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HeveaBoard

HeveaBoard Berhad

Registration No. 199301020774 (275512-A)
(Incorporated in Malaysia)

SHARE BUY-BACK STATEMENT

IN RELATION TO

**THE PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES
BY HEVEABOARD BERHAD
("Proposed Renewal of Authority")**

The above proposal will be tabled as an ordinary resolution at the Twenty-Ninth Annual General Meeting ("AGM") of the Company to be conducted on a fully virtual basis at the Broadcast Venue at PT 405, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus on Tuesday, 20 June 2023 at 10.00 a.m. The Notice of the AGM together with the Form of Proxy are set out in the Annual Report 2022 of the Company which is available on the Company's website at www.heveaboard.com.my.

The Form of Proxy must be completed and lodged at the Registered Office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, not later than twenty-four (24) hours before the time appointed for the taking of poll at the AGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting if you are subsequently able to do so.

IMPORTANT DATES:

Last date and time for lodgement of Form of Proxy	:	Monday, 19 June 2023 at 10.00 a.m.
Date and time of the AGM	:	Tuesday, 20 June 2023 at 10.00 a.m.

This Statement is dated 28 April 2023

DEFINITION

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

“Act”	:	The Companies Act 2016, as amended from time to time and any re-enactment thereof
“AGM”	:	Annual General Meeting
“Board”	:	Board of Directors of HeveaBoard
“Bursa Securities”	:	Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)].
“Code”	:	The Malaysian Code on Take-Overs and Mergers 2016, as amended from time to time and any re-enactment thereof
“Directors”	:	Directors of HeveaBoard
“EPS”	:	Earnings Per Share
“HeveaBoard” or “the Company”	:	HeveaBoard Berhad [Registration No. 199301020774 (275512-A)]
“HeveaBoard Shares” or “Shares”	:	Ordinary shares in HeveaBoard
“Listing Requirements”	:	The Main Market Listing Requirements of Bursa Securities including any amendment that may be made from time to time
“Market Day”	:	A day on which the stock market of the Stock Exchange is open for trading in securities
“NA”	:	Net assets
“Purchased Shares”	:	HeveaBoard Shares to be purchased pursuant to the Proposed Renewal of Authority
“Prevailing Laws”	:	Any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities including but not limited to the Listing Requirements
“Proposed Renewal of Authority”	:	Proposed renewal of authority for the Company to purchase its own ordinary shares of up to ten per centum (10%) of the total number of issued shares of the Company
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Shareholder(s)”	:	Shareholder of HeveaBoard
“SC”	:	Securities Commission Malaysia
“Substantial Shareholder”	:	A person who has an interest or interests in one or more voting Shares in the Company and the number of that Share, or aggregate number of those shares, is not less than five per centum (5%) of the aggregate number of all the voting Shares in the Company

“Treasury Shares” : HeveaBoard Shares purchased by the Company which shall be retained in treasury as defined under Section 127 of the Act

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, 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 day in this Statement shall be a reference to Malaysian time, unless otherwise specified.

CONTENT

	PAGE
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY	1-2
3. RATIONALE FOR THE PROPOSED RENEWAL OF AUTHORITY	2
4. FUNDING	2
5. SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' SHAREHOLDINGS AND/OR PERSONS CONNECTED TO THEM	2-3
6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF AUTHORITY	3-4
6.1 POTENTIAL ADVANTAGES	
6.2 POTENTIAL DISADVANTAGES	
7. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK AUTHORITY	4-5
7.1 SHARE CAPITAL	
7.2 NET ASSETS	
7.3 WORKING CAPITAL	
7.4 EARNINGS	
7.5 DIVIDENDS	
8. IMPLICATION OF THE PROPOSED RENEWAL OF AUTHORITY IN RELATION TO THE CODE	5
9. RANKING AND TREATMENT OF PURCHASED SHARES	5-6
10. PREVIOUS PURCHASES, RESALE, TRANSFER AND CANCELLATION OF SHARES	6
11. HISTORICAL SHARE PRICES	6
12. PUBLIC SHAREHOLDING SPREAD	6-7
13. APPROVAL REQUIRED	7
14. DIRECTORS' AND/OR SUBSTANTIAL SHAREHOLDERS' INTERESTS	7
15. DIRECTORS' RECOMMENDATION	7
16. FURTHER INFORMATION	7
APPENDIX 1 – FURTHER INFORMATION	8

HeveaBoard

HeveaBoard Berhad

Registration No. 199301020774 (275512-A)
(Incorporated in Malaysia)

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY

1. INTRODUCTION

On 24 March 2023, the Board announced that the Company proposed to seek the approval of its shareholders for the Proposed Renewal of Authority at the forthcoming Twenty-Ninth AGM of the Company.

The purpose of this Statement is to provide you with the relevant details of the Proposed Renewal of Authority to be tabled at the forthcoming AGM which will be conducted on a fully virtual basis at the Broadcast Venue at PT 405, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus on Tuesday, 20 June 2023 at 10.00 a.m.

2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY

The Board had, during the Company's last AGM held on 27 June 2022 obtained the approval of its shareholders to purchase up to ten per centum (10%) of the Company's total number of issued shares as at the point of purchase. In accordance with the Listing Requirements governing the purchase of own shares by a listed company, the aforesaid approval will continue in force until the conclusion of the Company's forthcoming AGM which will be held on 20 June 2023.

In view of the above, the Board proposes to seek your approval for the Proposed Renewal of Authority. The Proposed Renewal of Authority shall be effective upon the passing of the ordinary resolution in the forthcoming AGM until:-

- i. the conclusion of the next AGM of the Company following the AGM at which the ordinary resolution for the Proposed Renewal of Authority was passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or
- ii. the expiration of the period within which the next AGM of the Company is required by the Prevailing Laws to be held; or
- iii. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting of the Company,

whichever occurs first.

The shareholders' approval for the Proposed Renewal of Authority does not impose an obligation on the Company to purchase its own Shares. However, it will further allow the Board to exercise the power of the Company to purchase its own Shares at any time within the abovementioned time period.

The maximum aggregate number of Shares, which may be purchased by the Company and/or hold as Treasury Shares shall not exceed ten per centum (10%) of the total number of issued shares of the Company at the point of purchase.

The actual number of Shares to be purchased will depend on market conditions and sentiments as well as the retained profits and financial resources available to the Company at the time of the purchase(s).

As at 3 April 2023, being the latest practicable date prior to the printing of this Statement, the total number of issued shares of HeveaBoard was 567,745,681 HeveaBoard Shares and the total number of shares bought back by HeveaBoard and retained as Treasury Shares was 1,881,000 HeveaBoard Shares. Thus, as an illustration, the maximum number of HeveaBoard Shares which may be purchased by the Company pursuant to the Proposed Renewal of Authority will be not more than 54,893,568 HeveaBoard Shares based on the total number of issued shares (excluding the existing Treasury Shares) of the Company as at 3 April 2023.

3. RATIONALE FOR THE PROPOSED RENEWAL OF AUTHORITY

The implementation of the Proposed Renewal of Authority is envisaged to benefit the Company and its shareholders as follows:-

- i. the Company is able to utilise its surplus financial resources more efficiently. If implemented, this may help to stabilise the supply and demand of HeveaBoard Shares traded on the Stock Exchange and thereby support its fundamental value.
- ii. the EPS of HeveaBoard and the return on equity of the Company is expected to improve as a result of a reduced share capital base.
- iii. the Purchased Shares retained as Treasury Shares provide the Board with an option to resell the Treasury Shares at a higher price and generate capital gains for the Company.
- iv. the Purchased Shares retained as Treasury Shares can be distributed as share dividend to our shareholders as a reward.

4. FUNDING

Based on the latest audited financial statements of the Company for the financial year ended 31 December 2022, the retained profits of the Company stood at RM102.002 million.

The funding for the Proposed Renewal of Authority will be from internally generated funds and/or borrowings. The actual amount of borrowings will depend on the financial resources available at the time of the Proposed Renewal of Authority. The Proposed Renewal of Authority will reduce the cash of the Company by an amount equivalent to the purchase price of HeveaBoard Shares and the actual number of HeveaBoard Shares bought back. There is no restriction on the type of funds which may be utilised for the Proposed Renewal of Authority so long as it is backed by an equivalent amount of the retained profits of the Company.

The maximum amount of funds to be allocated by the Company for the Proposed Renewal of Authority shall not exceed the retained profits of the Company.

In the event that the Company decides to utilise external borrowings to finance the Proposed Renewal of Authority, there will be a decline in its net cash flow to the extent of the interest cost associated with such borrowings, but the Board does not foresee any difficulty in the servicing of interest and repayment of borrowings used for the Proposed Renewal of Authority, if any.

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

The table below illustrates the direct and indirect interests of the Directors and Substantial Shareholders of HeveaBoard as at 3 April 2023, being the latest practicable date prior to the printing of this Statement, assuming that HeveaBoard purchases in full the 56,774,568 HeveaBoard Shares representing approximately ten per centum (10%) of the Company's total number of issued shares as at that date, from parties other than the Company's Directors and Substantial Shareholders.

Effects of the Proposed Renewal of Authority on Substantial Shareholders' and Directors' Shareholdings

	Shareholding as at 3 April 2023				Shareholding after the Proposed Renewal of Authority			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	* %	No. of Shares	* %	No. of Shares	** %	No. of Shares	** %
Substantial Shareholders								
HeveaWood Industries Sdn. Bhd.	116,740,290	20.630	4,049,600	0.716	116,740,290	22.847	4,049,600	0.793
Firama Holdings Sdn. Bhd.	30,294,785	5.354	135,221,890	23.897	30,294,785	5.929	135,221,890	26.464
Tenson Holdings Sdn. Bhd.	16,231,652	2.868	165,516,675	29.250	16,231,652	3.177	165,516,675	32.393
Mah Fah Victor Group Sdn. Bhd.	-	0.000	165,516,675	29.250	-	0.000	165,516,675	32.393
Yoong Hau Chun	1,503,850	0.266	185,438,791	32.771	1,503,850	0.294	185,438,791	36.291
Yoong Li Yen	1,672,532	0.296	183,943,441	32.507	1,672,532	0.327	183,943,441	35.999
Yoong Tein Seng @ Yong Kian Seng	564,600	0.100	195,830,837	34.607	564,600	0.110	195,830,837	38.325
Dato' Loo Swee Chew	4,292,000	0.758	121,159,890	21.411	4,292,000	0.840	121,159,890	23.712
Liang Chong Wai	10,400	0.0018	120,789,890	21.346	10,400	0.0020	120,789,890	23.639
Directors								
Sundra Moorthi A/L V.M. Krishnasamy	7,998,300	1.413	-	0.000	7,998,300	1.565	-	0.000
Yoong Hau Chun	1,503,850	0.266	185,438,791	32.771	1,503,850	0.294	185,438,791	36.291
Yoong Li Yen	1,672,532	0.296	183,943,441	32.507	1,672,532	0.327	183,943,441	35.999
Lim Kah Poon	200,000	0.035	84,000	0.015	200,000	0.039	84,000	0.016
Bailey Policarpio	126,664	0.022	1,672,532	0.296	126,664	0.025	1,672,532	0.327
Yoong Yan Pin	250,000	0.044	-	0.000	250,000	0.049	-	0.000
Thye Heng Ong @ Teh Heng Ong	200,000	0.035	-	0.000	200,000	0.039	-	0.000
Chin Pik Yuen	-	0.000	-	0.000	-	0.000	-	0.000
Loo Chin Meng	370,000	0.065	4,292,000	0.758	370,000	0.072	4,292,000	0.840
Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	564,600	0.100	195,830,837	34.607	564,600	0.110	195,830,837	38.325

Note:

* Excluding the total of 1,881,000 existing Treasury Shares.

** Excluding the 56,774,568 HeveaBoard Shares representing 10% of the Company's total number of issued shares, assuming the purchase of HeveaBoard's own Shares is carried out in full.

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF AUTHORITY

6.1 Potential Advantages

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

- (a) The Proposed Renewal of Authority would enable the Company to utilise its financial resources more efficiently especially where there is no immediate use. If the HeveaBoard Shares purchased are subsequently cancelled, this may strengthen the consolidated EPS of the Group.
- (b) The Proposed Renewal of Authority will also provide the Company with opportunities for potential gains if the Purchased HeveaBoard Shares which are retained as Treasury Shares are resold at prices higher than their cost of purchase.
- (c) In any event, the Treasury Shares may also be distributed as share dividends to the shareholders as a reward.

6.2 Potential Disadvantages

The potential disadvantages of the Proposed Renewal of Authority are as follows:-

- (a) The Proposed Renewal of Authority if implemented, is expected to temporarily reduce the immediate financial resources of HeveaBoard Group. However, the financial resources of the Group may recover or even increase if the Purchased HeveaBoard Shares are held as Treasury Shares and resold in the market at the same or higher prices.
- (b) The Proposed Renewal of Authority may also result in the Group foregoing better investment opportunities which may emerge in the future and/or any income that may be derived from other alternative uses of such funds such as deposit in interest bearing instruments.

Nevertheless, the Proposed Renewal of Authority is not expected to have any potential material disadvantage to the Company and our shareholders, as it will be implemented only after careful consideration of the financial resources of the Group and its resultant impact. The Board is mindful of the interest of the Company and our shareholders and will be prudent in respect to the above exercise.

7. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY

The financial effects of the Proposed Renewal of Authority are illustrated below based on the following assumptions:-

- (i) the purchase of own Shares of up to ten per centum (10%) of the total number of issued shares of HeveaBoard is carried out in full; and
- (ii) HeveaBoard Shares so purchased are retained as Treasury Shares.

7.1 Share Capital

For illustration purposes only, the scenario below shows the movement of the share capital of the Company as at 3 April 2023 assuming the HeveaBoard Shares so purchased pursuant to the Proposed Renewal of Authority (including the existing Treasury Shares) are subsequently fully cancelled.

		<u>No. of shares</u>
Total number of issued shares as at 3 April 2023 (including the existing Treasury Shares)	(A)	567,745,681
10% of total number of issued shares		56,774,568
Less: existing Treasury Shares	(B)	<u>1,881,000</u>
Proposed Renewal of Authority (maximum number of Shares that may be purchased)	(C)	54,893,568
*Resultant share capital (A)-(B)-(C)		<u>510,971,113</u>

However, the Proposed Renewal of Authority will have no effect on the share capital and total number of issued shares of the Company, if all the Purchased Shares are to be retained as Treasury Shares, resold or distributed as dividends to the shareholders.

7.2 NA

When the Company purchases its own Shares, regardless of whether they are retained as Treasury Shares or subsequently cancelled, the NA per Share of HeveaBoard Group will decrease if the cost per Share purchased exceeds the NA per Share of HeveaBoard Group at the relevant point in time. However, if the cost per Share purchased is below the NA per Share of HeveaBoard Group at the relevant point in time, the NA per Share of HeveaBoard Group will increase.

In the case where the Purchased Shares are treated as Treasury Shares and subsequently resold, the NA per Share of HeveaBoard Group upon the resale will increase if the Company realises a gain from the resale, and vice-versa. If the Treasury Shares are distributed as share dividends, the NA of HeveaBoard Group will decrease by the cost of the Treasury Shares at the point of purchase.

7.3 Working Capital

The Proposed Renewal of Authority, as and when implemented, will reduce the working capital and cashflow of HeveaBoard Group, the quantum of which depends on, amongst others, the number of Shares purchased and the purchase price(s) of the Shares.

For Shares so purchased which are kept as Treasury Shares, upon their resale, the working capital and the cashflow of HeveaBoard Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cashflow will depend on the actual selling price(s) of the Treasury Shares and the number of Treasury Shares resold.

7.4 Earnings

The Proposed Renewal of Authority may contribute positively to the earnings and EPS of HeveaBoard Group. The actual effect is dependent on the purchase price(s) of the Shares, the number of Shares purchased, and the effective funding cost or loss in interest income to the Company, or the opportunity cost in relation to other investment opportunities.

7.5 Dividends

The Proposed Renewal of Authority is not expected to have any material effect on the dividends to be declared by the Company, if any, for the financial year ending 31 December 2023. The level of dividends to be declared in the future would be determined by the Board after taking into consideration the performance of the Group and the prevailing economic conditions.

8. IMPLICATION OF THE PROPOSED RENEWAL OF AUTHORITY IN RELATION TO THE CODE

Pursuant to the Code, a person, and any person(s) acting in concert with him ("Offeror"), will be required to make a mandatory general offer for the remaining Shares of the Company not already owned by him if his stake in the Company is increased beyond thirty three per centum (33%) but less than fifty per centum (50%) of the voting shares of the Company and has or intend to increase his shareholdings by two per centum (2%) or more in any six (6)-month period. However, the Offeror may seek a waiver under the Code from the Securities Commission subject to certain conditions of the Code.

Based on the shareholdings of the Substantial Shareholders of the Company as at 3 April 2023 and assuming the purchase of HeveaBoard's own Shares is carried out in full, the purchase of HeveaBoard's own Shares will trigger the implication on the Code, and the Substantial Shareholders will be obliged to extend a mandatory general offer. However, the Substantial Shareholders have represented that they have no intention of triggering the obligation to undertake a mandatory general offer. Hence, HeveaBoard will closely monitor their shareholdings prior to any purchase of own Shares to ensure that the obligation of the Substantial Shareholders of HeveaBoard pursuant to the provisions of the Code is not triggered.

9. RANKING AND TREATMENT OF PURCHASED SHARES

The Purchased Shares will be dealt with by the Board in accordance with Section 127 of the Act, in the following manners:-

- (a) cancel the HeveaBoard Shares so purchased; or
- (b) retain the HeveaBoard Shares so purchased as Treasury Shares; or

- (c) retain part of the HeveaBoard Shares so purchased as Treasury Shares and cancel the remainder; or
- (d) distribute the Treasury Shares as dividends to shareholders; or
- (e) resell the Treasury Shares, or any of the Treasury Shares in accordance with the relevant rules of the Stock Exchange; or
- (f) transfer the Treasury Shares, or any of the Treasury Shares for the purposes of under an employees' share scheme; or
- (g) transfer the Treasury Shares, or any of the Treasury Shares as purchase consideration; or
- (h) cancel the Treasury Shares, or any of the Treasury Shares; or
- (i) sell, transfer or otherwise use the Treasury Shares for such other purpose as the Minister may by order prescribe.

The Company must immediately announce to Bursa Securities on any purchase and /or cancel of its own Shares; resale or transfer of its Treasury Shares; or cancellation of its Treasury Shares pursuant to Section 127 of the Act.

While the Purchased Shares are held as Treasury Shares, the rights attached to them in relation to voting, dividends and participation in other distribution and otherwise are suspended, and the Purchased Shares shall not be taken into account in calculating the number or percentage of shares or a class of shares in the Company for any purposes including, without limiting the generality of this provision, the provisions of any law or requirements of the Constitution of the Company or the Listing Requirements on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on a resolution at meetings of the shareholders.

10. PREVIOUS PURCHASES, RESALE, TRANSFER AND CANCELLATION OF SHARES

There were no purchase, resale, transfer and cancellation of Treasury Shares made in the preceding twelve (12) months up to the latest practicable date prior to the printing of this Statement. The Company has a total of 1,881,000 HeveaBoard Shares retained as Treasury Shares.

11. HISTORICAL SHARE PRICES

The monthly highest and lowest prices at which HeveaBoard Shares were traded on the Stock Exchange in the preceding twelve (12) months up to the latest practicable date prior to the printing of this Statement are as follows:

	Highest price (RM)	Lowest price (RM)
2022		
April	0.605	0.500
May	0.590	0.500
June	0.530	0.430
July	0.470	0.430
August	0.495	0.430
September	0.450	0.360
October	0.385	0.355
November	0.380	0.335
December	0.365	0.335
2023		
January	0.400	0.340
February	0.390	0.340
March	0.355	0.330
April	0.345	0.340

The last transacted market price on 3 April 2023 : RM3.40 (*Source: Investing.com*)

12. PUBLIC SHAREHOLDING SPREAD

Further to the above, the Board is mindful of the requirement that the Proposed Renewal of Authority must not result in the number of HeveaBoard Shares which are in the hands of the public falling below twenty-five per centum (25%) of the total number of issued shares of HeveaBoard.

As at 3 April 2023, the public shareholding spread of the Company was sixty point nine nine per centum (60.99%) of its total number of issued shares (excluding Treasury Shares). The public shareholdings spread of the Company is expected to be reduced to fifty six point eight per centum (56.80%) assuming the Proposed Renewal of Authority is implemented in full i.e. up to ten per centum (10%) of the total number of issued shares of the Company as at 3 April 2023. Further, the HeveaBoard Shares are assumed to be purchased from the market from shareholders of HeveaBoard who are deemed public, and the number of HeveaBoard Shares held by the Directors and Substantial Shareholders of HeveaBoard and/or persons connected to them remain unchanged.

However, the Company will ensure that prior to any purchase of own Shares made by the Company, the public shareholding of least twenty-five per centum (25%) is maintained.

13. APPROVAL REQUIRED

The Proposed Renewal of Authority is conditional upon approval from the shareholders at the forthcoming AGM.

14. DIRECTORS' AND/OR SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the proportionate increase in percentage of shareholdings and/or voting rights of shareholders of our Company as a result of the Proposed Renewal of Authority, none of the Directors and Substantial Shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Renewal of Authority or resale of Treasury Shares (if any in the future).

15. DIRECTORS' RECOMMENDATION

The Board after having considered all aspects of the Proposed Renewal of Authority, is of the opinion that the Proposed Renewal of Authority is fair, reasonable and in the best interests of the Company, and accordingly recommend that the shareholders to vote in favour of the ordinary resolution for the Proposed Renewal of Authority to be tabled at the forthcoming AGM.

16. FURTHER INFORMATION

Shareholders may refer to the attached Appendix 1 for further information.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's Registered Office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200, Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur during normal business hours from 8.30 a.m. to 5.30 p.m. from Monday to Friday (excluding public holidays) for the period commencing from the date of this Statement up to and including the date of our forthcoming AGM:-

- (i) The Constitution of the Company; and
- (ii) The audited consolidated financial statements of the Company for the past 2 financial years and the latest unaudited results since the last audited financial statements.