

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately if you are in doubt as to your next course of action.

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MFCB
MEGA FIRST CORPORATION BERHAD

Reg. No. 196601000210 (6682-V)
(Incorporated in Malaysia)

SHARE BUY-BACK STATEMENT

IN RELATION TO THE

PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The Ordinary Resolution in respect of the proposed renewal of authority for the purchase by the Company of its own shares will be tabled at the 54th Annual General Meeting of the Company.

The Notice of the 54th Annual General Meeting to be conducted virtually through live streaming from the broadcast venue at Conference Room, A-12-01, Level 12, Block A, PJ8, 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 2 July 2020 at 10:00 a.m. and the Form of Proxy are incorporated in the Annual Report 2019.

This Statement is dated 3 June 2020

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MEGA FIRST CORPORATION BERHAD

Reg. No. 196601000210 (6682-V)
(Incorporated in Malaysia)

Registered Office:

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Block A, PJ8
23 Jalan Barat
Seksyen 8
46050 Petaling Jaya, Selangor
Tel: 03-7960 8818
Fax: 03-7960 7818

3 June 2020

To: The Shareholders of Mega First Corporation Berhad (“the Company” or “MFCB”)

PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

1. INTRODUCTION

At the last annual general meeting (“AGM”) of the Company held on 29 May 2019, the shareholders of the Company had approved the renewal of the authority for the Company to purchase up to ten per cent (10%) of its own shares. The shareholders’ approval for the Company to purchase its own shares is subject to annual renewal and will lapse at the conclusion of the forthcoming 54th AGM of the Company unless such authority is renewed by an ordinary resolution passed by the shareholders.

On 16 March 2020, the Company had announced the intention to seek the approval of shareholders at the 54th AGM for a proposed renewal of the existing authority for the Company to purchase up to 10% of its total number of issued shares as quoted on Bursa Malaysia Securities Berhad as at the point of purchase (“Proposed Renewal”).

The purpose of this Statement is to provide shareholders of the Company with the relevant details of the Proposed Renewal and to seek your approval for the ordinary resolution pertaining to the Proposed Renewal to be tabled at the 54th AGM, which will be conducted virtually through live streaming from the broadcast venue at Conference Room, A-12-01, Level 12, Block A, PJ8, 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 2 July 2020 at 10:00 a.m.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS STATEMENT CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RENEWAL.

2. PROPOSED RENEWAL

2.1 Details of the Proposed Renewal

As at 13 May 2020, being the latest practicable date (“LPD”), the Company purchased a total of 20,497,300 of its own shares from the open market and these shares are retained as treasury shares. Details of purchases made during the financial year ended 31 December 2019 are set out in Note 27 – Treasury Shares to the audited financial statements in the Annual Report 2019 despatched together with this Statement.

The rights attaching to the purchased shares held as treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

The authority from the shareholders, if renewed, shall be effective immediately upon the passing of the Ordinary Resolution for the Proposed Renewal to be tabled at the 54th AGM of the Company and will continue to be in force until:-

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

whichever occurs first.

The Proposed Renewal will allow the Directors to exercise the power of the Company to purchase its own shares at any time within the abovementioned period.

2.2 Funding

Based on the latest audited financial statements for the financial year ended 31 December 2019, the Company will allocate an amount not exceeding approximately RM300.440 million being the retained profits of the Company for the Proposed Renewal.

The funding of the Proposed Renewal will be from internally generated funds and/or external borrowings, the proportion of which to be utilised will depend on the actual number of shares to be purchased, the price of shares and the availability of funds at the time of the purchase. In the event that borrowings are used for the Proposed Renewal, the Company's net cash flow may be affected to the extent of the interest costs associated with such borrowings. However, the Company will ensure that it will have sufficient funds to repay the borrowings as and when it is due.

3. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL

3.1 Potential Advantages

The potential advantages of the Proposed Renewal are as follows:-

- (i) The MFCB Group will be able to utilise its financial resources that it has no immediate usage, for the purchase of MFCB Shares;
- (ii) The Company may be able to stabilise the supply and demand of MFCB Shares in the open market and thereby support its fundamental value; and
- (iii) The Proposed Renewal will help enhance value for shareholders from a resultant reduction in the number of MFCB Shares in the market, all things being equal. Further, it may increase the earnings per share when the purchased shares are cancelled, thereby making MFCB Shares more attractive to investors.

3.2 Potential Disadvantages

The Proposed Renewal, if executed, however will reduce the financial resources of MFCB Group and may result in foregoing better investment opportunities that may emerge in the future. It may also reduce the amount of retained profits that is available for distribution to shareholders in the immediate future. Nevertheless, the Board will be mindful of the interests of the Company and its shareholders in implementing the Proposed Renewal.

4. EFFECTS OF THE PROPOSED RENEWAL

4.1 Share Capital

Based on the assumption that the Proposed Renewal is exercised in full and the purchased shares are cancelled, the pro forma effects of the Proposed Renewal on the issued shares of the Company as at LPD are as follows:-

Scenario 1 : Assuming none of the 20,747,877 outstanding vested employees' share options ("ESOS") as at LPD are exercised into new MFCB Shares.

Scenario 2 : Assuming all the 20,747,877 outstanding vested ESOS as at LPD are exercised into new MFCB Shares.

	Scenario 1 No. of Shares	Scenario 2 No. of Shares
Total number of issued shares as at LPD	473,380,591	473,380,591
New shares to be issued upon full exercise of the outstanding vested ESOS	-	20,747,877
Resultant number of issued shares	473,380,591	494,128,468
Shares purchased amounting 10% of the total number of issued shares pursuant to the Proposed Renewal and cancelled	(47,338,059)	(49,412,847)
Total number of issued shares after the Proposed Renewal	426,042,532	444,715,621
Shares purchased amounting 10% of the total number of issued shares pursuant to the Proposed Renewal and cancelled	47,338,059	49,412,847
Treasury Shares as at LPD	(20,497,300)	(20,497,300)
Maximum number of shares which may be purchased and cancelled pursuant to the Proposed Renewal	26,840,759	28,915,547

However, in the event that all the purchased shares are retained as treasury shares, the Proposed Renewal will not have any effect on the total issued shares of the Company.

4.2 Earnings

The effect of the Proposed Renewal on the earnings per share of the MFCB Group will depend on the number of shares purchased, the purchase price of the shares and the effective funding cost to the MFCB Group to finance the purchase of shares or any loss in interest income to the Company.

Assuming the purchased shares are retained as treasury shares and resold, the effects on the earnings per share of the MFCB Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

If the purchased shares are cancelled, the Proposed Renewal will increase the earnings per share of the MFCB Group provided the income foregone and/or interest expense incurred on the purchased shares is less than the earnings per share before the Proposed Renewal.

4.3 Net Assets

When the Company purchases its own shares, regardless of whether they are retained as treasury shares or subsequently cancelled, the net assets per share of MFCB Group will decrease if the cost per share purchased exceeds the net assets per share of MFCB Group at the relevant point in time. However, if the cost per share purchased is below the net assets per share of MFCB Group at the relevant point in time, the net assets per share of MFCB Group will increase.

In the case where the purchased shares are treated as treasury shares and subsequently resold on Bursa Malaysia Securities Berhad, the net assets per share of MFCB Group upon the resale will increase if the selling price per share exceeds the net assets per share of MFCB Group at the relevant point in time and vice-versa. If the treasury shares are distributed as share dividends, the net assets per share of MFCB Group will decrease.

4.4 Dividends

Assuming the Proposed Renewal is implemented in full, the purchased shares are retained as treasury shares and the dividend quantum is maintained at historical levels, the Proposed Renewal will have the effect of increasing the dividend rate per ordinary share of the Company as a result of reduction in the number of shares which are entitled to participate in the dividends.

4.5 Working Capital

Assuming the purchased shares are retained as treasury shares, the Proposed Renewal will reduce the working capital of the MFCB Group, the quantum of which will depend on the purchase price of the shares and the number of shares purchased.

5. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Assuming the Proposed Renewal is carried out in full by the Company, and the shares so purchased are cancelled, the pro forma effects of the Proposed Renewal on the shareholdings of the Directors and substantial shareholders based on MFCB's Register of Directors' Shareholdings and Register of Substantial Shareholders as at LPD are as follows:-

Scenario 1

Directors/Substantial Shareholders	As at LPD			Shareholding assuming none of the vested ESOS are exercised			Shareholding after the Proposed Renewal					
	Direct		Indirect	Direct		Indirect	Direct		Indirect			
	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]		
Directors												
Goh Nan Kioh	2,247	0.50	149,823 ^(a)	33.08	2,247	0.50	149,823 ^(a)	33.08	2,247	0.53	149,823 ^(a)	35.17
Goh Nan Yang	2,020	0.45	-	-	2,020	0.45	-	-	2,020	0.47	-	-
Khoo Teng Keat	400	0.09	-	-	400	0.09	-	-	400	0.09	-	-
Yeow See Yuen	2,098	0.46	52 ^(e)	0.01	2,098	0.46	52 ^(e)	0.01	2,098	0.49	52	0.01
Tay Kheng Chiong	478	0.11	-	-	478	0.11	-	-	478	0.11	-	-
Dato' Tan Ang Meng	706	0.16	-	-	706	0.16	-	-	706	0.17	-	-
Dato' Koh Hong Sun	453	0.10	-	-	453	0.10	-	-	453	0.11	-	-
Datuk Pengiran Saifuddin bin Pengiran Tahir	-	-	-	-	-	-	-	-	-	-	-	-
Jesper Bjorn Madsen	-	-	-	-	-	-	-	-	-	-	-	-
Professor Dato' Dr. Tan Hui Meng	176	0.04	924 ^(f)	0.20	176	0.04	924 ^(f)	0.20	176	0.04	924 ^(f)	0.22
Substantial Shareholders												
Goh Nan Kioh	2,247	0.50	149,823 ^(a)	33.08	2,247	0.50	149,823 ^(a)	33.08	2,247	0.53	149,823 ^(a)	35.17
Rubber Thread Industries (M) Sdn Berhad	95,810	21.16	3,854 ^(b)	0.85	95,810	21.16	3,854 ^(b)	0.85	95,810	22.49	3,854 ^(b)	0.90
Keen Capital Investments Limited	38,115	8.42	-	-	38,115	8.42	-	-	38,115	8.95	-	-
Cambrew (Malaysia) Sdn Bhd	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	23.39
Camasia Limited	437	0.10	99,664 ^(c)	22.01	437	0.10	99,664 ^(c)	22.01	437	0.10	99,664 ^(c)	23.39
Laju Riang Sdn Bhd	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	23.39
Dr. Lim Thian Soo	10	*	99,664 ^(c)	22.01	10	*	99,664 ^(c)	22.01	10	*	99,664 ^(c)	23.39
Lim Thiam Cheok	10	*	99,664 ^(c)	22.01	10	*	99,664 ^(c)	22.01	10	*	99,664 ^(c)	23.39
Lim Yam Poh	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	23.39
Kema Development Sdn Bhd	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	23.39
FMR LLC	-	-	32,870 ^(d)	7.26	-	-	32,870 ^(d)	7.26	-	-	32,870 ^(d)	7.72

Notes:

- [^] Excluding Treasury Shares.
^{*} Represents shareholding of less than 0.01%.
(a) Deemed interest by virtue of his interest in Rubber Thread Industries (M) Sdn Berhad, Lanai Etika Sdn Bhd, Keen Capital Investments Limited, PRT Capital Pte Ltd and Camasia Limited pursuant to Section 8 of the Companies Act, 2016 ("the Act").
(b) Deemed interest by virtue of his interest in Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.
(c) Deemed interest by virtue of his/her/its interest in Rubber Thread Industries (M) Sdn Berhad and Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.
(d) In respect of Fidelity Low-Priced Stock Fund and Fidelity Northstar Fund.
(e) Deemed interest by virtue of his mother's shareholdings in the Company.
(f) Deemed interest by virtue of his spouse's and children's shareholdings in the Company.

Scenario 2:

Directors/Substantial Shareholders	As at LPD				Shareholding assuming full exercise of vested ESOS				Shareholding after the Proposed Renewal			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]	No. of Shares ('000)	% [^]
Directors												
Goh Nan Kioh	2,247	0.50	149,823 ^(a)	33.08	7,235	1.53	149,823 ^(a)	31.63	7,235	1.64	149,823 ^(a)	32.96
Goh Nan Yang	2,020	0.45	-	-	6,297	1.33	-	-	6,297	1.42	-	-
Khoo Teng Keat	400	0.09	-	-	400	0.49	-	-	400	0.52	-	-
Yeow See Yuen	2,098	0.46	52 ^(e)	0.01	4,865	1.03	52 ^(e)	0.01	4,865	0.98	52 ^(e)	0.01
Tay Kheng Chiong	478	0.11	-	-	478	0.10	-	-	478	0.13	-	-
Dato' Tan Ang Meng	706	0.16	-	-	706	0.15	-	-	706	0.14	-	-
Dato' Koh Hong Sun	454	0.10	-	-	454	0.10	-	-	454	0.13	-	-
Datuk Pengiran Saifuddin bin Pengiran Tahir	-	-	-	-	300	0.06	-	-	300	0.07	-	-
Jesper Bjorn Madsen	-	-	-	-	300	0.06	-	-	300	-	-	-
Professor Dato' Dr. Tan Hui Meng	176	0.04	924 ^(f)	0.20	376	0.08	924 ^(f)	0.20	376	-	924 ^(f)	0.17
Substantial Shareholders												
Goh Nan Kioh	2,247	0.50	149,823 ^(a)	33.08	7,235	1.53	149,823 ^(a)	31.63	7,235	1.63	149,823 ^(a)	33.69
Rubber Thread Industries (M) Sdn Berhad	95,810	21.16	3,854 ^(b)	0.85	95,810	20.23	3,854 ^(b)	0.81	95,810	21.54	3,854 ^(b)	0.87
Keen Capital Investments Limited	38,115	8.42	-	-	38,115	8.05	-	-	38,115	8.57	-	-
Cambrew (Malaysia) Sdn Bhd	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	21.04	-	-	99,664 ^(c)	22.41
Laju Riang Sdn Bhd	438	0.10	99,664 ^(c)	22.01	437	0.09	99,664 ^(c)	21.04	437	0.10	99,664 ^(c)	22.41
Camasia Limited	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	21.04	-	-	99,664 ^(c)	22.41
Dr. Lim Thian Soo	10	*	99,664 ^(c)	22.01	10	*	99,664 ^(c)	21.04	10	*	99,664 ^(c)	22.41
Lim Thiam Cheok	10	*	99,664 ^(c)	22.01	10	*	99,664 ^(c)	21.04	10	*	99,664 ^(c)	22.41
Lim Yam Poh	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	21.04	-	-	99,664 ^(c)	22.41
Kema Development Sdn Bhd	-	-	99,664 ^(c)	22.01	-	-	99,664 ^(c)	21.04	-	-	99,664 ^(c)	22.41
FMR LLC	-	-	32,871 ^(d)	7.26	-	-	32,871 ^(d)	6.94	-	-	32,871 ^(d)	7.39

Notes:

- [^] Excluding Treasury Shares.
- * Represents shareholding of less than 0.01%.
- (a) Deemed interest by virtue of his interest in Rubber Thread Industries (M) Sdn Berhad, Lanai Etika Sdn Bhd, Keen Capital Investments Limited, PRT Capital Pte Ltd and Camasia Limited pursuant to Section 8 of the Act.
- (b) Deemed interest by virtue of its interest in Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.
- (c) Deemed interest by virtue of his/her/its interest in Rubber Thread Industries (M) Sdn Berhad and Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.
- (d) In respect of Fidelity Low-Priced Stock Fund and Fidelity Northstar Fund.
- (e) Deemed interest by virtue of his mother's shareholdings in the Company.
- (f) Deemed interest by virtue of his spouse's and children's shareholdings in the Company

6. PUBLIC SHAREHOLDING SPREAD

The Board is mindful of the requirement that the Proposed Renewal must not result in the number of MFCB Shares which are in the hands of the public falling below 25% of the total issued shares of MFCB, excluding treasury shares.

As at LPD, the public shareholding spread of the Company was approximately 51.58%. The pro forma effects of the Proposed Renewal on the public shareholding spread of the Company assuming the Proposed Renewal is carried out in full are as follows:-

	Public Shareholdings	
	No. of MFCB Shares (‘000)	%
As at LPD ⁽¹⁾	244,162	51.58
<u>After Proposed Renewal:</u>		
Scenario 1 ⁽²⁾	217,121	45.87
Scenario 2 ⁽³⁾	224,819	45.50

Notes:

- (1) Taking into consideration the 20,497,300 MFCB Shares retained as treasury shares as at LPD.
- (2) Assuming none of the 20,747,877 outstanding vested ESOS as at LPD are exercised into new MFCB Shares.
- (3) Assuming all the 20,747,877 outstanding vested ESOS as at LPD are exercised into new MFCB Shares.

7. IMPLICATIONS RELATING TO THE CODE

The Malaysian Code on Takeover and Mergers 2010 (“the Code”) requires a person, together with persons acting in concert with him (“PACs”), holding more than 33% but less than 50% of the voting shares of a company and who as a result of a purchase by the company of its own voting shares, increases their holdings in any period of 6 months by an additional 2% or more of the voting shares of the Company, to undertake a mandatory take-over offer on the remaining shares not already owned by them.

Mr Goh Nan Kioh (“GNK”) is a Director and major shareholder of the Company and together with his PACs have direct and indirect equity interest of more than 33% but less than 50% of the voting shares in the Company.

The Proposed Renewal, if fully exercised, will require GNK and his PACs to undertake a mandatory take-over offer for the remaining shares in the Company not already owned by them. The Directors shall take all necessary steps to ensure that the Proposed Renewal when implemented, will not result in the holdings of GNK and his PACs exceeding 2% of the voting shares of the Company within any period of 6 months as provided under the Code.

Should such circumstances arise and if required, GNK and his PACs will seek the approval of the Securities Commission Malaysia for a waiver from the obligation to undertake a mandatory take-over offer under the Practice Note of the Code.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OR PERSONS CONNECTED TO THEM

Save for the inadvertent proportionate increase in the percentage shareholdings and/or voting rights of shareholders of the Company as a result of the Proposed Renewal, none of the Directors, substantial shareholders of the Company or persons connected to them, have any interest, direct or indirect, in the Proposed Renewal and resale of treasury shares, if any.

9. APPROVAL REQUIRED

The Proposed Renewal is conditional upon the approval of shareholders at the 54th AGM of the Company.

10. DIRECTORS' RECOMMENDATION

The Board, having taking into consideration all aspects of the Proposed Renewal, is of the opinion that the Proposed Renewal is in the best interest of the Company and its shareholders. Accordingly, the Board recommends that shareholders vote in favour of the Ordinary Resolution pertaining to the Proposed Renewal to be tabled at the 54th AGM.

11. FURTHER INFORMATION

- (i) Further information of this Statement is set out under Appendix I of this Statement.
- (ii) The resolution pertaining to the Proposed Renewal to be tabled at the 54th AGM on 2 July 2020 is set out under Appendix II to this Statement.

Yours faithfully,
For and on behalf of the Board of
MEGA FIRST CORPORATION BERHAD

KHOO TENG KEAT
Executive Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of MFCB during normal business hours between Mondays and Fridays (except public holidays) from the date of this Statement up to the date of the AGM (i) the Constitution of the Company; and (ii) the Audited Consolidated Financial Statements of the Company for the past two (2) financial years ended 31 December 2018 and 2019.

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EXTRACT OF THE NOTICE OF THE 54TH ANNUAL GENERAL MEETING TO BE CONDUCTED VIRTUALLY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT CONFERENCE ROOM, A-12-01, LEVEL 12, BLOCK A, PJ8, 23 JALAN BARAT, SEKSYEN 8, 46050 PETALING JAYA, SELANGOR DARUL EHSAN ON THURSDAY, 2 JULY 2020 AT 10:00 A.M.

**Ordinary Resolution
Renewal of Share Buy-Back Authority**

“THAT, subject always to the Companies Act, 2016 (“the Act”), rules, regulations and orders made pursuant to the Act, and the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“BMSB”) and any applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised to:-

- i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this resolution does not exceed ten percent of the total number of shares as quoted on BMSB at the point of purchase and the total funds allocated shall not exceed the total retained earnings of the Company which would otherwise be available for dividends;
- ii) retain the shares so purchased as treasury shares or cancel them or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or to distribute the shares as dividend, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the MMLR of BMSB and any other relevant authority for the time being in force; and
- iii) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares,

AND THAT the authority conferred by this resolution shall commence immediately and continue to be in force until the conclusion of the next annual general meeting of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next annual general meeting is required by law to be held, whichever occurs first.”

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