

**THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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**POWER ROOT BERHAD**

(Company No. 733268-U)

(Incorporated in Malaysia under the Companies Act, 1965)

**SHARE BUY-BACK STATEMENT IN RELATION TO THE  
PROPOSED RENEWAL OF AUTHORITY TO THE COMPANY  
TO PURCHASE OF ITS OWN SHARES**

The above proposal will be tabled as Special Business at the Company's Tenth Annual General Meeting ("AGM") which will be held at No 1, Jalan Sri Plentong, Taman Perindustrian Sri Plentong, 81750 Masai, Johor on Monday, 29 August 2016 at 2.30 p.m. The Notice of the Tenth AGM and the Form of Proxy are set out in the 2016 Annual Report dispatched together with this Statement.

Please complete and return your Form of Proxy in accordance with the instructions thereon as soon as possible to the Registered Office of the Company at 31-04, Level 31, Menara Landmark, No. 12 Jalan Ngee Heng, 80000 Johor Bahru, Johor Darul Takzim, not less than forty-eight (48) hours before the time set for holding the AGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Saturday, 27 August 2016 at 2.30 p.m.  
Date and time of the AGM : Monday, 29 August 2016 at 2.30 p.m.

This Share Buy-Back Statement is dated 29 July 2016

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## DEFINITIONS

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

Act	: Companies Act, 1965
AGM	: Annual General Meeting
Board	: Board of Directors of Power Root
Bursa Securities	: Bursa Malaysia Securities Berhad (Company No. 635998-W)
Code	: Malaysian Code on Take-Overs and Mergers, 2010
Directors	: The directors of Power Root and shall have the meaning given in Section 4 of the Act
EGM	: Extraordinary General Meeting
EPS	: Earnings per Share
ESOS	: Employee Share Option Scheme
ESOS Options	: ESOS options granted under the ESOS to eligible persons to subscribe for new Power Root Shares at a specified price
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
NA	: Net assets
Power Root or the Company	: Power Root Berhad (Company No. 733268-U)
Power Root Group or Group	: Power Root and its subsidiaries, collectively
Power Root Share(s) or Share(s)	: Ordinary share(s) of RM0.20 each in Power Root
Proposed Share Buy-Back	Proposed renewal of the authorisation for the Company to purchase up to 10% of its own issued and paid-up share capital
Record of Depositors	: A record of depositors established by Bursa Depository under the Rules of Depository
RM and sen	: Ringgit Malaysia and sen respectively
VWAMP	: Volume weighted average market price

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of date in this Statement shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancies in the amounts and percentage figures included herein have been subjected to rounding adjustments.

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## **POWER ROOT BERHAD**

(Company No. 733268-U)  
(Incorporated in Malaysia under the Companies Act, 1965)

### **PROPOSED RENEWAL OF SHARE BUY-BACK**

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#### **1. INTRODUCTION**

At the Ninth AGM of the Company held on 24 August 2015, the shareholders of Power Root approved a renewal of the authority for the Company to purchase up to 10% of its own issued and paid-up share capital of Power Root. The said authorisation shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming Tenth AGM of the Company. On 24 June 2016, the Board of Directors of the Company had announced the Company's intention to seek a renewal of its shareholders' authorisation for the Proposed Share Buy-Back at the forthcoming AGM.

The purpose of this Statement is to provide you with the information on the Proposed Share Buy-Back and to seek your approval for the Ordinary Resolution to be tabled at the forthcoming AGM to be convened on 29 August 2016. The Notice of AGM together with the Proxy Form are enclosed in the 2016 Annual Report.

#### **2. DETAILS OF THE PROPOSED SHARE BUY-BACK**

##### **2.1 Details of the Proposed Share Buy-Back**

The Board is proposing to seek the shareholders' approval for the renewal of authority for the Company to purchase up to 10% of its issued and paid-up share capital.

As at the 30 June 2016, the issued and paid-up ordinary share capital of the Company stood at RM60,821,837.00 comprising 304,109,185 Power Root Shares (inclusive of 5,136,300 treasury shares).

The Company also has an ESOS whereby Power Root may grant up to 26,395,418 ESOS Options. Assuming all the ESOS Options which have been/ may be granted are exercised, the Company's issued and paid-up share capital will increase to 330,504,603 Shares. Accordingly, Power Root is entitled to purchase up to a maximum of 33,050,460 Shares pursuant to the Proposed Share Buy-Back, representing up to 10% of the enlarged issued and paid-up share capital of the Company.

The Proposed Share Buy-Back will be undertaken in accordance with Section 67A of the Act, Part IIIA of the Companies Regulations 1966, Chapter 12 of the Listing Requirements and any prevailing laws, orders, requirements, rules and regulations issued by the relevant authorities at the time of purchase. The Power Root Shares purchased can be dealt with in the following manner:

- (i) cancelled; or
- (ii) retained as treasury shares for distribution as dividend and/or resold on Bursa Securities and/or cancelled subsequently; or
- (iii) partly retained and partly cancelled; or

(iv) such other manner as may be permitted by the Act.

The purchase of Shares under the Proposed Share Buy-Back will be carried out through Bursa Securities via stockbrokers to be appointed by the Board.

The mandate from the shareholders for the Proposed Share Buy-Back would be effective immediately after obtaining the approval of the shareholders of the Company for the Proposed Share Buy-Back 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 a general meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) the earlier revocation or variation of the authority through a general meeting,

whichever is the earlier.

The decision whether to retain the purchased Shares as treasury shares or to cancel the shares purchased or a combination of both, will be made by the Board at the appropriate time.

In the event that the Power Root Shares purchased are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of Section 67A of the Act, Part IIIA of the Companies Regulations 1966, the Company's Articles of Association or the Listing Requirements on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

## **2.2 Maximum amount of funds to be allocated and the source of funds**

Paragraph 12.10(1) of the Listing Requirements stipulates that the Proposed Share Buy-Back must be made wholly out of the retained profits and/or share premium account of the Company. Based on the latest audited financial statements of Power Root as at 31 March 2016, the Company has retained profits of RM15.02 million and share premium of RM103.17 million.

The Proposed Share Buy-Back will allow the Board to exercise the power of the Company to purchase its own Shares at any time within the abovementioned period using the internal funds of Power Root Group and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later, depending on, amongst others, the availability of internally generated funds, the actual number of Shares to be purchased and other relevant factors.

If Power Root purchases its own Shares using external borrowings, the Board will ensure that Power Root Group has sufficient funds to repay the external borrowings and that the repayment will not have any material effect on the cash flow of the Power Root Group.

## **2.3 Potential advantages and disadvantages**

The potential advantages and disadvantages of the Proposed Share Buy-Back, if implemented, to the Company and its shareholders are as follows:

Potential advantages:

- (i) allows the Company the flexibility in attaining its desired capital structure;
- (ii) rewards the shareholders in the event that the treasury shares are distributed as share dividends; and
- (iii) mitigates the dilution effects on the EPS of the Power Root Group if the shares purchased are cancelled, hence making the Power Root Shares more attractive to investors.

Potential disadvantages:

- (i) reduce the financial resources of the Power Root Group and may result in the forgoing of better investment opportunities that may emerge in the future; and
- (ii) may result in the reduction of financial resources available for distribution of dividends and/or bonus shares to shareholders in the future as the Proposed Share Buy-Back can only be made out of the retained profit and/or share premium account of the Company.

The Board will be mindful of the interests of the Company and its shareholders when undertaking the Proposed Share Buy-Back and in the subsequent resale of treasury shares on Bursa Securities, if any.

## **2.4 Public shareholding spread**

The Proposed Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% public shareholding spread as required under paragraph 8.02 (1) of the Listing Requirements.

According to the Record of Depositors of the Company as at 30 June 2016, the total percentage of the issued and paid-up share capital of Power Root which is held by the public was 33.28%, representing 1,427 public shareholders holding 99,499,166 Shares.

Pursuant to the Proposed Share Buy-Back, assuming that we implement in full and that the purchased shares are from public shareholders, the public shareholding spread would reduce to approximately 26.41%.

The Board will be mindful of the public shareholding spread requirement before making any purchases of its own Shares.

## **2.5 Implication relating to the Code**

Part III, Section 9 of the Code state that if a director of a company or a person, together with the persons acting in concert with him (if any) ("**PACs**"), holding more than 33% but not more than 50% of the voting shares of a company, who as a result of a purchase by the company of its own voting shares, increase his holding in any period of six (6) months by an additional 2% or more of the voting shares of the company, there is an obligation to extend a mandatory offer to acquire the remaining shares not already held by the director of the company and the PACs.

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory general offer under the Code for any of its substantial shareholders and/or PACs, the Board of Directors of the Company will ensure that only such number of Power Root Shares are purchased, retained as treasury shares, cancelled or distributed such that the Code will not be triggered. In this connection, the Board is mindful of the requirements when making any purchase of Power Root Shares pursuant to the Proposed Share Buy-Back.

## **2.6 Purchase price and resale price**

Pursuant to the Listing Requirements, Power Root may only purchase its Shares on Bursa Securities at a price which is not more than fifteen percent (15%) above the VWAMP of the Power Root Shares for the five (5) market days immediately prior to the date of purchase(s). An immediate announcement will be made to Bursa Securities of any purchase(s) of its own shares on the day of purchase.

Where the Company decides to resell the treasury shares on Bursa Securities, the Company may only do so at:

- (i) a price which is not less than the VWAMP for Power Root Shares for the five (5) market days immediately prior to the resale; or
- (ii) a discounted price of not more than five percent (5%) to the VWAMP for the Power Root Shares for the five (5) market days immediately prior to the resale provided that:
  - (a) the resale takes place not earlier than thirty (30) days from the date of purchase; and
  - (b) the resale price is not less than the cost of purchase of the Power Root Shares being resold.

## **2.7 Purchase, Resale And Cancellation Of Treasury Shares Made In The Last Financial Year**

Shareholders are advised to refer to page 33 of the Company's 2016 Annual Report which is dispatched together with this statement for further details on the purchase made by the Company of its own shares during the financial year ended 31 March 2016.

## **3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

The Proposed Renewal of Share Buy-Back is undertaken for the following purposes:

- (a) enable the Company to utilise any of the Power Root Group's surplus financial resources, which is not immediately required for other uses, to purchase its own Shares from the open market at market prices which the Board views favourable;
- (b) to stabilise the supply and demand, thereby supporting the fundamental value of the Power Root Shares;
- (c) if the purchased Power Root Shares are subsequently cancelled, long-term investors are expected to enjoy a corresponding increase in the value of their investments in the Company with the proportionate strengthening of the EPS of Power Root;
- (d) the purchased Power Root Shares can also be held as treasury shares and resold on Bursa Securities at a higher price therefore realising a potential gain without affecting the total issued and paid-up share capital of the Company; and
- (e) should any treasury shares be distributed as share dividends, this would also serve to reward the shareholders of the Company.

#### 4. EFFECTS OF THE PROPOSED SHARE BUY-BACK

The proforma effects of the Proposed Share Buy-Back on the issued and paid-up share capital, NA, earnings, EPS and shareholdings of substantial shareholders are set out below based on the following assumptions:

**Minimum scenario** : Assuming none of the ESOS Options are exercised before the implementation of the Proposed Share Buy-Back.

**Maximum scenario** : Assuming all of the ESOS Options granted and/or to be granted are exercised before the implementation of the Proposed Share Buy-Back.

##### 4.1 Share capital

The effects of the Proposed Share Buy-Back on the Company are set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up capital as at 30 June 2016	304,109,185	60,821,837.00	304,109,185	60,821,837.00
To be issued pursuant to the full exercise of the ESOS Options	-	-	<sup>(1)</sup> 26,395,418	5,279,083.60
After full exercise of the ESOS Options	304,109,185	60,821,837.00	330,504,603	66,100,920.60
To be purchased and cancelled pursuant to the Proposed Share Buy-Back	(30,410,918)	(6,082,183.60)	<sup>(2)</sup> (33,050,460)	(6,610,092.00)
<b>Issued and paid-up share capital after the Proposed Share Buy-Back</b>	<b>273,698,267</b>	<b>54,739,653.40</b>	<b>297,454,143</b>	<b>59,490,828.60</b>

**Notes:**

(1) Maximum number of ESOS Options exercisable up to the expiry of the ESOS.

(2) Based on 10% of the issued and paid-up capital of Power Root after the full exercise of ESOS Options.

The effect of the Proposed Share Buy-Back on the issued and paid-up share capital of the Company will depend on the intention of the Board with regards to the treatment of the purchased Power Root Shares. If the purchased Shares are cancelled, the issued and paid-up share capital will be reduced by the number of Shares so cancelled. Conversely, if the purchased Power Root Shares are retained as treasury shares, resold or distributed to the shareholders, the Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company. Nevertheless, certain rights (such as voting rights) attached to the purchased Power Root Shares will be suspended when held as treasury shares.

##### 4.2 NA

The effect of the Proposed Share Buy-Back on the NA per Share will depend on the actual purchase prices of the Power Root Shares. If all the Power Root Shares purchased are cancelled, the Proposed Share Buy-Back will reduce the NA per Share if the purchase price exceeds the NA per Share at the time of the purchase. Conversely, the NA per Share will increase if the purchase price is below the NA per Share at the time of the purchase.



The NA will decrease if the purchased Shares are retained as treasury shares due to the accounting requirement for treasury shares to be carried at cost resulting in a decrease by the cost of the treasury shares.

If the treasury shares are subsequently resold on Bursa Securities, the NA upon the resale will increase if the Company realises a gain from the resale, and vice-versa. If the treasury shares are distributed as dividends, the NA of the Power Root Group will be reduced by the cost of the treasury shares.

#### **4.3 Earnings and EPS**

The effects of the Proposed Share Buy-Back will depend on the purchase price(s) of the Power Root Shares and the effective funding cost, if any, or any loss in interest income to the Power Root Group.

Assuming the purchased Shares are retained as treasury shares and resold, the effects on the earnings of the Power Root Group will depend on the actual selling price(s), the number of the treasury shares resold, and the effective gain or interest savings arising from the exercises.

If the purchased Shares are cancelled, the Proposed Share Buy-Back will increase the EPS of the Power Root Group provided that the income foregone and interest expenses incurred on the purchased Shares are less than the EPS before the Proposed Share Buy-Back.

#### **4.4 Dividends**

Assuming the Proposed Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, if the Power Root Shares so purchased are cancelled, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of Power Root as a result of the reduction in the issued and paid-up share capital of Power Root.

#### **4.5 Working capital**

The Proposed Share Buy-Back will reduce the working capital of the Power Root Group, with the quantum depending on the purchase price(s) and the actual number of Power Root Shares bought back. However, the Board believes that the Proposed Share Buy-back will not have any material effect on the working capital of the Group.

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#### 4.6 Shareholdings of directors and substantial shareholders

The effects of the Proposed Share Buy-Back on the shareholdings of Power Root's directors and substantial shareholders are as follows:

##### Minimum Scenario:

	Existing as at 30 June 2016				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Directors</b>								
<sup>(1)</sup> Y.M. Tengku Shamsulbharti bin Tengku Azman Shah, <small>SMK</small>	-	-	-	-	-	-	-	-
Dato' Low Chee Yen	64,673,930	21.27%	<sup>(2)</sup> 390,000	0.13%	64,673,930	23.63%	<sup>(2)</sup> 390,000	0.14%
Dato' How Say Swee	63,228,230	20.79%	-	-	63,228,230	23.10%	-	-
Dato' Wong Fuei Boon	60,807,630	20.00%	-	-	60,807,630	22.22%	-	-
See Thuan Po	1,715,000	0.56%	-	-	1,715,000	0.63%	-	-
Ong Kheng Swee	120,263	0.04%	-	-	120,263	0.04%	-	-
Azahar bin Baharudin	5	0.00%	-	-	5	0.00%	-	-
<sup>(1)</sup> Dato' Tea Choo Keng	740,000	0.24%	-	-	740,000	0.27%	-	-
<b>Total</b>	191,285,058	62.90%			191,285,058	69.89%		
<b>Substantial Shareholders</b>								
Dato' Low Chee Yen	64,673,930	21.27%	<sup>(2)</sup> 390,000	0.13%	64,673,930	23.63%	<sup>(2)</sup> 390,000	0.14%
Dato' How Say Swee	63,228,230	20.79%	-	-	63,228,230	23.10%	-	-
Dato' Wong Fuei Boon	60,807,630	20.00%	-	-	60,807,630	22.22%	-	-
Pau Choon Mei	390,000	0.13%	<sup>(2)</sup> 64,673,930	21.27%	390,000	0.14%	<sup>(2)</sup> 64,673,930	23.63%
<b>Total</b>	189,099,790	62.19%			189,099,790	69.09%		

**Note:**

- (1) Resigned on 15 July 2016.  
(2) Deemed interested by virtue of his/her spouse direct shareholding in Power Root.

**Maximum Scenario:**

	Existing as at 30 June 2016		After full exercise of ESOS Options		After the Proposed Share Buy-Back	
	Indirect		Indirect		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Directors</b>						
( <sup>1</sup> )Y. M. Tengku Shamsulbhari bin Tengku Azman Shah, <small>SMK</small>	-	-	-	-	-	-
Dato' Low Chee Yen	64,673,930	21.27%	( <sup>2</sup> )390,000	0.13%	( <sup>2</sup> )1,290,000	0.43%
Dato' How Say Swee	63,228,230	20.79%	-	-	-	-
Dato' Wong Fuei Boon	60,807,630	20.00%	-	-	-	-
See Tuan Po	1,715,000	0.56%	-	-	-	-
Ong Kheng Swee	120,263	0.04%	-	-	-	-
Azahar bin Baharudin	5	0.00%	-	-	-	-
( <sup>1</sup> )Dato' Tea Choo Keng	740,000	0.24%	-	-	-	-
<b>Total</b>	191,285,058	62.90%			202,685,058	68.14%
<b>Substantial Shareholders</b>						
Dato' Low Chee Yen	64,673,930	21.27%	( <sup>2</sup> )390,000	0.13%	( <sup>2</sup> )1,290,000	0.43%
Dato' How Say Swee	63,228,230	20.79%	-	-	-	-
Dato' Wong Fuei Boon	60,807,630	20.00%	-	-	-	-
Pau Choon Mei	390,000	0.13%	64,673,930	21.27%	( <sup>2</sup> )70,073,930	23.56%
<b>Total</b>	189,099,790	62.19%			198,999,790	66.90%

**Note:**

(<sup>1</sup>) Resigned on 15 July 2016.

(<sup>2</sup>) Deemed interested by virtue of his/her spouse direct shareholding in Power Root.

#### **4.7 Existing convertible securities**

Save for the ESOS Options, Power Root does not have any other convertible securities as at the 30 June 2016. The Proposed Share Buy-Back will not have any effect on the ESOS Options.

#### **5. APPROVALS REQUIRED**

The Proposed Share Buy-Back is subject to the approval of the shareholders of Power Root at the forthcoming AGM to be convened.

#### **6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Save for the consequential increase in the percentage shareholdings of the directors and the major shareholders of Power Root as a result of the Proposed Share Buy-Back, none of the directors and/or major shareholders of the Company and persons connected to them have any interest, direct or indirect, in the Proposed Share Buy-Back and the subsequent resale of treasury shares, if any.

#### **7. DIRECTORS' RECOMMENDATION**

The Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of Power Root and the shareholders of Power Root. The Board recommends that the shareholders vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

**EXTRACT OF THE NOTICE OF THE TENTH ANNUAL GENERAL MEETING****ORDINARY RESOLUTION 9****Proposed Renewal of the Authority To Buy-Back Its Own Shares by the Company**

“THAT subject to the provisions of the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any applicable laws, rules, orders, requirements, regulations and guidelines for the time being in force or as may be amended, modified or re-enacted from time to time and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.20 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit, necessary and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time; and the Directors of the Company shall allocate an amount of funds which will not be more than the aggregate sum of the retained profits and share premium of the Company for the Proposed Share Buy-Back.

AND THAT upon completion of the purchase(s) by the Company of its own shares, the Directors of the Company are authorised to decide at their discretion to cancel all the shares so purchased and/or to retain the shares so purchased as treasury shares of which may be distributed as dividends to shareholders and/or to resell on the open market of Bursa Securities and/or retain part thereof as treasury shares and cancel the remainder.

AND THAT the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Share Buy-Back with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or deemed by the Board to be in the best interest of the Company, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back.

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and continue to be in force until:

- (i) the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
- (iii) the earlier revocation or variation of the authority through a general meeting,

whichever is the earlier.