorised in writing.*
8. *The appointment of a proxy must be received by the Company at its registered office situated at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang at least forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. You may also submit the proxy appointment electronically via Tricor's website at <https://tjih.online> before the proxy form submission cut-off time as mentioned in the above. For further information on the electronic submission of proxy form, kindly refer to the Administrative Guide for the EGM.*
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang at least forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
10. *Please ensure **ALL** the particulars as required in the proxy form are completed, signed and dated accordingly.*
11. *Last date and time for lodging the proxy form is Tuesday, 22 March 2022 at 11.30 a.m.*
12. *Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:-*
 - a. *Identity card (NRIC) (Malaysian), or*
 - b. *Police report (for loss of NRIC)/Temporary NRIC (Malaysian), or*
 - c. *Passport (Foreigner).*
13. *For a corporate shareholder who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's registered office earlier.*



CAB CAKARAN CORPORATION BERHAD

Registration No. 200201015998 (583661-W)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	No. of shares held

I/ We _____ Tel: _____
[Full name in block, NRIC/ Passport/ Company No.]

of _____

being shareholder(s) of **CAB CAKARAN CORPORATION BERHAD** (the "**Company**"), hereby appoint:-

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/ or* (*delete as appropriate)

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairperson of the Meeting, as my/ our proxy to vote for me/ us and on my/ our behalf at the Extraordinary General Meeting of the Company to be held at the Conference Room, Third Floor, CAB Cakaran Corporation Berhad, Plot 21, Lorong Jelawat 4, Seberang Jaya Industrial Park, Seberang Jaya, 13700 Perai, Penang Malaysia on Thursday, 24 March 2022 at 11.30 a.m. or immediately following the conclusion of the Twentieth Annual General Meeting of the Company to be held on the same day at the same venue at 10.30 a.m. (whichever is later) or any adjournment thereof, and to vote as indicated below:-

Description of Resolution	Resolution	For	Against
Proposed Diversification	Ordinary Resolution		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

Signed this _____ day of _____ 2022

Signature*
Shareholder

Manner of execution:-

- (a) *If you are an individual shareholder, please sign where indicated.*
- (b) *If you are a corporate shareholder which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*

- (c) *If you are a corporate shareholder which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:-*
- (i) *at least two (2) authorised officers, of whom one shall be a director; or*
 - (ii) *any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

Notes:-

1. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 17 March 2022. Only a shareholder whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*
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4. *Where a shareholder of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (Act 453) ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
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 - a. *Identity card (NRIC) (Malaysian), or*
 - b. *Police report (for loss of NRIC)/Temporary NRIC (Malaysian), or*
 - c. *Passport (Foreigner).*
13. *For a corporate shareholder who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's registered office earlier.*
14. *Those Proxy Forms which are indicated with "\|" in the spaces provided to show how the votes are to be casted will also be accepted.*

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AFFIX
STAMP

The Secretaries

CAB CAKARAN CORPORATION BERHAD [Registration No. 200201015998 (583661-W)]
Suite A, Level 9, Wawasan Open University
54, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang
Malaysia

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