

Share Buy-Back Statement

1. Disclaimer Statement

This Share Buy-back Statement ("Statement") is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Statement prior its issuance, and hence, takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the content of the Statement.

2. Rationale for the Share Buy-Back by ViTrox Corporation Berhad ("ViTrox" or "the Company") of its Own Ordinary Shares ("Shares") of up to 10% of its total number of issued shares at any given point in time ("Proposed Share Buy-Back")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

- a. To allow the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of the Shares and hence, enhance investors' confidence;
- b. To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity; and
- c. The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s).

As at 22 April 2020, the total number of issued shares of ViTrox was 471,038,800 Ordinary Shares and no treasury share was held by the Company.

Assuming the Employees' Share Option Scheme ("ESOS") of up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares), which was approved by the shareholders of ViTrox at the Extraordinary General Meeting held on 27 February 2014, will be exercised in full, the maximum number of ViTrox Shares which may be purchased by the Company will be ten percent (10%) of the enlarged total number of issued shares of the Company, i.e. 51,464,998 ViTrox Shares. Please refer Section 7(a) of this Statement for further details.

3. Retained Profits

Based on the audited financial statements of ViTrox as at 31 December 2019, the retained profits of the Company stood at RM33,450,441. The maximum fund to be allocated by the Company for the purpose of Proposed Share Buy-Back shall not exceed the retained profits of the Company.

4. Funding for the Proposed Share Buy-Back

The Proposed Share Buy-Back will be funded from internally generated funds. The Company has adequate resources to undertake the Proposed Share Buy-Back as the Company has net cash and cash equivalent balance of approximately of RM59.42 million based on the audited financial statements of ViTrox as at 31 December 2019. The fund utilised by the Company for the Proposed Share Buy-Back will reduce the resources available to ViTrox for its operations by a corresponding amount for shares bought back.

Share Buy-Back Statement

5. Interests of Directors' and Major Shareholders' and Persons Connected to them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Major Shareholders of ViTrox nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of treasury shares. Based on the Register of Directors and Register of Substantial Shareholders of ViTrox as at 22 April 2020 and assuming that ViTrox implements the Proposed Shares Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to them of ViTrox are as follows:-

	As at 22 April 2020 ^(a)				After full exercise of ESOS and Proposed Share Buy-Back ^(b)			
	Direct	Direct	Indirect	Indirect	Direct ^(c)	Direct	Indirect ^(c)	Indirect
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors and Substantial Shareholders								
Chu Jenn Weng ¹	126,978,334	26.96	-	-	126,978,334	27.41	-	-
Siaw Kok Tong	90,123,028	19.13	-	-	90,123,028	19.46	-	-
Yeoh Shih Hoong ³	44,386,464	9.42	4,000,000 ⁵	0.85	44,386,464	9.58	4,000,000 ⁵	0.86
Directors								
Dato' Seri Dr. Kiew Kwong Sen	7,183,800	1.53	-	-	7,183,800	1.55	-	-
Prof Ir. Dr. Ahmad Fadzil Bin Mohamad Hani	1,877,000	0.40	-	-	1,877,000	0.41	-	-
Chuah Poay Ngee	405,000	0.09	-	-	405,000	0.09	-	-
Chang Mun Kee	300	Negligible	12,734,298 ²	2.70	300	Negligible	12,734,298 ²	2.75
Mary Yeo Chew Yen ⁴	37,000	0.01	-	-	37,000	0.01	-	-
Person Connected to Director/Substantial Shareholder								
Su Pek Fuen ¹	1,228,198	0.26	-	-	1,228,198	0.27	-	-
Affin Hwang Nominees (Asing) Sdn Bhd - DBS Vickers Secs (S) Pte Ltd For Voyager Assets Limited ²	12,734,298	2.70	-	-	12,734,298	2.75	-	-
Kam Su-Ning ³	362,096	0.08	-	-	362,096	0.08	-	-
Lo Chih Ming ⁴	19,000	Negligible	-	-	19,000	Negligible	-	-
HSBC Nominees (Tempatan) Sdn Bhd – Exempt an For Credit Suisse (HK BR-TST-TEMP) ⁵	4,000,000	0.85	-	-	4,000,000	0.86	-	-

Notes:-

^(a) Based on the total number of issued shares of 471,038,800 Ordinary Shares.

^(b) Based on the total number of issued shares of 463,184,982 Ordinary Shares after the full exercise of ESOS and Proposed Share Buy-Back is carried out in full and all the shares purchased are held as treasury shares.

^(c) The shareholdings do not include the number of new ViTrox Shares to be allotted to the Directors of the Company and person connected to them pursuant to the ESOS.

^{1,3,4} Being spouse to the Director/Substantial Shareholder.

² Affin Hwang Nominees (Asing) Sdn Bhd – DBS Vickers Secs (S) Pte Ltd For Voyager Assets Limited is the trustee of a discretionary trust, for charity and estate planning purpose, where the beneficiaries are members of Mr Chang Mun Kee's family and himself.

⁵ HSBC Nominees (Tempatan) Sdn Bhd – Exempt an For Credit Suisse (HK BR-TST-TEMP), is the custodian bank of Credit Suisse Hong Kong Private Banking, of which Yeoh Shih Hoong 4,000,000 shares are currently safe-kept in.

Share Buy-Back Statement

6. Potential Advantages and Disadvantages of the Proposed Share Buy-Back

6.1 Potential Advantages of the Proposed Share Buy-Back

The Potential Advantages of the Proposed Share Buy-Back are set out in Section 2 of this Statement.

6.2 Potential Disadvantages of the Proposed Share Buy-Back

- a. The Proposed Share Buy-Back, if implemented, will reduce the financial resources of the Group and may result in the Group foregoing interest income and/or better investment opportunities that may emerge in the future; and
- b. As the Proposed Share Buy-Back can only be made out of retained profits of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Proposed Share Buy-Back is not expected to have any potential material disadvantage to the shareholders of the Company as well as the Group as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on the shareholders of the Company.

7. Material Financial Effects of the Proposed Share Buy-Back

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets ("NTA"), working capital, earnings, dividends and the substantial shareholders' shareholdings in ViTrox (assuming that the Company purchases up to a maximum of 51,464,998 ViTrox Shares representing approximately ten percent (10%) of the enlarged total number of issued shares with the full exercised of ESOS) are set out below:-

a. Share Capital

The effect of the Proposed Share Buy-Back on the share capital of the Company as at 22 April 2020 are illustrated as follows:-

	No. of Shares
Issued and fully paid-up share capital as at 22 April 2020	471,038,800
Shares to be issued pursuant to the ESOS (assuming full exercise of the ESOS of up to 10% of the issued and paid-up share capital and net of 3,492,700 shares already issued pursuant to the ESOS as at 22 April 2020)	43,611,180
Enlarged issued and paid-up share capital	514,649,980
Assumed the Shares purchased and cancelled	(51,464,998)
Resultant issued and paid-up capital	<u>463,184,982</u>

Notes:-

No treasury share was held.

If the Shares so purchased are retained as treasury shares, the total number of issued shares of the Company will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

Share Buy-Back Statement

7. Material Financial Effects of the Proposed Share Buy-Back (cont'd)

b. Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group will depend on, inter alia, the purchase prices of the Shares, the number of Shares purchased, the effective funding cost to ViTrox to finance the purchase of Shares or any loss in interest income to the Group and the proposed treatment of the Purchased Shares.

Assuming the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Share Buy-Back will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice versa.

c. NTA

The effect of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase prices of the Shares, the number of Shares purchased and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share of the Group if the purchase price exceeds the consolidated NTA per Share at the time of the purchase, and vice versa.

In the event the treasury shares are resold on Bursa Securities, the consolidated NTA per Share will increase if the Company realizes a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the consolidated NTA per Share will decrease by the cost of the treasury shares.

d. Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital and cash flow of the Group, the quantum of which will depend on the purchase prices of the Shares, the number of Shares purchased and any associated costs incurred in making the purchase.

For the Purchased Shares which are kept as treasury shares, upon their resale, the working capital and the cash flow of the Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

e. Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

f. Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining total number of issued shares of ViTrox (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2020 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Share Buy-Back Statement

7. Material Financial Effects of the Proposed Share Buy-Back (cont'd)

f. Dividends (cont'd)

Any dividends to be declared by ViTrox in the future would depend on, inter-alia, the profitability and cashflow position of the Group.

8. Implications of the Proposed Share Buy-Back relating to the Rules on Take-overs, Merger and Compulsory Acquisitions ("the Rules")

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board of Directors ("Board") will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

9. Purchases, Resold, Transfer and Cancellation made by the Company of its own shares in the preceding 12 Months

There was no treasury share held and the Company had not purchased, resold, transfer or cancelled any shares in the preceding 12 months.

10. Public Shareholding Spread

As at 22 April 2020, the Record of Depositors of ViTrox showed that 181,704,282 Shares representing approximately 38.6% of the total number of issued shares were held by the public shareholders. In this regard, the Board undertakes that the Proposed Share Buy-Back will be conducted to the extent that the public shareholding spread of ViTrox shall not fall below 25% of the issued and paid-up share capital of the Company (excluding treasury shares) at all times in accordance with the laws and regulations prevailing at the time of the purchase as stipulated in Paragraphs 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements ("LR").

11. Proposed Intention of the Directors to deal with the Shares so Purchased

The Proposed Share Buy-Back, if exercised, the shares shall be dealt with in the following manner:-

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder.

12. Directors' Statement

The Board, having taken into consideration the rationale for the Proposed Share Buy-Back, is of the opinion that Proposed Share Buy-Back is in the best interest of the Company.

13. Directors' Recommendation

The Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM to give effect to the Proposed Share Buy-Back.

Share Buy-Back Statement

14. Historical Share Prices

The monthly highest and lowest market prices of ViTrox's Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:-

	High RM	Low RM
2019		
May	7.24	6.68
June	7.14	6.78
July	7.08	6.81
August	7.14	6.61
September	7.52	6.82
October	8.40	7.33
November	8.19	7.51
December	7.95	7.71
2020		
January	9.57	7.91
February	9.50	8.28
March	8.40	6.09
April	8.30	7.00

Last transacted market price as at 13 May 2020 (being the latest practical date prior to the printing of this Statement) was RM8.20.

(Source: Bloomberg)

15. Responsibility Statement

This Statement has been seen and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information given 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.

16. Documents available for Inspection

Copies of the following documents will be available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:-

- (i) Constitution of ViTrox; and
- (ii) The audited consolidated financial statements of ViTrox for the past two (2) financial years ended 31 December 2018 and 2019 respectively.

17. Further Information

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.